

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

Consolidated Financial Statements

September 30, 2019 and 2018

**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, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended September 30, 2019, 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 consolidated financial position of West Central Minnesota Communities Action, Inc. and Subsidiary, as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

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 28, 2020, 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 28, 2020

CONSOLIDATED FINANCIAL STATEMENTS

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Financial Position
As of September 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 2,103,648	\$ 2,375,272
Accounts receivable	17,467	943
Grants receivable	593,565	643,196
Contracts receivable	28,727	82,893
Prepaid expenses	117,356	117,448
Other assets	416,025	455,608
Total current assets	3,276,788	3,675,360
Noncurrent assets		
Property and equipment, net	1,477,057	1,474,809
MURL homes and property, net	1,611,485	1,714,102
Total noncurrent assets	3,088,542	3,188,911
Total assets	6,365,330	6,864,271
Liabilities and Net Assets		
Current liabilities		
Notes payable, current portion	\$ 329,690	\$ 388,771
Accounts payable	235,566	309,012
Accrued payroll and benefits	315,252	282,527
Accrued paid time off	421,633	418,031
Deferred grant revenue	1,343,331	1,565,559
Total current liabilities	2,645,472	2,963,900
Long-term liabilities		
Notes payable, less current portion	33,805	25,119
Deferred MURL payments	567,785	583,595
Deferred loans	111,509	111,509
Forgivable loans	396,975	396,975
Total long-term liabilities	1,110,074	1,117,198
Total liabilities	3,755,546	4,081,098
Net assets		
Without donor restrictions	2,609,784	2,783,173
Total liabilities and net assets	\$ 6,365,330	\$ 6,864,271

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended September 30, 2019 and 2018

	2019	2018
Revenues		
Grant revenue		
Federal sources	\$ 6,385,648	\$ 6,360,858
State sources	2,042,794	1,647,753
County sources	85,303	90,309
Other sources	350,616	375,417
Sales/fees	226,224	142,056
Affordable home loan program	469,434	531,293
Reimbursements	16,887	17,865
In-kind contributions	830,435	966,564
Rental income	9,411	15,340
Gain (loss) on sale of assets	1,000	(2,838)
Contributions	17,173	71,848
Visitation income	-	14,266
Miscellaneous income	5,924	14,762
Interest income	1,021	1,119
Total revenues	10,441,870	10,246,612
Expenses		
Program services		
Head Start	5,188,994	5,039,891
Weatherization and housing	2,782,177	2,491,298
Family and community services	1,711,900	1,873,430
Supporting services		
Management and general	876,874	900,638
Fundraising	55,314	46,713
Total expenses	10,615,259	10,351,970
Change in net assets	(173,389)	(105,358)
Net Assets		
Beginning of year	2,783,173	2,888,531
End of year	\$ 2,609,784	\$ 2,783,173

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services				Supporting Services		
	Head Start	Weatherization and Housing	Family and Community Services	Total	Management and General	Fundraising	Total
Expenses							
Salaries and wages	\$ 2,967,174	\$ 813,249	\$ 362,878	\$ 4,143,301	\$ 391,054	\$ 46,538	\$ 4,580,893
Fringe benefits and payroll taxes	731,530	200,614	83,275	1,015,419	96,107	8,776	1,120,302
Consultants	53,615	45,911	475,324	574,850	7,119	-	581,969
Travel	77,462	62,180	27,845	167,487	18,263	-	185,750
Space cost and rental	131,362	18,036	13,211	162,609	19,860	-	182,469
Supplies	143,229	29,544	9,555	182,328	3,843	-	186,171
Repairs and maintenance	1,344	481	1,010	2,835	28,287	-	31,122
Interest expense	-	17,836	-	17,836	1,824	-	19,660
Other direct costs	4,920	3,267	1,740	9,927	10,535	-	20,462
Audit and accounting	-	-	-	-	23,300	-	23,300
Advertising	5,693	7,725	21,367	34,785	-	-	34,785
Insurance	17,884	14,554	9,492	41,930	31,344	-	73,274
Telephone	32,157	15,040	1,596	48,793	13,285	-	62,078
Postage and printing	21,597	15,791	11,517	48,905	5,241	-	54,146
Equipment	-	-	-	-	-	-	-
Depreciation	-	-	-	-	208,556	-	208,556
Fixed asset purchases	-	-	-	-	-	-	-
Training	46,328	16,216	6,716	69,260	6,191	-	75,451
Miscellaneous	25,928	40,572	23,459	89,959	11,997	-	101,956
Direct Program Costs:							
Head Start	164,214	-	-	164,214	-	-	164,214
Energy Assistance Program	-	442,393	-	442,393	-	-	442,393
Weatherization	-	483,816	-	483,816	-	-	483,816
Housing Rehabilitation / Housing	5,174	545,405	61,694	612,273	-	-	612,273
Client Services	129	9,204	495,532	504,865	-	-	504,865
Tax Site Services	-	-	34,851	34,851	68	-	34,919
In-Kind	759,254	343	70,838	830,435	-	-	830,435
	<u>\$ 5,188,994</u>	<u>\$ 2,782,177</u>	<u>\$ 1,711,900</u>	<u>\$ 9,683,071</u>	<u>\$ 876,874</u>	<u>\$ 55,314</u>	<u>\$ 10,615,259</u>

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows - Operating Activities		
Change in net assets	\$ (173,389)	\$ (105,358)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation - property and equipment	124,429	118,049
Depreciation - MURL homes	84,128	89,563
Loss (gain) on disposal of assets	(1,000)	2,838
Gain on sale of MURL homes	(74,936)	(61,221)
Debt forgiveness	-	(20,000)
Changes in operating assets and liabilities		
Accounts receivable	(16,524)	9,379
Grants receivable	49,631	42,182
Contracts receivable	54,166	11,801
Prepaid expenses	92	(85,980)
Other assets	61,886	(208,316)
Accounts payable	(73,446)	(71,537)
Accrued payroll and benefits	32,725	43,979
Accrued paid time off	3,602	25,640
Deferred grant revenue	(222,228)	(62,573)
Deferred MURL payments	(15,810)	54,427
Net cash flows - operating activities	(166,674)	(217,127)
 Cash Flows - Investing Activities		
Net proceeds from sale of MURL homes	179,242	82,196
Purchases of property and equipment	(123,817)	(118,555)
Purchases of MURL homes and property	(85,817)	(18,732)
Net cash flows - investing activities	(30,392)	(55,091)
 Cash Flows - Financing Activities		
Proceeds from note payable	251,000	549,000
Principal payments on notes payable	(325,558)	(179,240)
Net cash flows - financing activities	(74,558)	369,760
 Net change in cash and cash equivalents	(271,624)	97,542
 Cash and Cash Equivalents		
Beginning of year	2,375,272	2,277,730
End of year	\$ 2,103,648	\$ 2,375,272
 Supplementary Information		
Cash paid for interest	\$ 19,660	\$ 17,598
Property and equipment financed	\$ 24,163	\$ -
Transfer of lots to other assets	\$ 22,303	\$ -

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.

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

The Organization considers cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consists of payments or services made on behalf of clients and employees where the Organization is still waiting for reimbursement or payment. 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, 2019 and 2018.

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, 2019 and 2018.

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. When a lot is pre-purchased, the lot will stay in other assets until construction starts. At that time the lot is moved to the project created for the new home.

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, funding sources have a reversionary interest in the property or equipment therefore they may be entitled to a portion of the proceeds from the sale.

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, 2019 and 2018.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MURL Homes and Property

All costs related to the Organization's MURL Program are recorded as assets as incurred. The assets for 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 2019 and 2018 was \$992,718 and \$983,526, 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, 2019 and 2018, were \$567,785 and \$583,595, respectively, and are included in deferred MURL payments.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 11.

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 Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis. The expenses that are allocated include building expenses and utilities which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, postage, copier, board expenses, equipment maintenance and repair, and miscellaneous which are allocated on the basis of time and effort of core administration staff.

Advertising Costs

Advertising costs are expensed as incurred. The amount charged to expense for 2019 and 2018 was \$34,784 and \$21,279, 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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (Continued)

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.

Recently Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-For-Profit Entities

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities (Topic 958), in its 2019 financial statements. This guidance reduces the net asset classification from three to two: net assets with and without donor restrictions; expands disclosures about liquidity; and requires expenses to be reported by their function and natural classification. The ASU has been adopted retrospectively except for the liquidity disclosure and the reporting of expenses by functional and natural classification, which can be reported in the current period only. The adoption of this guidance did not have a material impact on the Organization's consolidated financial statements.

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. In November 2019, the FASB issued ASU No. 2019-10 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its consolidated 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 consolidated financial statements.

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 (Continued)

Clarifying Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This update clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. Early adoption is permitted. This update is effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events through January 28, 2020, the date which the consolidated financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise of the following:

	<u>2019</u>
Cash and cash equivalents	\$ 2,103,648
Accounts receivable	17,467
Grants receivable	593,565
Contracts receivable	<u>28,727</u>
	2,743,407
Less deferred revenue	<u>(1,343,331)</u>
	<u>\$ 1,400,076</u>

The Organization does not have a formal policy, however it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization would invest cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. The Organization also has access to a line of credit if needed. See Note 7.

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

NOTE 3 – GRANTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Federal programs	\$ 417,405	\$ 343,528
State programs	95,495	190,720
Other programs	<u>80,665</u>	<u>108,948</u>
Total grants receivable	<u><u>593,565</u></u>	<u><u>\$ 643,196</u></u>

NOTE 4 – LOANS RECEIVABLE AND DEFERRED LOANS

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 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, 2019 and 2018, there were \$0 in loans receivable and \$111,509 in deferred loans, each year.

NOTE 5 – PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Land	\$ 30,000	\$ 30,000
Buildings	1,422,601	1,422,601
Building improvements	-	79,873
Leasehold improvements	443,337	359,408
Vehicles	271,451	226,692
Furniture and equipment	326,061	231,958
Scanner	27,675	27,675
Other assets	<u>68,564</u>	<u>90,867</u>
Total cost	2,589,689	2,469,074
Less accumulated depreciation	<u>1,112,632</u>	<u>994,265</u>
Property and equipment, net	<u><u>\$ 1,477,057</u></u>	<u><u>\$ 1,474,809</u></u>

Depreciation expense on property and equipment for 2019 and 2018 was \$124,429 and \$118,049, respectively.

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

NOTE 6 – MURL HOMES AND PROPERTY

	2019	2018
MURL homes	\$ 2,604,203	\$ 2,697,628
Less accumulated depreciation	992,718	983,526
MURL homes, net	\$ 1,611,485	\$ 1,714,102

Depreciation expense on MURL homes for 2019 and 2018 was \$84,128 and \$89,563, respectively.

NOTE 7 – 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, 2019 and 2018, the Organization did not have any amounts outstanding on the line of credit.

NOTE 8 – NOTES PAYABLE

	2019	2018
Minnesota Department of Corrections		
Note is due upon satisfaction of the agreement or June 30, 2021, whichever comes first. The note is unsecured and carries an interest rate of 0%.	\$ 315,000	\$ 379,000
Financial institution		
Monthly payments of \$447, including interest at 5.58%, due February 2022	11,706	16,322
Monthly payments of \$509, including interest at 5.58%, due February 2022	13,323	18,568
Monthly payments of \$461, including interest at 5.45%, due July 2024	23,466	-
	363,495	413,890
Less current portion	(329,690)	(388,771)
Total long-term notes payable	\$ 33,805	\$ 25,119

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

NOTE 8 – NOTES PAYABLE (CONTINUED)

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

2020	\$ 329,690
2021	15,525
2022	8,640
2023	5,134
Thereafter	<u>4,506</u>
Total	<u><u>\$ 363,495</u></u>

NOTE 9 – 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.

NOTE 10 – OPERATING LEASES

The Organization has entered into various operating leases for space, primarily for its offices and its Head Start Program. Lease expense for 2019 and 2018 was \$139,201 and \$134,090, respectively. The Organization has also entered into two 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:

2020	\$ 163,344
2021	119,448
2022	74,216
2023	5,401
Thereafter	<u>1,351</u>
Total	<u><u>\$ 363,760</u></u>

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

NOTE 10 – OPERATING LEASES (CONTINUED)

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 11 – IN-KIND CONTRIBUTIONS

For 2019, in-kind contributions were recorded in the following programs:

Donated materials/other

	Federal			Local		Total
	Headstart 18	Headstart 19	In Home Repair 19	VITA 18-20	Plus Kids 18	
Space costs	\$ 88,878	\$317,927	\$ -	\$ 7,466	\$ 37,620	\$451,891
Other direct costs	31	417	343	-	-	791
Total	<u>\$ 88,909</u>	<u>\$318,344</u>	<u>\$ 343</u>	<u>\$ 7,466</u>	<u>\$ 37,620</u>	<u>\$452,682</u>

Donated services

	Federal			Total
	Headstart 18	Headstart 19	VITA 18-20	
Professional services	<u>\$ 29,131</u>	<u>\$322,870</u>	<u>\$ 25,752</u>	<u>\$377,753</u>

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

NOTE 11 – 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 18	Headstart 19	In Home Repair 19	ESG 17-19	Rapid Re-Housing 18-19	Rapid Re-Housing 19-20
Salaries and wages	\$ 33,143	\$202,287	\$ -	\$ -	\$ -	\$ -
Fringe benefits	11,600	72,823	-	-	-	-
Other direct costs	-	-	3,750	13,526	34,000	12,096
Total	\$ 44,743	\$275,110	\$ 3,750	\$ 13,526	\$ 34,000	\$ 12,096
	VITA 18-20	OJP 17-19	LTH 16-19	CSSD 18-19	Total	
Salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ 235,430	
Fringe benefits	-	-	-	26,234	110,657	
Other direct costs	315	12,647	27,740	814,773	918,847	
Total	\$ 315	\$ 12,647	\$ 27,740	\$841,007	\$ 1,264,934	

For 2018, in-kind contributions were recorded in the following programs:

Donated materials/other

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

Donated services

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

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

NOTE 11 – 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 17	Headstart 18	In Home Repair 17	In Home Repair 18	ESG 17-19	Rapid Re- Housing 18
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	\$ 31,346	\$322,484	\$ 1,494	\$ 2,496	\$ 40,498	\$ 15,000
	VITA 16-18	OJP 17-19	LTH 16-19	CSSD 16-18	CSSD 18-19	Total
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	\$ 5,000	\$ 12,647	\$ 50,318	\$ 22,964	\$ 14,666	\$518,913

NOTE 12 – 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 2019 and 2018 were \$150,278 and \$139,645, respectively.

NOTE 13 – 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 2019 and 2018, 13% and 15%, respectively, of the Organization's revenue was received for the Low Income Home Energy Assistance Programs through the Minnesota Department of Commerce and 38% of revenue was received, each year, 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 14 – 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 consolidated financial position or activities of the Organization.

SUPPLEMENTARY INFORMATION

West Central Minnesota Communities Action, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

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	\$ -	\$ 72,738
Total U.S. Department of Agriculture			-	72,738
U.S. Department of Housing and Urban Development				
Minnesota Homeownership Center				
Housing Counseling Assistance Program	14.169	FY2019-18	-	12,166
Minnesota Department of Human Services				
Emergency Solutions Grant Program	14.231	160345	-	10,312
Emergency Solutions Grant Program	14.231	126932	-	19,824
			-	30,136
Direct				
Continuum of Care Program (Rapid Rehousing)	14.267		-	31,504
Continuum of Care Program (Rapid Rehousing)	14.267		-	11,048
Total Continuum of Care Program			-	42,552
Total U.S. Department of Housing and Urban Development			-	84,854
U.S. Department of Justice				
Minnesota Department of Public Safety				
Office of Justice Plus Kids	16.575	A-CVS-2018-WCMCA-0056	-	50,586
Total U.S. Department of Justice			-	50,586
U.S. Department of Transportation				
Minnesota Department of Transportation				
Transit Services Programs Cluster				
Regional Transportation Coordination	20.513	MN-2017-014-02	-	43,833
Total Transit Services Programs Cluster			-	43,833
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				
WAP DOE A2500	81.042	125262	-	393,142
WAP DOE A2500	81.042	141992-10885	-	94,166
Total U.S. Department of Energy			-	487,308
U.S. Department of Health and Human Services				
Land of Dancing Sky Area Agency on Aging				
Aging Cluster				
In Home Repair	93.044	314-18-003B-428	-	2,855
In Home Repair	93.044	314-19-003B-428	-	16,646
Total Aging Cluster			-	19,501

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, 2019

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 Human Services State Planning and Establishment Grants for the ACA OS Exchanges (MNSure)	93.525	N/A	-	51,095
Minnesota Department of Commerce Low-Income Home Energy Assistance				
EAP/WX A2109	93.568	141992-10885	-	257,753
EAP 18-19	93.568	131491-10091	-	957,798
EAP/WX A2109	93.568	157653-12163	-	92,930
EAP/WX A2110	93.568	157653-12163	-	26,003
Energy Assistance - Direct Payments	93.568	N/A	-	3,040,841
Total Low-Income Home Energy Assistance			-	4,375,325
Minnesota Department of Health Services Community Services Block Grant	93.569	127543	-	107,331
Direct				
Head Start	93.600		-	113,662
Head Start	93.600		-	123,735
Head Start	93.600		-	1,582,998
Head Start	93.600		-	2,097,906
Total Head Start			-	3,918,301
Direct				
Assets for Independence Demonstration Program				
FAIM VI	93.602		-	203,117
Total U.S. Department of Health and Human Services			-	8,674,670
Total expenditures of federal awards			\$ -	\$ 9,426,489

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West Central Minnesota Communities Action, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of West Central MN Communities Action, Inc. under programs of the federal government for the year ended September 30, 2019. 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 the Organization.

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 \$3,040,841. These expenditures are not included in the consolidated statements of activities.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2019

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		
6172	126932	Emergency Solutions Grant Program
6186	MN0389L5K081701	Continuum of Care Program (Rapid Rehousing)
6200	FY2018-19	Housing Counseling Assistance Program
6208	MN0389L5K081802	Continuum of Care Program (Rapid Rehousing)
6213	160345	Emergency Solutions Grant Program
U.S. Department of Justice		
9020	A-CVS-2018-WCMCA-00056	Office of Justice Plus Kids
U.S. Department of the Transportation		
6216	MN-2017-014-02	Regional Transportation Coordination
U.S. Department of the Treasury		
6197	19VITA0031	Volunteer Income Tax Assistance (VITA) Matching
U.S. Department of Energy		
7320	141992-10885	WAP DOE A2500
7337	125262	WAP DOE A2500
U.S. Department of Health and Human Services		
1031	127543	Community Services Block Grant
2079	90EI095301	FAIM VI
5047	05CH8301-06	Head Start
5048	05CH8304-05	Head Start
5053	05CH010698-01	Head Start
5054	05CH010702-01	Head Start
6190	N/A	Grants for the ACA OS Exchange (MNSure Mahube)
6209	N/A	Grants for the ACA OS Exchange (MNSure Mahube)
7305	314-18-003B-428	In-Home Repair
7319	141992-10885	EAP/WX A2109
7323	131491-10091	EAP 18-19
7324	314-19-003B-428	In-Home Repair
7335	157653-12163	EAP/WX A2109
7336	157653-12163	EAP/WX A2110

Total Federal Programs

State or Other Administrative Department	Current Revenues	Current Expenses
MN Department of Education	\$ 72,738	\$ 72,738
MN Department of Human Services	19,824	19,824
US Dept. of Housing and Urban Development	31,504	31,504
Minnesota Homeownership Center	12,166	12,166
US Dept. of Housing and Urban Development	11,048	11,048
MN Department of Human Services	10,312	10,312
	<u>84,854</u>	<u>84,854</u>
MN Department of Public Safety	<u>50,586</u>	<u>50,586</u>
MN Department of Transportation	<u>43,833</u>	<u>43,833</u>
US Department of Treasury	<u>12,500</u>	<u>12,500</u>
MN Department of Commerce	393,142	393,142
MN Department of Commerce	94,166	94,166
	<u>487,308</u>	<u>487,308</u>
MN Department Human Services	107,331	107,331
US Dept. of Health & Human Services	203,117	203,117
US Dept. of Health & Human Services	113,663	113,663
US Dept. of Health & Human Services	123,735	123,735
US Dept. of Health & Human Services	1,582,998	1,582,998
US Dept. of Health & Human Services	2,097,906	2,097,906
MN Department of Human Services	39,880	39,880
MN Department of Human Services	11,215	11,215
Land of the Dancing Sky Area Agency on Aging	2,855	2,855
MN Department of Commerce	257,752	257,752
MN Department of Commerce	957,798	957,798
Land of the Dancing Sky Area Agency on Aging	16,646	16,646
MN Department of Commerce	92,930	92,930
MN Department of Commerce	26,003	26,003
	<u>5,633,829</u>	<u>5,633,829</u>
	<u>\$ 6,385,648</u>	<u>\$ 6,385,648</u>

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2019

Fund Number	Grant Number	Program Name
State of Minnesota Programs		
1030	127543	MNCAG
1032	N/A	MN Housing Capacity Building
1033	161422	MNCAG
2078	95563	State FAIM VI
2082	125409	State FAIM VI
4044	N/A	Emergency Loan Program
4045	N/A	Rehabilitation Loan Program
5050	143545	MN Headstart '18-19
5052	N/A	Ashby Scholarship
5057	N/A	Morris Scholarship
5058	160037	MN Headstart
6119	72337	MNSure Application Fund
6132	N/A	MHDA - TH 8 Plex Alex
6151	N/A	Long Term Homelessness - Mahube
6173	127244	Transitional Housing - OEO
6174	N/A	Family Homeless Prevention Assistance Program
6183	N/A	Renting 101/Region 4 Mental Health
6188	1031316	Regional Transportation Coordination
6189	143347	DHS Infrastructure/Clay County HRA
6191	N/A	Long Term Homelessness - Mahube
6192	N/A	Housing Supports
6195	N/A	HECAT
6196	N/A	MN Dept of Revenue Tax
6198	N/A	Homework Starts at Home/Clay County HRA
6203	N/A	Renting 101/Region 4 Mental Health
6205	151393	SOAR Advocacy
6212	N/A	Family Homeless Prevention Assistance Program
6214	127244	Transitional Housing
6215	160940	ESP Launch Pad
6217	N/A	DHS Infrastructure/Clay County HRA
7321	141992-10885	Propane A2501
7322	141992-10885	Healthy Air Project
7338	157653-12163	Propane A2501
8083	111551	Live Well At Home
9020	A-CVS-2018-WCMCA-00056	Office of Justice Plus Kids
Total State of Minnesota Programs		
County and Other Programs		
2080	N/A	Cornerstone IDA
2081	N/A	Client FAIM
5051	N/A	Cooking Classes United Way
5055	FY2019-015171	WCI Early Childhood Dental Network
5056	118145\MRBP-19-182515	Screeners
6012	03-G094	Jump Start
6101	N/A	Plus Kids
6105	N/A	Framework Homeownership
6187	N/A	United Way Transitional Housing
6193	12783	WCI Food Distribution
6201	FY2019-12971	WCI Launch Pad
6202	13018	WCI Tax Clinic
6204	N/A	Homebuyer Counseling
6206	18-50948	Tax and Development

State or Other Administrative Department	Current Revenues	Current Expenses
MN Department of Human Services	\$ 71,690	\$ 71,690
MN Housing Finance Agency	24,347	24,347
MN Department of Human Services	2,399	2,399
MN Department of Human Services	175,230	175,230
MN Department of Human Services	518,124	518,124
MN Housing Finance Agency	251	251
MN Housing Finance Agency	1,317	1,317
MN Department of Education	440,540	440,540
MN Department of Education	33,387	33,387
MN Department of Education	2,728	2,728
MN Department of Education	116,674	116,674
MN Department of Human Services	8,458	8,458
MN Housing Finance Agency	2,080	2,080
MN Department of Human Services	33,798	33,798
MN Department of Human Services	72,038	72,038
MN Housing Finance Agency	64,761	64,761
MN Department of Health	1,602	1,602
MN Department of Transportation	49,463	49,463
MN Department of Human Services	62,850	62,850
MN Department of Human Services	4,163	4,163
MN Department of Human Services	29,640	29,640
MN Housing Finance Agency	21,500	21,500
MN Department of Revenue	11,884	11,884
MN Department of Human Services	12,630	12,630
MN Department of Health	1,293	1,293
MN Department of Human Services	1,498	1,498
MN Housing Finance Agency	35,018	35,018
MN Department of Human Services	27,070	27,070
MN Department of Human Services	2,454	2,454
MN Department of Human Services	9,146	9,146
MN Department of Commerce	25,980	25,980
MN Department of Commerce	40,584	40,584
MN Department of Commerce	469	469
MN Department of Human Services	124,314	124,314
MN Department of Public Safety	13,414	13,414
	<u>\$ 2,042,794</u>	<u>\$ 2,042,794</u>
Cornerstone	6,246	6,246
Various	(9)	(9)
United Way of Douglas/Pope Counties	775	775
West Central Initiative	500	500
Mardag Foundation	22,034	22,034
NW Area Foundation	142	142
Foundation/County	3,188	3,188
Framework Homeownership	187	187
United Way of Douglas/Pope Counties	8,540	8,540
West Central Initiative	3,595	3,595
West Central Initiative	3,349	3,349
West Central Initiative	5,000	5,000
US Bank Foundation	2,000	2,000
Otto Bremer Foundation	72,667	72,667

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2019

Fund Number	Grant Number	Program Name
County and Other Programs (Continued)		
6207	N/A	FAIM Coaching
6210	N/A	United Way Launch Pad
6211	N/A	United Way Transitional Housing
6218	N/A	FES Tax
7306	N/A	Great Plains CIP
7307	N/A	Xcel GAS CIP SRC
7308	N/A	Xcel HESP CIP 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 SRC
7316	N/A	Hawley Public Utilities CIP
7317	N/A	Lake Region Electric Coop CIP
7325	N/A	Great Plains CIP
7326	N/A	Runestone Electric CIP
7327	N/A	Ottertail Power CIP
7328	N/A	Centerpoint SRC
7329	N/A	Xcel HESP CIP SRC
7330	N/A	Xcel GAS CIP SRC
7331	N/A	MN Energy Resources SRC
7332	N/A	Wild Rice Electric CIP
7333	N/A	Moorhead Public Service CIP
7334	N/A	Hawley Public Utilities CIP
8076	N/A	LWAH Revenue
8082	N/A	Region 4 Transportation
8084	N/A	Region 4 Transportation
9022	N/A	Douglas County Parent Resource Program
9024	N/A	United Way Plus Kids
9026	N/A	Douglas County Plus Kids
9027	N/A	Douglas County Parent Resource Program
9028	N/A	United Way Plus Kids
Total Local Programs		
Grand Total - All Programs		

State or Other Administrative Department	Current Revenues	Current Expenses
Other	\$ 9,005	\$ 9,005
United Way	511	511
United Way	631	631
West Central Initiative	396	396
Great Plains	3,691	3,691
Sustainable Resources Center	8,252	8,252
Sustainable Resources Center	1,557	1,557
Ottertail Power	30,682	30,682
Wild Rice Electric	957	957
Sustainable Resources Center	18,948	18,948
Runestone Electric	3,935	3,935
Moorhead Public Service	2,648	2,648
Sustainable Resources Center	398	398
Hawley Public Utilities	804	804
Lake Region Electric Coop	8,573	8,573
Great Plains	4,581	4,581
Runestone Electric	24,990	24,990
Ottertail Power	21,030	21,030
Sustainable Resources Center	12,489	12,489
Sustainable Resources Center	274	274
Sustainable Resources Center	8,289	8,289
Sustainable Resources Center	49	49
Wild Rice Electric	1,516	1,516
Moorhead Public Service	992	992
Hawley Public Utilities	55	55
Client Payments	860	860
Region 4 Adult Mental Health	7,236	7,236
Region 4 Adult Mental Health	21,366	21,366
Douglas County	11,377	11,377
United Way Douglas & Pope Counties	3,592	3,592
Douglas County	37,161	37,161
Douglas County	35,860	35,860
United Way	25,000	25,000
	<u>\$ 435,919</u>	<u>\$ 435,919</u>
	<u>\$ 8,864,361</u>	<u>\$ 8,864,361</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. and Subsidiary
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, 2019, 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 28, 2020.

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 28, 2020

**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, 2019. 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 the Organization'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 the Organization'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 the Organization'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, 2019.

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 28, 2020

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 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

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.