

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

**Consolidated Financial Statements**

**September 30, 2022 and 2021**



**West Central Minnesota Communities Action, Inc. and Subsidiary  
Table of Contents**

Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10
Supplementary Information	
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	25
Consolidated Schedule of Grant Activity	26
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	30
Schedule of Findings and Questioned Costs	33

## Independent Auditor's Report

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

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of West Central Minnesota Communities Action, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of West Central Minnesota Communities Action, Inc. and Subsidiary, as of September 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of West Central Minnesota Communities Action, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West Central Minnesota Communities Action, Inc. and Subsidiary's ability to continue as a going concern for one year.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 West Central Minnesota Communities Action, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Central Minnesota Communities Action, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Information Included in the Annual Report***

Management is responsible for the other information included in the annual report. The other information is comprised of a summary of total revenue by category, summary of functional expenses by category, and total revenues and expenses for the last six years but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of other information exists, we are required to describe in in our report.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of grant activity is presented for purposes of additional analysis of the consolidated financial statements and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 consolidated schedule of grant activity and the schedule of expenditures of federal awards 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 24, 2023, on our consideration of West Central Minnesota Communities Action, Inc. and Subsidiary'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 West Central Minnesota Communities Action, Inc. and Subsidiary'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 West Central Minnesota Communities Action, Inc. and Subsidiary's internal control over financial reporting and compliance.

*BergankDV, Ltd.*

St. Cloud, Minnesota

January 24, 2023

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statements of Financial Position**  
**As of September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,685,205	\$ 2,372,992
Accounts receivable	5,893	23,732
Grants receivable	1,265,626	912,771
Contracts receivable	13,303	43,774
Prepaid expenses	165,527	126,711
Other assets	544,266	234,469
Total current assets	<u>3,679,820</u>	<u>3,714,449</u>
Property and equipment, net	1,562,396	1,351,764
MURL homes and property, net	1,090,263	1,328,324
CLT land	<u>78,343</u>	<u>35,145</u>
Total assets	<u><u>\$6,410,822</u></u>	<u><u>\$6,429,682</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Notes payable, current portion	\$ 248,134	\$ 8,616
Accounts payable	515,650	399,801
Accrued payroll and benefits	373,489	496,602
Accrued paid time off	462,851	425,770
Refundable advances	708,554	468,028
Deferred revenue	49,234	57,152
Total current liabilities	<u>2,357,912</u>	<u>1,855,969</u>
Long-term liabilities		
Notes payable	4,409	388,585
Deferred MURL payments	531,426	658,438
Forgivable loan	396,975	396,975
Total long-term liabilities	<u>932,810</u>	<u>1,443,998</u>
Total liabilities	<u>3,290,722</u>	<u>3,299,967</u>
Net assets		
Without donor restrictions	2,333,904	2,298,520
With donor restrictions	<u>786,196</u>	<u>831,195</u>
Total net assets	<u>3,120,100</u>	<u>3,129,715</u>
Total liabilities and net assets	<u><u>\$6,410,822</u></u>	<u><u>\$6,429,682</u></u>

See notes to consolidated financial statements.

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Grant revenue			
Federal sources	\$ 7,902,090	\$ -	\$ 7,902,090
State sources	1,927,424	-	1,927,424
County sources	44,438	53,434	97,872
Other sources	341,912	287,460	629,372
Contributions	44,006	31,482	75,488
In-kind contributions	678,757	-	678,757
Sales/fees	203,376	-	203,376
Affordable home loan program	200,833	-	200,833
Visitation income	19,356	-	19,356
Gain on sale of MURL homes and property	65,332	-	65,332
Rental income	20,113	-	20,113
Miscellaneous income	32,861	-	32,861
Net assets released from donor restrictions	417,375	(417,375)	-
Total revenues	<u>11,897,873</u>	<u>(44,999)</u>	<u>11,852,874</u>
<b>Expenses</b>			
Head Start	5,482,705	-	5,482,705
Weatherization and housing	3,664,966	-	3,664,966
Family and community services	1,908,392	-	1,908,392
Management and general	754,187	-	754,187
Fundraising	52,239	-	52,239
Total expenses	<u>11,862,489</u>	<u>-</u>	<u>11,862,489</u>
Change in net assets	35,384	(44,999)	(9,615)
<b>Net Assets</b>			
Beginning of year	<u>2,298,520</u>	<u>831,195</u>	<u>3,129,715</u>
End of year	<u>\$ 2,333,904</u>	<u>\$ 786,196</u>	<u>\$ 3,120,100</u>

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**Year Ended September 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Grant revenue			
Federal sources	\$ 7,188,094	\$ -	\$ 7,188,094
State sources	1,907,688	542,312	2,450,000
County sources	4,915	89,913	94,828
Other sources	214,752	55,800	270,552
Contributions	16,841	23,561	40,402
In-kind contributions	595,927	-	595,927
Sales/fees	373,707	-	373,707
Affordable home loan program	180,332	-	180,332
Visitation income	16,975	-	16,975
Loss on sale of MURL homes and property	6,526	-	6,526
Rental income	14,695	-	14,695
Miscellaneous income, net return of funds	41,083	-	41,083
Net assets released from donor restrictions	298,585	(298,585)	-
Total revenues	<u>10,860,120</u>	<u>413,001</u>	<u>11,273,121</u>
<b>Expenses</b>			
Head Start	5,279,383	-	5,279,383
Weatherization and housing	2,617,697	-	2,617,697
Family and community services	2,271,917	-	2,271,917
Management and general	712,604	-	712,604
Fundraising	66,258	-	66,258
Total expenses	<u>10,947,859</u>	<u>-</u>	<u>10,947,859</u>
Change in net assets	(87,739)	413,001	325,262
<b>Net Assets</b>			
Beginning of year	<u>2,386,259</u>	<u>418,194</u>	<u>2,804,453</u>
End of year	<u>\$ 2,298,520</u>	<u>\$ 831,195</u>	<u>\$ 3,129,715</u>

See notes to consolidated financial statements.



**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2022**

	Program Services				Management and General	Fundraising	Total
	Head Start	Weatherization and Housing	Family and Community Services	Total			
<b>Expenses</b>							
Salaries and wages	\$ 3,203,417	\$ 1,090,188	\$ 613,200	\$ 4,906,805	\$ 420,273	\$ 45,586	\$ 5,372,664
Fringe benefits and payroll taxes	566,390	221,242	139,208	926,840	79,405	6,653	1,012,898
Consultants	382,625	22,193	123,655	528,473	3,715	-	532,188
Due to subgrantees	-	-	104,575	104,575	-	-	104,575
Travel	48,626	57,389	26,533	132,548	8,375	-	140,923
Space cost and rental	455,760	33,737	80,179	569,676	26,565	-	596,241
Supplies	329,700	54,381	30,933	415,014	8,649	-	423,663
Repairs and maintenance	4,109	512	1,025	5,646	15,631	-	21,277
Interest expense	-	20,203	-	20,203	678	-	20,881
Other direct costs	4,885	8,206	15,750	28,841	16,040	-	44,881
Audit and accounting	-	-	-	-	27,700	-	27,700
Advertising	37,964	15,220	9,290	62,474	1,382	-	63,856
Insurance	29,135	13,729	15,388	58,252	39,824	-	98,076
Telephone	20,532	17,646	5,812	43,990	9,591	-	53,581
Postage and printing	18,889	15,642	21,293	55,824	5,675	-	61,499
Depreciation	84,294	106,342	4,753	195,389	65,979	-	261,368
Training	80,941	17,267	11,975	110,183	7,084	-	117,267
Miscellaneous	44,998	43,396	51,796	140,190	17,537	-	157,727
Direct client assistance							
Head Start	157,675	-	-	157,675	-	-	157,675
Energy Assistance Program	-	12,195	-	12,195	-	-	12,195
Weatherization	-	1,445,432	-	1,445,432	-	-	1,445,432
Housing Rehabilitation							
/ Housing	4,324	418,424	88,206	510,954	-	-	510,954
Client Services	8,441	51,622	545,183	605,246	-	-	605,246
Tax Site Services	-	-	19,638	19,638	84	-	19,722
<b>Total</b>	<b>\$ 5,482,705</b>	<b>\$ 3,664,966</b>	<b>\$ 1,908,392</b>	<b>\$ 11,056,063</b>	<b>\$ 754,187</b>	<b>\$ 52,239</b>	<b>\$ 11,862,489</b>

See notes to consolidated financial statements.

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2021**

	Program Services			Total	Management and General	Fundraising	Total
	Head Start	Weatherization and Housing	Family and Community Services				
<b>Expenses</b>							
Salaries and wages	\$ 2,953,319	\$ 962,014	\$ 595,080	\$ 4,510,413	\$ 370,830	\$ 54,905	\$ 4,936,148
Fringe benefits and payroll taxes	704,693	253,307	130,904	1,088,904	89,288	11,353	1,189,545
Consultants	328,212	17,980	221,672	567,864	7,578	-	575,442
Travel	44,484	26,830	16,398	87,712	2,924	-	90,636
Space cost and rental	387,699	29,643	81,062	498,404	18,077	-	516,481
Supplies	469,264	41,771	104,050	615,085	11,428	-	626,513
Repairs and maintenance	1,938	2,146	1,882	5,966	26,833	-	32,799
Interest expense	-	2,738	-	2,738	1,405	-	4,143
Other direct costs	5,067	2,307	8,105	15,479	10,588	-	26,067
Audit and accounting	-	-	-	-	29,450	-	29,450
Advertising	12,867	11,109	8,919	32,895	609	-	33,504
Insurance	20,647	13,936	14,566	49,149	42,440	-	91,589
Telephone	23,578	16,447	7,430	47,455	10,701	-	58,156
Postage and printing	26,372	15,927	21,429	63,728	5,948	-	69,676
Depreciation	71,598	96,852	1,889	170,339	66,807	-	237,146
Training	69,503	4,406	11,138	85,047	2,194	-	87,241
Miscellaneous	31,181	31,424	63,374	125,979	15,504	-	141,483
Direct client assistance							
Head Start	122,087	-	-	122,087	-	-	122,087
Energy Assistance Program	-	10,483	-	10,483	-	-	10,483
Weatherization	-	597,312	-	597,312	-	-	597,312
Housing Rehabilitation							
/ Housing	6,831	418,387	80,288	505,506	-	-	505,506
Client Services	43	62,678	897,615	960,336	-	-	960,336
Tax Site Services	-	-	6,116	6,116	-	-	6,116
<b>Total</b>	<b>\$ 5,279,383</b>	<b>\$ 2,617,697</b>	<b>\$ 2,271,917</b>	<b>\$ 10,168,997</b>	<b>\$ 712,604</b>	<b>\$ 66,258</b>	<b>\$ 10,947,859</b>

See notes to consolidated financial statements.

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ (9,615)	\$ 325,262
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation - property and equipment	184,336	152,841
Depreciation - MURL homes	77,032	84,305
Gain on sale of MURL homes and property	(65,333)	(6,526)
Changes in operating assets and liabilities		
Accounts receivable	17,839	(17,841)
Grants receivable	(352,855)	12,011
Contracts receivable	30,471	(48,809)
Prepaid expenses	(38,816)	14,149
Other assets	(309,797)	(41,743)
Accounts payable	115,849	(24,020)
Accrued payroll and benefits	(123,113)	83,671
Accrued paid time off	37,081	(112)
Refundable advances	240,526	(401,481)
Deferred revenue	(7,918)	(25,063)
Deferred MURL payments	(127,012)	47,232
Total adjustments	<u>(321,710)</u>	<u>(171,386)</u>
Net cash flows - operating activities	<u>(331,325)</u>	<u>153,876</u>
 <b>Cash Flows - Investing Activities</b>		
Net proceeds from sale of MURL homes	284,805	141,900
Purchase of CLT land	(43,198)	(35,145)
Purchases of property and equipment	(397,253)	(95,307)
Purchases of MURL homes and property	(56,158)	(28,653)
Net cash flows - investing activities	<u>(211,804)</u>	<u>(17,205)</u>
 <b>Cash Flows - Financing Activities</b>		
Proceeds from note payable	140,000	306,000
Principal payments on notes payable	(284,658)	(185,565)
Net cash flows - financing activities	<u>(144,658)</u>	<u>120,435</u>
 Net change in cash and cash equivalents	(687,787)	354,724
 <b>Cash and Cash Equivalents</b>		
Beginning of year	<u>2,372,992</u>	<u>2,018,268</u>
End of year	<u>\$ 1,685,205</u>	<u>\$ 2,372,992</u>
 <b>Supplementary Information</b>		
Cash paid for interest	<u>\$ 20,881</u>	<u>\$ 4,143</u>

See notes to consolidated financial statements.

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

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

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

The mission of West Central Minnesota Communities Action, Inc. is empowering people while providing services and resources that impact individuals and communities. West Central Minnesota Communities Action, Inc. was established on August 12, 1965, under the provisions of the Minnesota Nonprofit Corporations Act, *Minnesota Statutes*, Chapter 317. West Central Minnesota Communities Action, Inc. is partnering to build resiliency in Greater Minnesota. 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 West Central Minnesota Communities Action, Inc. 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.

**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, hereafter referred to as the Organization. All significant inter-company balances and transactions have been eliminated.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Self-Insured Unemployment*

Provisions for a reserve under a self-insured program for unemployment compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made must not exceed the present value of the liability. The Organization charged Federal and non-Federal programs for unemployment insurance based on estimates from prior years and projected salary expenses.

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

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

**Accounting Estimates (Continued)**

*Self-Insured Unemployment (Continued)*

In March 2020, due to the COVID-19 pandemic, the State of Minnesota Department of Employment and Economic Development (the State) suspended quarterly unemployment billings for reimbursing entities. In October 2020, the State provided written communication to the Organization detailing three provisions of the CARES Act that may reduce charges to the Organization's account. In April 2021, the State provided written notification that adjustments were made to the Organization's account. The written notification also indicated the State would analyze the Organization's account to determine if additional financial relief would be available under state law, that quarterly billing will remain suspended while making adjustment to the Organization's account and when the work is complete, the Organization would be notified a couple months ahead of time before billing resumes.

The Organization's unemployment account at the State as of September 30, 2021, reflected a decrease of approximately \$177,656, indicating that the State had adjusted the unemployment claims the Organization incurred for the period between 2nd Quarter 2019 and 1st Quarter 2021. Since no formal final communication had been received, and based upon subsequent transactions to the Organization's account, it appeared the State was still in the processes of reviewing all claims and credits, thus leaving open the possibility of adjustments to the amounts owed by the Organization for unemployment claims from 2019 through 2021. Once the State had completed their review and provided final written notification, the unemployment liability account balance, which is included in accrued payroll and benefits, was reviewed and adjusted accordingly.

**Cash Equivalents**

Cash equivalents include highly liquid investments, with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates market.

**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 as of September 30, 2022 and 2021.

**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 as of September 30, 2022 and 2021.

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

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

**Concentrations of Credit Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions. At times, the Organization's cash and cash equivalents are in excess of the FDIC insurance limit.

The Organization is subject to a degree of vulnerability due to concentrations of grant receivables and revenue from major funding sources. During 2022 and 2021, 14% and 10%, respectively, of the Organization's revenue was received for the Low-Income Home Energy Assistance Programs through the Minnesota Department of Commerce and for both 2022 and 2021 37% of revenue was received for the Head Start Program directly through the U.S. Department of Health and Human Services.

As of September 30, 2022 and 2021, 18% and 11%, respectively, of the Organization's grants receivable was for the Low-Income Home Energy Assistance Programs through the Minnesota Department of Commerce and 23% and 30% of grants receivable was for the Head Start Program directly through the U.S. Department of Health and Human Services.

**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 are carried at cost, or fair value if donated, with depreciation computed under the straight-line method over the economic useful lives of the assets. The Organization follows the policy of capitalizing all property and equipment expenditures over \$5,000 and useful life in excess of a year. 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.

**CLT Land**

Land held for the community land trust (CLT) is carried at cost, or fair value if donated.

**Long-Lived Assets**

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended September 30, 2022 and 2021.

**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 Minnesota Urban and Rural Homesteading Program (MURL) 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.

The contracts for deed have 0% interest and maturity dates ranging from 2031 to 2052. Payments received to date are recorded as deferred MURL payments until the contract for deed is paid in full and the title of the property transfers to the buyer.

**Net Assets**

Net assets and revenues 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 grantor restrictions.

*Net Assets With Donor Restrictions*

Net assets subject to donor or 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 Recognition**

*Grant Revenue and Contributions*

The Organization recognizes grants and 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.

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

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

**Revenue Recognition (Continued)**

*Grant Revenue and Contributions (Continued)*

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 \$3,372,912 and \$5,693,258, respectively, that have not been recognized as of September 30, 2022 and 2021, because qualifying expenditures have not yet been incurred.

*In-Kind Contributions*

Donated space costs are reported using current rates for similar services. Donated professional services are reported using current rates for similar services.

In-kind contributions are reflected as contributions valued at fair value on date of donation. A similar amount is included in expenses and represents the amount which would have been expended had the goods or services not been donated. Contributions of services are recognized if they (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.

*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. Billing happens per the signed contract, typically by completed tasks in the project or project completion. Payment terms are net 30. 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. Payment is received from the purchaser or mortgage company at the home closing.



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

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

**Cost Allocation and Functional Allocation of Expenses**

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.

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement 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.

**Income Taxes**

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code.

**Recently Adopted Accounting Pronouncement**

On October 1, 2021, the Organization adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves 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 not-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 were applied on a retrospective basis.

**Recently Issued Accounting Pronouncement**

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 consolidated statement of financial position. This update requires capitalization of "right-of-use assets" and recognition of an obligation for future lease payments for most leases currently classified as operating leases. In June 2020, the FASB issued ASU 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 the modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its consolidated financial statements.

**Subsequent Events**

The Organization has evaluated subsequent events through January 24, 2023, the date which the consolidated financial statements were available to be issued.

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

**NOTE 2 – 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, consist of the following as of September 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 1,685,205	\$ 2,372,992
Accounts receivable	5,893	23,732
Grants receivable	1,265,626	912,771
Contracts receivable	13,303	43,774
Total financial assets	2,970,027	3,353,269
Less net assets with donor restrictions	786,196	831,195
Total financial assets available for general expenditures	\$ 2,183,831	\$ 2,522,074

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 invests 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.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of September 30, 2022 and 2021:

	2022	2021
Land	\$ 30,000	\$ 30,000
Buildings	1,404,468	1,422,601
Leasehold improvements	514,059	443,772
Vehicles	569,414	354,955
Furniture and equipment	389,518	380,981
Scanner	39,165	39,165
Other assets	68,564	68,564
Construction in process	87,933	-
	3,103,121	2,740,038
Less accumulated depreciation	1,540,725	1,388,274
Property and equipment, net	\$ 1,562,396	\$ 1,351,764

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

**NOTE 4 – MURL HOMES AND PROPERTY**

MURL homes and property consist of the following as of September 30, 2022 and 2021:

	2022	2021
MURL homes	\$ 1,996,418	\$ 2,388,755
Less accumulated depreciation	906,155	1,060,431
MURL homes and property, net	\$ 1,090,263	\$ 1,328,324

**NOTE 5 – LINE OF CREDIT**

The Organization has available a \$300,000 variable rate, unsecured, bank line of credit, which is available for short-term cash flow needs and is due on demand with no future maturity date. As of September 30, 2022 and 2021, there were no amounts outstanding.

**NOTE 6 – NOTES PAYABLE**

Notes payable consist of the following as of September 30, 2022 and 2021:

	2022	2021
Minnesota Department of Corrections		
Revolving note is due upon satisfaction of the agreement or June 30, 2023, whichever comes first. The note is unsecured and carries an interest rate of 0%.	\$ 243,000	\$ 379,000
Financial institution		
Monthly payments of \$447, including interest at 5.58%, paid in full.	-	1,755
Monthly payments of \$509, including interest at 5.58%, paid in full.	-	1,999
Monthly payments of \$461, including interest at 5.45%, due July 2024. The note is secured by a vehicle.	9,543	14,447
	252,543	397,201
Less current portion	248,134	8,616
Total long-term notes payable	\$ 4,409	\$ 388,585

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

**NOTE 6 – NOTES PAYABLE (CONTINUED)**

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

2023		\$ 248,134
2024		4,409
Total		\$ 252,543

**NOTE 7 – FORGIVABLE LOAN**

In December 2015, Phoenix Apartments, LLC purchased a multi-family housing development property for persons and families of low and moderate income. 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 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of September 30, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose:		
Housing	\$ 17,366	\$ 6,786
Emergency Services	105,798	12,457
FAIM	566,910	734,433
Weatherization	3,163	3,019
VITA	82,614	52,347
Plus Kids	10,345	22,153
Total net assets with donor restrictions	\$ 786,196	\$ 831,195

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

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets related from donor restrictions consist of the following for the years ended September 30, 2022 and 2021:

	2022	2021
Satisfaction of purpose restrictions		
Housing	\$ -	\$ 23,321
Head Start	-	27
Emergency Services	86,858	39,521
FAIM	167,523	7,360
Weatherization	3,019	-
Energy Assistance	-	16,579
VITA	69,733	85,152
Plus Kids	90,242	126,625
	\$ 417,375	\$ 298,585

**NOTE 9 – IN-KIND CONTRIBUTIONS**

For 2022 and 2021, in-kind contributions were recorded in the following programs:

Donated space and other direct costs for 2022:

	Federal		Local		
	Headstart 21	Headstart 22	In Home 22	Plus Kids 21	Total
Space costs	\$ 23,001	\$ 272,305	\$ -	\$ 38,104	\$ 333,410
Other direct costs	-	-	35	-	35
	\$ 23,001	\$ 272,305	\$ 35	\$ 38,104	\$ 333,445

Donated space costs and supplies for 2021:

	Federal		Local	
	Headstart 20	Headstart 21	Plus Kids 20	Total
Space costs	\$ 26,760	\$ 228,158	\$ 36,060	\$ 290,978
Supplies	63	90	-	153
	\$ 26,823	\$ 228,248	\$ 36,060	\$ 291,131

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

**NOTE 9 – IN-KIND CONTRIBUTIONS (CONTINUED)**

Donated services for 2022:

	Federal			Total
	Headstart 21	Headstart 22	VITA 21-22	
Salaries and wages	\$ -	\$ -	\$ 26,502	\$ 26,502
Professional services	31,759	287,051	-	318,810
<b>Total</b>	<b>\$ 31,759</b>	<b>\$ 287,051</b>	<b>\$ 26,502</b>	<b>\$ 345,312</b>

Donated services for 2021:

	Federal			Total
	Headstart 20	Headstart 21	VITA 20-21	
Salaries and wages	\$ -	\$ -	\$ 29,004	\$ 29,004
Professional services	29,966	245,826	-	275,792
<b>Total</b>	<b>\$ 29,966</b>	<b>\$ 245,826</b>	<b>\$ 29,004</b>	<b>\$ 304,796</b>

There were no donor-imposed restrictions on in-kind contributions.

**NOTE 10 – RETIREMENT PLAN**

The Organization has a defined contribution retirement plan covering full-time employees who have reached the age of 21 and completed six months of service. The employer's contributions for 2022 and 2021 were \$170,938 and \$167,334, respectively.

**NOTE 11 – OPERATING LEASES**

The Organization has entered into various noncancelable operating leases for space, primarily for its offices and its Head Start Program. Lease expense for 2022 and 2021 was \$191,753 and \$168,656, respectively. The Organization has also entered into a month-to-month lease, which is not included in the future minimum lease payments below.

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

**NOTE 11 – OPERATING LEASES (CONTINUED)**

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

2023		\$ 184,254
2024		138,077
2025		139,937
2026		139,532
2027		<u>106,501</u>
Total		<u><u>\$ 708,301</u></u>

The Organization has also entered into an operating lease for its child safe exchange and visitation center program known as “PLUS Kids”, as well as for supporting offices. The lease 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. In the event the Organization fails to fulfill its obligations and default is not corrected, as set forth in the agreement, the lessor may terminate the lease. The Organization recognizes an in-kind contribution and lease expense for the fair value of the lease each year and no future minimum lease payments are reflected above due to the condition placed on the contribution.

**NOTE 12 – CONTINGENCIES**

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

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

**SUPPLEMENTARY INFORMATION**



**West Central Minnesota Communities Action, Inc.**  
**Schedule of Expenditures of Federal Awards**

Federal Grantors/Pass-Through Grantor/Program or Cluser Title/Project Name	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Minnesota Department of Education			
Child and Adult Care Food Program	10.558	2MN300061	\$ 47,608
COVID-19 Child and Adult Care Food Program	10.558	N/A	7,616
Total U.S. Department of Agriculture			<u>55,224</u>
<b>U.S. Department of Housing and Urban Development</b>			
Minnesota Homeownership Center			
Housing Counseling Assistance Program	14.169	FY2021-16	7,133
Minnesota Department of Human Services			
COVID-19 - Emergency Solutions Grant Program	14.231	GRK%184721	81,713
Emergency Solutions Grant Program	14.231	GRK%203109	69,110
Total Emergency Solutions Grant Program			<u>150,823</u>
Direct			
Continuum of Care Program (Rapid Rehousing)	14.267		46,226
Continuum of Care Program (Rapid Rehousing)	14.267		1,315
Total Continuum of Care Program			<u>47,541</u>
Douglas County HRA			
Housing Voucher Cluster			
Section 8 Housing Choices Vouchers	14.871	N/A	1,376
Total Housing Voucher Cluster			<u>1,376</u>
Total U.S. Department of Housing and Urban Development			<u>206,873</u>
<b>U.S. Department of Justice</b>			
Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVS-2022-WCMCA-166	47,969
Total U.S. Department of Justice			<u>47,969</u>
<b>U.S. Department of the Treasury</b>			
Direct			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009		30,000
Minnesota Housing Finance Agency			
COVID-19 Emergency Rental Assistance Program	21.023	N/A	4,439
COVID-19 Emergency Rental Assistance Program	21.023	N/A	24,764
COVID-19 Emergency Rental Assistance Program	21.023	N/A	128,117
Total Emergency Rental Assistance Program			<u>157,320</u>
Douglas County HRA			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	5,760
Total U.S. Department of the Treasury			<u>193,080</u>
<b>U.S. Department of Energy</b>			
Minnesota Department of Commerce			
COVID-19 - Weatherization Assistance for Low-Income Persons	81.042	2102MNE5C6	425,477
Weatherization Assistance for Low-Income Persons	81.042	DE-EE0007928	458,524
Weatherization Assistance for Low-Income Persons	81.042	DE-EE0009910	123,292
Total Weatherization Assistance for Low-Income Persons			<u>1,007,293</u>
Total U.S. Department of Energy			<u>1,007,293</u>

**West Central Minnesota Communities Action, Inc.**  
**Schedule of Expenditures of Federal Awards**

Federal Grantors/Pass-Through Grantor/Program or Cluser Title/Project Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal 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 D Disease Prevention and Health Promotion Services	93.043	314-21-003D-922	\$ 1,200
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	314-22-003D-922	32
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	314-21-003B-428	1,572
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	314-22-003B-428	23,418
Total Aging Cluster			<u>26,222</u>
Minnesota Department of Human Services			
State Planning and Establishment Grants for the ACA OS Exchanges (MNSure)	93.525	N/A	<u>31,640</u>
Minnesota Department of Commerce			
Low-Income Home Energy Assistance			
EAP 21-22	93.568	1563	623,569
EAP/WX A2113 Carryover	93.568	2102MNLIEA	75,074
EAP/WX A2113	93.568	21021MNLIEA	573,815
EAP/WX A2117	93.568	2202MNLIEA	4,875
COVID-19 WX ARPA A2114	93.568	2102MNE5C6	338,369
Energy Assistance - Direct Payments	93.568	N/A	8,496,608
Total Low-Income Home Energy Assistance			<u>10,112,310</u>
Minnesota Department of Health Services			
Community Services Block Grant	93.569	GRK%161422	46,063
Community Services Block Grant	93.569	GRK%197674	94,109
COVID-19 Community Services Block Grant	93.569	GRK%179877	104,181
Total Community Services Block Grant			<u>244,353</u>
Minnesota Department of Human Services			
Grants to States for Access and Visitation Programs	93.597	163635	<u>38,909</u>
Direct			
Head Start Cluster			
Head Start	93.600		326,049
COVID-19 Head Start	93.600		14,315
COVID-19 Head Start	93.600		71,422
COVID-19 - Head Start	93.600		70,569
Head Start	93.600		3,905,814
Total Head Start Cluster			<u>4,388,169</u>
Direct			
Assets for Independence Demonstration Program			
FAIM VI	93.602		45,291
Total U.S. Department of Health and Human Services			<u>14,886,894</u>
<b>Unknown</b>			
Minnesota Home Ownership			
Housing Stability Counseling Program	99.U19	N/A	<u>1,365</u>
Total expenditures of federal awards			<u>\$ 16,398,698</u>

See notes to schedule of expenditures of federal awards.

**West Central Minnesota Communities Action, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of West Central Minnesota Communities Action, Inc. under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of West Central Minnesota Communities Action, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of West Central Minnesota Communities Action, Inc.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which conform to accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – INDIRECT COST RATE**

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

**NOTE 4 – ENERGY ASSISTANCE PAYMENTS**

Included in Assistance Listing Number 93.568 are client benefits paid by the State of Minnesota of \$8,496,608. 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, 2022**

Fund Number	Grant Number	Program Name	State or Other Administrative Department	Current Revenues
<b>Federal Programs</b>				
<b>U.S. Department of Agriculture</b>				
5065, 5070	2MN300061	USDA Food Reimbursement	MN Department of Education	\$ 47,608
5071	N/A	CACFP COVID	MN Department of Education	7,616
				<u>55,224</u>
<b>U.S. Department of Housing and Urban Development</b>				
8087	FY2021-16	HUD Housing Counseling	US Department of Housing and Urban Development	7,133
6245	GRK%184721 Encumb:3000080893	Emergency Services Grant (ESG) HUD CARES	MN Department of Human Services - OEO	81,713
6254	GRK%203109 Encumb:3000087898	Emergency Services Grant (ESG) HUD	MN Department of Human Services - OEO	69,110
6257	MN0475D5K082001	Rapid Rehousing HUD	US Department of Housing and Urban Development	46,226
6275	MN0475D5K082102	Rapid Rehousing HUD	US Department of Housing and Urban Development	1,315
6258	N/A	Emergency Housing Voucher Program	US Department of Housing and Urban Development	1,376
				<u>206,873</u>
<b>U.S. Department of Justice</b>				
9029	A-CVS-2022-WCMCA-166	Office of Justice Plus Kids	MN Department of Public Safety	47,969
<b>U.S. Department of the Treasury</b>				
8091	22VITA0258	VITA - Tax	Volunteer Income Tax Assistance	30,000
6264	N/A	COVID-19 Emergency Rental Assistance	MN Housing Finance Agency	4,439
6248	N/A	COVID-19 Emergency Rental Assistance	MN Housing Finance Agency	24,764
6267	N/A	MHFA-Housing Stabilization Services COVID	MN Housing Finance Agency	128,117
6266	N/A	Douglas County ARPA Housing	Douglas County	5,760
				<u>193,080</u>
<b>U.S. Department of Energy</b>				
7372	2102MNE5C6	ARPA COVID A2114	MN Department of Commerce	425,477
7370	DE-EE0007928	WAP DOE A2500	MN Department of Commerce	458,524
7388	DE-EE0009910	WAP DOE A2500	MN Department of Commerce	123,292
				<u>1,007,293</u>
<b>U.S. Department of Health and Human Services</b>				
6260	314-21-003D-922	Matter of Ballances Classes	Land of Dancing Sky Area Agency on Aging	1,200
6260	314-22-003D-922	Matter of Ballances Classes	Land of Dancing Sky Area Agency on Aging	32
7359	314-22-003B-428	In Home	Land of Dancing Sky Area Agency on Aging	1,572
7375	314-22-003B-428	In Home	Land of Dancing Sky Area Agency on Aging	23,418
6253	N/A	MN Sure	MN Department of Human Services	31,640
7373	1563	EAP 21-22	MN Department of Commerce	623,569
7385	21021MNLIEA	EAP/WX A2113 Carryover	MN Department of Commerce	75,074
7369	21021MNLIEA	EAP/WX A2113	MN Department of Commerce	573,815
7389	2202MNLIEA	EAP/WX A2117	MN Department of Commerce	4,875
7386	2102MNE5C6	WX ARPA A2114 COVID Carryover	MN Department of Commerce	338,369
1034	GRK%161422 Encumb: 3000070819	CSBG	MN Department of Human Services	46,063
1038	GRK%197674 Encumb: 3000084923	CSBG	MN Department of Human Services	94,109
1036	GRK%179877 Encumb: 3000078427	CSBG CARES	MN Department of Human Services	104,181
9042	163635	DHS Plus Kids	MN Department of Human Services	38,909
5065	05CH010702-03	Federal Head Start South	US Department of Health and Human Services - Region V	326,049
5067	05HE000244-01-01	Federal Head Start COVID ARPA	US Department of Health and Human Services - Region V	14,315
5063	05CH010698-02-05	Federal Head Start North - COVID	US Department of Health and Human Services - Region V	71,422
5064	05CH010702-03-04	Federal Head Start South- COVID	US Department of Health and Human Services - Region V	70,569
5070	05CH010702-04	Federal Head Start	US Department of Health and Human Services - Region V	3,905,814
2079	90EI0953-01-00	Fed FAIM 0953	US Department of Health and Human Services	45,291
				<u>6,390,286</u>
<b>Unknown</b>				
8092	N/A	Housing Stability Counseling Program	Minnesota Homeownership Center	1,365
Total Federal Programs				<u>\$ 7,902,090</u>

**West Central Minnesota Communities Action, Inc. and Subsidiary**  
**Consolidated Schedule of Grant Activity**  
**Year Ended September 30, 2022**

Fund Number	Grant Number	Program Name	State or Other Administrative Department	Current Revenues
<b>State of Minnesota Programs</b>				
1033	GRK%161422 Encumb:3000070819	MNCAP	MN Dept of Human Services	\$ 109,007
2085	GRK%197674 Encumb:3000084923	State FAIM	MN Dept of Human Services	125,517
3077	N/A	2nd Ave NE Glenwood	Mn Housing Finance Agency	40,000
3088	N/A	2609 Sessions ST NW Alex	Mn Housing Finance Agency	62,000
4044	N/A	Emergency Loan Program	Minnesota Housing Finance Agency	54
4045	N/A	Rehabilitation Loagn Program	Minnesota Housing Finance Agency	73,972
5068	N/A	Morris Scholarship	Mn Dept of Education	61,968
5069	Swift 196831	State Head Start	Mn Dept of Education	388,145
5072	Swift 213710	State Head Start	Mn Dept of Education	132,662
6119	72337	MN Sure Applications Fund	MN Dept of Human Services	3,590
6192	N/A	Housing Supports	MN Dept of Human Svcs	120,774
6220	N/A	Homeownership Capacity	Mn Housing Finance Agency	4,293
6227	N/A	Long Term Homelessness	MN Dept of Human Svcs - Mahube	12,133
6243	N/A	HWSWH CAPLP	Mn Housing Finance Agency/CAPLP	70,196
6251	GRK%185142 Encumb:3000081102	Live Well at Home	Mn Dept of Human Services-OEO	141,741
6252	N/A	DHS Infrastructure	DHS/Clay County	46,485
6255	GRK%201150 Encumb:3000087245	Transitional Housing - OEO	Mn Dept of Human Services-OEO	91,930
6256	GRK%201000 Encumb:3000070696	ESP Launch Pad	Mn Dept of Human Services-OEO	54,423
6259	N/A	FHPAP	Mn Housing Finance Agency	132,985
6262	N/A	Long Term Homelessness	MN Dept of Human Svcs - Mahube	39,723
6272	N/A	MN Sure	MN Dept of Human Services	11,556
6273	GRK%216041	Live Well at Home	Mn Dept of Human Services-OEO	65,688
7371	Swift 194690-14374	Propane A2501	Mn Dept of Commerce	42,877
7387	Swift 212673-15651	Propane A2501	Mn Dept of Commerce	18,097
8088	N/A	HECAT	Mn Housing Finance Agency	30,892
8089	N/A	Homeownership Capacity	Mn Housing Finance Agency	4,958
8090	N/A	MN Dept of Revenue Tax	MN Dept of Revenue	19,923
9043	A-CVS-2022-WCMCA-166	Office of Justice Plus Kids	MN Department of Public Safety	21,835
Total State of Minnesota Programs				<u>\$ 1,927,424</u>

**Independent Auditor's 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***

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 consolidated statement of financial position as of September 30, 2022, and the related consolidated 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 24, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered West Central Minnesota Communities Action, Inc. and Subsidiary'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 West Central Minnesota Communities Action, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of West Central Minnesota Communities Action, Inc. and Subsidiary'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 West Central Minnesota Communities Action, Inc. and Subsidiary'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 West Central Minnesota Communities Action, Inc. and Subsidiary'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Central Minnesota Communities Action, Inc. and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
January 24, 2023

**Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited West Central Minnesota Communities Action, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of West Central Minnesota Communities Action, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of West Central Minnesota Communities Action, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to West Central Minnesota Communities Action, Inc.'s federal programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on West Central Minnesota Communities Action, Inc.'s compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about West Central Minnesota Communities Action, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding West Central Minnesota Communities Action, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of West Central Minnesota Communities Action, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 West Central Minnesota Communities Action, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 24, 2023

**West Central Minnesota Communities Action, Inc.  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2022**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Consolidated Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? None
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? None
- 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**

Assistance Listing Number(s): 81.042  
Name of Federal Program or Cluster: Weatherization Assistance for Low-Income Persons

Assistance Listing Number(s): 93.600  
Name of Federal Program or Cluster: Head Start Cluster

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  
Year Ended September 30, 2022**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.