

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

Consolidated Financial Statements

September 30, 2018 and 2017

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, 2018 and 2017, 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.

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, 2018 and 2017, 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 22, 2019, 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 the effectiveness of the Organization's 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 22, 2019

CONSOLIDATED FINANCIAL STATEMENTS

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Financial Position
As of September 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 2,375,272	\$ 2,277,730
Accounts receivable	943	10,322
Grants receivable	643,196	685,378
Contracts receivable	82,893	94,694
Prepaid expenses	117,448	31,468
Other assets	455,608	247,292
Total current assets	3,675,360	3,346,884
Noncurrent assets		
Property and equipment, net	1,474,809	1,477,141
MURL homes and property, net	1,714,102	1,805,908
Total noncurrent assets	3,188,911	3,283,049
Total assets	6,864,271	6,629,933
Liabilities and Net Assets		
Current liabilities		
Notes payable, current portion	\$ 388,771	\$ 9,241
Forgivable loans, current portion	-	20,000
Accounts payable	309,012	380,549
Accrued payroll and benefits	282,527	238,548
Accrued paid time off	418,031	392,391
Deferred grant revenue	1,565,559	1,628,132
Total current liabilities	2,963,900	2,668,861
Long-term liabilities		
Notes payable, less current portion	25,119	34,889
Deferred MURL payments	583,595	529,168
Deferred loans	111,509	111,509
Forgivable loans, less current portion	396,975	396,975
Total long-term liabilities	1,117,198	1,072,541
Total liabilities	4,081,098	3,741,402
Net assets		
Unrestricted net assets	2,783,173	2,888,531
Total liabilities and net assets	\$ 6,864,271	\$ 6,629,933

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended September 30, 2018 and 2017

	2018	2017
Revenues		
Grant revenue		
Federal sources	\$ 6,360,858	\$ 6,006,522
State sources	1,647,753	1,556,530
County sources	90,309	78,500
Other sources	375,417	388,286
Sales/fees	142,056	297,897
Contributions	71,848	89,630
Affordable home loan program	470,072	227,758
Reimbursements	17,865	13,190
In-kind contributions	966,564	879,137
Rental income	15,340	1,866
Gain (loss) on sale of assets	58,383	(15,148)
Visitation income	14,266	20,360
Miscellaneous income	14,762	7,885
Interest income	1,119	1,412
Total revenues	10,246,612	9,553,825
Expenses		
Personnel	5,603,505	5,185,407
Consultants	217,721	147,502
Travel	185,317	183,062
Space cost and rental	189,320	138,935
Supplies	251,460	403,622
Repairs and maintenance	31,890	47,653
Other direct costs	14,934	24,964
Audit and accounting	23,300	26,500
Advertising	21,279	17,229
Insurance	69,123	61,434
Interest	17,598	7,792
Telephone	56,859	66,097
Postage and printing	50,065	27,211
Depreciation	207,611	184,326
Training	78,060	90,877
Miscellaneous	91,726	104,924
Direct program costs		
Head Start	190,315	142,584
Energy Assistance Program	358,596	326,223
Weatherization	564,183	578,911
Housing rehabilitation/housing	521,967	393,324
Client Services	614,334	538,615
Tax services	26,243	10,684
In-kind	966,564	879,137
Total expenses	10,351,970	9,587,013
Change in net assets	(105,358)	(33,188)
Net Assets		
Beginning of year	2,888,531	2,921,719
End of year	\$ 2,783,173	\$ 2,888,531

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows - Operating Activities		
Change in net assets	\$ (105,358)	\$ (33,188)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation - property and equipment	118,049	92,702
Depreciation - MURL homes	89,563	91,624
Loss on disposal of assets	2,838	2,300
Loss (gain) on sale of MURL homes	(61,221)	12,848
Debt forgiveness	(20,000)	(40,000)
Changes in operating assets and liabilities		
Accounts receivable	9,379	(9,262)
Grants receivable	42,182	(55,315)
Loans receivable	-	624
Contracts receivable	11,801	95,493
Prepaid expenses	(85,980)	(8,633)
Other assets	(208,316)	(226,754)
Accounts payable	(71,537)	59,704
Accrued payroll and benefits	43,979	52,631
Accrued paid time off	25,640	16,210
Deferred grant revenue	(62,573)	(310,238)
Due to other agencies	-	(25,014)
Deferred MURL payments	54,427	22,510
Deferred loans	-	(624)
Net cash flows - operating activities	(217,127)	(262,382)
Cash Flows - Investing Activities		
Proceeds from sale of equipment	-	850
Net proceeds from sale of MURL homes	82,196	63,000
Purchases of property and equipment	(118,555)	(230,814)
Purchases of MURL homes and property	(18,732)	(28,476)
Net cash flows - investing activities	(55,091)	(195,440)
Cash Flows - Financing Activities		
Proceeds from note payable	549,000	49,923
Principal payments on notes payable	(179,240)	(5,793)
Net cash flows - financing activities	369,760	44,130
Net change in cash and cash equivalents	97,542	(413,692)
Cash and Cash Equivalents		
Beginning of year	2,277,730	2,691,422
End of year	\$ 2,375,272	\$ 2,277,730
Supplementary Information		
Cash paid for interest	\$ 17,598	\$ 7,792

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 (U.S. GAAP) 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, 2018 and 2017.

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, 2018 and 2017.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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, 2018 and 2017.

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, 2018 and 2017.

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.

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, 2018 and 2017.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018 and 2017 was \$983,526 and \$932,528, respectively.

The contracts for deed have 0% interest and maturity dates ranging from 2031 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, 2018 and 2017, were \$583,595 and \$529,168, 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.

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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

	2018	2017
Program expenses		
Head Start Program	\$ 5,039,891	\$ 4,685,078
Weatherization Program	1,079,187	981,875
Energy Assistance Program	789,158	736,589
FAIM Program	646,196	535,104
Family and Community Services Programs	727,733	644,100
Affordable Housing and Housing Rehab	622,953	511,745
Other programs	499,501	507,031
Total program expenses	9,404,619	8,601,522
Management and general expenses	900,638	930,775
Fundraising expenses	46,713	54,716
Total expenses	\$ 10,351,970	\$ 9,587,013

Advertising Costs

Advertising costs are expensed as incurred. The amount charged to expense for 2018 and 2017 was \$21,279 and \$17,229, respectively.

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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. This update is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard will affect organizations that enter into contracts with customers and provides a five step process for determining when revenue should be recognized to match the transfer of goods or services. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Clarifying Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This update aims to standardize how grants and other contracts are classified as either an exchange transaction or a contribution. Classifying grants as either a contribution or exchange transaction is the first step in implementing revenue recognition. For most recipients, this update is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Presentation of Financial Statements of Not-For-Profit Entities

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities (Topic 958). This update does not have an impact on recognition or measurement of assets, liabilities, net assets, revenues or expenses, it instead improves the presentation of financial statements of not-for-profit entities. This standard reduces the net asset classification from three to two; net assets with and without donor restrictions. In addition, this update expands disclosures about liquidity and financial performance of the not-for-profit entity. This update is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through January 22, 2019, the date which the consolidated financial statements were available to be issued.

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

NOTE 2 – GRANTS RECEIVABLE

	2018	2017
Federal programs	\$ 343,528	\$ 468,486
State programs	190,720	114,687
Other programs	108,948	102,205
Total grants receivable	\$ 643,196	\$ 685,378

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, 2018 and 2017, there were \$0 in loans receivable and \$111,509 and in deferred loans, each year.

NOTE 4 – PROPERTY AND EQUIPMENT

	2018	2017
Land	\$ 30,000	\$ 30,000
Buildings	1,422,601	1,422,601
Building improvements	79,873	43,796
Leasehold improvements	359,408	359,408
Vehicles	226,692	174,155
Furniture and equipment	231,958	246,581
Scanner	27,675	27,675
Other assets	90,867	68,564
Total cost	2,469,074	2,372,780
Less accumulated depreciation	994,265	895,639
Property and equipment, net	\$ 1,474,809	\$ 1,477,141

Depreciation expense on property and equipment for 2018 and 2017 was \$118,049 and \$92,702, respectively.

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

NOTE 5 – MURL HOMES

	2018	2017
MURL homes	\$ 2,697,628	\$ 2,738,436
Less accumulated depreciation	983,526	932,528
MURL homes, net	\$ 1,714,102	\$ 1,805,908

Depreciation expense on MURL homes for 2018 and 2017 was \$89,563 and \$91,624, 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, 2018 and 2017, the Organization did not have any amounts outstanding on the line of credit.

NOTE 7 – NOTES PAYABLE

	2018	2017
Minnesota Department of Corrections		
Note is due upon satisfaction of the agreement or June 30, 2019, whichever comes first. The note is unsecured and carries an interest rate of 0%.	\$ 379,000	\$ -
Financial institution		
Monthly payments of \$447, including interest at 5.58%, due February 2022	16,322	20,640
Monthly payments of \$509, including interest at 5.58%, due February 2022	18,568	23,490
	413,890	44,130
Less current portion	(388,771)	(9,241)
Total long-term notes payable	\$ 25,119	\$ 34,889

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

NOTE 7 – NOTES PAYABLE (CONTINUED)

Future principal payments on long-term notes payable are as follows for the years ending September 30:

2019		\$ 388,771
2020		10,330
2021		10,921
2022		3,868
Total		\$ 413,890

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 Septembers 1, 1998, in the original principal amount of \$100,000 each from the seller of the multi-family housing development property. The loans matured September 1, 2018 as Phoenix Apartments, LLC continued to comply with the terms of the loan agreements. The loans were forgiven and recorded as revenue on a sliding scale as described in the loan agreements. The balance of the loans at September 30, 2018 and 2017, was \$0 and \$10,000 each, respectively.

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 2018 and 2017 was \$134,090 and \$95,745, respectively. The Organization has also entered into two month-to-month leases which are not included in the future minimum lease payments below.

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

NOTE 9 – OPERATING LEASES (CONTINUED)

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

2019		\$ 157,499
2020		115,702
2021		112,548
2022		<u>68,817</u>
Total		<u>\$ 454,566</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 recognizes 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 2018, in-kind contributions were recorded in the following programs:

Donated materials/other

	Federal				State	Local	Total
	Headstart 17	Headstart 18	In Home Repair 17	In Home Repair 18	CSSD 18-19	Plus Kids 18	
Space costs	\$ 63,740	\$623,869	\$ -	\$ -	\$ -	\$ 37,620	\$ 725,229
Other direct costs	<u>35</u>	<u>355</u>	<u>456</u>	<u>109</u>	<u>4,120</u>	<u>-</u>	<u>5,075</u>
Total	<u>\$ 63,775</u>	<u>\$ 624,224</u>	<u>\$ 456</u>	<u>\$ 109</u>	<u>\$ 4,120</u>	<u>\$ 37,620</u>	<u>\$ 730,304</u>

Donated services

	Federal		State	Total
	Headstart 17	Headstart 18	VITA 17-18	
Professional services	<u>\$ 24,891</u>	<u>\$191,055</u>	<u>\$ 20,314</u>	<u>\$ 236,260</u>

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

NOTE 10 – IN-KIND CONTRIBUTIONS (CONTINUED)

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.

	<u>Headstart 17</u>	<u>Headstart 18</u>	<u>In Home Repair 17</u>	<u>In Home Repair 18</u>	<u>ESG 17-19</u>	<u>Rapid Re- Housing 18</u>
Salaries and wages	\$ 23,219	\$238,878	\$ -	\$ -	\$ -	\$ -
Fringe benefits	8,127	83,606	-	-	-	-
Other direct costs	-	-	1,494	2,496	40,498	15,000
Total	<u>\$ 31,346</u>	<u>\$ 322,484</u>	<u>\$ 1,494</u>	<u>\$ 2,496</u>	<u>\$ 40,498</u>	<u>\$ 15,000</u>

	<u>VITA 16-18</u>	<u>OJP 17-19</u>	<u>LTH 16-19</u>	<u>CSSD 16-18</u>	<u>CSSD 18-19</u>	<u>Total</u>
Salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,097
Fringe benefits	-	-	-	22,964	14,666	129,363
Other direct costs	5,000	12,647	50,318	-	-	127,453
Total	<u>\$ 5,000</u>	<u>\$ 12,647</u>	<u>\$ 50,318</u>	<u>\$ 22,964</u>	<u>\$ 14,666</u>	<u>\$ 518,913</u>

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

Donated materials/other

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

Donated services

	<u>Federal</u>		<u>State</u>	
	<u>Headstart 16</u>	<u>Headstart 1</u>	<u>VITA 16-17</u>	<u>Total</u>
Professional services	<u>\$ 27,365</u>	<u>\$202,990</u>	<u>\$ 26,744</u>	<u>\$ 257,099</u>

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

NOTE 10 – IN-KIND CONTRIBUTIONS (CONTINUED)

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	\$ -	\$ -	\$ 23,514
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,783
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

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 2018 and 2017 were \$139,645 and \$141,886, 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.

Revenue

During 2018 and 2017, 15% and 14%, respectively, of the Organization's revenue was received for the Low Income Home Energy Assistance Programs through the Minnesota Department of Commerce and 38% and 37%, respectively, of revenue was received for the Head Start Program directly through the U.S. Department of Health and Human Services.

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

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 – RECLASSIFICATIONS

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

SUPPLEMENTARY INFORMATION

West Central Minnesota Communities Action, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal Grantors/Pass-Through Grantor/Program or Cluser Title/Project Name	CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Minnesota Department of Education				
Child and Adult Care Food Program	10.558	2MN300061	\$ -	\$ 52,246
Total U.S. Department of Agriculture			-	52,246
U.S. Department of Housing and Urban Development				
Minnesota Homeownership Center				
Housing Counseling Assistance Program	14.169	FY2017-22	-	9,349
Housing Counseling Assistance Program	14.169	FY2018-20	-	11,900
Total Minnesota Homeownership Center			-	21,249
Minnesota Department of Human Services				
Emergency Solutions Grant Program	14.231	126932	-	31,886
Direct				
Continuum of Care Program (Rapid Rehousing)	14.267		-	23,850
Continuum of Care Program (Rapid Rehousing)	14.267		-	12,047
Total Continuum of Care Program			-	35,897
Total U.S. Department of Housing and Urban Development			-	89,032
U.S. Department of Justice				
Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	A-CVS-2018-WCMCA-0056	-	53,791
Total U.S. Department of Justice			-	53,791
U.S. Department of the Treasury				
Direct				
Volunteer Income Tax Assistance (VITA) Matching	21.009		-	12,500
Total U.S. Department of the Treasury			-	12,500
U.S. Department of Energy				
Minnesota Department of Commerce				
Weatherization Assistance for Low-Income Persons				
DOE 17-18	81.042	125262	-	274,255
DOE 18-19	81.042	141992-10885	-	63,009
Total U.S. Department of Energy			-	337,264
U.S. Department of Health and Human Services				
Land of Dancing Sky Area Agency on Aging				
Aging Cluster				
In Home Repair	93.044	314-17-003B-428	-	8,716
In Home Repair	93.044	314-18-003B-428	-	9,980
Total Aging Cluster			-	18,696
Minnesota Department of Human Services				
State Planning and Establishment Grants for the ACA OS Exchanges (MNSure)	93.525	N/A	-	48,965

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, 2018

Federal Grantors/Pass-Through Grantor/Program or Cluser Title/Project Name	CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Minnesota Department of Commerce				
Low-Income Home Energy Assistance				
EAP/WX A2108	93.568	125262	\$ -	\$ 492,379
EAP	93.568	131491-10091	-	854,157
EAP/WX A2108 CO	93.568	141992-10885	-	152,876
EAP/WX A2109	93.568	141992-10885	-	796
Energy Assistance - Direct Payments	93.568	131491-10091	-	3,310,469
Total Low-Income Home Energy Assistance			<u>-</u>	<u>4,810,677</u>
Minnesota Department of Health and Human Services				
Community Services Block Grant	93.569	127543	-	96,320
Direct				
Head Start	93.600		-	181,787
Head Start	93.600		-	209,589
Head Start	93.600		-	1,557,690
Head Start	93.600		-	1,950,719
Total Head Start			<u>-</u>	<u>3,899,785</u>
Direct				
Assets for Independence Demonstration Program				
FAIM IV	93.602		-	31,808
FAIM VI	93.602		-	218,243
Total Assets for Independence Demonstration Program			<u>-</u>	<u>250,051</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>9,124,494</u>
U.S. Department of Emergency Management Agency				
Direct				
Emergency Food and Shelter National Board Program				
FEMA Multi-County	97.024		-	2,000
Total U.S. Department of Emergency Management Agency			<u>-</u>	<u>2,000</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 9,671,327</u>

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West Central Minnesota Communities Action, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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, 2018. 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.

NOTE 4 – ENERGY ASSISTANCE PAYMENTS

Included in CFDA 93.568 are client benefits paid by the State of Minnesota of \$3,310,469. These expenditures are not included in the statements of activities.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2018

Fund Number	Grant Number	Program Name
Federal Programs		
U.S. Department of Agriculture		
Various	2MN300061	Child and Adult Care Food Program
U.S. Department of Housing and Urban Development		
6166	FY2017-22	Housing Counseling Assistance Program
6172	126932	Emergency Solutions Grant Program
6175	MN0389L5K081600	Continuum of Care Program
6184	FY2018-20	Housing Counseling Assistance Program
6186	MN0389L5K081701	Continuum of Care Program
U.S. Department of Justice		
9020	A-CVS-2018-WCMCA-00056	Crime Victim Assistance
U.S. Department of the Treasury		
6159	17VITA0234	Volunteer Income Tax Assistance (VITA) Matching
U.S. Department of Energy		
7300	125262	DOE 17-18
7320	141992-10885	DOE 18-19
U.S. Department of Health and Human Services		
1031	127543	Community Services Block Grant
2054	90EI071101	FAIM IV
2079	90EI0953-01-00	FAIM VI
5039	05CH8301-05-00	Head Start
5040	05CH8304-04-00	Head Start
5040	05CH8304-05-00	Head Start
5047	05CH8301-06-00	Head Start
6190	N/A	State Planning and Establishment Grants for the ACA OS Exchange (MNSure Mahube)
7285	314-17-003B-428	In-Home Repair
7299	125262	EAP/WX A2108
7303	131491-10091	EAP
7305	314-17-003B-428	In-Home Repair
7318	141992-10885	EAP/WX A2108 CO
7319	141992-10885	EAP/WX A2109
Federal Emergency Management Agency		
6182	33-4859-20	FEMA Multi-County
Total Federal Programs		

State or Other Administrative Department	Current Revenues	Current Expenses
MN Department of Education	\$ 52,246	\$ 52,246
MN Homeownership Center	9,349	9,349
MN Department of Human Services	31,886	31,886
US Dept. of Housing and Urban Development	23,850	23,850
MN Homeownership Center	11,900	11,900
US Dept. of Housing and Urban Development	12,047	12,047
	<u>89,032</u>	<u>89,032</u>
MN Department of Public Safety	<u>53,791</u>	<u>53,791</u>
Internal Revenue Service	<u>12,500</u>	<u>12,500</u>
MN Department of Commerce	274,255	274,255
MN Department of Commerce	63,009	63,009
	<u>337,264</u>	<u>337,264</u>
MN Department Health & Human Services	96,320	96,320
US Dept. of Health & Human Services	31,808	31,808
US Dept. of Health & Human Services	218,243	218,243
US Dept. of Health & Human Services – Region V	181,787	181,787
US Dept. of Health & Human Services – Region V	209,589	209,589
US Dept. of Health & Human Services – Region V	1,950,719	1,950,719
US Dept. of Health & Human Services – Region V	1,557,690	1,557,690
MN Department of Human Services	48,965	48,965
Land of the Dancing Sky Area Agency on Aging	8,716	8,716
MN Department of Commerce	492,379	492,379
MN Department of Commerce	854,157	854,157
Land of the Dancing Sky Area Agency on Aging	9,980	9,980
MN Department of Commerce	152,876	152,876
MN Department of Commerce	796	796
	<u>5,814,025</u>	<u>5,814,025</u>
Emergency Food & Shelter Program	<u>2,000</u>	<u>2,000</u>
	<u>\$ 6,360,858</u>	<u>\$ 6,360,858</u>

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2018

Fund Number	Grant Number	Program Name
State of Minnesota Programs		
1030	127543	MNCAG
1032	N/A	MN Housing Capacity Building
2078	95563	State FAIM VI
2082	125409	State FAIM VI
5043	N/A	Osakis Scholarship - Mahube
5044	4128	MN Headstart '17-18
5046	N/A	Ashby Scholarship
5049	N/A	Osakis Scholarship - Mahube
5050	143545	MN Headstart '18-19
5052	N/A	Ashby Scholarship
6119	72337	MNSure
6151	N/A	Long Term Homelessness - Mahube
6173	127244	Transitional Housing
6174	N/A	Family Homeless Prevention Assistance Program
6177	N/A	MN Department of Revenue Tax
6178	N/A	HECAT
6183	N/A	Renting 101
6188	1031316	Regional Transportation Coordination
6189	143347	Clay County HRA
6191	N/A	Long Term Homelessness - Mahube
6192	N/A	Housing Supports
7301	125262	Propane A2501
7315	125262	Healthy Air Project
7321	141992-10885	Propane A2501
8083	111551	Live Well At Home
8075	111551	Live Well At Home - Ready Ride
9020	A-CVS-2018-WCMCA-00056	Office of Justice Plus Kids
Total State of Minnesota Programs		
Local Programs		
2005	N/A	RAP Rollover
2063	N/A	Lakes & Prairies CAP FAIM IV Match
2075	N/A	CA Duluth CDBG Hsg Round 3
2076	N/A	CA Duluth CDBG Hsg Round 4
2080	N/A	Cornerstone IDA
2081	N/A	Client FAIM
5045	N/A	Cooking Classes United Way
5051	N/A	Cooking Classes United Way
6012	03-G094	Jump Start
6101	N/A	Plus Kids
6105	N/A	Framework Homeownership
6132	N/A	MHFA TH 8 Plex
6171	N/A	United Way THP
6179	N/A	Bremer Tax and Development
6181	FY2018-12411	WCI Tax Clinic
6185	N/A	FES Tax
6187	N/A	United Way Transitional Housing
6193	N/A	WCI Food Distribution
7286	N/A	Great Plains CIP
7287	N/A	Wild Rice Electric CIP
7288	N/A	Ottertail Power CIP

State or Other Administrative Department	Current Revenues	Current Expenses
MN Department of Human Services	\$ 34,717	\$ 34,717
MN Housing Finance Agency	5,653	5,653
MN Department of Human Services	216,977	216,977
MN Department of Human Services	206,876	206,876
MN Department of Education	1	1
MN Department of Education	461,443	461,443
MN Department of Education	32,317	32,317
MN Department of Education	6,160	6,160
MN Department of Education	184,384	184,384
MN Department of Education	4,277	4,277
MN Department of Human Services	7,286	7,286
MN Department of Human Services	31,282	31,282
MN Department of Human Services	98,970	98,970
MN Housing Finance Agency	108,037	108,037
MN Department of Revenue	4,452	4,452
MN Housing Finance Agency	21,500	21,500
MN Department of Health	1,241	1,241
MN Department of Transportation	3,404	3,404
MN Department of Human Services	14,456	14,456
MN Department of Human Services	104	104
MN Department of Human Services	670	670
MN Department of Commerce	18,838	18,838
MN Department of Commerce	16,744	16,744
MN Department of Commerce	1,418	1,418
MN Department of Human Services	39,144	39,144
MN Department of Human Services	117,193	117,193
MN Department of Public Safety	10,209	10,209
	<u>\$ 1,647,753</u>	<u>\$ 1,647,753</u>
Ramsey Action Program	29,279	29,279
Lakes & Prairies	261	261
Community Action Duluth	1,959	1,959
Community Action Duluth	5,270	5,270
Cornerstone	18	18
Various	(11)	(11)
United Way of Douglas/Pope Counties	2,550	2,550
United Way of Douglas/Pope Counties	461	461
NW Area Foundation	147	147
Foundation/County	8,306	8,306
Framework Homeownership	413	413
MN Housing Finance Agency	5,954	5,954
United Way of Douglas/Pope Counties	1,959	1,959
Otto Bremer Foundation	88,000	88,000
West Central Initiative	5,000	5,000
Mahube-West Central Initiative	6,002	6,002
United Way of Douglas/Pope Counties	3,460	3,460
West Central Initiative	1,405	1,405
Great Plains Gas	752	752
Wild Rice Electric	588	588
Ottertail Power	10,174	10,174

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2018

Fund Number	Grant Number	Program Name
Local Programs (Continued)		
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
7306	N/A	Great Plains CIP
7307	N/A	XCEL CIP SRC
7308	N/A	XCEL HESP SRC
7309	N/A	Ottertail Power CIP
7310	N/A	Wild Rice Electric CIP
7311	N/A	Centerpoint SRC
7312	N/A	Runestone Electric CIP
7313	N/A	Moorhead Public Service CIP
7314	N/A	MN Energy Resources
7316	N/A	Hawley Public Utilities - CIP
7317	N/A	Lake Region Electric Coop - CIP
8081	N/A	Food Charter
8082	N/A	Region 4 Transportation
9017	N/A	Father's Program
9019	N/A	United Way Plus Kids
9021	N/A	MN State Bar Foundation
9022	N/A	Douglas County Parent Resource Program
9023	N/A	Douglas County Plus Kids
9024	N/A	United Way Plus Kids
Total Local Programs		
Grand Total - All Programs		

State or Other Administrative Department	Current Revenues	Current Expenses
Red River Valley Coop	7,735	7,735
Moorhead Public Service	2,343	2,343
Runestone Electric	8,859	8,859
Hawley Public Utilities	758	758
Sustainable Resources Center	30,120	30,120
Agralite Electric Coop	3,212	3,212
Sustainable Resources Center	505	505
Sustainable Resources Center	8,716	8,716
Halstad Municipal Utilities	1,109	1,109
Great Plains Gas	3,989	3,989
Sustainable Resources Center	11,759	11,759
Sustainable Resources Center	418	418
Ottertail Power	9,725	9,725
Wild Rice Electric	1,023	1,023
Sustainable Resources Center	30,280	30,280
Runestone Electric	27,304	27,304
Moorhead Public Service	514	514
Sustainable Resources Center	4,654	4,654
Hawley Public Utilities	1,856	1,856
Lake Region Electric Coop	1,445	1,445
University of Mn Extension/American Heart Assc	4,396	4,396
Region 4 Mental Health	7,764	7,764
Douglas County	12,934	12,934
United Way of Douglas/Pope Counties	15,435	15,435
MN State Bar Foundation	1,500	1,500
Douglas County	36,019	36,019
Douglas County	38,000	38,000
United Way of Douglas/Pope Counties	21,408	21,408
	<u>\$ 465,726</u>	<u>\$ 465,726</u>
	<u>\$ 8,474,337</u>	<u>\$ 8,474,337</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, 2018, 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 22, 2019.

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.

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 22, 2019

**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, 2018. 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, 2018.

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 22, 2019

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.: 93.568
 Name of Federal Program or Cluster Low-Income Home Energy Assistance

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

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.