

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

**Consolidated Financial Statements**

**September 30, 2020 and 2019**



**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, 2020 and 2019, the related consolidated statements of activities, functional expenses, 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 consolidated financial position of West Central Minnesota Communities Action, Inc. and Subsidiary, as of September 30, 2020 and 2019, 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, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). 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 26, 2021, 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 26, 2021

**CONSOLIDATED FINANCIAL STATEMENTS**

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statements of Financial Position**  
**As of September 30, 2020 and 2019**

|                                     | 2020         | 2019         |
|-------------------------------------|--------------|--------------|
| <b>Assets</b>                       |              |              |
| Current assets                      |              |              |
| Cash and cash equivalents           | \$ 2,018,268 | \$ 2,103,648 |
| Accounts receivable                 | 5,891        | 17,467       |
| Grants receivable                   | 924,782      | 593,565      |
| Contracts receivable                | 92,583       | 28,727       |
| Prepaid expenses                    | 140,860      | 117,356      |
| Other assets                        | 192,726      | 416,025      |
| Total current assets                | 3,375,110    | 3,276,788    |
| Noncurrent assets                   |              |              |
| Property and equipment, net         | 1,409,299    | 1,477,057    |
| MURL homes and property, net        | 1,519,349    | 1,611,485    |
| Total noncurrent assets             | 2,928,648    | 3,088,542    |
| Total assets                        | 6,303,758    | 6,365,330    |
| <b>Liabilities and Net Assets</b>   |              |              |
| Current liabilities                 |              |              |
| Notes payable, current portion      | \$ 258,525   | \$ 329,690   |
| Accounts payable                    | 423,821      | 235,566      |
| Accrued payroll and benefits        | 412,931      | 315,252      |
| Accrued paid time off               | 425,882      | 421,633      |
| Refundable advances                 | 869,509      | 1,284,501    |
| Deferred revenue                    | 82,215       | 58,830       |
| Total current liabilities           | 2,472,883    | 2,645,472    |
| Long-term liabilities               |              |              |
| Notes payable, less current portion | 18,241       | 33,805       |
| Deferred MURL payments              | 611,206      | 567,785      |
| Deferred loans                      | -            | 111,509      |
| Forgivable loans                    | 396,975      | 396,975      |
| Total long-term liabilities         | 1,026,422    | 1,110,074    |
| Total liabilities                   | 3,499,305    | 3,755,546    |
| Net assets                          |              |              |
| Without donor restrictions          | 2,386,259    | 2,609,784    |
| With donor restrictions             | 418,194      | -            |
| Total net assets                    | 2,804,453    | 2,609,784    |
| Total liabilities and net assets    | \$ 6,303,758 | \$ 6,365,330 |

See notes to consolidated financial statements.

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2020**

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|---|-------------------------------|----------------------------|---------------------|
| <b>Revenues</b>                             |                               |                            |                     |
| Grant revenue                               |                               |                            |                     |
| Federal sources                             | \$ 6,164,871                  | \$ -                       | \$ 6,164,871        |
| State sources                               | 1,589,571                     | -                          | 1,589,571           |
| County sources                              | 104,627                       | -                          | 104,627             |
| Other sources                               | 202,620                       | 563,425                    | 766,045             |
| Contributions                               | 146,027                       | 44,759                     | 190,786             |
| In-kind contributions                       | 619,326                       | -                          | 619,326             |
| Sales/fees                                  | 284,692                       | -                          | 284,692             |
| Affordable home loan program                | 446,334                       | -                          | 446,334             |
| Visitation income                           | 8,556                         | -                          | 8,556               |
| Gain (loss) on sale of assets               | (7,066)                       | -                          | (7,066)             |
| Rental income                               | 3,706                         | -                          | 3,706               |
| Miscellaneous income, net return of funds   | (35,206)                      | -                          | (35,206)            |
| Interest income                             | 470                           | -                          | 470                 |
| Net assets released from donor restrictions | 189,990                       | (189,990)                  | -                   |
| Total revenues                              | <u>9,718,518</u>              | <u>418,194</u>             | <u>10,136,712</u>   |
| <b>Expenses</b>                             |                               |                            |                     |
| Program services                            |                               |                            |                     |
| Head Start                                  | 4,911,366                     | -                          | 4,911,366           |
| Weatherization and housing                  | 2,793,836                     | -                          | 2,793,836           |
| Family and community services               | 1,409,908                     | -                          | 1,409,908           |
| Supporting services                         |                               |                            |                     |
| Management and general                      | 751,111                       | -                          | 751,111             |
| Fundraising                                 | 75,822                        | -                          | 75,822              |
| Total expenses                              | <u>9,942,043</u>              | <u>-</u>                   | <u>9,942,043</u>    |
| Change in net assets                        | (223,525)                     | 418,194                    | 194,669             |
| <b>Net Assets</b>                           |                               |                            |                     |
| Beginning of year                           | <u>2,609,784</u>              | <u>-</u>                   | <u>2,609,784</u>    |
| End of year                                 | <u>\$ 2,386,259</u>           | <u>\$ 418,194</u>          | <u>\$ 2,804,453</u> |

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

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|---|---------------------------------------|------------------------------------|---------------------|
| <b>Revenues</b>                           |                                       |                                    |                     |
| Grant revenue                             |                                       |                                    |                     |
| Federal sources                           | \$ 6,385,648                          | \$ -                               | \$ 6,385,648        |
| State sources                             | 2,042,794                             | -                                  | 2,042,794           |
| County sources                            | 85,303                                | -                                  | 85,303              |
| Other sources                             | 350,616                               | -                                  | 350,616             |
| Contributions                             | 30,306                                | -                                  | 30,306              |
| In-kind contributions                     | 830,435                               | -                                  | 830,435             |
| Sales/fees                                | 220,923                               | -                                  | 220,923             |
| Affordable home loan program              | 461,602                               | -                                  | 461,602             |
| Gain (loss) on sale of assets             | 1,000                                 | -                                  | 1,000               |
| Rental income                             | 9,411                                 | -                                  | 9,411               |
| Miscellaneous income, net return of funds | 22,811                                | -                                  | 22,811              |
| Interest income                           | 1,021                                 | -                                  | 1,021               |
| Total revenues                            | <u>10,441,870</u>                     | <u>-</u>                           | <u>10,441,870</u>   |
| <b>Expenses</b>                           |                                       |                                    |                     |
| Program services                          |                                       |                                    |                     |
| Head Start                                | 5,188,994                             | -                                  | 5,188,994           |
| Weatherization and housing                | 2,782,177                             | -                                  | 2,782,177           |
| Family and community services             | 1,711,900                             | -                                  | 1,711,900           |
| Supporting services                       |                                       |                                    |                     |
| Management and general                    | 876,874                               | -                                  | 876,874             |
| Fundraising                               | 55,314                                | -                                  | 55,314              |
| Total expenses                            | <u>10,615,259</u>                     | <u>-</u>                           | <u>10,615,259</u>   |
| Change in net assets                      | (173,389)                             | -                                  | (173,389)           |
| <b>Net Assets</b>                         |                                       |                                    |                     |
| Beginning of year                         | <u>2,783,173</u>                      | <u>-</u>                           | <u>2,783,173</u>    |
| End of year                               | <u>\$ 2,609,784</u>                   | <u>\$ -</u>                        | <u>\$ 2,609,784</u> |



**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2020**

|                                   | Program Services    |                            |                               | Program Services    | Supporting Services    |                  |                     |
|-----------------------------------|---------------------|----------------------------|-------------------------------|---------------------|------------------------|------------------|---------------------|
|                                   | Head Start          | Weatherization and Housing | Family and Community Services | Total               | Management and General | Fundraising      | Total               |
| <b>Expenses</b>                   |                     |                            |                               |                     |                        |                  |                     |
| Salaries and wages                | \$ 2,893,706        | \$ 835,479                 | \$ 405,603                    | \$ 4,134,788        | \$ 384,575             | \$ 61,751        | \$ 4,581,114        |
| Fringe benefits and payroll taxes | 699,295             | 209,781                    | 83,691                        | 992,767             | 90,587                 | 14,071           | 1,097,425           |
| Consultants                       | 46,100              | 19,474                     | 68,925                        | 134,499             | 11,066                 | -                | 145,565             |
| Travel                            | 45,194              | 28,818                     | 13,930                        | 87,942              | 3,764                  | -                | 91,706              |
| Space cost and rental             | 131,515             | 25,780                     | 21,437                        | 178,732             | 21,613                 | -                | 200,345             |
| Supplies                          | 198,805             | 53,637                     | 43,565                        | 296,007             | 14,302                 | -                | 310,309             |
| Repairs and maintenance           | 819                 | 2,079                      | 711                           | 3,609               | 27,647                 | -                | 31,256              |
| Interest expense                  | -                   | 8,259                      | -                             | 8,259               | 2,242                  | -                | 10,501              |
| Other direct costs                | 5,802               | 4,307                      | 2,054                         | 12,163              | 10,287                 | -                | 22,450              |
| Audit and accounting              | -                   | -                          | -                             | -                   | 24,350                 | -                | 24,350              |
| Advertising                       | 2,154               | 11,952                     | 4,210                         | 18,316              | 1,175                  | -                | 19,491              |
| Insurance                         | 20,918              | 14,065                     | 9,042                         | 44,025              | 39,563                 | -                | 83,588              |
| Telephone                         | 43,097              | 15,679                     | 1,048                         | 59,824              | 14,956                 | -                | 74,780              |
| Postage and printing              | 21,571              | 20,335                     | 17,886                        | 59,792              | 6,405                  | -                | 66,197              |
| Depreciation                      | 45,292              | 96,862                     | 423                           | 142,577             | 83,750                 | -                | 226,327             |
| Training                          | 32,243              | 3,171                      | 4,468                         | 39,882              | 3,434                  | -                | 43,316              |
| Miscellaneous                     | 24,338              | 35,783                     | 26,111                        | 86,232              | 11,378                 | -                | 97,610              |
| Direct Program Costs              |                     |                            |                               |                     |                        |                  |                     |
| Head Start                        | 129,608             | -                          | -                             | 129,608             | -                      | -                | 129,608             |
| Energy Assistance Program         | -                   | 372,608                    | -                             | 372,608             | -                      | -                | 372,608             |
| Weatherization                    | -                   | 358,104                    | -                             | 358,104             | -                      | -                | 358,104             |
| Housing Rehabilitation / Housing  | 4,450               | 661,637                    | 74,497                        | 740,584             | -                      | -                | 740,584             |
| Client Services                   | 104                 | 15,452                     | 572,582                       | 588,138             | -                      | -                | 588,138             |
| Tax Site Services                 | -                   | -                          | 7,328                         | 7,328               | 17                     | -                | 7,345               |
| In-Kind                           | 566,355             | 574                        | 52,397                        | 619,326             | -                      | -                | 619,326             |
| <b>Total</b>                      | <b>\$ 4,911,366</b> | <b>\$ 2,793,836</b>        | <b>\$ 1,409,908</b>           | <b>\$ 9,115,110</b> | <b>\$ 751,111</b>      | <b>\$ 75,822</b> | <b>\$ 9,942,043</b> |

↳ 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<br>and Housing | Family and<br>Community<br>Services | Total               | Management<br>and General | Fundraising      | Total                |
| <b>Expenses</b>                   |                     |                               |                                     |                     |                           |                  |                      |
| 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               |
| Depreciation                      | -                   | -                             | -                                   | -                   | 208,556                   | -                | 208,556              |
| 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              |
| <b>Total</b>                      | <b>\$ 5,188,994</b> | <b>\$ 2,782,177</b>           | <b>\$ 1,711,900</b>                 | <b>\$ 9,683,071</b> | <b>\$ 876,874</b>         | <b>\$ 55,314</b> | <b>\$ 10,615,259</b> |

∞ See notes to consolidated financial statements.

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2020 and 2019**

|   | 2020         | 2019         |
|---|--------------|--------------|
| <b>Cash Flows - Operating Activities</b>  |              |              |
| Change in net assets  | \$ 194,669   | \$ (173,389) |
| Adjustments to reconcile change in net assets<br>to net cash flows - operating activities |              |              |
| Depreciation - property and equipment   | 139,714      | 124,429      |
| Depreciation - MURL homes   | 86,613       | 84,128       |
| Loss (gain) on disposal of property and equipment   | -            | (1,000)      |
| Gain on sale of MURL homes  | 7,066        | (74,936)     |
| Debt forgiveness  | -            | -            |
| Changes in operating assets and liabilities   |              |              |
| Accounts receivable   | 11,576       | (16,524)     |
| Grants receivable   | (331,217)    | 49,631       |
| Contracts receivable  | (63,856)     | 54,166       |
| Prepaid expenses  | (23,504)     | 92           |
| Other assets  | 223,299      | 61,886       |
| Accounts payable  | 188,255      | (73,446)     |
| Accrued payroll and benefits  | 97,679       | 32,725       |
| Accrued paid time off   | 4,249        | 3,602        |
| Refundable advances - grants  | (414,992)    | (186,373)    |
| Deferred revenue  | 23,385       | (35,855)     |
| Deferred MURL payments  | 43,421       | (15,810)     |
| Deferred revenue - loans  | (111,509)    | -            |
| Net cash flows - operating activities   | 74,848       | (166,674)    |
| <b>Cash Flows - Investing Activities</b>  |              |              |
| Net proceeds from sale of MURL homes  | 40,000       | 179,242      |
| Purchases of property and equipment   | (71,956)     | (123,817)    |
| Purchases of MURL homes and property  | (41,543)     | (85,817)     |
| Net cash flows - investing activities   | (73,499)     | (30,392)     |
| <b>Cash Flows - Financing Activities</b>  |              |              |
| Proceeds from note payable  | 170,000      | 251,000      |
| Principal payments on notes payable   | (256,729)    | (325,558)    |
| Net cash flows - financing activities   | (86,729)     | (74,558)     |
| Net change in cash and cash equivalents   | (85,380)     | (271,624)    |
| <b>Cash and Cash Equivalents</b>  |              |              |
| Beginning of year   | 2,103,648    | 2,375,272    |
| End of year   | \$ 2,018,268 | \$ 2,103,648 |
| <b>Supplementary Information</b>  |              |              |
| Cash paid for interest  | \$ 10,501    | \$ 19,660    |
| Property and equipment financed   | \$ -         | \$ 24,163    |
| Transfer of lots to other assets  | \$ -         | \$ 22,303    |

See notes to consolidated financial statements.

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**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 consolidated 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. 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, 2020 and 2019.

**Grants and Contracts Receivable**

Grants and contracts receivable are amounts outstanding under government reimbursement grants and contract agreements. Based upon prior experience and continual assessments of future collections, no allowance for uncollectible grants and contracts is considered necessary at September 30, 2020 and 2019.

**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, 2020 and 2019.

**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 2020 and 2019 was \$1,061,615 and \$992,718, 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, 2020 and 2019, were \$611,206 and \$567,785, 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. The Organization reports 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**

A significant portion of the Organization's revenue is derived from cost-reimbursable federal, state, and other contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$2,802,500 and \$4,769,601, respectively, that have not been recognized at September 30, 2020 and 2019, because qualifying expenditures have not yet been incurred.

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

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Revenue Recognition (Continued)**

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Earned income is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the goods or services provided the Organization and are recognized either over time or at a point in time. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred through a point in time in relation to total charges incurred. The Organization believes that this method provides a useful depiction of the provision of goods or services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time are recognized when goods or services are provided to customers, and it is not required to provide additional goods or services.

*Sales/fees*

The Organization contracts with local agencies (HRA), townships, and cities for services such as building/remodeling homes, LEAD testing, etc. Revenue is recognized over time, as the services are being completed. The price is determined by the original contract between the Organization and the contractor/agency. The Organization offers an additional warranty (2-10-year warranty) on new homes sold to clients. Historically, warranty work has not been performed and therefore management has determined a warranty reserve is not necessary. New homes for HRA's are covered under the State mandated warranty for new homes. MURL homes do not have a warranty.

*Affordable home loan program*

The Organization sells prebuilt and pre-purchased homes to clients. Revenue is recognized at a point in time, when the home closing takes place. The price of the home depends on the cost of the supplies or specifications of the house as well as comparable houses in the area.

*Visitation income*

The Organization provides supervised exchange and visitation services to clients. Revenue is recognized at a point in time, as the service/safe exchange happens. The price is determined by the client's percentage of poverty level and the service provided (supervised time, supervised phone calls, safe exchange, Zoom calls, etc).

*Rental income*

The Organization owns a Transitional Housing unit and receives monthly rent from tenants. Tenants sign a lease for 12 months, with the first 4 weeks being a probationary period, where the Organization can end their time on the program instantly. After the initial 12 months the lease is then month to month and a new lease is not created. Tenants can also move out with a 30-day notice at any given time. Revenue is recognized when the rental payments are received. The rental price is computed by using the clients adjusted gross income, they pay 30% as a monthly rental fee.



**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 2020 and 2019 was \$19,491 and \$34,785, 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) and 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)**

**Recently Adopted Accounting Pronouncements**

*Revenue Recognition*

On October 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) Revenue from Contracts with Customers, which provides guidance for revenue recognition that superseded the revenue recognition requirements in ASC Topic 605, Revenue Recognition and most industry specific guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods or services. The Council adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods beginning after October 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. The impact of the adoption of the new standard was insignificant to the consolidated financial statements.

*Clarifying Guidance for Contributions Received and Contributions Made*

On October 1, 2019, FASB ASU 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made became effective. 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. The impact of the clarified guidance was \$205,983 of unconditional grants and contribution revenue was recognized as revenue at October 1, 2019.

**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 June 2020, the FASB issued ASU No. 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. 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)**

*Contributed Nonfinancial Assets*

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958) *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition to enhanced disclosures for contributed nonfinancial assets, this ASU requires non-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its consolidated financial statements.

**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:

|   | 2020        | 2019        |
|---|-------------|-------------|
| Cash and cash equivalents                                 | \$2,018,268 | \$2,103,648 |
| Accounts receivable                                       | 5,891       | 17,467      |
| Grants receivable   | 924,782     | 593,565     |
| Contracts receivable                                      | 92,583      | 28,727      |
| Other assets  | 192,723     | 416,025     |
| Total financial assets                                    | 3,234,247   | 3,159,432   |
| Less refundable advances - grants                         | (869,509)   | (1,284,501) |
| Less deferred revenue                                     | (82,215)    | (58,830)    |
| Less net assets with donor restrictions                   | (418,194)   | -           |
| Total financial assets available for general expenditures | \$1,864,329 | \$1,816,101 |

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**

|                         | 2020       | 2019       |
|-------------------------|------------|------------|
| Federal programs        | \$ 602,333 | \$ 417,405 |
| State programs          | 130,286    | 95,495     |
| Other programs          | 192,163    | 80,665     |
| Total grants receivable | \$ 924,782 | \$ 593,565 |

**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, utilized this grant as a revolving loan fund. Due to this, the \$175,000 had been classified as deferred loans and the balance was written-off as loans became uncollectible from the individuals. Bremer Bank loaned the funds and attempted to collect loans from individuals. If Bremer Bank was unsuccessful, the loan was transferred to the Organization who attempted to collect from the individual. At September 30, 2020 and 2019, there were \$0 in loans receivable each year and \$0 and 111,509 in deferred loans, respectively. This program is no longer being offered so, at the request of the Organization, this account was closed at Bremer Bank on January 15, 2020 and the revenue has been recognized.

**NOTE 5 – PROPERTY AND EQUIPMENT**

|                               | 2020         | 2019         |
|-------------------------------|--------------|--------------|
| Land                          | \$ 30,000    | \$ 30,000    |
| Buildings                     | 1,422,601    | 1,422,601    |
| Leasehold improvements        | 443,772      | 443,337      |
| Vehicles                      | 301,451      | 271,451      |
| Furniture and equipment       | 348,850      | 326,061      |
| Scanner                       | 39,165       | 27,675       |
| Other assets                  | 68,564       | 68,564       |
| Total cost                    | 2,654,403    | 2,589,689    |
| Less accumulated depreciation | 1,245,104    | 1,112,632    |
| Property and equipment, net   | \$ 1,409,299 | \$ 1,477,057 |

Depreciation expense on property and equipment for 2020 and 2019 was \$139,714 and \$124,429, respectively.

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

**NOTE 6 – MURL HOMES AND PROPERTY**

|                               | 2020         | 2019         |
|-------------------------------|--------------|--------------|
| MURL homes                    | \$ 2,580,964 | \$ 2,604,203 |
| Less accumulated depreciation | 1,061,615    | 992,718      |
| MURL homes, net               | \$ 1,519,349 | \$ 1,611,485 |

Depreciation expense on MURL homes for 2020 and 2019 was \$86,613 and \$84,128, 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, 2020 and 2019, the Organization did not have any amounts outstanding on the line of credit.

**NOTE 8 – NOTES PAYABLE**

|   | 2020       | 2019       |
|---|------------|------------|
| 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%. | \$ 243,000 | \$ 315,000 |
| Financial institution   |            |            |
| Monthly payments of \$447, including interest at 5.58%, due February 2022   | 6,863      | 11,706     |
| Monthly payments of \$509, including interest at 5.58%, due February 2022   | 7,812      | 13,323     |
| Monthly payments of \$461, including interest at 5.45%, due July 2024   | 19,091     | 23,466     |
|   | 276,766    | 363,495    |
| Less current portion  | (258,525)  | (329,690)  |
| Total long-term notes payable   | \$ 18,241  | \$ 33,805  |

**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:

|       |  |            |
|-------|--|------------|
| 2021  |  | \$ 258,525 |
| 2022  |  | 8,616      |
| 2023  |  | 5,134      |
| 2024  |  | 4,491      |
| Total |  | \$ 276,766 |

**NOTE 9 – FORGIVABLE LOAN**

**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 – NET ASSETS WITH DONOR RESTRICTIONS**

|   | 2020       | 2019 |
|---|------------|------|
| Subject to expenditure for specified purpose: |            |      |
| Housing                                       | \$ 16,866  | \$ - |
| Head Start                                    | 27         | -    |
| Emergency Services                            | 8,209      | -    |
| FAIM  | 191,181    | -    |
| Energy Assistance                             | 7,528      | -    |
| Plus Kids                                     | 2,006      | -    |
|   | 225,817    | -    |
| Subject to the passage of time:               |            |      |
| Grants receivable                             | 192,377    | -    |
| Total net assets with donor restrictions      | \$ 418,194 | \$ - |

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

**NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

|   | 2020        | 2019  |
|---|-------------|-------|
| Satisfaction of purpose restrictions              |             |       |
| Housing   | \$ 4,227    | \$ -  |
| Head Start  | 473         | -     |
| Emergency Services                                | 28,900      | -     |
| FAIM  | 2,780       | -     |
| Energy Assistance                                 | 6,649       | -     |
| Plus Kids   | 3,902       | -     |
|   | 46,931      | -     |
| <br>Expiration of time restrictions               | <br>143,059 | <br>- |
| Total net assets released from donor restrictions | \$ 189,990  | \$ -  |

**NOTE 11 – OPERATING LEASES**

The Organization has entered into various operating leases for space, primarily for its offices and its Head Start Program. Lease expense for 2020 and 2019 was \$146,795 and \$139,201, respectively. The Organization has also entered into a month-to-month lease which is not included in the future minimum lease payments below.

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

|       |            |
|-------|------------|
| 2021  | \$ 146,886 |
| 2022  | 55,492     |
| 2023  | 8,318      |
| 2024  | 1,351      |
| Total | \$ 212,047 |

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.

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

**NOTE 12 – IN-KIND CONTRIBUTIONS**

For 2020, in-kind contributions were recorded in the following programs:

Donated materials/other

|                    | Federal          |                   | In Home<br>Repair 20 | Local               |                  | Total             |
|--------------------|------------------|-------------------|----------------------|---------------------|------------------|-------------------|
|                    | Headstart<br>19  | Headstart<br>20   |                      | Launch Pad<br>18-20 | Plus Kids<br>20  |                   |
| Space costs        | \$ 39,727        | \$ 239,546        | \$ -                 | \$ -                | \$ 36,061        | \$ 315,334        |
| Supplies           | -                | -                 | -                    | 3,507               | -                | 3,507             |
| Other direct costs | -                | -                 | 574                  | -                   | -                | 574               |
| Total              | <u>\$ 39,727</u> | <u>\$ 239,546</u> | <u>\$ 574</u>        | <u>\$ 3,507</u>     | <u>\$ 36,061</u> | <u>\$ 319,415</u> |

Donated services

|                       | Federal          |                   | VITA<br>18-20    | Total             |
|-----------------------|------------------|-------------------|------------------|-------------------|
|                       | Headstart<br>19  | Headstart<br>20   |                  |                   |
| Salaries and wages    | \$ -             | \$ -              | \$ 12,829        | \$ 12,829         |
| Professional services | 56,660           | 230,422           | -                | 287,082           |
| Total                 | <u>\$ 56,660</u> | <u>\$ 230,422</u> | <u>\$ 12,829</u> | <u>\$ 299,911</u> |



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

**NOTE 12 – IN-KIND CONTRIBUTIONS (CONTINUED)**

In-kind contributions reported for grant purposes, but not for consolidated financial statements in accordance with U.S. GAAP.

|                    | Headstart<br>19  | Headstart<br>20   | In Home<br>Repair 19 | In Home<br>Repair 20 | DHS Plus Kids<br>19-20 | Rapid Re-<br>Housing 19-20 |
|--------------------|------------------|-------------------|----------------------|----------------------|------------------------|----------------------------|
| Salaries and wages | \$ 29,245        | \$ 200,335        | \$ -                 | \$ -                 | \$ -                   | \$ -                       |
| Fringe benefits    | 10,528           | 72,121            | -                    | -                    | -                      | -                          |
| Other direct costs | -                | -                 | 1,200                | 2,862                | 4,223                  | 2,904                      |
| <b>Total</b>       | <b>\$ 39,773</b> | <b>\$ 272,456</b> | <b>\$ 1,200</b>      | <b>\$ 2,862</b>      | <b>\$ 4,223</b>        | <b>\$ 2,904</b>            |

  

|                    | VITA<br>19-20    | OJP<br>19-21     | LTH<br>16-19    | LTH<br>20-21     | Total             |
|--------------------|------------------|------------------|-----------------|------------------|-------------------|
| Salaries and wages | \$ -             | \$ -             | \$ -            | \$ -             | \$ 229,580        |
| Fringe benefits    | -                | -                | -               | -                | 82,649            |
| Other direct costs | 17,073           | 22,432           | 3,715           | 37,500           | 91,909            |
| <b>Total</b>       | <b>\$ 17,073</b> | <b>\$ 22,432</b> | <b>\$ 3,715</b> | <b>\$ 37,500</b> | <b>\$ 404,138</b> |

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

Donated materials/other

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

Donated services

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

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

**NOTE 12 – IN-KIND CONTRIBUTIONS (CONTINUED)**

In-kind contributions reported for grant purposes, but not for consolidated financial statements in accordance with U.S. GAAP.

|                    | Headstart<br>18  | Headstart<br>19   | In Home<br>Repair 19 | ESG<br>17-19     | Rapid<br>Re-Housing<br>18-19 | Rapid<br>Re-Housing<br>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                       |
| <b>Total</b>       | <b>\$ 44,743</b> | <b>\$ 275,110</b> | <b>\$ 3,750</b>      | <b>\$ 13,526</b> | <b>\$ 34,000</b>             | <b>\$ 12,096</b>             |

  

|                    | VITA<br>18-20 | OJP<br>17-19     | LTH<br>16-19     | CSSD<br>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            |
| <b>Total</b>       | <b>\$ 315</b> | <b>\$ 12,647</b> | <b>\$ 27,740</b> | <b>\$ 841,007</b> | <b>\$1,264,934</b> |

**NOTE 13 – 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 2020 and 2019 were \$155,814 and \$150,278, respectively.

**NOTE 14 – 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 2020 and 2019, 12% 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 37% and 38%, 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 15 – 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.

**NOTE 16 – RISKS AND UNCERTAINTIES**

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Organization may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the Organization's consolidated financial statements cannot be determined at this time.

**NOTE 17 – RECLASSIFICATIONS**

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

**NOTE 18 – SUBSEQUENT EVENTS**

In December 2020, the Organization received an additional \$584,000 from Minnesota Finance Housing Authority for CARES Housing Assistance Program (CHAP) funding.

The Organization has evaluated subsequent events through January 26, 2021, the date which the consolidated financial statements were available to be issued.

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**SUPPLEMENTARY INFORMATION**

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**West Central Minnesota Communities Action, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

| Federal Grantors/Pass-Through<br>Grantor/Program or Cluser Title/Project Name | CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|---|----------------|--|-------------------------|
| <b>U.S. Department of Agriculture</b>   |                |  |                         |
| Minnesota Department of Education   |                |  |                         |
| Child and Adult Care Food Program   | 10.558         | 2MN300061                                    | \$ 48,949               |
| Total U.S. Department of Agriculture  |                |  | <u>48,949</u>           |
| <b>U.S. Department of Housing and Urban Development</b>                       |                |  |                         |
| Direct  |                |  |                         |
| Housing Counseling Assistance Program   | 14.169         |  | 1,430                   |
| Housing Counseling Assistance Program   | 14.169         |  | 3,370                   |
| Total Housing Counseling Assistance Program                                   |                |  | <u>4,800</u>            |
| Minnesota Department of Human Services  |                |  |                         |
| Emergency Solutions Grant Program   | 14.231         | GRK%160345                                   | <u>39,356</u>           |
| Direct  |                |  |                         |
| Continuum of Care Program (Rapid Rehousing)                                   | 14.267         |  | 35,203                  |
| Continuum of Care Program (Rapid Rehousing)                                   | 14.267         |  | 132                     |
| Total Continuum of Care Program   |                |  | <u>35,335</u>           |
| Total U.S. Department of Housing and Urban Development                        |                |  | <u>79,491</u>           |
| <b>U.S. Department of Justice</b>   |                |  |                         |
| Minnesota Department of Public Safety   |                |  |                         |
| Crime Victim Assistance   | 16.575         | A-FMR-2019-WCMCA-030                         | 22,815                  |
| Crime Victim Assistance   | 16.575         | A-CVS-2020-WCMCA-003                         | 51,439                  |
| Total Office of Justice Plus Kids   |                |  | <u>74,254</u>           |
| Total U.S. Department of Justice  |                |  | <u>74,254</u>           |
| <b>U.S. Department of Transportation</b>                                      |                |  |                         |
| Minnesota Department of Transportation  |                |  |                         |
| Transit Services Programs Cluster   |                |  |                         |
| Enhanced Mobility of Seniors and Individuals with Disabilities                | 20.513         | 1044294                                      | 58,752                  |
| Enhanced Mobility of Seniors and Individuals with Disabilities                | 20.513         | 1034657                                      | 120,954                 |
| Total Transit Services Programs Cluster                                       |                |  | <u>179,706</u>          |
| Total U.S. Department of Transportation                                       |                |  | <u>179,706</u>          |
| <b>U.S. Department of the Treasury</b>  |                |  |                         |
| Direct  |                |  |                         |
| Volunteer Income Tax Assistance (VITA) Matching Grant Program                 | 21.009         |  | <u>17,500</u>           |
| Minnesota Housing Finance Agency  |                |  |                         |
| COVID-19 - Coronavirus Relief Fund  | 21.019         | N/A  | 127,799                 |
| Total U.S. Department of the Treasury   |                |  | <u>145,299</u>          |
| <b>U.S. Department of Energy</b>  |                |  |                         |
| Minnesota Department of Commerce  |                |  |                         |
| Weatherization Assistance for Low-Income Persons                              | 81.042         | DE-EE0007928                                 | 297,397                 |
| Weatherization Assistance for Low-Income Persons                              | 81.042         | DE-EE0007928                                 | 85,387                  |
| Total Weatherization Assistance for Low-Income Persons                        |                |  | <u>382,784</u>          |
| Total U.S. Department of Energy   |                |  | <u>382,784</u>          |

**West Central Minnesota Communities Action, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

| Federal Grantors/Pass-Through<br>Grantor/Program or Cluser Title/Project Name                         | CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|---|----------------|--|-------------------------|
| <b>U.S. Department of Health and Human Services</b>   |                |  |                         |
| Land of Dancing Sky Area Agency on Aging  |                |  |                         |
| Aging Cluster   |                |  |                         |
| Special Programs for the Aging Title III, Part B Grants for<br>Supportive Services and Senior Centers | 93.044         | 314-19-003B-428                              | \$ 9,024                |
| Special Programs for the Aging Title III, Part B Grants for<br>Supportive Services and Senior Centers | 93.044         | 314-20-003B-428                              | <u>22,381</u>           |
| Total Aging Cluster   |                |  | <u>31,405</u>           |
| Minnesota Department of Human Services  |                |  |                         |
| State Planning and Establishment Grants for the<br>ACA OS Exchanges (MNSure)                          | 93.525         | N/A  | 39,140                  |
| State Planning and Establishment Grants for the<br>ACA OS Exchanges (MNSure)                          | 93.525         | N/A  | 8,389                   |
| State Planning and Establishment Grants for the<br>ACA OS Exchanges (MNSure)                          | 93.525         | N/A  | <u>2,612</u>            |
| Total State Planning and Establishment Grants<br>for the ACA OS Exchanges (MNSure)                    |                |  | <u>50,141</u>           |
| Minnesota Department of Commerce  |                |  |                         |
| Low-Income Home Energy Assistance   |                |  |                         |
| EAP/WX A2110  | 93.568         | Swift 157653-12163                           | 175,047                 |
| EAP 19-20   | 93.568         | 1563   | 924,718                 |
| EAP/WX A2111  | 93.568         | 20B1MNLIEA                                   | 69,219                  |
| EAP/WX CO A2110   | 93.568         | 19B1MNLIEA                                   | 48,543                  |
| Energy Assistance - Direct Payments   | 93.568         | N/A  | <u>3,538,736</u>        |
| Total Low-Income Home Energy Assistance   |                |  | <u>4,756,263</u>        |
| Minnesota Department of Health Services   |                |  |                         |
| Community Services Block Grant  | 93.569         | GRK%127543                                   | 2,747                   |
| Community Services Block Grant  | 93.569         | GRK%161422                                   | 33,899                  |
| COVID-19 Community Services Block Grant   | 93.569         | 179877                                       | <u>19,514</u>           |
| Total Community Services Block Grant  |                |  | <u>56,160</u>           |
| Minnesota Department of Human Services  |                |  |                         |
| Grants to States for Access and Visitation Programs   | 93.597         | 163635                                       | <u>38,000</u>           |
| Direct  |                |  |                         |
| Head Start Cluster  |                |  |                         |
| Head Start  | 93.600         |  | 117,574                 |
| Head Start  | 93.600         |  | 170,794                 |
| Head Start  | 93.600         |  | 1,557,677               |
| Head Start  | 93.600         |  | <u>1,906,980</u>        |
| Total Head Start Cluster  |                |  | <u>3,753,025</u>        |
| Direct  |                |  |                         |
| Assets for Independence Demonstration Program   |                |  |                         |
| FAIM VI   | 93.602         |  | <u>108,130</u>          |
| Total U.S. Department of Health and Human Services  |                |  | <u>8,793,124</u>        |
| Total expenditures of federal awards  |                |  | <u>\$ 9,703,607</u>     |

See notes to schedule of expenditures of federal awards.



**West Central Minnesota Communities Action, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

**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, 2020. 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 \$3,538,736. These expenditures are not included in the consolidated statements of activities.

**NOTE 5 – PASS-THROUGH ENTITY IDENTIFICATION NUMBERS**

Several of the programs, grants and/or awards included in the schedule are missing the pass-through entity identification numbers. The missing numbers are due to the pass-through entities not providing the pass-through entity identification numbers.

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Schedule of Grant Activity**  
**Year Ended September 30, 2020**

| Fund<br>Number  | Grant<br>Number      | Program<br>Name                                 |
|---|----------------------|---|
| <b>Federal Programs</b>                                 |                      |   |
| <b>U.S. Department of Agriculture</b>                   |                      |   |
| Various   | 2MN300061            | USDA Food Reimbursement                         |
| <b>U.S. Department of Housing and Urban Development</b> |                      |   |
| 6200  | FY2019-18            | HUD Housing Counseling                          |
| 6208  | MN0389L5K081802      | Rapid Rehousing HUD                             |
| 6213  | GRK% 160345          | Emergency Solutions Grant (ESG) HUD             |
| 6225  | FY2020-18            | HUD Housing Counseling                          |
| 6244  | MN047D5K081900       | Rapid Rehousing HUD                             |
| <b>U.S. Department of Justice</b>                       |                      |   |
| 9029  | A-FMR-2019-WCMCA-030 | OJP Facility                                    |
| 9030  | A-CVS-2020-WCMCA-003 | Office of Justice Plus Kids                     |
| <b>U.S. Department of the Transportation</b>            |                      |   |
| 6240  | 1044294              | Regional Transportation Coordination            |
| 6216  | 1034657              | Regional Transportation Coordination            |
| <b>U.S. Department of the Treasury</b>                  |                      |   |
| 6197  | 19VITA0031           | Volunteer Income Tax Assistance (VITA) Matching |
| 6241  | N/A                  | Covid-19 Housing Assistance Program             |
| <b>U.S. Department of Energy</b>                        |                      |   |
| 7337  | DE-EE0007928         | WAP DOE A2500                                   |
| 7353  | DE-EE0007928         | WAP DOE A2500                                   |
| <b>U.S. Department of Health and Human Services</b>     |                      |   |
| 1031  | GRK% 127543          | Community Services Block Grant                  |
| 1034  | GRK% 161422          | Community Services Block Grant                  |
| 1036  | GRK% 179877          | Community Services Block Grant CARES            |
| 2079  | Award 90EI0953-01-00 | Fed FAIM 0953                                   |
| 5053  | 05CH010698-01        | Federal Head Start North                        |
| 5054  | 05CH010702-01        | Federal Head Start South                        |
| 5059  | 05CH010698-02        | Federal Head Start North                        |
| 5060  | 05CH010702-02        | Federal Head Start South                        |
| 6209  | N/A                  | MN Sure   |
| 6239  | N/A                  | MN Sure   |
| 6242  | N/A                  | MN Sure   |
| 7324  | 314-19-003B-428      | In Home   |
| 7336  | Swift 157653-12163   | EAP/WX A2110                                    |
| 7340  | 1563                 | EAP 19-20                                       |
| 7343  | 314-20-003B-428      | In Home   |
| 7352  | 20B1MNLIEA           | EAP/WX A2111                                    |
| 7355  | 19B1MNLIEA           | EAP/WX CO A2110                                 |
| 9031  | 163635               | DHS Plus Kids                                   |

Total Federal Programs

| State or Other<br>Administrative<br>Department | Current<br>Revenues | Current<br>Expenses |
|--|---------------------|---------------------|
| MN Department of Education                     | \$ 48,949           | \$ 48,949           |
| US Department of Housing and Urban Development | 1,430               | 1,430               |
| US Department of Housing and Urban Development | 35,203              | 35,203              |
| MN Department of Human Services                | 39,356              | 39,356              |
| US Department of Housing and Urban Development | 3,370               | 3,370               |
| US Department of Housing and Urban Development | 132                 | 132                 |
|  | <u>79,491</u>       | <u>79,491</u>       |
| MN Department of Public Safety                 | 22,815              | 22,815              |
| MN Department of Public Safety                 | 51,439              | 51,439              |
|  | <u>74,254</u>       | <u>74,254</u>       |
| MN Department of Transportation                | 58,752              | 58,752              |
| MN Department of Transportation                | 120,954             | 120,954             |
|  | <u>179,706</u>      | <u>179,706</u>      |
| US Department of Treasury                      | 17,500              | 17,500              |
| MN Housing Finance Agency                      | 127,799             | 127,799             |
|  | <u>145,299</u>      | <u>145,299</u>      |
| MN Department of Commerce                      | 297,397             | 297,397             |
| MN Department of Commerce                      | 85,387              | 85,387              |
|  | <u>382,784</u>      | <u>382,784</u>      |
| MN Department Human Services                   | 2,747               | 2,747               |
| MN Department Human Services                   | 33,899              | 33,899              |
| MN Department Human Services                   | 19,514              | 19,514              |
| US Department of Health & Human Services       | 108,130             | 108,130             |
| US Department of Health & Human Services       | 117,574             | 117,574             |
| US Department of Health & Human Services       | 170,794             | 170,794             |
| US Department of Health & Human Services       | 1,557,677           | 1,557,677           |
| US Department of Health & Human Services       | 1,906,980           | 1,906,980           |
| MN Department of Health & Human Services       | 39,140              | 39,140              |
| MN Department of Health & Human Services       | 8,389               | 8,389               |
| MN Department of Health & Human Services       | 2,612               | 2,612               |
| Land of the Dancing Sky Area Agency on Aging   | 9,024               | 9,024               |
| MN Department of Commerce                      | 175,047             | 175,047             |
| MN Department of Commerce                      | 924,718             | 924,718             |
| Land of the Dancing Sky Area Agency on Aging   | 22,381              | 22,381              |
| MN Department of Commerce                      | 69,219              | 69,219              |
| MN Department of Commerce                      | 48,543              | 48,543              |
| MN Department of Health & Human Services       | 38,000              | 38,000              |
|  | <u>5,254,388</u>    | <u>5,254,388</u>    |
|  | <u>\$ 6,164,871</u> | <u>\$ 6,164,871</u> |

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Schedule of Grant Activity**  
**Year Ended September 30, 2020**

| Fund<br>Number                     | Grant<br>Number       | Program<br>Name                      |
|------------------------------------|-----------------------|--------------------------------------|
| <b>State of Minnesota Programs</b> |                       |                                      |
| 1033                               | GRK% 161422           | MNCAP                                |
| 2078                               | GRK% 95563            | State FAIM VI                        |
| 2082                               | GRK% 125409           | State FAIM                           |
| 2083                               | GRK% 165149           | State FAIM                           |
| 4044                               | N/A                   | Emergency Loan Program               |
| 4045                               | N/A                   | Rehabilitation Loan Program          |
| 5057                               | N/A                   | Morris Scholarship                   |
| 5058                               | Swift 160037          | State Head Start                     |
| 5062                               | Swift 177595          | State Head Start                     |
| 6119                               | 72337                 | MN Sure Applications Fund            |
| 6132                               | N/A                   | MHFA - TH 8 Plex Alex                |
| 6151                               | N/A                   | Long Term Homelessness               |
| 6192                               | N/A                   | Housing Supports                     |
| 6198                               | N/A                   | Homework Starts at Home              |
| 6203                               | N/A                   | Renting 101                          |
| 6205                               | 151393                | SOAR Advocacy                        |
| 6212                               | N/A                   | FHPAP                                |
| 6214                               | GRK% 127244           | Transitional Housing - OEO           |
| 6215                               | GRK% 160940           | ESP Launch Pad                       |
| 6216                               | 1034657               | Regional Transportation Coordination |
| 6217                               | N/A                   | DHS Infrastructure                   |
| 6219                               | N/A                   | HECAT                                |
| 6220                               | N/A                   | Homeownership Capacity               |
| 6221                               | N/A                   | MN Dept of Revenue Tax               |
| 6227                               | N/A                   | Long Term Homelessness               |
| 6233                               | N/A                   | MNCAP Fire Relief                    |
| 6234                               | N/A                   | Housing Supports COVID-19 Funds      |
| 6235                               | N/A                   | COVID-19 Response Fund               |
| 6240                               | 1044294               | Regional Transportation Coordination |
| 7338                               | Swift 157653-12163    | Propane A2501                        |
| 7339                               | Swift 157653-12163    | Healthy Air Project                  |
| 7354                               | Swift 177171-13329    | Propane A2501                        |
| 9030                               | A-CVS-2020-WCMCA-003  | Office of Justice Plus Kids          |
| Total State of Minnesota Programs  |                       |                                      |
| <b>County and Other Programs</b>   |                       |                                      |
| 1035                               | 015724                | WCI Census Grant                     |
| 2005                               | N/A                   | FAIM - Rollover                      |
| 2080                               | N/A                   | Cornerstone IDA                      |
| 2081                               | N/A                   | Client FAIM                          |
| 3072                               | FY2020-015700         | WCI Community Land Trust             |
| 5056                               | 118145\MRBP-19-182515 | Mardag Foundation Screeners          |
| 5061                               | N/A                   | WCI Oral Health Access               |
| 6101                               | N/A                   | Plus Kids                            |
| 6105                               | N/A                   | Framework Homeownership              |
| 6201                               | FY2019-12971          | WCI Launch Pad                       |
| 6206                               | 18-50948              | Bremer Tax and Development           |
| 6207                               | N/A                   | FAIM Coaching                        |
| 6210                               | N/A                   | United Way Launch Pad                |
| 6211                               | N/A                   | United Way Transitional Housing      |
| 6218                               | N/A                   | FES Tax                              |
| 6222                               | N/A                   | Alex HRA Launch Pad                  |

| State or Other<br>Administrative<br>Department | Current<br>Revenues | Current<br>Expenses |
|--|---------------------|---------------------|
| MN Department of Human Services                | \$ 73,930           | \$ 73,930           |
| MN Department of Human Services                | 32,810              | 32,810              |
| MN Department of Human Services                | 75,249              | 75,249              |
| MN Department of Human Services                | 136,142             | 136,142             |
| Minnesota Housing Finance Agency               | 789                 | 789                 |
| Minnesota Housing Finance Agency               | 54,145              | 54,145              |
| MN Department of Education                     | 31,268              | 31,268              |
| MN Department of Education                     | 469,870             | 469,870             |
| MN Department of Education                     | 123,790             | 123,790             |
| MN Department of Human Services                | 8,050               | 8,050               |
| Minnesota Housing Finance Agency               | 49                  | 49                  |
| MN Department of Human Services - Mahube       | 10,711              | 10,711              |
| MN Department of Human Services                | 80,638              | 80,638              |
| DHS/Clay County                                | 982                 | 982                 |
| Region 4 South Adult Mental Health via DHS     | 85                  | 85                  |
| MN Department of Human Services                | 913                 | 913                 |
| Minnesota Housing Finance Agency               | 112,383             | 112,383             |
| MN Department of Human Services - OEO          | 79,842              | 79,842              |
| MN Department of Human Services - OEO          | 38,905              | 38,905              |
| MN Department of Transportation                | 41,197              | 41,197              |
| DHS/Clay County                                | 20,851              | 20,851              |
| Minnesota Housing Finance Agency               | 25,618              | 25,618              |
| Minnesota Housing Finance Agency               | 5,436               | 5,436               |
| MN Department of Revenue                       | 25,941              | 25,941              |
| MN Department of Human Services - Mahube       | 28,984              | 28,984              |
| MN Department of Human Services                | 5,000               | 5,000               |
| MN Department of Human Services                | 4,025               | 4,025               |
| MN Department of Human Services - OEO          | 9,500               | 9,500               |
| MN Department of Transportation                | 7,341               | 7,341               |
| MN Department of Commerce                      | 34,722              | 34,722              |
| MN Department of Commerce                      | 28,719              | 28,719              |
| MN Department of Commerce                      | 2,072               | 2,072               |
| MN Department of Public Safety                 | 19,614              | 19,614              |
|  | <u>\$ 1,589,571</u> | <u>\$ 1,589,571</u> |
| West Central Initiative                        | 500                 | 500                 |
| RAP-State of MN                                | 179,300             | -                   |
| Cornerstone                                    | 167                 | 167                 |
| Various  | (4)                 | (4)                 |
| West Central Initiative                        | 7,500               | 1,948               |
| Mardag Foundation                              | 1,714               | 1,714               |
| West Central Initiative                        | 500                 | 473                 |
| Foundation/County                              | 601                 | 601                 |
| Framework Homeownership                        | 120                 | -                   |
| West Central Initiative                        | 1,651               | 1,651               |
| Otto Bremer Foundation                         | 15,333              | 15,333              |
| Other  | 14,661              | 2,780               |
| United Way                                     | 9,489               | 9,489               |
| United Way                                     | 14,369              | 14,369              |
| West Central Initiative                        | 6,274               | 6,274               |
| Alex Area Comm Foundation                      | 30,000              | 30,000              |

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Schedule of Grant Activity**  
**Year Ended September 30, 2020**

| Fund<br>Number                               | Grant<br>Number | Program<br>Name                        |
|--|-----------------|--|
| <b>County and Other Programs (Continued)</b> |                 |  |
| 6223   | N/A             | BOW Mortgage Foreclosure               |
| 6224   | N/A             | Wells Fargo Homeownership              |
| 6228   | N/A             | HWSAH Otto Bremer                      |
| 6230   | N/A             | Bremer Tax and Development             |
| 6231   | N/A             | WCI Talex Fire Relief                  |
| 6232   | N/A             | Alex Comm Foundation Fire Relief       |
| 6236   | N/A             | WCI COVID-19                           |
| 6237   | N/A             | COVID-19 Homeless Prevention           |
| 6238   | N/A             | United Way Transitional Housing        |
| 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                |
| 7333   | N/A             | Moorhead Public Service CIP            |
| 7334   | N/A             | Hawley Public Utilities CIP            |
| 7342   | N/A             | Great Plains CIP                       |
| 7344   | N/A             | Ottertail Power CIP                    |
| 7345   | N/A             | Runestone Electric CIP                 |
| 7346   | N/A             | Centerpoint SRC                        |
| 7347   | N/A             | Xcel HESP CIP SRC                      |
| 7348   | N/A             | Xcel GAS CIP SRC                       |
| 7349   | N/A             | MN Energy Resources SRC                |
| 7350   | N/A             | Wild Rice Electric CIP                 |
| 7351   | N/A             | Moorhead Public Service CIP            |
| 8076   | N/A             | LWAH Revenue                           |
| 8084   | N/A             | Region 4 Transportation                |
| 9022   | N/A             | Douglas County Parent Resource Program |
| 9026   | N/A             | Douglas County Plus Kids               |
| 9027   | N/A             | Douglas County Parent Resource Program |
| 9032   | N/A             | Plus Kids Foundation                   |
| 9034   | N/A             | Douglas County Plus Kids               |
| 9035   | N/A             | Douglas County Parent Resource Program |
| 9036   | N/A             | United Way Plus Kids                   |

Total County and Other Programs

Grand Total - All Programs

| State or Other<br>Administrative<br>Department | Current<br>Revenues | Current<br>Expenses |
|--|---------------------|---------------------|
| Bank of the West                               | \$ 5,000            | \$ 5,000            |
| Wells Fargo                                    | 7,500               | 7,500               |
| Clay Co HRA/Otto Bremer                        | 22,000              | 15,481              |
| Otto Bremer Foundation                         | 190,000             | 52,501              |
| West Central Initiative                        | 5,000               | 5,000               |
| Alex Area Comm Foundation                      | 38,600              | 38,600              |
| West Central Initiative                        | 20,000              | 19,514              |
| Community Giving                               | 5,000               | 5,000               |
| United Way                                     | 15,000              | 3,750               |
| Runestone Electric                             | 3,008               | 3,008               |
| Ottertail Power                                | 18,593              | 18,593              |
| Sustainable Resources Center                   | 54,210              | 54,210              |
| Sustainable Resources Center                   | 2,600               | 2,600               |
| Sustainable Resources Center                   | 10,294              | 10,294              |
| Sustainable Resources Center                   | 4,950               | 4,950               |
| Moorhead Public Service                        | 2,329               | 2,329               |
| Hawley Public Utilities                        | 2,527               | 2,527               |
| Great Plains                                   | 3,842               | 3,842               |
| Ottertail Power                                | 16,539              | 16,539              |
| Runestone Electric                             | 20,378              | 20,378              |
| Sustainable Resources Center                   | 7,606               | 7,606               |
| Sustainable Resources Center                   | 95                  | 95                  |
| Sustainable Resources Center                   | 2,323               | 2,323               |
| Sustainable Resources Center                   | 275                 | 275                 |
| Wild Rice Electric                             | 92                  | 92                  |
| Moorhead Public Service                        | 1,445               | 1,445               |
| Client Payments                                | 160                 | 160                 |
| Region 4 Adult Mental Health                   | 805                 | 805                 |
| Douglas County                                 | 1,607               | (14)                |
| Douglas County                                 | 839                 | 839                 |
| Douglas County                                 | 13,144              | 13,144              |
| Misc Foundations                               | 4,300               | 3,915               |
| Douglas County                                 | 38,000              | 28,500              |
| Douglas County                                 | 50,436              | 37,827              |
| United Way                                     | 20,000              | 5,000               |
|  | <u>\$ 870,672</u>   | <u>\$ 478,923</u>   |
|  | <u>\$ 8,625,114</u> | <u>\$ 8,233,365</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, which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements and have issued our report thereon dated January 26, 2021.

**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) as a basis for designing 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 consolidated financial statements. 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 26, 2021

**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, 2020. 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, 2020.

### **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 26, 2021

**West Central Minnesota Communities Action, Inc.**  
**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 Number(s): 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.  
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.