

**West Central Minnesota Communities
Action, Inc. and Subsidiary**

Consolidated Financial Statements

September 30, 2017 and 2016



West Central Minnesota Communities Action, Inc. and Subsidiary
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Independent Auditor's Report

To the Board of Directors
West Central Minnesota Communities Action, Inc. and Subsidiary
Elbow Lake, Minnesota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of West Central Minnesota Communities Action, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of West Central Minnesota Communities Action, Inc. and Subsidiary, as of September 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information as identified in the table of contents, including the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
January 23, 2018

CONSOLIDATED FINANCIAL STATEMENTS

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Financial Position
As of September 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 2,277,730	\$ 2,691,422
Accounts receivable	10,322	1,060
Grants receivable	685,378	630,063
Contracts receivable	94,694	190,187
Prepaid expenses	31,468	22,835
Other assets	247,292	20,538
Total current assets	3,346,884	3,556,105
Noncurrent assets		
Loans receivable	-	624
Property and equipment, net	1,477,141	1,342,179
MURL homes and property, net	1,805,908	1,944,904
Total noncurrent assets	3,283,049	3,287,707
Total assets	\$ 6,629,933	\$ 6,843,812
Liabilities and Net Assets		
Current liabilities		
Notes payable, current portion	\$ 9,241	\$ -
Forgivable loans, current portion	20,000	20,000
Accounts payable	380,549	320,845
Accrued payroll and benefits	238,548	185,917
Accrued paid time off	392,391	376,181
Deferred grant revenue	1,628,132	1,938,370
Due to other agencies	-	25,014
Total current liabilities	2,668,861	2,866,327
Long-term liabilities		
Notes payable, less current portion	34,889	-
Deferred MURL payments	529,168	506,658
Deferred loans	111,509	112,133
Forgivable loans, less current portion	396,975	436,975
Total long-term liabilities	1,072,541	1,055,766
Total liabilities	3,741,402	3,922,093
Net assets		
Unrestricted net assets	2,888,531	2,921,719
Total liabilities and net assets	\$ 6,629,933	\$ 6,843,812

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Grant revenue		
Federal sources	\$ 6,006,522	\$ 5,194,854
State sources	1,556,530	1,636,422
County sources	78,500	61,522
Other sources	388,286	343,594
Sales/fees	297,897	375,898
Contributions	89,630	37,306
Affordable home loan program	227,758	101,405
Reimbursements	13,190	25,249
In-kind contributions	879,137	737,383
Rental income	1,866	13,267
Gain (loss) on sale of assets	(15,148)	45,985
Visitation income	20,360	55,475
Miscellaneous income	7,885	34,697
Interest income	1,412	1,916
Total revenues	<u>9,553,825</u>	<u>8,664,973</u>
Expenses		
Personnel	5,185,407	4,923,816
Consultants	147,502	161,424
Travel	183,062	168,496
Space cost and rental	138,935	130,349
Supplies	403,622	181,757
Repairs and maintenance	47,653	30,263
Other direct costs	24,964	16,007
Audit and accounting	26,500	27,715
Advertising	17,229	17,588
Insurance	61,434	71,004
Interest	7,792	-
Telephone	66,097	42,179
Postage and printing	27,211	51,891
Depreciation	184,326	165,024
Training	90,877	71,196
Miscellaneous	104,924	96,569
Direct program costs		
Head Start	142,584	135,772
Energy Assistance Program	326,223	355,962
Weatherization	578,911	497,578
Housing Rehabilitation/Housing	393,324	307,327
Client Services	538,615	628,917
Tax Services	10,684	26,017
In-kind	879,137	737,383
Total expenses	<u>9,587,013</u>	<u>8,844,234</u>
Change in net assets	(33,188)	(179,261)
Net Assets		
Beginning of year	<u>2,921,719</u>	<u>3,100,980</u>
End of year	<u>\$ 2,888,531</u>	<u>\$ 2,921,719</u>

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flows - Operating Activities		
Change in net assets	\$ (33,188)	\$ (179,261)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation - property and equipment	92,702	68,397
Depreciation - MURL homes	91,624	96,627
Loss (gain) on disposal of assets	2,300	(45,985)
Loss on sale of MURL homes	12,848	-
Debt forgiveness	(40,000)	-
Deferred revenue recognized in gain with sale of MURL homes	-	40,361
Changes in operating assets and liabilities		
Accounts receivable	(9,262)	7,752
Grants receivable	(55,315)	184,147
Loans receivable	624	34,788
Contracts receivable	95,493	(58,438)
Prepaid expenses	(8,633)	7,172
Other assets	(226,754)	-
Escrows payable	-	(1,100)
Accounts payable	59,704	77,485
Accrued payroll and benefits	52,631	(66,626)
Accrued paid time off	16,210	4,106
Deferred grant revenue	(310,238)	637,878
Due to other agencies	(25,014)	9
Deferred MURL payments	22,510	26,090
Deferred loans	(624)	-
Net cash flows - operating activities	(262,382)	833,402
Cash Flows - Investing Activities		
Proceeds from sale of equipment	850	-
Net proceeds from sale of MURL homes	63,000	230,539
Purchases of property and equipment	(230,814)	(2,000)
Purchases for property acquired with forgivable loans	-	(240,422)
Purchases of MURL homes and property	(28,476)	(117,365)
Net cash flows - investing activities	(195,440)	(129,248)
Cash Flows - Financing Activities		
Proceeds received on forgivable loans	-	240,422
Proceeds from note payable	49,923	-
Principal payments on notes payable	(5,793)	-
Net cash flows - financing activities	44,130	240,422
Net change in cash and cash equivalents	(413,692)	944,576
Cash and Cash Equivalents		
Beginning of year	2,691,422	1,746,846
End of year	\$ 2,277,730	\$ 2,691,422
Supplementary Disclosure of Cash Flow Information		
Cash paid and reimbursed for property - included in purchases above	\$ -	\$ 240,422
Property directly financed with forgivable loans	-	216,553
Total property acquired through forgivable loans	\$ -	\$ 456,975

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

West Central Minnesota Communities Action, Inc. is a nonprofit corporation organized to provide assistance for disadvantaged persons in Douglas, Grant, Pope, Stevens, and Traverse Counties of west central Minnesota, primarily through the administration of federal, state and other grants.

The mission of the Organization is partnering to build community and empower people to overcome poverty and achieve their full potential. The Organization was established on August 12, 1965, under the provisions of the Minnesota Nonprofit Corporations Act, *Minnesota Statutes*, Chapter 317. The Organization is dedicated to reducing the effects of poverty, helping people to achieve self-sufficiency, and improving the quality of rural life. The Board of Directors consists of representatives of the public sector, the low-income sector, and the private sector. The general management of the affairs of the Organization is vested in the Board of Directors.

Phoenix Apartments, LLC was formed in February 2015 as a nonprofit limited liability company for the purchase and operation of a multi-family housing project located in Alexandria, Minnesota. Phoenix Apartments, LLC has a December 31 year-end, but chooses to report financial statements on a fiscal year ending September 30.

Basis of Consolidation

The consolidated financial statements include the accounts of West Central Minnesota Communities Action, Inc. and its wholly owned subsidiary, Phoenix Apartments, LLC (the "Organization"). All significant inter-company balances and transactions have been eliminated.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Revenues and expenses are accounted for on the accrual basis for all classes of net assets. Revenues are recognized when earned and expensed when incurred.

Consolidated Financial Statement Presentation

Net assets and revenues are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows.

Unrestricted

Resources over which the Board of Directors has discretionary control and are available for the operations of the Organization.

Temporarily Restricted

Resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time. The Organization did not have any temporarily restricted net assets at September 30, 2017 and 2016.

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statement Presentation (Continued)

Permanently Restricted

Accounts for all financial resources which include a donor-imposed restriction that stipulates the resources be maintained permanently, but permits the Organization to use or expend part or all of the income derived from the donated assets. The Organization did not have any permanently restricted net assets at September 30, 2017 and 2016.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings accounts, and securities with original maturities of three months or less.

Accounts Receivable

Accounts receivable are stated at net realizable value. Payment is required 30 days after receipt of the invoice. Accounts more than 90 days past due are individually analyzed for collectability. Accordingly, bad debts are provided for on the reserve method based upon prior experience and management's assessment of the collectability of existing specific accounts. When all collection efforts have been exhausted, the accounts are written off against the related allowance. No allowance for bad debts is considered necessary at September 30, 2017 and 2016.

Grants and Contracts Receivable

Grants and contracts receivable are amounts outstanding under government reimbursement grants and contract agreements. The Organization recognizes revenue from governmental agreements on a cost-reimbursement or fee for service basis. Based upon prior experience and continual assessments of future collections, the Organization estimates its allowance for uncollectible grants and contracts receivable to be \$0 at both September 30, 2017 and 2016.

Other Assets

The Organization builds affordable homes for low to middle income households. When a house is not completed before the fiscal year ends, all expenses are put into an asset account until the house has been sold. Once sold the revenue and expenses are recognized.

Property and Equipment

Property and equipment having an initial value greater than \$5,000 and a useful life greater than one year are recorded at cost and depreciated over the estimated useful lives of the assets, ranging from 5 to 40 years, using the straight-line method of depreciation. Grant funds provided for the purchase of property and equipment for individual programs, are recognized as revenue when the qualifying expenditure is made. Property and equipment purchased with grant funds must continue to be used in the program for which it was purchased, if funding sources have a reversionary interest in the property or the proceeds from the disposal of the property.

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the assets and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Organization has determined that no impairment existed at September 30, 2017 and 2016.

Other Assets - MURL Homes

All costs related to the Organization's MURL Program are recorded as assets as incurred. The assets MURL homes and property, which are sold under contracts for deed, are depreciated over the terms of the contracts for deed, typically 30 years. Accumulated depreciation on these assets for 2017 and 2016 was \$932,528 and \$890,454, respectively.

The contracts for deed have 0% interest and maturity dates ranging from 2025 to 2047. Payments received to date are recorded as a deposit liability until the contract for deed is paid in full and the title of the property transfers to the buyer. Amounts collected as of September 30, 2017 and 2016, were \$529,168 and \$506,658, respectively, and are included in deferred MURL payments.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as released from restrictions. If the restriction is met on a contribution in the year the contribution is received, the contribution is reported as unrestricted revenue.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants and contracts revenue are recognized in the accounting period when the related allowable expenses are incurred or the service has been performed.

In-Kind Contributions

In-kind contributions represent donated professional services, space, and materials to the Organization's programs and are based on fair market value at the time donated. A similar amount is included in expenses and represents the amount which would have been expended had the goods or services not been donated. The Organization recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of other services, which do not meet the requirements for recognition in accordance with the accounting principles generally accepted in the United States, are reported only in the notes to consolidated financial statements. See Note 10.

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost Allocation

The Organization uses a cost allocation plan to allocate costs that cannot be identified to one grant, such as space, telephone, and postage. Space is allocated based on the square footage that is occupied by each program, telephone is allocated by the number of phones by each grant, long distance calls are allocated based on the program codes assigned to each employee, and postage is allocated based on the code assigned for each program. Other costs are allocated as detailed in the Organization's cost allocation plan.

Functional Expense Allocation

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. Allocation methods comply with the requirements and limitations of the underlying grants.

	<u>2017</u>	<u>2016</u>
Program expenses		
Head Start Program	\$ 4,685,078	\$ 3,942,566
Weatherization Program	981,875	869,325
Energy Assistance Program	736,589	807,143
FAIM Program	535,104	583,987
Family and Community Services Programs	644,100	606,486
Affordable Housing and Housing Rehab	511,745	495,296
Other programs	<u>507,031</u>	<u>621,551</u>
Total program expenses	8,601,522	7,926,354
Management and general expenses	930,775	884,468
Fundraising expenses	<u>54,716</u>	<u>33,412</u>
Total expenses	<u><u>\$ 9,587,013</u></u>	<u><u>\$ 8,844,234</u></u>

Advertising Costs

Advertising costs are expensed as incurred. The amount charged to expense for 2017 and 2016 was \$17,229 and \$17,588, respectively.

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

West Central Minnesota Communities Action, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from Minnesota franchise and income tax.

Phoenix Apartments, LLC is treated as a disregarded entity as it is owned by West Central Minnesota Communities Action, Inc. The activity of Phoenix Apartments, LLC is included in the tax return of West Central Minnesota Communities Action, Inc.

The Organization is required to assess whether any uncertain tax positions exist and if there should be recognition of a related benefit or liability in the consolidated financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Subsequent Events

The Organization has evaluated subsequent events through January 23, 2018, the date which the consolidated financial statements were available to be issued.

NOTE 2 – GRANTS RECEIVABLE

	2017	2016
Federal programs	\$ 468,486	\$ 412,723
State programs	114,687	156,065
Other programs	102,205	61,275
Total grants receivable	\$ 685,378	\$ 630,063

NOTE 3 – LOANS RECEIVABLE

The Organization previously received \$175,000 in grants from the McKnight Foundation for the purpose of providing short-term loans to low income individuals. The Organization, in conjunction with Bremer Bank, utilizes this grant as a revolving loan fund. Due to this, the \$175,000 has been classified as deferred loans and the balance is written-off as loans become uncollectible by the Organization from the individuals. Bremer Bank loans the funds and attempts to collect loans from individuals. If Bremer Bank is unsuccessful, the loan is transferred to the Organization who attempts to collect from the individual. At September 30, 2017 and 2016, there were \$0 and \$624 in loans receivable, respectively, and \$111,509 and \$112,133 in deferred loans, respectively.

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 4 – PROPERTY AND EQUIPMENT

	<u>2017</u>	<u>2016</u>
Land	\$ 30,000	\$ 30,000
Buildings	1,422,601	1,422,601
Building improvements	43,796	43,796
Leasehold improvements	359,408	275,281
Vehicles	174,155	116,152
Furniture and equipment	246,581	186,832
Other - scanner	19,215	19,215
Software purchases	<u>77,024</u>	<u>77,024</u>
Total cost	2,372,780	2,170,901
Less accumulated depreciation	<u>895,639</u>	<u>828,722</u>
 Property and equipment, net	 <u>\$ 1,477,141</u>	 <u>\$ 1,342,179</u>

Depreciation expense on property and equipment for 2017 and 2016 was \$92,702 and \$68,397, respectively.

NOTE 5 – MURL HOMES

	<u>2017</u>	<u>2016</u>
MURL homes	\$ 2,738,436	\$ 2,835,358
Less accumulated depreciation	<u>932,528</u>	<u>890,454</u>
 MURL homes, net	 <u>\$ 1,805,908</u>	 <u>\$ 1,944,904</u>

Depreciation expense on MURL homes for 2017 and 2016 was \$91,624 and \$96,627, respectively.

NOTE 6 – LINE OF CREDIT

The Organization has a line of credit with a financial institution. The line of credit is available for short-term cash flow needs up to \$300,000 and is due on demand with no future maturity date. The line of credit has an interest rate of prime and is unsecured. At September 30, 2017 and 2016, the Organization did not have any amounts outstanding on the line of credit.

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 7 – NOTES PAYABLE

	2017	2016
Financial institution		
Monthly payments of \$447, including interest at 5.58%, February 2022	\$ 20,640	\$ -
Monthly payments of \$509, including interest at 5.58%, February 2022	23,490	-
	44,130	-
Less current portion	(9,241)	-
	\$ 34,889	\$ -

Future principal payments on long-term notes payable are as follows for they years ending September 31:

2018	\$ 9,241	
2019	9,771	
2020	10,330	
2021	10,921	
2022	3,867	
Total	\$ 44,130	

NOTE 8 – FORGIVABLE LOANS

Forgivable Asset Management Loan

In December 2015, Phoenix Apartments, LLC purchased a multi-family housing development property for persons and families of low and moderate income. The building has had renovations. The property was financed by Minnesota Housing Finance Agency with a forgivable \$396,975 asset management loan under the terms that the building be used as a housing development for persons and families of low and moderate income. The loan is due in one lump sum payment on December 22, 2045, however, the loan will be forgiven at maturity if there is no event of default under the terms of the loan.

Forgivable Transitional Housing Program Loan and Housing Trust Fund Loan

In December 2015, Phoenix Apartments, LLC assumed two loans 1) a transitional housing program deferred loan repayment agreement and mortgage and 2) a housing trust fund program deferred loan repayment agreement and mortgage, both dated September 1, 1998, in the original principal amount of \$100,000 each from the seller of the multi-family housing development property. The loans mature September 1, 2018, and provided Phoenix Apartments, LLC continues to comply with the terms of the loan agreements the loans will be forgiven and recorded as revenue on a sliding scale as described in the loan agreements. The current portion of the forgivable loans represents \$10,000 from each loan that will be forgiven within the next fiscal year. The balance of the loans at September 30, 2017 and 2016 was \$10,000 each.

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 9 – OPERATING LEASES

The Organization has entered into various operating leases for space, primarily for its offices and its Head Start Program. Lease expense for 2017 and 2016 was \$95,745 and \$79,028, respectively. The Organization has also entered into three month-to-month leases which are not included in the future minimum lease payments below.

Future minimum lease payments are as follows for the years ending September 30:

2018	\$ 146,856
2019	106,551
2020	108,426
2021	108,546
2022	<u>90,693</u>
 Total	 <u><u>\$ 561,072</u></u>

The Organization has also entered into an operating lease for its child safe exchange and visitation center program known as "PLUS Kids", as well as for supporting offices. The previous lease agreement term was October 1, 2013 through August 31, 2017. The current lease commenced on August 31, 2017 and continues through August 31, 2037. The rent during the first year of this agreement and for each successive year thereafter is \$1. In the event the Organization is not appropriated funds necessary for the continuation of the lease agreement or operation of the program, the agreement may be terminated upon giving a thirty-day written notice. The Organization recognized an in-kind contribution and lease expense for the fair value of the lease each year. No future minimum lease payments are reflected above due to the condition placed on the contribution.

NOTE 10 – IN-KIND CONTRIBUTIONS

For 2017, in-kind contributions were recorded in the following programs:

Donated materials/other

	Federal				State	Local	Total
	Headstart 16	Headstart 17	In Home Repair 16	In Home Repair 17	CSSD 16-17	Plus Kids 17	
Space costs	\$ 42,999	\$538,313	\$ -	\$ -	\$ -	\$ 37,620	\$ 618,932
Other direct costs	-	-	563	1,240	1,303	-	3,106
 Total	 <u><u>\$ 42,999</u></u>	 <u><u>\$ 538,313</u></u>	 <u><u>\$ 563</u></u>	 <u><u>\$ 1,240</u></u>	 <u><u>\$ 1,303</u></u>	 <u><u>\$ 37,620</u></u>	 <u><u>\$ 622,038</u></u>

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 10 – IN-KIND CONTRIBUTIONS (CONTINUED)

Donated services

	Federal		State	Total
	Headstart 16	Headstart 17	VITA 16-17	
Professional services	\$ 27,365	\$202,990	\$ 26,744	\$257,099

In-kind contributions reported for grant purposes, but not for consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

	Headstart 16	Headstart 17	In Home Repair 16-17	OJP 17	Food Support 17	CSSD 16-17
	Salaries and wages	\$ 24,068	\$175,489	\$ 1,712	\$ -	\$ -
Fringe benefits	8,424	61,435	-	-	-	-
Other direct costs	-	-	-	11,947	46,147	428,773
Total	\$ 32,492	\$236,924	\$ 1,712	\$ 11,947	\$ 46,147	\$452,287

	VITA 17	LTH 17	TSH HUD 17	PSH HUD 17	ESG 17	Total
	Salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe benefits	-	-	-	-	-	69,859
Other direct costs	7,100	62,227	45,000	16,050	12,947	630,191
Total	\$ 7,100	\$ 62,227	\$ 45,000	\$ 16,050	\$ 12,947	\$924,833

For 2016, in-kind contributions were recorded in the following programs:

Donated materials/other

	Federal				Total
	Headstart 15	Headstart 16	In Home Repair - 16	CSSD 14-16	
Space costs	\$ 32,549	\$359,205	\$ -	\$ -	\$391,754
Supplies	-	-	-	2,784	2,784
Other direct costs	-	-	1,974	1,317	3,291
Volunteer travel	-	148	-	1,910	2,058
Total	\$ 32,549	\$359,353	\$ 1,974	\$ 6,011	\$399,887

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 10 – IN-KIND CONTRIBUTIONS (CONTINUED)

Donated services

	Federal			Total
	Headstart 15	Headstart 16	CSSD 16-18	
Salaries and wages	\$ -	\$ -	\$ 587	\$ 587
Professional services	32,672	304,237	-	336,909
Total	\$ 32,672	\$ 304,237	\$ 587	\$ 337,496

In-kind contributions reported for grant purposes, but not for consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

	Headstart 15	Headstart 16	In Home Repair 16	Food Support 16	CSSD 14-16	Total
Salaries and wages	\$ 24,145	\$208,745	\$ 59	\$ 30,770	\$224,290	\$ 488,009
Fringe benefits	8,527	73,068	-	10,441	5,866	97,902
Space	-	-	-	-	338	338
Supplies	-	70	-	-	2,539	2,609
Volunteer travel	-	-	-	-	19,840	19,840
Other direct costs	-	5,994	-	-	-	5,994
Total	\$ 32,672	\$ 287,877	\$ 59	\$ 41,211	\$ 252,873	\$ 614,692

NOTE 11 – RETIREMENT PLAN

The Organization has a defined contribution retirement plan covering all full-time employees who have reached the age of 21. Employees hired after February 29, 2004, are required to complete six months of service prior to participation. The employer's contributions for 2017 and 2016 were \$141,886 and \$135,382, respectively.

NOTE 12 – CONCENTRATIONS

Cash

The Organization had cash deposits at two financial institution that were in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. Credit risk is mitigated due to the practice of entering into repurchase agreements with the financial institutions as well as collateralizing deposits exceeding FDIC insured limits. The repurchase agreements were secured by other financial institution pledged securities.

West Central Minnesota Communities Action, Inc. and Subsidiary
Notes to Consolidated Financial Statements

NOTE 12 – CONCENTRATIONS (CONTINUED)

Revenue

During 2017 and 2016, 14% of the Organization's revenue was received from the Energy Assistance and Energy Assistance Weatherization Programs through the Minnesota Department of Commerce and 41% and 34%, respectively, of revenue was received from the Head Start Program through the U.S. Department of Health and Human Services.

NOTE 13 – CONTINGENCIES

Federal and state program activities are subject to financial and compliance regulation. To the extent any expenditures are disallowed, a liability to the respective federal or state agency could result.

The Organization is subject to claims arising in the normal course of business. While it is not feasible to determine the outcomes of any of these claims, it is the opinion of management that their outcomes will not have a material effect on the financial position or activities of the Organization.

NOTE 14 – FISCAL AGENT AGREEMENT

The Organization acts as a fiscal agent for Local Harvest Market. During 2017 and 2016, the Organization collected \$0 and \$9, respectively. The Organization disbursed \$25,014 and \$0 in 2017 and 2016, resulting in a balance of \$0 and \$25,014 at September 30, 2017 and 2016, respectively.

NOTE 15 – RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to presentation used in the current year financial statements.

SUPPLEMENTARY INFORMATION

West Central Minnesota Communities Action, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal Grantors/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Minnesota Department of Education USDA Food Reimbursement	10.558	2MN300061	\$ -	\$ 29,639
Minnesota Department of Human Services SNAP Cluster	10.561	102220	-	41,262
Total U.S. Department of Agriculture			-	70,901
U.S. Department of Housing and Urban Development				
Minnesota Homeownership Center Housing Counseling Assistance Program	14.169	FY2017-22	-	1,951
Minnesota Department of Human Services Emergency Shelter Grant	14.231	126932	-	8,290
Direct				
Temporary Supportive Housing HUD	14.267		-	43,819
Permanent Supportive Housing HUD	14.267		-	23,016
Rapid Rehousing	14.267		-	5,321
Total Supportive Housing			-	72,156
Total U.S. Department of Housing and Urban Development			-	82,397
U.S. Department of Justice				
Minnesota Department of Public Safety Office of Justice - Plus Kids	16.575	A-CVS-2017-WCMCA-00069	-	47,789
Office of Justice - Plus Kids	16.575	A-TU-2016-WCMCA-0059	-	2,629
Total U.S. Department of Justice			-	50,418
U.S. Department of Treasury				
Direct				
VITA-Tax	21.009		-	12,169
Minnesota Housing Finance Agency				
National Foreclosure Mitigation	N/A	21.000-PL113-76X1350	-	1
National Foreclosure Mitigation	N/A	21.000-PL114-113X1350	-	3,135
Total National Foreclosure Mitigation			-	3,136
Total U.S. Department of Treasury			-	15,305
U.S. Department of Energy				
Minnesota Department of Commerce				
Weatherization Assistance for Low Income Persons				
DOE 16-17	81.042	110774	-	288,488
DOE 17-18	81.042	125262	-	48,585
Total U.S. Department of Energy			-	337,073
U.S. Department of Health and Human Services				
Land of Dancing Sky Area Agency on Aging				
In Home Repair Cluster	93.044	314-16-003B-428	-	1,784
In Home Repair Cluster	93.044	314-17-003B-428	-	16,954
Total In Home Repair Cluster			-	18,738
Minnesota Department of Human Services				
MNSure	93.525	N/A	-	11,390

See notes to schedule of expenditures of federal awards.

West Central Minnesota Communities Action, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal Grantors/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Minnesota Department of Commerce				
Low Income Home Energy Assistance				
EAP/WX A2107	93.568	110774	\$ -	\$ 392,533
EAP	93.568	114893/8707	-	805,657
EAP/WX A2107	93.568	125262	-	120,233
EAP/WX A2108	93.568	125262	-	16,151
Total Low Income Energy Assistance			<u>-</u>	<u>1,334,574</u>
Minnesota Department of Health and Human Services				
CSBG	93.569	94821	<u>-</u>	<u>124,336</u>
Direct				
Federal Head Start	93.600		-	132,059
Federal Head Start	93.600		-	167,040
Federal Head Start	93.600		-	1,503,667
Federal Head Start	93.600		-	1,884,817
Total Federal Head Start			<u>-</u>	<u>3,687,583</u>
Direct				
FAIM IV	93.602		-	197,626
FAIM VI	93.602		-	61,853
Total FAIM			<u>-</u>	<u>259,479</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>5,436,100</u>
U.S. Department of Emergency Management Agency				
Direct				
Federal Emergency Management Agency				
FEMA Douglas County	97.024		-	3,128
FEMA Multi-County	97.024		-	11,200
Total U.S. Department of Emergency Management Agency			<u>-</u>	<u>14,328</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 6,006,522</u>

West Central Minnesota Communities Action, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of West Central Minnesota Communities Action, Inc. under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of West Central Minnesota Communities Action, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of West Central Minnesota Communities Action, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting, which conform to accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

West Central Minnesota Communities Action, Inc. has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2017

Fund Number	Grant Number	Program Name
Federal Programs		
U.S. Department of Agriculture		
Various	2MN300061	USDA Food Reimbursement
8077	102220	SNAP Cluster
U.S. Department of Housing and Urban Development		
6153	MN0105L5K081508	Temporary Supportive Housing HUD
6158	MN0216L5K081504	Permanent Supportive Housing HUD
6166	FY2017-22	Housing Counseling Assistance Program
6172	126932	Emergency Shelter Grant
6175	MN0389L5K081600	Rapid Rehousing
U.S. Department of Justice		
9013	A-TU-2016-WCMCA-0059	Office of Justice Plus Kids
9016	A-CVS-2017-WCMCA-00069	Office of Justice Plus Kids
U.S. Department of Treasury		
6122	21.000-PL113-76X1350	National Foreclosure Mitigation
6157	21.000-PL114-113X1350	National Foreclosure Mitigation
6159	17VITA0234	VITA-Tax
U.S. Department of Energy		
7279	110774	DOE 16-17
7300	125262	DOE 17-18
U.S. Department of Health and Human Services		
1028	94821	CSBG
2054	90EI071101	FAIM IV
2079	90EI0953-01-00	FAIM VI
5034	05CH8301-04-00	Federal Headstart
5035	05CH8304-03-00	Federal Headstart
5039	05CH8301-05-00	Federal Headstart
5040	05CH8304-04-00	Federal Headstart
7269	314-16-003B-428	In-Home Repair
7280	110774	EAP/WX A2107
7284	114893/8707	EAP
7285	314-17-003B-428	In-Home Repair
7298	125262	EAP/WX A2107
7299	125262	EAP/WX A2108
8080	N/A	MNSure
Federal Emergency Management Agency		
6169	33-4859-20	FEMA Multi-County
6170	33-4938-00	FEMA Doulgas County

Total Federal Programs

State or Other Administrative Department	Current Revenues	Current Expenses
MN Department of Education	\$ 29,639	\$ 29,639
MN Department of Human Services	41,262	41,262
	<u>70,901</u>	<u>70,901</u>
US Dept. of Housing and Urban Development	43,819	43,819
US Dept. of Housing and Urban Development	23,016	23,016
MN Homeownership Center	1,951	1,951
MN Department of Human Services	8,290	8,290
US Dept. of Housing and Urban Development	5,321	5,321
	<u>82,397</u>	<u>82,397</u>
MN Department of Public Safety	2,629	2,629
MN Department of Public Safety	47,789	47,789
	<u>50,418</u>	<u>50,418</u>
MN Housing Finance Agency	1	1
MN Housing Finance Agency	3,135	3,135
Internal Revenue Service	12,169	12,169
	<u>15,305</u>	<u>15,305</u>
MN Department of Commerce	288,488	288,488
MN Department of Commerce	48,585	48,585
	<u>337,073</u>	<u>337,073</u>
MN Department Health & Human Services	124,336	124,336
US Dept. of Health & Human Services	197,626	197,626
US Dept. of Health & Human Services	61,853	61,853
US Dept. of Health & Human Services – Region V	132,059	132,059
US Dept. of Health & Human Services – Region V	167,040	167,040
US Dept. of Health & Human Services – Region V	1,503,667	1,503,667
US Dept. of Health & Human Services – Region V	1,884,817	1,884,817
Land of the Dancing Sky Area Agency on Aging	1,784	1,784
MN Department of Commerce	392,533	392,533
MN Department of Commerce	805,657	805,657
Land of the Dancing Sky Area Agency on Aging	16,954	16,954
MN Department of Commerce	120,233	120,233
MN Department of Commerce	16,151	16,151
MN Department of Human Services	11,390	11,390
	<u>5,436,100</u>	<u>5,436,100</u>
Emergency Food & Shelter Program	11,200	11,200
Emergency Food & Shelter Program	3,128	3,128
	<u>14,328</u>	<u>14,328</u>
	<u>\$ 6,006,522</u>	<u>\$ 6,006,522</u>

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2017

Fund Number	Grant Number	Program Name
State of Minnesota Programs		
1026	94821	MNCAG
1030	127543	MNCAG
2066	50483	TANF FAIM
2074	65872	State FAIM IV & V
2078	95563	State FAIM VI
5037	3618	MN Headstart '16-17
5041	N/A	Mahube Scholarship
5042	N/A	Ashby Scholarship
5043	N/A	Osakis Scholarship - Mahube
5044	4128	MN Headstart '17-18
5046	N/A	Ashby Scholarship
6119	72337	MNSure
6129	N/A	MNSure - United CAA
6135	N/A	FHPAP
6137	94625	Transitional Housing
6138	94519	Emergency Services Program
6151	N/A	Long Term Homelessness - Mahube
6155	N/A	MNSure-Western CAA
6160	N/A	MN Dept Revenue - Tax Clinic
6162	N/A	HECAT-FPAP
6163	N/A	HECAT-Education
6164	N/A	HECAT-Counseling
6167	N/A	MHFA Technology & Capacity
6173	127244	Transitional Housing
6174	N/A	Family Homeless Prevention Assistance Program
7281	110774	Propane
7297	N/A	WAP Renewable Energy
7301	125262	Propane A2501
8075	111551	Live Well At Home - Ready Ride
9016	A-CVS-2017-WCMCA-00069	Office of Justice Plus Kids
Total State of Minnesota Programs		
Local Programs		
2005	N/A	RAP Rollover
2026	N/A	CA Duluth LISC
2032	N/A	Tri-CAP Stimulus Bremer FAIM
2033	N/A	Tri-CAP Stimulus
2037	N/A	CA Duluth IDA Hope IV Project
2047	N/A	Duluth CDBG
2051	N/A	Tri-CAP Stimulus
2057	N/A	Mahube FAIM IV Match
2060	N/A	WCMCA FAIM IV Match
2061	N/A	CA Duluth CDBG Hsg Round 2
2063	N/A	Lakes & Prairies CAP FAIM IV Match
2065	N/A	Inver Hills Community College-FAIM IV
2067	N/A	Bank of the West - FAIM IV
2075	N/A	CA Duluth CDBG Hsg Round 3
2076	N/A	CA Duluth CDBG Hsg Round 4
2080	N/A	Cornerstone IDA

State or Other Administrative Department	Current Revenues	Current Expenses
MN Department of Human Services	\$ 14,209	\$ 14,209
MN Department of Human Services	29,054	29,054
MN Department of Human Services	92,351	92,351
MN Department of Human Services	79,686	79,686
MN Department of Human Services	120,463	120,463
MN Department of Education	485,718	485,718
MN Department of Education	7,500	7,500
MN Department of Education	34,670	34,670
MN Department of Education	14,999	14,999
MN Department of Education	141,607	141,607
MN Department of Education	4,142	4,142
MN Department of Human Services	24,650	24,650
MN Department of Human Services	1,406	1,406
MN Housing Finance Agency	43,231	43,231
MN Department of Human Services	55,775	55,775
MN Department of Human Services	23,120	23,120
MN Department of Human Services	34,483	34,483
MN Department of Human Services	21,588	21,588
MN Department of Revenue	12,803	12,803
MN Housing Finance Agency	11,000	11,000
MN Housing Finance Agency	5,500	5,500
MN Housing Finance Agency	10,000	10,000
MN Housing Finance Agency	15,800	15,800
MN Department of Human Services	21,470	21,470
MN Housing Finance Agency	26,468	26,468
MN Department of Commerce	17,537	17,537
MN Department of Commerce	14,227	14,227
MN Department of Human Services	2,472	2,472
MN Department of Human Services	174,390	174,390
MN Department of Public Safety	16,211	16,211
	<u>\$ 1,556,530</u>	<u>\$ 1,556,530</u>
Ramsey Action Program	\$ 11,977	\$ 11,977
Community Action Duluth	(2)	(2)
Tri-CAP	1,841	1,841
Tri-CAP	4	4
Community Action Duluth	1,411	1,411
Community Action Duluth	5	5
Tri-CAP	558	558
Mahube	2,357	2,357
WCMCA	1,140	1,140
Community Action Duluth	2,887	2,887
Lakes & Prairies	3,552	3,552
Inver Hills Community College	434	434
Bank of the West	960	960
Community Action Duluth	10,795	10,795
Community Action Duluth	5,752	5,752
Cornerstone	15	15

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2017

Fund Number	Grant Number	Program Name
Local Programs (Continued)		
5038	N/A	Cooking Classes United Way
5045	N/A	Cooking Classes United Way
6012	03-G094	Jump Start
6101	N/A	Plus Kids
6121	N/A	United Way Transitional Housing
6130	N/A	Blue Cross Blue Shield
6132	N/A	MHFA TH 8 Plex
6154	N/A	United Way THP
6156	16-47890	Bremer Tax Assistance
6161	N/A	United Way House Keys
6165	N/A	Renting 101
6168	FY2017-11764	WCI Tax Clinic
6171	N/A	United Way THP
6176	N/A	FES Tax - Mahube
7266	N/A	Red River Valley Coop CIP
7267	N/A	XCEL HESP SRC
7270	N/A	Moorhead Public Service CIP
7271	N/A	Centerpoint SRC
7272	N/A	Wild Rice Electric CIP
7273	N/A	Ottertail Power CIP
7274	N/A	MN Energy Resources SRC
7275	N/A	Runestone Electric CIP
7276	N/A	Agralite Electric Coop - CIP
7277	N/A	Great Plains CIP
7278	N/A	Hawley Public Utilities - CIP
7283	N/A	Halstad Municipal Utilities CIP
7286	N/A	Great Plains CIP
7287	N/A	Wild Rice Electric CIP
7288	N/A	Ottertail Power CIP
7289	N/A	Red River Valley Coop CIP
7290	N/A	Moorhead Public Service CIP
7291	N/A	Runestone Electric CIP
7292	N/A	Hawley Public Utilities - CIP
7293	N/A	Centerpoint SRC
7294	N/A	Agralite Electric Coop - CIP
7295	N/A	XCEL HESP SRC
7296	N/A	XCEL CIP SRC
7302	N/A	Halstad Municipal Utilities CIP
8078	N/A	Good Food Access Campaign
8079	N/A	WCI Morris Food Drop
8081	N/A	Food Charter Event Planning
9010	N/A	Douglas County Plus Kids
9011	N/A	Douglas County Parent Resource Program
9014	N/A	Father's Program
9015	N/A	United Way Plus Kids
9017	N/A	Father's Program
9018	N/A	Plus Kids
9019	N/A	United Way Plus Kids

Total Local Programs

Grand Total - All Programs

State or Other Administrative Department	Current Revenues	Current Expenses
United Way of Douglas/Pope Counties	\$ 4,152	\$ 4,152
United Way of Douglas/Pope Counties	450	450
NW Area Foundation	155	155
Foundation/County	5,105	5,105
United Way of Douglas/Pope Counties	327	327
Community Action/BCBS	7,364	7,364
MN Housing Finance Agency	26,761	26,761
United Way of Douglas/Pope Counties	764	764
Otto Bremer Foundation	48,298	48,298
United Way of Douglas/Pope Counties	25,351	25,351
Region 4 South Adult Mental Health	2,499	2,499
West Central Initiative	5,000	5,000
United Way of Douglas/Pope Counties	7,041	7,041
West Central Initiative	5,000	5,000
Red River Valley Coop	26,100	26,100
Sustainable Resources Center	900	900
Moorhead Public Service	1,589	1,589
Sustainable Resources Center	8,270	8,270
Wild Rice Electric	1,408	1,408
Ottertail Power	12,843	12,843
Sustainable Resources Center	92	92
Runestone Electric	18,873	18,873
Agralite Electric Coop	2,575	2,575
Great Plains Gas	2,370	2,370
Hawley Public Utilities	1,761	1,761
Halstad Municipal Utilities	1,020	1,020
Great Plains Gas	3,803	3,803
Wild Rice Electric	871	871
Ottertail Power	32,868	32,868
Red River Valley Coop	13,814	13,814
Moorhead Public Service	473	473
Runestone Electric	20,657	20,657
Hawley Public Utilities	1,883	1,883
Sustainable Resources Center	10,688	10,688
Agralite Electric Coop	1,791	1,791
Sustainable Resources Center	245	245
Sustainable Resources Center	5,506	5,506
Halstad Municipal Utilities	5	5
American Heart Association	15,000	15,000
West Central Initiative	1,000	1,000
University of MN/American Heart Assoc	104	104
Douglas County	210	210
Douglas County	10,745	10,745
MN State Bar Association	943	943
United Way of Douglas/Pope Counties	10,621	10,621
Douglas County	33,240	33,240
Douglas County	33,000	33,000
United Way of Douglas/Pope Counties	9,565	9,565
	<u>\$ 466,786</u>	<u>\$ 466,786</u>
	<u>\$ 8,029,838</u>	<u>\$ 8,029,838</u>

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

To the Board of Directors
West Central Minnesota Communities Action, Inc.
Elbow Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of West Central Minnesota Communities Action, Inc. and Subsidiary, as of and for the year ended September 30, 2017, and the related notes to consolidated financial statements, which collectively comprise the Organization's consolidated financial statements, and have issued our report thereon dated January 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BergankDV, Ltd.

St. Cloud, Minnesota
January 23, 2018

**Report on Compliance for Each Major Federal
Program and on Internal Control Over
Compliance Required by Uniform Guidance**

Independent Auditor's Report

To the Board of Directors
West Central Minnesota Communities Action, Inc
Elbow Lake, Minnesota

Report on Compliance for Each Major Federal Program

We have audited West Central Minnesota Communities Action, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of West Central Minnesota Communities Action, Inc.'s major federal programs for the year ended September 30, 2017. West Central Minnesota Communities Action, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of West Central Minnesota Communities Action, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Central Minnesota Communities Action, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of West Central Minnesota Communities Action, Inc.'s compliance.



Opinion on Each Major Federal Program

In our opinion, West Central Minnesota Communities Action, Inc. complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of West Central Minnesota Communities Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered West Central Minnesota Communities Action, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Central Minnesota Communities Action, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
January 23, 2018

West Central Minnesota Communities Action, Inc. and Subsidiary
Schedule of Findings and Questioned Costs

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Noncompliance material to consolidated financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Federal Programs

CFDA No.: 93.600
Name of Federal Program or Cluster: Federal Head Start

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low risk auditee? Yes

West Central Minnesota Communities Action, Inc. and Subsidiary
Schedule of Findings and Questioned Costs

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.