WACOSA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2021 AND 2020

WACOSA
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YEARS ENDED DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT

Board of Directors
WACOSA
Waite Park, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of WACOSA (a Minnesota corporation) (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of WACOSA, as of December 31, 2021 and 2020, and the changes in net assets and its 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 audit 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 Financial Statements section of our report. We are required to be independent of WACOSA, and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WACOSA's ability to continue as a going concern for one year subsequent to REPORT DATE.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 WACOSA'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WACOSA'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.

Supplementary Information

Our audit was 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. The 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.

Board of Directors
WACOSA

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. 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 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE on our consideration of WACOSA'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 solely 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 WACOSA'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 WACOSA's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

St. Cloud, Minnesota
REPORT DATE

WACOSA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 874,247	$ 1,483,469
Investments	4,974,955	3,417,894
Accounts Receivable - Program	503,856	314,354
Accounts Receivable - Vocational	93,349	68,972
Other Receivable	839,677	767
Inventory	121,493	103,750
Prepaid Expenses	55,901	52,191
Total Current Assets	7,463,478	5,441,397
PROPERTY AND EQUIPMENT		
Land	569,281	569,281
Leasehold Improvements	29,600	29,600
Building	5,803,375	5,767,966
Equipment	1,327,393	1,313,693
Vehicles	1,596,615	1,665,651
Construction in Process	-	10,859
Total Property and Equipment	9,326,264	9,357,050
Less: Accumulated Depreciation	4,649,433	4,343,575
Net Property and Equipment	4,676,831	5,013,475
Total Assets	$ 12,140,309	$ 10,454,872

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2021 AND 2020

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Notes Payable	$ 936,926	$ 69,951
Current Maturities of Capital Lease Payable	13,572	40,665
Accounts Payable	105,931	311,141
Deferred Revenue	2,500	-
Accrued Expenses	26,841	47,243
Salaries and Related Benefits Payable	228,825	179,448
Accrued Vacation	275,722	273,488
Total Current Liabilities	1,590,317	921,936
LONG-TERM DEBT		
Notes Payable, Net of Current Maturities and Unamortized Finance Fees	-	933,667
Capital Lease Payable, Net of Current Maturities	16,912	30,929
Total Long-Term Debt	16,912	964,596
Total Liabilities	1,607,229	1,886,532
NET ASSETS		
Nets Assets Without Donor Restriction:		
Undesignated	4,077,300	3,013,275
Designated	5,354,871	4,836,382
Total Net Assets Without Donor Restriction	9,432,171	7,849,657
Net Assets With Donor Restriction	1,100,909	718,683
Total Net Assets	10,533,080	8,568,340
Total Liabilities and Net Assets	$ 12,140,309	$ 10,454,872

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Support:			
Program Services	$ 4,426,959	$ -	$ 4,426,959
Contributions	1,598,462	393,023	1,991,485
Total Support	6,025,421	393,023	6,418,444
Revenue:			
Vocational Business Activities	1,440,657	-	1,440,657
Investment Income	6,361	-	6,361
Gain on Sale of Property and Equipment	1,900	-	1,900
Gain on Debt Forgiveness	1,214,185		1,214,185
Other Income	11,098	-	11,098
Subtotal Revenues and Support	8,699,622	393,023	9,092,645
Net Assets Released from Restrictions	10,797	(10,797)	-
Total Revenues and Support	8,710,419	382,226	9,092,645
EXPENSES			
Program Expenses:			
General Program and Transportation	4,369,336	-	4,369,336
Vocational Business Activities	1,453,043	-	1,453,043
Management and General	1,226,503	-	1,226,503
Fundraising	79,023	-	79,023
Total Expenses	7,127,905	-	7,127,905
CHANGE IN NET ASSETS	1,582,514	382,226	1,964,740
Net Assets - Beginning of Year	7,849,657	718,683	8,568,340
NET ASSETS - END OF YEAR	$ 9,432,171	$ 1,100,909	$ 10,533,080

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Support:			
Program Services	$ 2,541,939	$ -	$ 2,541,939
Contributions	1,682,641	314,200	1,996,841
Total Support	4,224,580	314,200	4,538,780
Revenue:			
Vocational Business Activities	1,036,901	-	1,036,901
Investment Income	52,048	-	52,048
Gain on Debt Forgiveness	1,247,679	-	1,247,679
Other Income	6,286	-	6,286
Net Vocational Revenue	6,567,494	314,200	6,881,694
Net Assets Released from Restrictions	-	-	-
Total Revenues and Support	6,567,494	314,200	6,881,694
EXPENSES			
Program Expenses:			
General Program and Transportation	4,668,044	-	4,668,044
Vocational Business Activities	1,195,068	-	1,195,068
Management and General	1,205,492	-	1,205,492
Fundraising	82,575	-	82,575
Total Expenses	7,151,179	-	7,151,179
CHANGE IN NET ASSETS	(583,685)	314,200	(269,485)
Net Assets - Beginning of Year	8,433,342	404,483	8,837,825
NET ASSETS - END OF YEAR	$ 7,849,657	$ 718,683	$ 8,568,340

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program				
	General Program and Transportation	Vocational Business Activities	Management and General	Fundraising	Total
Salaries	$ 2,760,717	$ 967,533	$ 683,994	$ 57,866	$ 4,470,110
Benefits	827,880	189,024	162,768	12,742	1,192,414
Staff Travel and Mileage	7,707	-	1,036	66	8,809
Supplies	18,028	14,031	12,091	-	44,150
Minor Equipment and Repairs	5,651	4,508	29,594	-	39,753
Rent	34,980	2,561	-	-	37,541
Telephone	29,896	2,246	19,497	-	51,639
Utilities	68,723	60,183	9,619	-	138,525
Repairs and Maintenance	23,214	18,721	2,716	-	44,651
Snow Removal	7,911	7,125	1,075	-	16,111
Insurance	43,028	17,961	626	-	61,615
Interest Expense	-	25,403	13,069	-	38,472
Vehicle Interest Expense	-	1,824	-	-	1,824
Public Relations	-	1,176	11,291	8,331	20,798
Advertising	1,115	6,492	954	18	8,579
Client Transportation	103,175	-	-	-	103,175
Vehicle Fuel	84,850	6,355	-	-	91,205
Vehicle Maintenance	86,647	14,900	-	-	101,547
Vehicle Insurance	37,985	2,330	-	-	40,315
Vehicle Licenses	121	-	-	-	121
Vehicle Lease	4,972	-	-	-	4,972
Professional Services	-	1,680	174,479	-	176,159
Postage	-	-	7,530	-	7,530
Dues and Licensing	13,711	2,864	4,452	-	21,027
Board	-	-	335	-	335
Subscriptions	762	-	1	-	763
Miscellaneous	-	11,732	17,654	-	29,386
Total Operating Expenses	4,161,073	1,358,649	1,152,781	79,023	6,751,526
Depreciation	208,263	94,394	73,722	-	376,379
Total Functional Expenses	$ 4,369,336	$1,453,043	$1,226,503	$ 79,023	$ 7,127,905

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program				
	General Program and Transportation	Vocational Business Activities	Management and General	Fundraising	Total
Salaries	$ 2,923,634	$ 734,330	$ 656,971	$ 57,630	$ 4,372,565
Benefits	1,063,317	176,784	201,868	15,735	1,457,704
Staff Travel and Mileage	4,779	-	567	-	5,346
Supplies	34,086	14,374	12,396	-	60,856
Minor Equipment and Repairs	31,597	6,268	16,036	-	53,901
Rent	32,937	2,403	-	-	35,340
Telephone	29,233	2,260	18,389	-	49,882
Utilities	63,256	52,079	8,326	-	123,661
Repairs and Maintenance	17,996	18,686	2,712	-	39,394
Snow Removal	5,864	5,182	831	-	11,877
Insurance	43,256	18,114	647	-	62,017
Interest Expense	-	27,634	14,216	-	41,850
Vehicle Interest Expense	-	3,594	-	-	3,594
Public Relations	-	4,416	12,764	9,209	26,389
Advertising	73	9,029	976	1	10,079
Client Transportation	37,268	-	-	-	37,268
Vehicle Fuel	48,126	4,585	-	-	52,711
Vehicle Maintenance	66,625	5,565	-	-	72,190
Vehicle Insurance	33,531	2,262	-	-	35,793
Vehicle Licenses	720	-	72	-	792
Vehicle Lease	5,847	-	-	-	5,847
Professional Services	-	1,718	128,100	-	129,818
Postage	15	-	8,398	-	8,413
Dues and Licensing	12,005	2,689	5,729	-	20,423
Board	-	-	360	-	360
Subscriptions	459	-	149	-	608
Miscellaneous	-	7,653	13,421	-	21,074
Total Operating Expenses	4,454,624	1,099,625	1,102,928	82,575	6,739,752
Depreciation	213,420	95,443	102,564	-	411,427
Total Functional Expenses	$ 4,668,044	$1,195,068	$1,205,492	$ 82,575	$7,151,179

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Support and Revenue	$ 6,819,549	$ 6,498,547
Interest and Dividends Received	50,601	50,040
Cash Paid to Suppliers and Employees	(6,907,759)	(6,633,497)
Interest Paid	(35,963)	(38,593)
Net Cash Provided (Used) by Operating Activities	(73,572)	(123,503)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(39,735)	(138,533)
Proceeds from Sale of Property and Equipment	1,900	-
Change in Funds Held in Money Market	(2,154)	(2,027)
Purchase of Investments	(2,924,919)	(1,892,291)
Proceeds from Sale of Investments	1,335,344	1,872,066
Net Cash Used by Investing Activities	(1,629,564)	(160,785)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Paycheck Protection Program Loan	1,204,974	1,239,900
Payment of Capital Lease Payable	(41,110)	(37,964)
Repayment of Notes Payable	(69,950)	(68,726)
Net Cash Provided by Financing Activities	1,093,914	1,133,210
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(609,222)	848,922
Cash and Cash Equivalents - Beginning of Year	1,483,469	634,547
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 874,247	$ 1,483,469
Non-Cash Transactions		
Payroll Protection Loan Program Forgiveness	1,214,185	1,239,900
Total Noncash Transactions	$ 1,214,185	$ 1,239,900

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		2020
RECONCILIATION OF CHANGE IN NET ASSETS TO			
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Change in Net Assets	$ 1,964,740		$ (269,485)
Adjustments to Reconcile Change in Net Assets to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation	376,379		411,427
Amortization	3,258		3,257
Net Unrealized (Gain) Loss on Investments	8,778		(10,941)
Loss on Sale or Disposal of Property and Equipment	(1,900)		-
Realized Loss on Investments	25,890		10,960
Paycheck Protection Program Loan Forgiveness	(1,204,974)		(1,239,900)
(Increase) Decrease in:			
Accounts Receivable - Program	(189,502)		853,792
Accounts Receivable - Vocational	(24,377)		46,090
Accounts Receivable - Electrolux	-		2,824
Other Receivable	(838,910)		4,068
Inventory	(17,743)		(2,053)
Prepaid Expenses	(3,710)		18,262
Increase (Decrease) in:			
Accounts Payable	(205,210)		172,902
Accounts Payable - Electrolux	-		(897)
Accrued Expenses	(20,402)		(14,098)
Deferred Revenue	2,500		-
Salaries and Related Benefits Payable and Accrued Vacation	51,611		(109,711)
Net Cash Provided (Used) by Operating Activities	$ (73,572)		$ (123,503)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of 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.

Basis of Accounting

Accounting policies of all WACOSA programs and services conform to accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to voluntary health and welfare organizations.

The financial statements of WACOSA have been prepared on an accrual basis.

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 restricted revenue when received and released from restrictions 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 $3,396 and $3,106 was recorded for the years ended December 31, 2021 and 2020, 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.

Contributions Receivable

The Organization records contributions in accordance with applicable accounting standards, which require unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All contributions receivable are collectible within one year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020, management believes that the carrying amounts of its long-lived assets have not been impaired.

Revenue and Support

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Organization does not believe they are required to provide additional goods or services to the client.

The Organization has performance obligations that are satisfied at a point in time or over time. Community Contract, Private Pay Program Services, Production and Shred income performance obligations are based on underlying contracts and are satisfied on the day of the services performed. ThriftWorks! income performance obligations are satisfied at the point of sale. Total program service revenue were $1,440,657and $1,036,901 for the years ended December 31, 2021 and 2020, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Support (Continued)

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. The Organization receives donated goods from the community to use within the 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 receipt of inventory is recorded in Contributions. The Organization also receives in-kind storage space for inventory of the ThriftWorks! store.

A portion of the Organization's revenue is derived from cost reimbursable federal and state service agreements, 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 service agreement provisions. The Organization received service agreements of approximately $2,050,000 and $1,150,000 that have not been recognized at December 31, 2021 and 2020, respectively because qualifying expenditures have not yet been incurred.

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions.

Advertising

Advertising costs are charged to operations when incurred. Advertising expenses were $8,579 and $10,079 for the years ended December 31, 2021 and 2020, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

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.

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.

Paycheck Protection Program Loan

In January 2021, the Organization applied for and was awarded a paycheck protection program loan. The loan was awarded on January 23, 2021 in the amount of $1,204,974 at a fixed rate of 1.00% per annum. On November 2, 2021, the SBA processed the Organization's PPP Loan forgiveness application and notified National Bank of Commerce the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, the Organization was legally released from the debt, which is included in revenue during the year ended December 31, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

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 41.8% and 30.0% of total revenue for the years ended December 31, 2021 and 2020, respectively. Revenues from grants and contributions from 2 donors represented 33.3% and 31.3% of total revenue for the year ended December 31, 2021 and 2020, respectively.

Accounts receivable for Medical Assistance represented 80.1% and 82.9% of Program Accounts Receivable for the years ended December 31, 2021 and 2020, respectively.

Receivables from one customer represented 12.7% and 10.4% of Vocational Accounts Receivable for the years ended December 31, 2021 and 2020, respectively. Receivables from one grantor represent 99.7% of other accounts receivable at December 31, 2021.

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, 2021		December 31, 2020	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ 42,559	$ 66,465	$ 49,995	$ 63,904
Fixed Income	2,563,453	2,532,966	2,553,229	2,545,165
Invetsments Held at Community Foundation	54,061	54,061	-	-
Money Markets	2,321,463	2,321,463	808,825	808,825
Total	$ 4,981,536	$ 4,974,955	$ 3,412,049	$ 3,417,894

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

	2021	2020
Interest and Dividends	$ 52,755	$ 63,497
Realized Gain (Loss)	(25,890)	(10,960)
Unrealized Gain (Loss)	(8,778)	10,941
Investment Fees	(11,726)	(11,430)
Total	$ 6,361	$ 52,048

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, 2021 and 2020:

	Level 1	Level 2	Level 3	2021 Total
Assets:				
Mutual Funds	$ 66,465	$ -	$ -	$ 66,465
Fixed Income	2,532,966	-	-	2,532,966
Invetsments Held at Community Foundation	-	54,061	-	54,061
Total	$ 2,599,431	$ -	$ -	$ 2,653,492
	Level 1	Level 2	Level 3	2020 Total
Assets:				
Mutual Funds	$ 63,904	$ -	$ -	$ 63,904
Fixed Income	2,545,165	-	-	2,545,165
Invetsments Held at Community Foundation	-	-	-	-
Total	$ 2,609,069	$ -	$ -	$ 2,609,069

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 and $3,257 the years ended December 31, 2021 and 2020, respectively.

Unamortized finance fees are netted against the debt balance and amounted to $2,172 and $5,430 at December 31, 2021 and 2020, respectively. These fees create an effective interest rate of 3.95% for this mortgage.

Description	2021	2020
Note Payable, Bremer Bank, N.A., 3.63% Interest; Monthly Principal and Interest Payments of $8,826; Maturity September 2022; Secured by Buildings	$ 939,098	$ 1,009,048
Less: Current Maturities and	936,926	69,951
Less: Unamortized Finance Fees	2,172	5,430
Total Long-Term Notes Payable	$ -	$ 933,667

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

Year Ending December 31,	Amount
2022	$ 939,098
Total	$ 939,098

NOTE 6 OPERATING LEASES

The Organization is currently leasing a facility in Sauk Centre, which expires August 2024. Lease expense for the years ended December 31, 2021 and 2020 amounted to $37,541 and $30,540, respectively.

Future minimum lease payments on this lease are as follows:

Year Ending December 31,	Amount
2022	$ 32,544
2023	32,544
2024	21,696
Total	$ 86,784

NOTE 7 CAPITAL LEASE

The Organization has capital leases for vehicles. The gross cost of the vehicles under the capital lease for both the years ended December 31, 2021 and 2020 was $130,250, and the corresponding accumulated depreciation was $130,250 and $104,435, respectively. Capital lease payable is as follows:

Description	2021	2020
Capital Lease Payable; dated August 31, 2018; due August 31, 2023; interest rate 3.63%; monthly payments of $1,205 include principal and interest.	$ 30,484	$ 71,594
Less: Current Maturities	13,572	40,665
Long-Term Capital Lease - Net of Current Maturities	$ 16,912	$ 30,929

Future capital lease payments including interest are as follows:

Year Ending December 31,	Amount
2021	$ 14,456
2022	17,328
Total Minimum Lease Payments	31,784
Less: Amount Representing Interest	1,300
Net Capital Lease Payments	$ 30,484

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 2.5% match was elected during both the years ended December 31, 2021 and 2020. Total employer contributions and expenses incurred for fees during the years ended December 31, 2021 and 2020 were $72,060 and $75,755, 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, 2021 and 2020 were $4,709,503 and $4,370,725, 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, 2021 and 2020 were $645,368 and $465,657, respectively.

Net assets with donor restrictions were as follows for the years ended December 31:

	2021	2020
Net Assets with Donor Restrictions:		
Programs	$ 7,040	$ 12,906
Projects	1,039,808	675,527
Endowment Earnings Subject to UPMIFA	3,111	-
Held in Perpetuity	50,950	30,250
Total Net Assets with Donor Restrictions	$ 1,100,909	$ 718,683

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

	2021	2020
Satisfaction of Purpose Restrictions:		
Programs	$ 2,266	$ -
Projects	8,531	-
Total Net Assets Released from Donor Restrictions	$ 10,797	$ -

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 $23,906 and $43,559 at December 31, 2021 and 2020, respectively.

NOTE 11 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, 2021 and 2020, 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	2021	2020
Cash and Cash Equivalents	$ 874,247	$ 1,483,469
Investments	4,974,955	3,417,894
Accounts Receivable	1,436,882	384,093
Total Financial Assets	7,286,084	5,285,456
Net Assets Without Donor Restriction - Designated	(5,354,871)	(4,836,382)
Net Assets With Donor Restriction	(1,100,909)	(718,683)
Financial Assets Available to Meet Cash Needs Expenditures Within One Year	$ 830,304	$ (269,609)

NOTE 12 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.

NOTE 13 PROGRAM REVENUE

Program revenue is earned at a point in time. The Organizations Program Revenue consist of the following for the years ended December 31:

	2021	2020
Vocational Business Activities:		
Community Contract	$ 405,072	$ 265,158
Production	305,815	271,066
Shred	267,824	197,050
ThriftWorks!	461,946	303,627
Vocational Business Activities	1,440,657	1,036,901
Private Pay Program Services	198,184	128,392
Total Program Revenue	$ 1,638,841	$ 1,165,293

NOTE 14 ENDOWMENT

The Board of Directors established an endowment fund during 2021. The Organization receives contributions for donor-restricted endowment. Also, the Organization created a board-designated endowment fund established for the purpose of providing income to support the operations, which has not been funded as of December 31, 2021.

As required by U.S. GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. As a result of this interpretation, the Organization classifies the board-designated endowment assets as net assets without donor restrictions. The Organization considers all interest and dividends on board-designated endowment funds to be appropriated and available for current year operations.

<u>**Interpretation of Relevant Law**</u>

The board of directors of WACOSA has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity the original value of the gifts to the endowment and the value of subsequent gifts to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 15 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Endowment net asset composition by type and changes in endowment net assets for the year ended December 31 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2021:			
Board-Designated Endowment Funds	$ -	$ -	$ -
Donor-Restricted Endowment Funds	-	54,061	54,061
Total	$ -	$ 54,061	$ 54,061
	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2020:			
Board-Designated Endowment Funds	$ -	$ -	$ -
Donor-Restricted Endowment Funds	-	-	-
Total	$ -	$ -	$ -

NOTE 15 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Year Ended December 31, 2021:			
Endowment Net Assets - Beginning of Year	$ -	$ -	$ -
Contributions	-	50,950	50,950
Earnings:			
Interest, Dividends, Gains, and Losses	-	3,111	3,111
Subtotal	-	54,061	54,061
Appropriations	-	-	-
Endowment Net Assets - End of Year	$ -	$ 54,061	$ 54,061

	Without Donor Restrictions	With Donor Restrictions	Total
Year Ended December 31, 2020:			
Endowment Net Assets - Beginning of Year	$ -	$ -	$ -
Contributions	-	-	-
Earnings:			
Interest, Dividends, Gains, and Losses	-	-	-
Subtotal	-	-	-
Appropriations	-	-	-
Endowment Net Assets - End of Year	$ -	$ -	$ -

Spending Policy

The Organization has a policy of appropriating for distribution each year 4 to 5% of its endowment fund's value using the valuation date of the last business day of the preceding year. In establishing this policy, the Organization considered the long-term expected return on its endowment assets. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. There currently are no underwater endowment funds.

Investment Objectives and Strategies

The Organization has adopted an investment policy to provide guidelines for investing endowment assets within its investment portfolio. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy. To achieve these objectives, the Organization will achieve a blended rate of return comparable to the average of recognized indices for each of the major components of the portfolio. Investments are diversified among various companies and market sectors.

WACOSA
SCHEDULE OF VOCATIONAL BUSINESS ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)

	Community Contract	Production	Shred	ThriftWorks!	Totals
Salaries	$ 306,566	$ 248,464	$ 114,906	$ 297,597	$ 967,533
Benefits	53,499	62,172	18,563	54,790	189,024
Supplies	1,011	5,459	3,731	3,830	14,031
Minor Equipment and Repairs	316	2,661	555	976	4,508
Rent	-	2,561	-	-	2,561
Telephone	919	-	-	1,327	2,246
Utilities	-	31,793	9,699	18,691	60,183
Repairs and Maintenance	-	8,853	3,402	6,466	18,721
Snow Removal	-	3,502	1,084	2,539	7,125
Insurance	4,365	4,923	5,533	3,140	17,961
Interest Expense	-	-	-	25,403	25,403
Vehicle Lease Interest	-	-	-	1,824	1,824
Public Relations	-	-	695	481	1,176
Advertising	29	57	3,168	3,238	6,492
Vehicle Fuel	-	3,848	2,507	-	6,355
Vehicle Maintenance	-	10,915	3,985	-	14,900
Vehicle Insurance	-	1,520	810	-	2,330
Professional Services	-	-	1,680	-	1,680
Dues and Licensing	471	310	1,752	331	2,864
Miscellaneous	-	-	-	11,732	11,732
Total Operating Expenses	367,176	387,038	172,070	432,365	1,358,649
Depreciation	1,195	48,419	15,897	28,883	94,394
Total Functional Expenses	$ 368,371	$ 435,457	$ 187,967	$ 461,248	$ 1,453,043

INDEPENDENT AUDITORS' 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
WACOSA
St. Cloud, Minnesota

We have audited, in accordance with the 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 financial statements of WACOSA (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WACOSA'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of WACOSA's internal control. Accordingly, we do not express an opinion on the effectiveness of WACOSA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether WACOSA's 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 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

St. Cloud, Minnesota
REPORT DATE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
WACOSA
St. Cloud, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited WACOSA's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WACOSA's major federal programs for the year ended December 31, 2021. WACOSA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, WACOSA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of WACOSA 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 WACOSA'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 WACOSA's federal programs.

Auditors' 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 WACOSA'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 WACOSA'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 WACOSA'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 WACOSA'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 WACOSA'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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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.

CliftonLarsonAllen LLP

St. Cloud, Minnesota
REPORT DATE

WACOSA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Direct				
Provider Relief Funds	93.498	441438	$ -	$ 906,299
Total U.S. Department of Health and Human Services				906,299
Total Federal Aw ards				906,299

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of WACOSA under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 WACOSA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of WACOSA.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. WACOSA has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The Organization did not have any payments to subrecipients during the year ended December 31, 2021.

WACOSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

Section I - Summary of Auditors' Results				
Financial Statements				
Type of Auditors' Report Issued:	*Unmodified*			
Internal Control over Financial Reporting:				
• Material Weakness(es) Identified		Yes	X	No
• Significant Deficiency(ies) Identified not Considered to be Material Weakness(es)		Yes	X	None Reported
• Noncompliance Material to Financial Statements Noted		Yes	X	No
Federal Awards				
Internal Control over Major Programs:				
• Material Weakness(es) Identified		Yes	X	No
• Significant Deficiency(ies) Identified Not Considered to be Material Weakness(es)		Yes	X	None Reported
Type of Auditors' Report Issued on Compliance for the Major Programs:	*Unmodified*			
Any audit findings disclosed that are required to be reported in accordance with 2 CRF 200.516(a)?		Yes	X	No
Identification of major programs:				

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
93.498	Provider Relief Funds

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing*

Section III - Findings and Questioned Costs - Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).