

WACOSA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021

DRAFT

**WACOSA
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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, 2022 and 2021, 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, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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.

Change in Accounting Principle

As discussed in Note 6 to the financial statements, in 2022 the Company adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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, 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. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial statements as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

Board of Directors
WACOSA

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

St. Cloud, Minnesota
REPORT DATE

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WACOSA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,460,421	\$ 874,247
Investments	4,968,209	4,974,955
Accounts Receivable - Program	521,143	503,856
Accounts Receivable - Vocational	78,362	93,349
Other Receivable	719	839,677
Inventory	118,262	121,493
Prepaid Expenses	86,625	55,901
Total Current Assets	7,233,741	7,463,478
PROPERTY AND EQUIPMENT		
Land	569,281	569,281
Leasehold Improvements	29,600	29,600
Building	5,815,952	5,803,375
Equipment	1,406,733	1,327,393
Vehicles	1,517,251	1,596,615
Construction in Process	11,488	-
Total Property and Equipment	9,350,305	9,326,264
Less: Accumulated Depreciation	4,911,915	4,649,433
Net Property and Equipment	4,438,390	4,676,831
OTHER ASSETS		
Operating ROU Assets	103,913	-
Financing ROU Assets	9,824	-
Total Other Assets	113,737	-
Total Assets	\$ 11,785,868	\$ 12,140,309

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS	2022	2021
CURRENT LIABILITIES		
Current Maturities of Notes Payable	\$ 83,326	\$ 936,926
Current Lease Liability - Operating	37,271	-
Current Lease Liability - Financing	9,499	-
Current Maturities of Capital Lease Payable	-	13,572
Accounts Payable	108,542	105,931
Deferred Revenue	2,500	2,500
Accrued Expenses	26,384	26,841
Salaries and Related Benefits Payable	222,201	228,825
Accrued Vacation	274,377	275,722
Total Current Liabilities	764,100	1,590,317
LONG-TERM DEBT		
Notes Payable, Net of Current Maturities and Unamortized Finance Fees	336,974	-
Long-Term Lease Liability - Operating, Net of Current Maturities	66,642	-
Capital Lease Payable, Net of Current Maturities	-	16,912
Total Long-Term Debt	403,616	16,912
Total Liabilities	1,167,716	1,607,229
NET ASSETS		
Nets Assets Without Donor Restriction:		
Undesignated	3,552,224	4,074,189
Designated	5,696,568	5,354,871
Total Net Assets Without Donor Restriction	9,248,792	9,429,060
Net Assets With Donor Restriction	1,369,360	1,104,020
Total Net Assets	10,618,152	10,533,080
Total Liabilities and Net Assets	\$ 11,785,868	\$ 12,140,309

See accompanying Notes to Financial Statements.

**WACOSA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Support:			
Program Services	\$ 5,240,895	\$ -	\$ 5,240,895
Contributions	1,060,871	351,578	1,412,449
Total Support	6,301,766	351,578	6,653,344
Revenue:			
Vocational Business Activities	1,491,671	-	1,491,671
Investment Loss	(122,715)	(19,388)	(142,103)
Gain on Sale of Property and Equipment	3,275	-	3,275
Other Income	12,787	-	12,787
Subtotal Revenues and Support	7,686,784	332,190	8,018,974
Net Assets Released from Restrictions	66,850	(66,850)	-
Total Revenues and Support	7,753,634	265,340	8,018,974
EXPENSES			
Program Expenses:			
General Program and Transportation	5,004,730	-	5,004,730
Vocational Business Activities	1,520,662	-	1,520,662
Management and General	1,317,497	-	1,317,497
Fundraising	91,013	-	91,013
Total Expenses	7,933,902	-	7,933,902
CHANGE IN NET ASSETS	(180,268)	265,340	85,072
Net Assets - Beginning of Year	9,429,060	1,104,020	10,533,080
NET ASSETS - END OF YEAR	\$ 9,248,792	\$ 1,369,360	\$ 10,618,152

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	3,250	3,111	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
Net Vocational Revenue	8,696,511	396,134	9,092,645
Net Assets Released from Restrictions	10,797	(10,797)	-
Total Revenues and Support	8,707,308	385,337	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	1,579,403	385,337	1,964,740
Net Assets - Beginning of Year	7,849,657	718,683	8,568,340
NET ASSETS - END OF YEAR	\$ 9,429,060	\$ 1,104,020	\$ 10,533,080

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program		Management and General	Fundraising	Total
	General Program and Transportation	Vocational Business Activities			
Salaries	\$ 3,238,946	\$ 992,759	\$ 758,093	\$ 65,883	\$ 5,055,681
Benefits	845,205	193,366	163,783	16,421	1,218,775
Staff Travel and Mileage	10,961	-	2,268	129	13,358
Supplies	38,858	17,063	12,207	-	68,128
Minor Equipment and Repairs	3,986	10,988	17,596	-	32,570
Rent	35,980	2,561	-	-	38,541
Telephone	30,174	2,063	20,672	-	52,909
Utilities	86,688	74,242	11,849	-	172,779
Repairs and Maintenance	22,695	28,884	3,683	-	55,262
Snow Removal	10,892	8,441	1,357	-	20,690
Insurance	43,471	17,671	614	-	61,756
Interest Expense	-	21,443	11,926	-	33,369
Vehicle Interest Expense	-	575	-	-	575
Public Relations	-	935	14,130	8,437	23,502
Advertising	8,824	8,395	2,306	143	19,668
Client Transportation	160,726	-	-	-	160,726
Vehicle Fuel	116,035	8,371	-	-	124,406
Vehicle Maintenance	106,353	11,590	-	-	117,943
Vehicle Insurance	37,130	2,431	-	-	39,561
Vehicle Licenses	845	-	-	-	845
Vehicle Lease	22,411	-	-	-	22,411
Professional Services	-	8,280	201,093	-	209,373
Postage	-	21	8,527	-	8,548
Dues and Licensing	12,453	3,525	4,331	-	20,309
Board	-	-	920	-	920
Subscriptions	570	-	-	-	570
Miscellaneous	-	10,067	10,508	-	20,575
Total Operating Expenses	<u>4,833,203</u>	<u>1,423,671</u>	<u>1,245,863</u>	<u>91,013</u>	<u>7,593,750</u>
Depreciation	171,527	96,991	56,902	-	325,420
Amortization	-	-	14,732	-	14,732
Total Functional Expenses	<u>\$ 5,004,730</u>	<u>\$ 1,520,662</u>	<u>\$ 1,317,497</u>	<u>\$ 91,013</u>	<u>\$ 7,933,902</u>

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program		Management and General	Fundraising	Total
	General Program and Transportation	Vocational Business Activities			
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	<u>4,161,073</u>	<u>1,358,649</u>	<u>1,152,781</u>	<u>79,023</u>	<u>6,751,526</u>
Depreciation	<u>208,263</u>	<u>94,394</u>	<u>73,722</u>	<u>-</u>	<u>376,379</u>
Total Functional Expenses	<u>\$ 4,369,336</u>	<u>\$ 1,453,043</u>	<u>\$ 1,226,503</u>	<u>\$ 79,023</u>	<u>\$ 7,127,905</u>

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Support and Revenue	\$ 8,992,686	\$ 6,819,549
Interest and Dividends Received	41,753	50,601
Cash Paid to Suppliers and Employees	(7,593,689)	(6,907,759)
Interest Paid	(30,325)	(35,963)
Net Cash Provided (Used) by Operating Activities	1,410,425	(73,572)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(111,535)	(39,735)
Proceeds from Sale of Property and Equipment	3,275	1,900
Change in Funds Held in Money Market	(9,973)	(2,154)
Purchase of Investments	(777,457)	(2,924,919)
Proceeds from Sale of Investments	612,094	1,335,344
Net Cash Used by Investing Activities	(283,596)	(1,629,564)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Paycheck Protection Program Loan	-	1,204,974
Payments on Financing Leases	(13,825)	-
Payment of Capital Lease Payable	(7,160)	(41,110)
Repayment of Notes Payable	(509,388)	(69,950)
Payment of Debt Issuance Costs	(10,282)	-
Net Cash Provided (Used) by Financing Activities	(540,655)	1,093,914
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	586,174	(609,222)
Cash and Cash Equivalents - Beginning of Year	874,247	1,483,469
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,460,421	\$ 874,247
NONCASH TRANSACTIONS		
Payroll Protection Loan Program Forgiveness	\$ -	\$ 1,214,185
Equipment Received in Exchange for Operating Lease	\$ 140,673	\$ -

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 85,072	\$ 1,964,740
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	325,420	376,379
Amortization	3,044	3,258
Amortization of ROU Asset	14,732	-
Net Unrealized Loss on Investments	173,606	8,778
Gain on Sale or Disposal of Property and Equipment	(3,275)	(1,900)
Realized Loss on Investments	8,476	25,890
Paycheck Protection Program Loan Forgiveness	-	(1,204,974)
(Increase) Decrease in:		
Accounts Receivable - Program	(17,287)	(189,502)
Accounts Receivable - Vocational	14,987	(24,377)
Other Receivable	838,958	(838,910)
Inventory	3,231	(17,743)
Prepaid Expenses	(30,724)	(3,710)
Increase (Decrease) in:		
Accounts Payable	2,611	(205,210)
Accrued Expenses	(457)	(20,402)
Deferred Revenue	-	2,500
Salaries and Related Benefits Payable and Accrued Vacation	(7,969)	51,611
Net Cash Provided (Used) by Operating Activities	\$ 1,410,425	\$ (73,572)

See accompanying Notes to Financial Statements.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 10.

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.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 \$3,396 was recorded for the years ended December 31, 2022 and 2021, respectively.

Program Receivables

Receivables generated from consumer services are recorded at net realizable value. These receivables include services payable by Medical Assurances, 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.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022 and 2021, management believes that the carrying amounts of its long-lived assets have not been impaired.

Leases

The Organization leases office space and vehicles. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statements of financial position. Finance leases are included in financing lease right-of-use (ROU) assets and other current liabilities on our statements of financial position.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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 \$1,491,671 and \$1,440,657 for the years ended December 31, 2022 and 2021, respectively.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 \$2,444,000 and \$2,050,000 that have not been recognized at December 31, 2022 and 2021, 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 \$19,668 and \$8,579 for the years ended December 31, 2022 and 2021, 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.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Organization has updated disclosures as necessary (See Note 16 Contributed Nonfinancial Assets).

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization has applied the portfolio approach in identifying its population of leases and in applying its risk-free rate in certain relevant cases.

The Organization has elected to apply the practical expedient, which does not require contracts to be separated between lease and nonlease components.

The Organization adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the adoption period presented using a modified retrospective approach, with certain practical expedients available.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term for existing leases and in assessing impairment of the Organization's ROU assets.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 a financing lease liability of \$23,325, which represents the present value of the remaining financing lease payments and a financing right-of-use asset of \$21,984. In addition, the Organization recognized on January 1, 2022 an operating lease liability of \$140,673, which represents the present value of the remaining operating lease payments and an operating right-of-use asset of \$140,673.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for financing leases.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through REPORT DATE, 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 57.5% and 41.8% of total revenue for the years ended December 31, 2022 and 2021, respectively. Revenues from grants and contributions from 1 and 2 donors represented 14.3% and 33.3% of total revenue for the year ended December 31, 2022 and 2021, respectively.

Accounts receivable for Medical Assistance represented 80.6% and 80.1% of Program Accounts Receivable for the years ended December 31, 2022 and 2021, respectively.

Receivables from one customer represented 2.8% and 12.7% of Vocational Accounts Receivable for the years ended December 31, 2022 and 2021, respectively. Receivables from one grantor represent 100% of other accounts receivable at December 31, 2022.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 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, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 47,784	\$ 56,549	\$ 42,559	\$ 66,465
Fixed Income	2,402,643	2,241,529	2,563,453	2,532,966
Investments Held at Community Foundation	189,168	169,508	54,061	54,061
Money Markets	2,500,623	2,500,623	2,321,463	2,321,463
Total	<u>\$ 5,140,218</u>	<u>\$ 4,968,209</u>	<u>\$ 4,981,536</u>	<u>\$ 4,974,955</u>

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

	2022	2021
Interest and Dividends	\$ 51,726	\$ 52,755
Realized Loss	(8,476)	(25,890)
Unrealized Loss	(173,606)	(8,778)
Investment Fees	(11,747)	(11,726)
Total	<u>\$ (142,103)</u>	<u>\$ 6,361</u>

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.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2022 and 2021:

	Level 1	Level 2	Level 3	2022 Total
Assets:				
Mutual Funds	\$ 56,549	\$ -	\$ -	\$ 56,549
Fixed Income	2,241,529	-	-	2,241,529
Investments Held at Community Foundation	-	169,508	-	169,508
Total	<u>\$ 2,298,078</u>	<u>\$ 169,508</u>	<u>\$ -</u>	<u>\$ 2,467,586</u>
	Level 1	Level 2	Level 3	2021 Total
Assets:				
Mutual Funds	\$ 66,465	\$ -	\$ -	\$ 66,465
Fixed Income	2,532,966	-	-	2,532,966
Investments Held at Community Foundation	-	54,061	-	54,061
Total	<u>\$ 2,599,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,653,492</u>

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 \$3,044 and \$3,258 the years ended December 31, 2022 and 2021, respectively. WACOSA had a debt modification causing interest rate to increase and the maturity date to extend.

Unamortized finance fees are netted against the debt balance and amounted to \$9,410 and \$2,172 at December 31, 2022 and 2021, respectively. These fees create an effective interest rate of 5.20% and 3.95% for this mortgage, respectively.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2022</u>	<u>2021</u>
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
Note Payable, Bremer Bank, N.A., 4.25% Interest; Monthly Principal and Interest Payments of \$8,826; Maturity September 2027; Secured by Buildings	<u>429,710</u>	<u>-</u>
Total Notes Payable	429,710	939,098
Less: Current Maturities and	83,326	936,926
Less: Unamortized Finance Fees	<u>9,410</u>	<u>2,172</u>
Total Long-Term Notes Payable	<u>\$ 336,974</u>	<u>\$ -</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 83,326
2024	87,183
2025	90,961
2026	94,903
2027	73,337
Total	<u>\$ 429,710</u>

NOTE 6 LEASES – ASC 842

The Organization leases vehicles as well as certain office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through December 2031. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 LEASES – ASC 842 (CONTINUED)

The following table provides quantitative information concerning the Organization's leases:

	<u>2022</u>	<u>2021</u>
Finance lease costs:		
Amortization of right-of-use assets	\$ 14,732	\$ -
Interest on lease liabilities	575	-
Operating lease cost:	<u>38,544</u>	<u>-</u>
Total lease costs	<u>\$ 53,851</u>	<u>\$ -</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 575	\$ -
Operating cash flows from operating leases	38,544	-
Financing cash flows from finance leases	14,732	-
Right-of-use assets obtained in exchange for new operating lease liabilities	140,673	-
Weighted-average remaining lease term - finance leases	0.7 years	-
Weighted-average remaining lease term - operating leases	5.2 years	-
Weighted-average discount rate - finance leases	3.63%	-
Weighted-average discount rate - operating leases	1.50%	-

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2023	\$ 38,544	\$ 9,600
2024	27,696	-
2025	6,000	-
2026	6,000	-
2027	6,000	-
Thereafter	<u>24,000</u>	<u>-</u>
Total Lease Payments	108,240	9,600
Less: Interest	<u>(4,327)</u>	<u>(101)</u>
Present Value of Lease Liabilities	<u>\$ 103,913</u>	<u>\$ 9,499</u>

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 OPERATING LEASES – ASC 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization is currently leasing a facility in Sauk Centre, which expires August 2024. Lease expense for the year ended December 31, 2021 amounted to \$32,541.

Future minimum lease payments on this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 32,544
2023	32,544
2024	21,696
Total	<u>\$ 86,784</u>

NOTE 8 CAPITAL LEASE – ASC 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

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

<u>Description</u>	<u>2021</u>
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
Less: Current Maturities	<u>13,572</u>
Long-Term Capital Lease - Net of Current Maturities	<u>\$ 16,912</u>

Future capital lease payments including interest are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 14,456
2023	17,328
Total Minimum Lease Payments	<u>31,784</u>
Less: Amount Representing Interest	<u>1,300</u>
Net Capital Lease Payments	<u>\$ 30,484</u>

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 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, 2022 and 2021. Total employer contributions and expenses incurred for fees during the years ended December 31, 2022 and 2021 were \$85,209 and \$72,060, respectively.

NOTE 10 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, 2022 and 2021 were \$4,975,755 and \$4,709,503, 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, 2022 and 2021 were \$720,813 and \$645,368, respectively.

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

	<u>2022</u>	<u>2021</u>
Net Assets with Donor Restrictions:		
Programs	\$ 13,780	\$ 7,040
Projects	1,215,550	1,039,808
Endowment Earnings Subject to UPMIFA	(16,277)	3,111
Held in Perpetuity	156,307	50,950
Total Net Assets with Donor Restrictions	<u>\$ 1,369,360</u>	<u>\$ 1,100,909</u>

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

	<u>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions:		
Programs	\$ 13,560	\$ 2,266
Projects	53,290	8,531
Total Net Assets Released from Donor Restrictions	<u>\$ 66,850</u>	<u>\$ 10,797</u>

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 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 \$23,449 and \$23,906 at December 31, 2022 and 2021, respectively.

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, 2022 and 2021, 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.

<u>Description</u>	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 1,460,421	\$ 874,247
Investments	4,968,209	4,974,955
Accounts Receivable	600,224	1,436,882
Total Financial Assets	<u>7,028,854</u>	<u>7,286,084</u>
Net Assets Without Donor Restriction - Designated	(5,696,568)	(5,354,871)
Net Assets With Donor Restriction	<u>(1,369,360)</u>	<u>(1,104,020)</u>
Financial Assets Available to Meet Cash Needs Expenditures Within One Year	<u>\$ (37,074)</u>	<u>\$ 827,193</u>

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.

NOTE 14 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:

	2022	2021
Vocational Business Activities:		
Community Contract	\$ 410,203	\$ 405,072
Production	313,410	305,815
Shred	320,820	267,824
ThriftWorks!	447,238	461,946
Vocational Business Activities	1,491,671	1,440,657
Private Pay Program Services	236,819	198,184
Total Program Revenue	\$ 1,728,490	\$ 1,638,841

NOTE 15 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.

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.

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 15 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

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.

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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2022:</u>			
Board-Designated Endowment Funds	\$ 29,815	\$ -	\$ 29,815
Donor-Restricted Endowment Funds	-	140,030	140,030
Total	<u>\$ 29,815</u>	<u>\$ 140,030</u>	<u>\$ 169,845</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2021:</u>			
Board-Designated Endowment Funds	\$ -	\$ -	\$ -
Donor-Restricted Endowment Funds	-	54,061	54,061
Total	<u>\$ -</u>	<u>\$ 54,061</u>	<u>\$ 54,061</u>

WACOSA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 15 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Year Ended December 31, 2022:</u>			
Endowment Net Assets - Beginning of Year	\$ -	\$ 54,061	\$ 54,061
Contributions	5,000	105,357	110,357
Earnings:			
Interest, Dividends, Gains, and Losses	(185)	(19,388)	(19,573)
Subtotal	4,815	140,030	144,845
Appropriations	-	-	-
Transfers	25,000	-	25,000
Endowment Net Assets - End of Year	<u>\$ 29,815</u>	<u>\$ 140,030</u>	<u>\$ 169,845</u>
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Year Ended December 31, 2021:</u>			
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	<u>\$ -</u>	<u>\$ 54,061</u>	<u>\$ 54,061</u>

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.

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 15 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions which amounted to \$16,277 and \$-0- as of December 31, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations in previous years and continued appropriation for certain programs that was deemed prudent by the board.

NOTE 16 CONTRIBUTED NONFINANCIAL ASSETS

Contributed items received by the Organization are recorded as in-kind contribution revenue and expense. The Organization received the following contributions of nonfinancial assets for the years ending December 31:

	2022	2021
Thriftworks Inventory	\$ -	\$ 15,260
Legal Fees	350	600
Fundraising	1,050	-
Total Contributed Nonfinancial Assets	\$ 1,400	\$ 15,860

All contributed assets, rent and services were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated goods.

WACOSA
SCHEDULE OF VOCATIONAL BUSINESS ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Community Contract	Production	Shred	ThriftWorks!	Totals
Salaries	\$ 305,877	\$ 232,255	\$ 130,877	\$ 323,750	\$ 992,759
Benefits	53,709	60,315	18,996	60,346	193,366
Supplies	5,161	4,832	2,684	4,386	17,063
Minor Equipment and Repairs	751	4,456	4,625	1,156	10,988
Rent	-	2,561	-	-	2,561
Telephone	718	-	-	1,345	2,063
Utilities	-	39,164	11,947	23,131	74,242
Repairs and Maintenance	-	12,036	4,349	12,499	28,884
Snow Removal	-	4,436	1,368	2,637	8,441
Insurance	4,427	4,923	5,177	3,144	17,671
Interest Expense	-	-	-	21,443	21,443
Vehicle Lease Interest	-	-	-	575	575
Public Relations	-	-	410	525	935
Advertising	227	450	3,741	3,977	8,395
Vehicle Fuel	-	6,623	1,748	-	8,371
Vehicle Maintenance	-	7,923	3,667	-	11,590
Vehicle Insurance	-	1,586	845	-	2,431
Professional Services	-	-	1,680	6,600	8,280
Postage	-	21	-	-	21
Dues and Licensing	398	262	2,578	287	3,525
Miscellaneous	-	-	-	10,067	10,067
Total Operating Expenses	<u>371,268</u>	<u>381,843</u>	<u>194,692</u>	<u>475,868</u>	<u>1,423,671</u>
Depreciation	<u>897</u>	<u>49,100</u>	<u>17,432</u>	<u>29,562</u>	<u>96,991</u>
Total Functional Expenses	<u>\$ 372,165</u>	<u>\$ 430,943</u>	<u>\$ 212,124</u>	<u>\$ 505,430</u>	<u>\$ 1,520,662</u>