WACOSA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2018 AND 2017

WACOSA
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT

Board of Directors
WACOSA
Waite Park, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of WACOSA, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
WACOSA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WACOSA as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of vocational business activities is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

St. Cloud, Minnesota
May 20, 2019

WACOSA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 723,804	$ 757,672
Investments	3,304,327	3,280,382
Accounts Receivable - Program	577,616	590,189
Accounts Receivable - Vocational	164,799	179,051
Accounts Receivable - Electrolux	294,215	312,386
Contributions Receivable	3,600	3,600
Other Receivable	2,446	1,797
Inventory	160,047	117,956
Prepaid Expenses	40,881	27,064
Total Current Assets	5,271,735	5,270,097
PROPERTY AND EQUIPMENT		
Land	569,281	569,281
Leasehold Improvements	29,600	22,874
Building	5,750,367	5,038,804
Equipment	1,123,126	935,508
Vehicles	1,477,593	1,371,551
Construction in Process	76,713	148,661
Total Property and Equipment	9,026,680	8,086,679
Less: Accumulated Depreciation	3,554,449	3,384,644
Net Property and Equipment	5,472,231	4,702,035
Total Assets	$ 10,743,966	$ 9,972,132

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017

LIABILITIES AND NET ASSETS	2018	2017
CURRENT LIABILITIES		
Current Maturities of Notes Payable	$ 64,998	$ 62,653
Current Maturities of Capital Lease Payable	38,187	25,088
Accounts Payable	171,470	150,710
Accounts Payable - Electrolux	323,213	366,212
Accrued Expenses	75,653	76,871
Salaries and Related Benefits Payable	251,065	212,969
Accrued Vacation	280,478	255,083
Total Current Liabilities	1,205,064	1,149,586
LONG-TERM DEBT		
Notes Payable, Net of Current Maturities and Unamortized Finance Fees	1,064,423	1,126,163
Capital Lease Payable, Net of Current Maturities	110,849	80,626
Total Long-Term Debt	1,175,272	1,206,789
Total Liabilities	2,380,336	2,356,375
NET ASSETS		
Nets Assets Without Donor Restriction:		
Designated	3,781,800	3,208,092
Undesignated	4,271,191	4,206,670
Total Net Assets Without Donor Restriction	8,052,991	7,414,762
Net Assets With Donor Restriction	310,639	200,995
Total Net Assets	8,363,630	7,615,757
Total Liabilities and Net Assets	$ 10,743,966	$ 9,972,132

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Support:			
Program Services	$ 6,376,871	$ -	$ 6,376,871
Contributions	756,931	133,928	890,859
Total Support	7,133,802	133,928	7,267,730
Revenue:			
Vocational Business Activities	1,858,843	-	1,858,843
Cost of Sales	(943)	-	(943)
Net Vocational Revenue	1,857,900	-	1,857,900
Investment Income	23,945	-	23,945
Gain on Sale of Property and Equipment	4,500	-	4,500
Other Income	6,858	-	6,858
Subtotal Revenues and Support	9,027,005	133,928	9,160,933
Net Assets Released from Restrictions	24,284	(24,284)	-
Total Revenues and Support	9,051,289	109,644	9,160,933
EXPENSES			
Program Expenses:			
General Program and Transportation	5,180,105	-	5,180,105
Vocational Business Activities	1,945,839	-	1,945,839
Management and General	1,195,538	-	1,195,538
Fundraising	91,578	-	91,578
Total Expenses	8,413,060	-	8,413,060
CHANGE IN NET ASSETS	638,229	109,644	747,873
Net Assets - Beginning of Year	7,414,762	200,995	7,615,757
NET ASSETS - END OF YEAR	$ 8,052,991	$ 310,639	$ 8,363,630

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Support:			
Program Services	$ 6,141,250	$ -	$ 6,141,250
Contributions	162,958	80,262	243,220
Total Support	6,304,208	80,262	6,384,470
Revenue:			
Vocational Business Activities	1,747,586	-	1,747,586
Cost of Sales	12	-	12
Net Vocational Revenue	1,747,598	-	1,747,598
Investment Income	22,420	-	22,420
Other Income	6,968	-	6,968
Subtotal Revenues and Support	8,081,194	80,262	8,161,456
Net Assets Released from Restrictions	18,953	(18,953)	-
Total Revenues and Support	8,100,147	61,309	8,161,456
EXPENSES			
Program Expenses:			
General Program and Transportation	4,863,168	-	4,863,168
Vocational Business Activities	1,860,395	-	1,860,395
Management and General	1,178,957	-	1,178,957
Fundraising	63,395	-	63,395
Total Expenses	7,965,915	-	7,965,915
CHANGE IN NET ASSETS	134,232	61,309	195,541
Net Assets - Beginning of Year	7,280,530	139,686	7,420,216
NET ASSETS - END OF YEAR	$ 7,414,762	$ 200,995	$ 7,615,757

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program				
	General Program and Transportation	Vocational Business Activities	Management and General	Fundraising	Total
Salaries	$ 3,354,498	$ 1,308,888	$ 694,783	$ 61,541	$ 5,419,710
Benefits	945,978	235,906	180,632	17,910	1,380,426
Staff Travel and Mileage	18,771	968	3,622	1,675	25,036
Supplies	33,514	45,708	17,699	-	96,921
Minor Equipment and Repairs	18,824	7,687	21,495	-	48,006
Rent	28,552	8,931	-	-	37,483
Telephone	14,644	1,080	11,067	-	26,791
Utilities	68,403	69,026	11,043	-	148,472
Repairs and Maintenance	27,332	25,944	3,802	-	57,078
Snow Removal	10,686	12,495	2,015	-	25,196
Insurance	34,862	15,829	616	-	51,307
Interest Expense	-	50,611		-	50,611
Public Relations	-	6,156	27,695	10,428	44,279
Advertising	1,490	22,966	701	24	25,181
Client Transportation	171,264	-	-	-	171,264
Vehicle Fuel	113,407	9,964	-	-	123,371
Vehicle Maintenance	117,980	9,752	-	-	127,732
Vehicle Insurance	27,818	2,120	-	-	29,938
Vehicle Licenses	3,722	-	48	-	3,770
Vehicle Lease	4,854	-	-	-	4,854
Professional Services	-	1,420	115,864	-	117,284
Postage	-	104	10,465	-	10,569
Dues and Licensing	17,393	2,631	4,488	-	24,512
Uncollectible Program Service Fees	-	-	68	-	68
Board	-	-	2,189	-	2,189
Subscriptions	1,569	-	-	-	1,569
Miscellaneous	-	6,925	3,149	-	10,074
Total Operating Expenses	5,015,561	1,845,111	1,111,441	91,578	8,063,691
Depreciation	164,544	100,728	84,097	-	349,369
Total Expenses	5,180,105	1,945,839	1,195,538	91,578	8,413,060
Cost of Sales	-	943	-	-	943
Total Functional Expenses	$ 5,180,105	$ 1,946,782	$ 1,195,538	$ 91,578	$ 8,414,003

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program				
	General Program and Transportation	Vocational Business Activities	Management and General	Fundraising	Total
Salaries	$ 3,162,496	$ 1,292,790	$ 679,553	$ 35,060	$ 5,169,899
Benefits	883,022	199,487	185,193	19,948	1,287,650
Staff Travel and Mileage	13,791	354	3,433	744	18,322
Supplies	42,450	49,249	17,261	-	108,960
Minor Equipment and Repairs	12,396	8,691	16,136	-	37,223
Rent	28,573	8,910	-	-	37,483
Telephone	15,443	979	11,689	-	28,111
Utilities	58,175	58,560	9,286	-	126,021
Repairs and Maintenance	22,765	22,189	3,401	-	48,355
Snow Removal	3,777	4,789	774	-	9,340
Insurance	34,093	14,249	616	-	48,958
Interest Expense	-	36,717	16,506	-	53,223
Public Relations	-	7,174	24,823	7,615	39,612
Advertising	1,877	14,909	413	28	17,227
Client Transportation	173,602	-	-	-	173,602
Vehicle Fuel	98,227	8,403	-	-	106,630
Vehicle Maintenance	99,614	9,497	-	-	109,111
Vehicle Insurance	27,561	2,135	-	-	29,696
Vehicle Licenses	2,619	-	-	-	2,619
Vehicle Lease	6,138	-	-	-	6,138
Professional Services	-	1,320	134,856	-	136,176
Postage	-	176	11,255	-	11,431
Dues and Licensing	13,121	3,572	3,606	-	20,299
Uncollectible Program Service Fees	-	-	697	-	697
Board	-	-	2,162	-	2,162
Subscriptions	1,047	-	-	-	1,047
Miscellaneous	-	3,843	4,263	-	8,106
Total Expenses	4,700,787	1,747,993	1,125,923	63,395	7,638,098
Depreciation	162,381	112,402	53,034	-	327,817
Total Functional Expenses	$ 4,863,168	$ 1,860,395	$ 1,178,957	$ 63,395	$ 7,965,915

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Support and Revenue	$	8,619,421	$	8,472,821
Interest and Dividends Received		64,932		43,198
Cash Paid to Suppliers and Employees		(8,039,532)		(7,690,794)
Interest Paid		(47,549)		(49,965)
Net Cash Provided by Operating Activities		597,272		775,260
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment		(489,784)		(245,364)
Proceeds from Sale of Property and Equipment		4,500		-
Change in Funds Held in Money Market		(6,918)		(264,948)
Purchase of Investments		(923,247)		(1,244,126)
Proceeds from Sale of Investments		876,040		1,226,651
Net Cash Used by Investing Activities		(539,409)		(527,787)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of Capital Lease Payable		(29,078)		(41,536)
Repayment of Notes Payable		(62,653)		(60,392)
Net Cash Used by Financing Activities		(91,731)		(101,928)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(33,868)		145,545
Cash and Cash Equivalents - Beginning of Year		757,672		612,127
CASH AND CASH EQUIVALENTS - END OF YEAR	$	723,804	$	757,672

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 747,873	$ 195,541
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	349,369	327,817
Amortization	3,258	3,258
Net Unrealized (Gain) Loss on Investments	23,064	(1,523)
Gain on Sale or Disposal of Property and Equipment	(4,500)	-
Donated Property and Equipment	(557,381)	-
Realized Losses on Investments	7,116	11,527
(Increase) Decrease in:		
Accounts Receivable - Program	12,573	237,092
Accounts Receivable - Vocational	14,252	(30,502)
Accounts Receivable - Electrolux	18,171	126,802
Contribution Receivable	-	(200)
Other Receivable	(649)	593
Inventory	(42,091)	60,663
Prepaid Expenses	(13,817)	48,859
Increase (Decrease) in:		
Accounts Payable	20,760	52,019
Accounts Payable - Electrolux	(42,999)	(200,575)
Accrued Expenses	(1,218)	(63,679)
Salaries and Related Benefits Payable and Accrued Vacation	63,491	7,568
Net Cash Provided by Operating Activities	$ 597,272	$ 775,260
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Acquired through Capital Lease	$ 72,400	$ 129,852

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

WACOSA (the Organization) was formed as a nonprofit organization that is a work-oriented, day-training habilitation and rehabilitation facility whose mission is to provide people challenged by disabilities with the opportunity to work and live in their community within Central Minnesota. Major support sources include medical assistance, various county assistance, and contract revenue from area businesses that provide clients with work-oriented projects.

On November 1, 2018, Independence Center, Inc.'s (operating as a 501(c)(3)) Board of Directors decided to dissolve their Organization. As a result of this dissolution, WACOSA received a large in-kind donation from Independence Center of $672,240 in 2018. Independence Center's donated assets consisted of office equipment, program equipment, vehicles, and their building.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, those net assets detailed out in Note 9.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specific by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

WACOSA 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets on the statements of activities.

Accounts Receivable

The Organization provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Accounts receivable are unsecured. Payment for services is required upon receipt of an invoice. All self-pay accounts are analyzed for collectability based on the months past due and payment history. An allowance is estimated for these accounts based on the historical experience of the Organization. Accounts that are determined to be uncollectible are written off at that time. An allowance for bad debts of $3,191 and $3,640 was recorded for the years ended December 31, 2018 and 2017, respectively.

Program Receivables

Receivables generated from consumer services are recorded at net realizable value. These receivables include services payable by Medical Assistances, Department of Employment and Economic Development, counties, school districts, and privately paying consumers.

Vocational Receivables

Receivables generated by business activities for work performed by consumers serviced are recorded at net realizable value. These receivables occur in the normal course of business as work is performed by consumers, and invoiced accordingly.

Electrolux Receivables

Consumer work performed and billed to one specific customer is set apart, as management's decision to disclose the substantial balance within the Organization's assets for this business relationship. This specific vocational receivable is generated through the normal course of business activities and is recorded at net realizable value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional promises to give that are expected to be collectible in one year are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are substantially met. All contributions receivable are collectible within one year.

Inventory

Inventory consists of product on hand for a customer the Organization does contract work with. The Organization also has donated inventory on hand at the end of the year. The ending inventory value is based on an average of three months of sales.

Property and Equipment

The Organization has established a policy in which purchases of property and equipment with a cost in excess of $1,000 are capitalized. Property and equipment purchases not capitalized are expensed. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. All property and equipment are recorded at cost and are being depreciated over their estimated useful lives using the straight-line method at rates based on the following estimated useful lives:

Building and Improvements	10 to 40 Years
Equipment	3 to 10 Years
Vehicles	5 Years

Long-Lived Assets

The Organization evaluates its long-lived assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. In such circumstances, the Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with such assets. At the time such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. As of December 31, 2018 and 2017, management believes that the carrying amounts of its long-lived assets have not been impaired.

Revenue and Support

The Organization receives its support primarily from the state of Minnesota through Medical Assistance and from participating counties and cities with federal, state, and local funds. Support received is recognized on the accrual basis following the applicable fee structure for the type of program services provided and are billed on a monthly basis. Vocational revenue consists of funds earned on contracts WACOSA enters into as part of their mission to provide people challenged by disabilities the opportunity to work. The revenue is recognized on the accrual basis and is billed throughout the month.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Support (Continued)

The Organization receives donated goods from the community to use within ThriftWorks! store which are later sold to the general public. The Organization recognizes the sales of these donated items as Vocational Business Activity Revenue. The change in inventory is recorded in Contributions. The Organization also receives in-kind storage space for inventory of ThriftWorks! store.

Advertising

Advertising costs are charged to operations when incurred. Advertising expenses were $25,181 and $17,227 for the years ended December 31, 2018 and 2017, respectively.

Fair Value of Financial Instruments

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, face value upon maturity, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state tax codes and, therefore, the financial statements do not include a provision for income taxes. Contributions to the Organization qualify as a charitable tax deduction by the contributor.

The Organization files as a tax-exempt organization, should that status be challenged in the future, all years since inception would be subject to review by the Internal Revenue Service.

Change in Accounting Principle

The Organization adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. These changes were applied retrospectively to ensure comparability with the prior year presented herein. The adoption did not impact the Organization's financial position as of December 31, 2018 and 2017 or the changes in its net assets, functional expenses, or cash flows for the years then ended.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 20, 2019, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, and accounts receivable.

At times, cash may be in excess of the Federal Deposit Insurance Corporation insurance limit. With regard to investments, the Organization invests primarily in high-grade marketable securities, thereby limiting credit risk.

Revenues from Medical Assistance represented 58.0% and 62.6% of total revenue for the years ended December 31, 2018 and 2017, respectively. Revenues from contracts represented 20.1% and 21.4% of total revenue for the years ended December 31, 2018 and 2017, respectively.

Accounts receivable for Medical Assistance represented 77.9% and 72.3% of Program Accounts Receivable for the years ended December 31, 2018 and 2017, respectively. Receivables from one county represented 10.3% and 16.9% of Program Accounts Receivable as of December 31, 2018 and 2017, respectively.

Receivables from one customer represented 23.9% and 39% of Vocational Accounts Receivable for the years ended December 31, 2018 and 2017, respectively.

NOTE 3 INVESTMENTS

Investments, other than Money Markets which are stated at cost which approximates fair value, are stated at fair value and consist primarily of mutual funds, governmental funds, fixed income, and money market funds as follows:

	December 31, 2018		December 31, 2017	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ 40,793	$ 44,198	$ 45,475	$ 56,630
Fixed Income	2,444,887	2,405,570	2,395,441	2,371,437
Money Markets	854,559	854,559	852,315	852,315
Total	$ 3,340,239	$ 3,304,327	$ 3,293,231	$ 3,280,382

Investment income is summarized as follows for the years ended December 31:

	2018	2017
Interest and Dividends	$ 64,932	$ 43,198
Realized Loss	(7,116)	(11,527)
Unrealized Gain (Loss)	(23,064)	1,523
Investment Fees	(10,807)	(10,774)
Total	$ 23,945	$ 22,420

NOTE 4 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	Level 1	Level 2	Level 3	2018 Total
Assets:				
Mutual Funds	$ 44,198	$ -	$ -	$ 44,198
Fixed Income	2,405,570	-	-	2,405,570
Total	$ 2,449,768	$ -	$ -	$ 2,449,768

	Level 1	Level 2	Level 3	2017 Total
Assets:				
Mutual Funds	$ 56,630	$ -	$ -	$ 56,630
Fixed Income	2,371,437	-	-	2,371,437
Total	$ 2,428,067	$ -	$ -	$ 2,428,067

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Unrealized changes in fair value for investments and realized gains and losses from sales are recorded in investment income in the statements of activities.

NOTE 5 LONG-TERM DEBT

Amortization of finance costs is included in interest expense and was $3,258 for both the years ended December 31, 2018 and 2017.

Unamortized finance fees are netted against the debt balance and amounted to $11,945 and $15,203 at December 31, 2018 and 2017, respectively. These fees create an effective interest rate of 3.95% for this mortgage.

Description	2018	2017
Note Payable, Bremer Bank, N.A., 3.63% Interest; Monthly Principal and Interest Payments of $8,826; Maturity September 2022; Secured by Buildings	$ 1,141,366	$ 1,204,019
Less: Current Maturities and	64,998	62,653
Less: Unamortized Finance Fees	11,945	15,203
Total Long-Term Notes Payable	$ 1,064,423	$ 1,126,163

Maturity requirements by year on long-term debt are as follows:

Year Ending December 31,	Amount
2019	$ 64,998
2020	67,320
2021	69,951
2022	939,097
Total	$ 1,141,366

NOTE 6 OPERATING LEASES

The Organization is currently leasing a facility in Sauk Centre, which expires August 2019. Lease expense for both the years ended December 31, 2018 and 2017 amounted to $30,991.

In addition to the above liability, the Sauk Centre facility lease agreement states the annual lease payment could increase in the amount equal to the increase in property taxes and liability insurance. Future minimum lease payments on this lease amount to $20,661 and $30,991 at December 31, 2018 and 2017, respectively.

NOTE 7 CAPITAL LEASE

During 2018, the Organization entered in a new capital lease for vehicles. The gross cost of the vehicle under the capital lease as of December 31, 2018 and 2017 was $203,838 and $130,174, respectively, and the corresponding accumulated depreciation was $57,275 and $26,330, respectively. Capital lease payable is as follows:

Description	2018	2017
Capital Lease Payable; dated August 31, 2018; due August 931, 2023; interest rate 3.63%; monthly payments of $1,205 include principal and interest.	$ 149,036	$ 105,714
Less: Current Maturities	38,187	25,088
Long-Term Capital Lease - Net of Current Maturities	$ 110,849	$ 80,626

Future capital lease payments including interest are as follows:

Year Ending December 31,	Amount
2019	$ 42,964
2020	42,964
2021	42,964
2022	14,456
2023	17,328
Total Minimum Lease Payments	160,676
Less: Amount Representing Interest	11,640
Net Capital Lease Payments	$ 149,036

NOTE 8 RETIREMENT PLAN

Regular full-time employees and part-time employees that have worked at least one hour are eligible to enroll in WACOSA's retirement savings plan.

WACOSA has a 401(k) plan with an elective employer match. Employees must have worked at WACOSA for one year and at least 1,000 hours in the year to be eligible. A 1% match was elected during 2018. Total employer contributions and expenses incurred for fees during the years ended December 31, 2018 and 2017 were $46,243 and $27,062, respectively.

NOTE 9 NET ASSETS

The Organization's board of directors has designated a portion of its net assets without donor restriction. Designated amounts consist of the following:

Replenishment of Property and Equipment

The replenishment of property and equipment reserve exists to fund future capital expenditures and replacement of existing property and equipment. Total amounts designated at December 31, 2018 and 2017 were $3,572,217 and $3,402,020, respectively, which approximates accumulated depreciation.

Unemployment

The designated unemployment reserve exists to cover payment for potential future unemployment claims since the Organization is self-insured. The reserve approximates expected unemployment on a statistical basis. Total amounts designated at December 31, 2018 and 2017 were $698,974 and $804,650, respectively.

Net Assets with donor restrictions we as follows for the yeared ended December 31:

	2018	2017
Net Assets with Donor Restrictions		
Programs	$ 18,413	$ 174,610
Projects	292,226	26,385
Total Net Assets Released from Donor Restrictions	$ 310,639	$ 200,995

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31:

	2018	2017
Satisfaction of Purpose Restrictions:		
Programs	$ 8,122	$ 12,995
Projects	16,162	5,958
Total Net Assets Released from Donor Restrictions	$ 24,284	$ 18,953

NOTE 10 CONTINGENCIES

Self-Insured Health Plan

The Organization has self-insured its employee health plan. It has contracted with administrative service company to supervise and administer the program and act as its representative.

The company insures for excessive or unexpected claims and is liable for claims not to exceed $40,000 per employee per plan year. Estimated future claims for medical services incurred during the year are estimated by management and recorded as liabilities of $71,766 and $72,788 at December 31, 2018 and 2017, respectively.

NOTE 10 CONTINGENCIES (CONTINUED)

Workers' Compensation

During the year ended December 31, 2017, the Organization was a member of a pooled self-insured workers' compensation program. Members make payments to the administrator of the plan which are based upon estimated payroll costs, employee worker classifications, and the member's previous loss experience. Those payments are used to pay for claims incurred, fixed costs, including reinsurance coverage for claims and administrative costs related to the plan. Payments in excess of actual claims and costs paid are held in a deposit account by the administrator to pay for future claims or to be refunded to members. Should actual claims and costs of the plan exceed deposit amounts and not be covered by reinsurance, the plan can require the members to make additional deposits into the plan to fund such costs. Effective during the year ended December 31, 2018, the Organization no longer participates in the pooled self-insured workers' compensation program.

NOTE 11 RELATED PARTY TRANSACTION

During the years ended December 31, 2018 and 2017, the Organization received contributions totaling $119,033 and $66,950, respectively, from a board member and his associated business.

NOTE 12 LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover four months of general operating expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposits, money market funds, and other short-term investments.

The following table reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Board-designated reserves are intended to protect the Organization, continue operations into the future, and create staff assurance of unemployment benefits. In the event that need arises to utilize the board-designated reserves for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Description	2018	2017
Cash and Cash Equivalents	$ 723,804	$ 757,672
Investments	3,304,327	3,280,382
Accounts Receivable	1,042,676	1,087,023
Total Financial Assets	5,070,807	5,125,077
Nets Assets Without Donor Restriction - Designated	(3,781,800)	(3,208,092)
Net Assets With Donor Restriction	(310,639)	(200,995)
Financial Assets Available to Meet Cash Needs Expenditures Within One Year	$ 978,368	$ 1,715,990

NOTE 13 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimate of time, effort, and percentage of total revenues under the category of which the expenditures are coded.

WACOSA
SCHEDULE OF VOCATIONAL BUSINESS ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)

	Community Contract	Production	Shred	ThriftWorks!	Totals
Salaries	$ 486,486	$ 415,036	$ 184,368	$ 222,998	$ 1,308,888
Benefits	77,702	82,777	23,804	51,623	235,906
Staff Travel and Mileage	751	217	-	-	968
Supplies	11,165	27,146	3,661	3,736	45,708
Minor Equipment and Repairs	3,528	2,109	351	1,699	7,687
Rent	-	2,439	-	6,492	8,931
Telephone	562	-	-	518	1,080
Utilities	-	36,433	11,135	21,458	69,026
Repairs and Maintenance	-	12,674	4,520	8,750	25,944
Snow Removal	-	6,547	2,032	3,916	12,495
Insurance	3,450	4,387	5,275	2,717	15,829
Interest Expense	-	-	-	50,611	50,611
Public Relations	-	150	1,081	4,925	6,156
Advertising	38	336	5,584	17,008	22,966
Vehicle Fuel	-	7,249	2,715	-	9,964
Vehicle Maintenance	-	8,882	870	-	9,752
Vehicle Insurance	-	1,410	710	-	2,120
Vehicle Lease Interest	-	-	-	-	-
Professional Services	-	-	1,320	100	1,420
Postage	-	6	98	-	104
Dues and Licensing	387	255	1,124	865	2,631
Miscellaneous	-	-	-	6,925	6,925
Total Expenses	584,069	608,053	248,648	404,341	1,845,111
Depreciation	1,195	47,100	20,295	32,138	100,728
Total Functional Expenses	$ 585,264	$ 655,153	$ 268,943	$ 436,479	$ 1,945,839