

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

Consolidated Financial Statements

September 30, 2023 and 2022



**West Central Minnesota Communities Action, Inc. and Subsidiary
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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, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, on October 1, 2022, the entity adopted new accounting guidance related to Financial Accounting Standards Board Accounting Standards Codification Topic 842: *Leases*. Our opinion is not modified with respect to this matter.

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 after the date that the consolidated financial statements are available to be issued.

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 comprises 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 it 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 are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2024, 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 23, 2024

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Financial Position
As of September 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,399,297	\$ 1,685,205
Accounts receivable	49,936	5,893
Grants receivable	1,124,341	1,265,626
Contracts receivable	7,669	13,303
Prepaid expenses	144,104	165,527
Other assets	683,040	544,266
Total current assets	3,408,387	3,679,820
Property and equipment, net	1,541,719	1,562,396
Right-of-use assets - operating leases	703,298	-
MURL homes and property, net	1,006,719	1,090,263
CLT land	147,343	78,343
Total assets	\$ 6,807,466	\$ 6,410,822

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Financial Position
As of September 30, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current liabilities		
Notes payable, current portion	\$ 358,413	\$ 248,134
Operating lease liabilities, current	121,829	-
Accounts payable	534,539	515,650
Accrued payroll and benefits	332,175	373,489
Accrued paid time off	485,119	462,851
Refundable advances	181,671	708,554
Deferred revenue	82,407	49,234
Total current liabilities	2,096,153	2,357,912
Long-term liabilities		
Notes payable	-	4,409
Operating lease liabilities	581,469	-
Deferred MURL payments	542,933	531,426
Forgivable loan	396,975	396,975
Total long-term liabilities	1,521,377	932,810
Total liabilities	3,617,530	3,290,722
Net assets		
Without donor restrictions	2,270,905	2,333,904
With donor restrictions	919,031	786,196
Total net assets	3,189,936	3,120,100
Total liabilities and net assets	\$ 6,807,466	\$ 6,410,822

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grant revenue			
Federal sources	\$ 8,330,271	\$ -	\$ 8,330,271
State sources	2,071,107	376,555	2,447,662
County sources	40,646	1,208	41,854
Other sources	272,852	142,245	415,097
Contributions	48,334	38,956	87,290
In-kind contributions	718,881	-	718,881
Sales/fees	91,768	-	91,768
Affordable home loan program	610,000	-	610,000
Visitation income	30,038	-	30,038
Rental income	29,505	-	29,505
Gain on sale of MURL homes and property	48,316	-	48,316
Miscellaneous income	21,642	-	21,642
Net assets released from donor restrictions	426,129	(426,129)	-
Total revenues	<u>12,739,489</u>	<u>132,835</u>	<u>12,872,324</u>
Expenses			
Head Start	5,876,403	-	5,876,403
Weatherization and housing	3,889,702	-	3,889,702
Family and community services	2,233,415	-	2,233,415
Management and general	736,930	-	736,930
Fundraising	66,038	-	66,038
Total expenses	<u>12,802,488</u>	<u>-</u>	<u>12,802,488</u>
Change in net assets	(62,999)	132,835	69,836
Net Assets			
Beginning of year	<u>2,333,904</u>	<u>786,196</u>	<u>3,120,100</u>
End of year	<u>\$ 2,270,905</u>	<u>\$ 919,031</u>	<u>\$ 3,189,936</u>

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>
Revenues			
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
Rental income	20,113	-	20,113
Gain on sale of MURL homes and property	65,332	-	65,332
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>
Expenses			
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)
Net Assets			
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>

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended September 30, 2023

	Program Services				Management and General	Fundraising	Total
	Head Start	Weatherization and Housing	Family and Community Services	Total			
Salaries and wages	\$ 3,300,137	\$ 1,081,243	\$ 587,027	\$ 4,968,407	\$ 417,867	\$ 57,381	\$ 5,443,655
Fringe benefits and payroll taxes	656,866	232,312	130,569	1,019,747	86,100	8,656	1,114,503
Consultants	503,261	40,895	99,262	643,418	4,923	-	648,341
Sub-awards	-	-	380,882	380,882	-	-	380,882
Travel	105,632	62,499	32,267	200,398	12,131	-	212,529
Space cost and rental	452,667	33,555	84,989	571,211	24,970	-	596,181
Supplies	209,833	36,747	31,844	278,424	5,714	-	284,138
Repairs and maintenance	12,347	3,803	4,643	20,793	1,599	-	22,392
Interest expense	-	26,750	-	26,750	381	-	27,131
Other direct costs	4,399	3,930	11,630	19,959	19,025	-	38,984
Audit and accounting	-	-	-	-	33,050	-	33,050
Advertising	26,222	39,786	25,723	91,731	-	-	91,731
Insurance	31,871	23,177	16,847	71,895	44,041	-	115,936
Telephone	33,642	20,971	3,154	57,767	12,253	-	70,020
Postage and printing	52,247	24,422	26,483	103,152	5,016	-	108,168
Depreciation	75,468	97,916	23,186	196,570	48,265	-	244,835
Training	111,408	18,059	12,594	142,061	2,922	-	144,983
Miscellaneous	54,131	53,632	38,823	146,586	18,674	-	165,260
Direct client assistance							
Head Start	197,256	-	-	197,256	-	-	197,256
Energy Assistance Program	-	16,703	-	16,703	-	-	16,703
Weatherization Housing Rehabilitation	-	1,158,789	-	1,158,789	-	-	1,158,789
/ Housing	1,687	906,352	86,157	994,196	-	-	994,196
Client Services	47,328	8,161	601,620	657,109	-	-	657,109
Tax Site Services	-	-	35,716	35,716	-	-	35,716
Total	\$ 5,876,402	\$ 3,889,702	\$ 2,233,416	\$ 11,999,520	\$ 736,931	\$ 66,037	\$ 12,802,488

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			
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
Sub-awards	-	-	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
						-	
Total	\$ 5,482,705	\$ 3,664,966	\$ 1,908,392	\$ 11,056,063	\$ 754,187	\$ 52,239	\$ 11,862,489

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows - Operating Activities		
Change in net assets	\$ 69,836	\$ (9,615)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation - property and equipment	178,975	184,336
Depreciation - MURL homes	65,860	77,032
Gain on sale of MURL homes and property	(48,316)	(65,333)
Amortization of ROU assets	119,547	-
Changes in operating assets and liabilities		
Accounts receivable	(44,043)	17,839
Grants receivable	141,285	(352,855)
Contracts receivable	5,634	30,471
Prepaid expenses	21,423	(38,816)
Other assets	(138,774)	(309,797)
Accounts payable	18,889	115,849
Accrued payroll and benefits	(41,314)	(123,113)
Accrued paid time off	22,268	37,081
Refundable advances	(526,883)	240,526
Operating lease liabilities	(119,547)	-
Deferred revenue	33,173	(7,918)
Deferred MURL payments	11,507	(127,012)
Total adjustments	(300,316)	(321,710)
Net cash flows - operating activities	(230,480)	(331,325)
Cash Flows - Investing Activities		
Net proceeds from sale of MURL homes	66,000	284,805
Purchase of CLT land	(69,000)	(43,198)
Purchases of property and equipment	(158,298)	(397,253)
Purchases of MURL homes and property	-	(56,158)
Net cash flows - investing activities	(161,298)	(211,804)
Cash Flows - Financing Activities		
Proceeds from note payable	557,000	140,000
Principal payments on notes payable	(451,130)	(284,658)
Net cash flows - financing activities	105,870	(144,658)
Net change in cash and cash equivalents	(285,908)	(687,787)
Cash and Cash Equivalents		
Beginning of year	1,685,205	2,372,992
End of year	\$ 1,399,297	\$ 1,685,205

See notes to consolidated financial statements.

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Supplementary Information		
Cash paid for interest	\$ 27,131	\$ 20,881
Cash paid for amounts included in the measurement of Operating lease liabilities	143,212	-
Supplemental Schedule of Noncash Investing and Financing Activities		
ROU assets obtained in exchange for operating lease liabilities, at adoption	\$ 822,845	\$ -

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.

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.

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 as of September 30, 2023 and 2022.

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, 2023 and 2022.

Concentrations

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 a limited number of 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 2023 and 2022, 17% and 14%, respectively, of the Organization's revenue was received for the Low-Income Home Energy Assistance Programs through the Minnesota Department of Commerce and for 2023 and 2022, 38% and 37%, respectively, of revenue was received for the Head Start Program directly through the U.S. Department of Health and Human Services.

As of September 30, 2023 and 2022, 21% and 18%, respectively, of the Organization's grants receivable was for the Low-Income Home Energy Assistance Programs and 28% and 23% of grants receivable was for the Head Start Program.

Other Assets

The Organization builds affordable homes for low to middle income households. 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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, certain 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

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, 2023 and 2022.

Leases

Effective October 1, 2022, the Organization classifies leases as either operating or finance leases at the commencement date of the lease. A lease is classified as a finance lease if any of the five criteria are met: (1) ownership transfers at the end of the lease term, (2) there is an option to purchase the underlying assets and the lessee is reasonably certain to exercise the option, (3) the term of the lease is for a major part of the remaining economic life of the underlying assets, (4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying assets or (5) the underlying assets are of such a specialized nature that they are expected to have no alternative use to the lessor at the end of the lease term. Leases that do not meet any of the five criteria above for a finance lease are classified as operating leases.

The Organization recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Organization does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Organization and are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Organization has elected the practical expedient that allows for private companies to utilize the risk-free rate based on asset class.

Prior to October 1, 2022, the Organization accounted for its leases as either operating or capital leases. Assets and liabilities for operating leases were not recorded but rent expenses were recorded within operations on a straight-line basis over the term of the lease.

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.

CLT Land

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

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 an irrevocable 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 \$4,824,061 and \$5,344,208, respectively, that have not been recognized as of September 30, 2023 and 2022, because qualifying expenditures have not yet been incurred.

In-Kind Contributions

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.

Donated space costs are reported at the estimated fair market value based on an independent appraisal. Donated professional services are reported using current rates for similar 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. 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

Effective October 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, utilizing the modified retrospective optional method, where the cumulative catch-up adjustment is recorded at the date of adoption. The Organization has elected the package of practical expedients permitted in Topic 842. Accordingly, the Organization did not reassess at adoption (a) whether the contract contains a lease under Topic 842, (b) whether classification of the lease would be different in accordance with Topic 842, or (c) initial direct costs for existing leases. The Organization also elected the practical expedients (1) to discount the lease liability using the risk-free rate, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components.

As a result of the adoption of the new lease accounting standard, the Organization's consolidated statement of financial position as of October 1, 2022 was materially impacted by the recognition of its ROU assets and lease liabilities of \$822,845. There was no significant impact on the consolidated statements of activities, functional expenses, or cash flows as a result of the adoption.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU amends the guidance on the impairment of financial instruments and adds an impairment model, known as the current expected credit losses model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses over the contractual life of a financial asset. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326)*, which defers the effective date to annual reporting periods beginning after December 15, 2022, 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 23, 2024, the date which the consolidated financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, consist of the following as of September 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 1,399,297	\$ 1,685,205
Accounts receivable	49,936	5,893
Grants receivable	1,124,341	1,265,626
Contracts receivable	7,669	13,303
Total financial assets	2,581,243	2,970,027
Less net assets with donor restrictions	919,031	786,196
Total financial assets available for general expenditures	\$ 1,662,212	\$ 2,183,831

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.

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

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2023 and 2022:

	2023	2022
Land	\$ 30,000	\$ 30,000
Buildings	1,404,468	1,404,468
Leasehold improvements	408,724	514,059
Vehicles	569,414	569,414
Furniture and equipment	460,593	389,518
Scanner	30,705	39,165
Other assets	-	68,564
Construction in process	-	87,933
	2,903,904	3,103,121
Less accumulated depreciation	1,362,185	1,540,725
Property and equipment, net	\$ 1,541,719	\$ 1,562,396

NOTE 4 – OPERATING LEASES

The Organization leases equipment and office space under noncancelable operating leases, the last of which expires in 2032. Payments under these lease arrangements are fixed.

As of September 30, 2023, operating leases had weighted-average remaining lease term of 76 months, respectively, and the weighted-average discount was 3.91%.

Future minimum lease payments under non-cancellable leases are as follows for the years ending September 30:

2024	\$ 145,041
2025	145,901
2026	144,448
2027	118,800
2028	61,200
Thereafter	179,180
Total lease payments	794,570
Less amounts representing interest	(91,272)
Present value of lease liabilities	\$ 703,298

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

NOTE 4 – OPERATING LEASES (CONTINUED)

Lease costs for the year ended September 30, 2023, were as follows:

Operating lease costs	\$	148,532
Short-term and variable lease costs		64,213
Total lease costs		\$ 212,745

Rent expense for year ended September 30, 2022, which was accounted for in accordance with ASC 840, was \$191,753.

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 5 – MURL HOMES AND PROPERTY

MURL homes and property consist of the following as of September 30, 2023 and 2022:

	2023	2022
MURL homes	\$ 1,934,902	\$ 1,996,418
Less accumulated depreciation	928,183	906,155
MURL homes and property, net	\$ 1,006,719	\$ 1,090,263

NOTE 6 – 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, 2023 and 2022, there were no amounts outstanding.

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

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following as of September 30, 2023 and 2022:

	2023	2022
Minnesota Department of Corrections		
Revolving note is due upon satisfaction of the agreement or June 30, 2025, whichever comes first. The note is unsecured and carries an interest rate of 0%.	\$ 354,000	\$ 243,000
Financial institution		
Monthly payments of \$461, including interest at 5.45%, due July 2024. The note is secured by a vehicle.	4,413	9,543
	358,413	252,543
Less current portion	358,413	248,134
Total long-term notes payable	\$ -	\$ 4,409

NOTE 8 – 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 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of September 30, 2023 and 2022:

	2023	2022
Subject to expenditure for specified purpose:		
Housing	\$ 20,861	\$ 17,366
Emergency Services	21,516	105,798
Energy Assistance	9,885	-
FAIM	755,441	566,910
Weatherization	-	3,163
Tax	99,975	82,614
Plus Kids	11,353	10,345
Total net assets with donor restrictions	\$ 919,031	\$ 786,196

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

NOTE 10 – IN-KIND CONTRIBUTIONS

For 2023 and 2022, in-kind contributions were recorded in the following programs:

Donated space for 2023 were used for the following programs:

	Federal		Local		Total
	Headstart 22	Headstart 23	VITA 22-23	Plus Kids 23	
Space costs	\$ 27,008	\$ 252,437	\$ -	\$ 39,125	\$ 318,570

Donated space costs and other direct costs for 2022 were used for the following programs:

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

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

NOTE 10 – IN-KIND CONTRIBUTIONS (CONTINUED)

Donated services for 2023 were used for the following programs:

	Federal			Total
	Headstart 22	Headstart 23	VITA 22-23	
Salaries and wages	\$ -	\$ -	\$ 39,798	\$ 39,798
Professional services	45,462	315,051	-	360,513
Total	<u>\$ 45,462</u>	<u>\$ 315,051</u>	<u>\$ 39,798</u>	<u>\$ 400,311</u>

Donated services for 2022 were used for the following programs:

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

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

NOTE 11 – 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 contributions for 2023 and 2022 were \$160,744 and \$170,938, respectively.

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
Year Ended September 30, 2023

Federal Grantors/Pass-Through Grantor/Program or Cluser Title/Project Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Minnesota Department of Education			
Child and Adult Care Food Program	10.558	2MN300061	\$ 63,451
COVID-19 Child and Adult Care Food Program	10.558	N/A	3,630
Total Child and Adult Care Food Program			<u>67,081</u>
U.S. Department of Housing and Urban Development			
Minnesota Homeownership Center			
Housing Counseling Assistance Program	14.169	FY2022-16	<u>3,130</u>
Minnesota Department of Human Services			
Emergency Solutions Grant Program	14.231	GRK%203109	<u>41,866</u>
Direct			
Continuum of Care Program (Rapid Rehousing)	14.267		51,844
Continuum of Care Program (Rapid Rehousing)	14.267		858
Total Continuum of Care Program			<u>52,702</u>
Total U.S. Department of Housing and Urban Development			<u>97,698</u>
U.S. Department of Justice			
Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVS-2022-WCMCA-166	<u>44,436</u>
U.S. Department of the Treasury			
Direct			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009		<u>45,000</u>
Minnesota Housing Finance Agency			
COVID-19 Emergency Rental Assistance Program	21.023	N/A	<u>458,998</u>
Douglas County HRA			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	3,740
City of Alexandria			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	75,000
Total Coronavirus State and Local Fiscal Recovery Funds			<u>78,740</u>
Total U.S. Department of the Treasury			<u>582,738</u>
U.S. Department of Energy			
Minnesota Department of Commerce			
Weatherization Assistance for Low-Income Persons (A2500)	81.042	DE-EE0009910	255,323
Weatherization Assistance for Low-Income Persons (BIL)	81.042	DE-EE0009995	20,600
Weatherization Assistance for Low-Income Persons (BIL)	81.042	DE-EE0009995	6,608
Weatherization Assistance for Low-Income Persons (A2500)	81.042	DE-EE0009910	20,013
Total Weatherization Assistance for Low-Income Persons			<u>302,544</u>

West Central Minnesota Communities Action, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Federal Grantors/Pass-Through Grantor/Program or Cluser Title/Project Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Land of Dancing Sky Area Agency on Aging			
Aging Cluster			
Matter of Balance Classes	93.043	314-22-003D-922	\$ 1,218
Matter of Balance Classes	93.043	314-23-003D-922	706
DSAAA Chore & Rides	93.044	314-23-003B-429	16,605
In-Home	93.044	314-22-003B-428	2,251
In-Home	93.044	314-23-003B-428	18,428
Total Aging Cluster			<u>39,208</u>
Minnesota Department of Commerce			
Low-Income Home Energy Assistance			
EAP/WX A2117	93.568	2202MNLIEA	1,021,313
EAP 22-23	93.568	1563	713,302
EAP Primary and Criss Payments	93.568	N/A	5,758,607
EAP/WX A2117 Carryover	93.568	2202MNLIEA	234,751
EAP/WX A2119	93.568	2302MNLIEA	187,803
Lakes & Pines Community Action Council, Inc.			
Low-Income Home Energy Assistance			
Lakes & Pines EAP	93.568	N/A	9,137
Community Action Partnership of Hennepin County			
Low-Income Home Energy Assistance			
CAPHC EAP	93.568	N/A	6,017
Total Low-Income Home Energy Assistance			<u>7,930,930</u>
Minnesota Department of Health Services			
Community Services Block Grant (CSBG)			
Community Services Block Grant (CSBG) THP Discretionary	93.569	GRK%197674	107,566
Total Community Services Block Grant	93.569	GRK%223153	<u>16,791</u>
			<u>124,357</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			
COVID-19 Federal Head Start ARPA	93.600		88,694
COVID-19 Federal Head Start ARPA	93.600		331,124
Federal Head Start	93.600		360,547
Federal Head Start	93.600		4,079,842
Total Head Start Cluster			<u>4,860,207</u>
Total U.S. Department of Health and Human Services			<u>12,992,702</u>
Unknown			
Minnesota Homeownership Center			
Housing Stability Counseling Program	99.U19	N/A	<u>1,679</u>
Total expenditures of federal awards			<u>\$ 14,088,878</u>

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, 2023. 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 \$5,758,607. 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, 2023

Fund Number	Grant Number	Program Name	State or Other Administrative Department	Current Revenues
Federal Programs				
U.S. Department of Agriculture				
5070, 5073	2MN300061	USDA Food Reimbursement	MN Department of Education	\$ 63,451
5071	N/A	CACFP COVID	MN Department of Education	3,630
				<u>67,081</u>
U.S. Department of Housing and Urban Development				
6254	GRK%203109	Emergency Services Grant (ESG) HUD	MN Department of Human Services - OEO	41,866
6275	MN0475D5K082102	Rapid Rehousing HUD	US Department of Housing and Urban Development	51,844
6292	MN0475D5K082203	Rapid Rehousing HUD	US Department of Housing and Urban Development	858
8093	FY2022-16	HUD Housing Counseling	US Department of Housing and Urban Development	3,130
				<u>97,698</u>
U.S. Department of Justice				
9043	A-CVS-2022-WCMCA-166	Office of Justice Plus Kids	MN Department of Public Safety	44,436
U.S. Department of the Treasury				
6277	23VITA0028	VITA - Tax	Volunteer Income Tax Assistance	45,000
6266	N/A	Douglas County ARPA Housing	Douglas County	3,740
6267	N/A	MHFA-Housing Stabilization Services COVID	MN Housing Finance Agency	458,998
6282	N/A	Enhanced Alex ARPA	City of Alexandria	75,000
				<u>582,738</u>
U.S. Department of Energy				
7388	DE-EE0009910	WAP DOE A2500	MN Department of Commerce	255,323
7404	DE-EE0009995	BIL	MN Department of Commerce	20,600
7407	DE-EE0009995	BIL	MN Department of Commerce	6,608
7409	DE-EE0009910	WAP DOE A2500	MN Department of Commerce	20,013
				<u>302,544</u>
U.S. Department of Health and Human Services				
1038	GRK%197674	CSBG	MN Dept of Human Services	107,566
5066	05HE000244-01-00	Federal Head Start COVID ARPA	US Dept of Health & Human Services - Region V	88,694
5067	05HE000244-01-01	Federal Head Start COVID ARPA	US Dept of Health & Human Services - Region V	331,124
5070	05CH010702-04	Federal Head Start	US Dept of Health & Human Services - Region V	360,547
5073	05CH010702-05	Federal Head Start	US Dept of Health & Human Services - Region V	4,079,842
6265	314-22-003D-922	Matter of Ballances Classes	Land of Dancing Sky Area Agency on Aging	1,218
6280	314-23-003D-922	Matter of Ballances Classes	Land of Dancing Sky Area Agency on Aging	706
6181	GRK%223153	CSBG THP Discretionary	MN Dept of Human Services	16,791
6284	314-23-003B-429	DSAAA Chore & Rides	Land of Dancing Sky Area Agency on Aging	16,605
7375	314-22-003B-428	In Home	Land of Dancing Sky Area Agency on Aging	2,251
7389	2202MNLIEA	EAP/WX A2117	MN Dept of Commerce	1,021,313
7390	1563	EAP 22-23	MN Dept of Commerce	713,302
7391	314-23-003B-428	In Home	Land of Dancing Sky Area Agency on Aging	18,428
7398	N/A	Lakes & Pines EAP	Lakes & Pines CAP	9,137
7403	N/A	CAPHC EAP	CAPHC	6,017
7405	2202MNLIEA	EAP/WX A2117 Carryover	MN Dept of Commerce	234,751
7406	2302MNLIEA	EAP/WX A2119	MN Dept of Commerce	187,803
9048	163635	DHS Plus Kids	MN Dept of Human Services	38,000
				<u>7,234,095</u>
NeighborWorks America				
8092	N/A	Housing Stability Counseling Program	Minnesota Homeownership Center	1,679
Total Federal Programs				<u>\$ 8,330,271</u>

West Central Minnesota Communities Action, Inc. and Subsidiary
Consolidated Schedule of Grant Activity
Year Ended September 30, 2023

Fund Number	Grant Number	Program Name	State or Other Administrative Department	Current Revenues
State of Minnesota Programs				
1037	GRK%197674	MNCAP	MN Dept of Human Services	\$ 22,963
1042	GRK%230736	MNCAP	MN Dept of Human Services	4,154
2085	GRK%205006	State FAIM	MN Dept of Human Services	524,483
3082	N/A	501 Depree Way Glenwood	MN Housing Finance Agency	30,000
3083	N/A	540 Depree Way Glenwood	MN Housing Finance Agency	44,250
3085	N/A	505 3rd St NE Glenwood	MN Housing Finance Agency	40,000
4045	N/A	Rehabilitation Loan Program	MN Housing Finance Agency	154,420
5068	N/A	Morris Scholarship	MN Dept of Education	8,879
5072	Swift 213710	State Head Start	MN Dept of Education	369,353
5074	N/A	Elbow Lake Scholarship	MN Dept of Education	1,238
5075	Swift 234430	State Head Start	MN Dept of Education	122,583
5076	N/A	Morris Scholarship	MN Dept of Education	3,704
5077	N/A	Child Care Aware T.E.A.C.H Scholars	Child Care Aware of Minnesota	281
5078	N/A	Child Care Aware T.E.A.C.H Scholars	Child Care Aware of Minnesota	184
6119	72337	MN Sure Applications Fund	MN Dept of Human Services	12,748
6192	N/A	Housing Supports	MN Dept of Human Svcs	168,019
6243	N/A	HWSWH CAPLP	MN Housing Finance Agency/CAPLP	55,409
6252	N/A	DHS Infrastructure	DHS/Clay County	36,790
6255	GRK%201150	Transitional Housing - OEO	MN Dept of Human Services - OEO	51,295
6256	GRK%201000	ESP Launch Pad	MN Dept of Human Services - OEO	43,315
6259	N/A	FHPAP	MN Housing Finance Agency	109,815
6262	N/A	Long Term Homelessness	MN Dept of Human Svcs - Mahube	26,342
6272	N/A	MN Sure	MN Dept of Human Services - UCAP	43,029
6273	GRK%216041	Live Well at Home	MN Dept of Human Services - OEO	208,837
6276	N/A	MN Dept of Revenue Tax	MN Dept of Revenue	24,586
6283	GRK%227680	DHS Ride & Chore Capacity	MN Dept of Human Services - OEO	51,673
6286	N/A	FHPAP Fast Track	MN Housing Finance Agency	200,000
6287	N/A	MN Sure	MN Dept of Human Services - UCAP	8,441
6290	GRK%235428	Transitional Housing (THP) - OEO	MN Dept of Human Services - OEO	17,897
6291	GRK%234400	Emergency Services Program (ESP)	MN Dept of Human Services - OEO	21,493
7387	Swift 212673-15651	Propane A2501	MN Dept of Commerce	7,140
7408	Swift 229149-16748	Propane A2501	MN Dept of Commerce	1,363
8088	N/A	HECAT	MN Housing Finance Agency	14,805
8089	N/A	Homeownership Capacity	MN Housing Finance Agency	1,282
9043	A-CVS-2022-WCMCA-166	Office of Justice Plus Kids	MN Department of Public Safety	13,760
9047	GRK%218138	DHS Micro Grant	MN Dept of Human Services - OEO	3,131
Total State of Minnesota Programs				<u>\$ 2,447,662</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, 2023, 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 23, 2024.

Report on 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.

Report on 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 23, 2024

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, 2023. 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, 2023.

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 23, 2024

West Central Minnesota Communities Action, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

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): 93.568
Name of Federal Program or Cluster: Energy Assistance

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

Auditee qualified as low risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.