WACOSA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2023 AND 2022

WACOSA
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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) 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.

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, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,784,424	$ 1,460,421
Investments	5,344,920	4,968,209
Accounts Receivable - Program, Less Allowance for Credit Losses Accounts of $3,396 for both years ended December 31, 2023 and 2022.	610,955	521,143
Accounts Receivable - Vocational	112,647	78,362
Other Receivable	1,637	719
Inventory	126,252	118,262
Prepaid Expenses	196,405	86,625
Total Current Assets	8,177,240	7,233,741
PROPERTY AND EQUIPMENT		
Land	569,281	569,281
Leasehold Improvements	29,600	29,600
Building	5,847,374	5,815,952
Equipment	1,439,398	1,406,733
Vehicles	1,633,190	1,517,251
Construction in Process	41,950	11,488
Total Property and Equipment	9,560,793	9,350,305
Less: Accumulated Depreciation	5,183,711	4,911,915
Net Property and Equipment	4,377,082	4,438,390
OTHER ASSETS		
Operating ROU Assets	66,644	103,913
Financing ROU Assets	-	9,824
Total Other Assets	66,644	113,737
Total Assets	$ 12,620,966	$ 11,785,868

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS	2023	2022
CURRENT LIABILITIES		
Current Maturities of Notes Payable	$ 87,183	$ 83,326
Current Lease Liability - Operating	26,923	37,271
Current Lease Liability - Financing	-	9,499
Accounts Payable	269,214	108,542
Deferred Revenue	2,500	2,500
Accrued Expenses	37,476	26,384
Salaries and Related Benefits Payable	225,516	222,201
Accrued Vacation	274,308	274,377
Total Current Liabilities	923,120	764,100
LONG-TERM DEBT		
Notes Payable, Net of Current Maturities and Unamortized Finance Fees	251,373	336,974
Long-Term Lease Liability - Operating, Net of Current Maturities	39,721	66,642
Total Long-Term Debt	291,094	403,616
Total Liabilities	1,214,214	1,167,716
NET ASSETS		
Nets Assets Without Donor Restriction:		
Undesignated	3,699,702	3,552,224
Designated	6,003,977	5,696,568
Total Net Assets Without Donor Restriction	9,703,679	9,248,792
Net Assets With Donor Restriction	1,703,073	1,369,360
Total Net Assets	11,406,752	10,618,152
Total Liabilities and Net Assets	$ 12,620,966	$ 11,785,868

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Support:			
Program Services	$ 6,684,796	$ -	$ 6,684,796
Contributions	219,049	347,923	566,972
Donated Services and Assets	528,686	-	528,686
Total Support	7,432,531	347,923	7,780,454
Revenue:			
Vocational Business Activities	1,677,838	-	1,677,838
Investment Income	178,568	28,323	206,891
Loss on Sale of Property and Equipment	(597)	-	(597)
Other Income	2,646	-	2,646
Subtotal Revenues and Support	9,290,986	376,246	9,667,232
Net Assets Released from Restrictions	42,533	(42,533)	-
Total Revenues and Support	9,333,519	333,713	9,667,232
EXPENSES			
Program Expenses:			
General Program and Transportation	5,451,193	-	5,451,193
Vocational Business Activities	2,077,420	-	2,077,420
Management and General	1,245,292	-	1,245,292
Fundraising	104,727	-	104,727
Total Expenses	8,878,632	-	8,878,632
CHANGE IN NET ASSETS	454,887	333,713	788,600
Net Assets - Beginning of Year	9,248,792	1,369,360	10,618,152
NET ASSETS - END OF YEAR	$ 9,703,679	$ 1,703,073	$ 11,406,752

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	1,059,471	351,578	1,411,049
Donated Services and Assets	440,313	-	440,313
Total Support	6,740,679	351,578	7,092,257
Revenue:			
Vocational Business Activities	1,487,902	-	1,487,902
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	8,121,928	332,190	8,454,118
Net Assets Released from Restrictions	66,850	(66,850)	-
Total Revenues and Support	8,188,778	265,340	8,454,118
EXPENSES			
Program Expenses:			
General Program and Transportation	5,004,730	-	5,004,730
Vocational Business Activities	1,960,975	-	1,960,975
Management and General	1,313,378	-	1,313,378
Fundraising	89,963	-	89,963
Total Expenses	8,369,046	-	8,369,046
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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program				
	General Program and Transportation	Vocational Business Activities	Management and General	Fundraising	Total
Salaries	$ 3,590,530	$ 1,005,491	$ 714,971	$ 69,539	$ 5,380,531
Benefits	938,692	182,563	172,922	19,154	1,313,331
Staff Travel and Mileage	10,080	296	2,489	-	12,865
Supplies	47,296	33,209	11,985	-	92,490
Minor Equipment and Repairs	17,335	10,845	26,912	-	55,092
Rent	35,983	2,558	-	-	38,541
Telephone	26,630	17,008	11,718	-	55,356
Utilities	89,158	76,297	12,176	-	177,631
Repairs and Maintenance	33,225	34,514	4,975	-	72,714
Snow Removal	13,836	11,691	1,881	-	27,408
Insurance	46,439	19,494	673	-	66,606
Interest Expense	-	12,314	6,149	-	18,463
Vehicle Interest Expense	-	2,620	-	-	2,620
Public Relations	-	1,011	22,734	15,902	39,647
Advertising	5,641	13,232	1,666	132	20,671
Client Transportation	159,148	-	-	-	159,148
Vehicle Fuel	105,940	6,632	-	-	112,572
Vehicle Maintenance	110,144	8,665	-	-	118,809
Vehicle Insurance	38,342	2,816	-	-	41,158
Vehicle Lease	20,121	-	-	-	20,121
Professional Services	-	-	167,285	-	167,285
Postage	-	-	7,331	-	7,331
Dues and Licensing	14,618	3,467	1,454	-	19,539
Board	-	-	368	-	368
Subscriptions	373	-	149	-	522
In Kind	-	518,596	-	-	518,596
Miscellaneous	-	10,947	8,438	-	19,385
Total Operating Expenses	5,303,531	1,974,266	1,176,276	104,727	8,558,800
Amortization	-	-	9,820	-	9,820
Depreciation	147,662	103,154	59,196	-	310,012
Total Functional Expenses	$ 5,451,193	$ 2,077,420	$ 1,245,292	$ 104,727	$ 8,878,632

DRAFT

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program				
	General Program and Transportation	Vocational Business Activities	Management and General	Fundraising	Total
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	7,387	22,452
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	200,743	-	209,023
Postage	-	21	8,527	-	8,548
Dues and Licensing	12,453	3,525	4,331	-	20,309
Board	-	-	920	-	920
Subscriptions	570	-	-	-	570
In-Kind	-	440,313	-	-	440,313
Miscellaneous	-	10,067	6,739	-	16,806
Total Operating Expenses	4,833,203	1,863,984	1,241,744	89,963	8,028,894
Amortization	-	-	14,732	-	14,732
Depreciation	171,527	96,991	56,902	-	325,420
Total Functional Expenses	$ 5,004,730	$ 1,960,975	$ 1,313,378	$ 89,963	$ 8,369,046

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Support and Revenue	$ 9,371,157	$ 9,427,830
Interest and Dividends Received	58,999	41,753
Cash Paid to Suppliers and Employees	(8,645,587)	(8,028,833)
Interest Paid	(16,593)	(30,325)
Net Cash Provided by Operating Activities	767,976	1,410,425
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(87,316)	(111,535)
Proceeds from Sale of Property and Equipment	505	3,275
Change in Funds Held in Money Market	(52,146)	(9,973)
Purchase of Investments	(1,891,425)	(777,457)
Proceeds from Sale of Investments	1,679,518	612,094
Net Cash Used by Investing Activities	(350,864)	(283,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Financing Leases	(9,495)	(13,825)
Payment of Capital Lease Payable	-	(7,160)
Repayment of Notes Payable	(83,614)	(509,388)
Payment of Debt Issuance Costs	-	(10,282)
Net Cash Used by Financing Activities	(93,109)	(540,655)
NET INCREASE IN CASH AND CASH EQUIVALENTS	324,003	586,174
Cash and Cash Equivalents - Beginning of Year	1,460,421	874,247
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,784,424	$ 1,460,421

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 788,600	$ 85,072
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	310,012	325,420
Amortization	1,870	3,044
Amortization of ROU Asset	9,820	14,732
Net Unrealized (Gain) Loss on Investments	(136,180)	173,606
(Gain) Loss on Sale or Disposal of Property and Equipment	597	(3,275)
Realized Loss on Investments	23,522	8,476
(Increase) Decrease in:		
Accounts Receivable - Program	(89,812)	(17,287)
Accounts Receivable - Vocational	(34,285)	14,987
Other Receivable	(918)	838,958
Inventory	(7,990)	3,231
Prepaid Expenses	(109,780)	(30,724)
Increase (Decrease) in:		
Accounts Payable	(1,818)	2,611
Accrued Expenses	11,092	(457)
Salaries and Related Benefits Payable and Accrued Vacation	3,246	(7,969)
Net Cash Provided by Operating Activities	$ 767,976	$ 1,410,425
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES		
Property and Equipment Additions Included in Accounts Payable	$ 162,490	$ -

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.

WACOSA serves individuals with a variety of mental, physical, and cognitive abilities. Clients may live independently, with their families, or in a Group Home setting. WACOSA has two major client programs: Program Services and Vocational Services.

Program Services

Program Services consists of WACOSA's South Program, North Program, Seniors Program, Sauk Centre DT&H Program, 1st Avenue and, Sauk Centre EE Program. Program Services was established in 1963 to provide services to adults with disabilities.

Vocational Services

Vocational Services consists of WACOSA's Community Crews, Production Crews, Thriftworks!, and DocuShred. Through WACOSA's Vocational Services, Clients may be employed by local businesses, go out in the Community on work crews, or work in one of WACOSA's facilities. WACOSA's in-house work in their facilities ranges from assembly to quality checking, mailing services, labeling, collating, packaging/kitting, re-work, document shredding, thrift store operations, recycling services, and more.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 8.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Allowance for Credit Losses

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 which represents the estimate of expected credit losses based on historical experience, current economic conditions, and certain forward-looking information. The allowance for credit losses was $3,396 at both years ended December 31, 2023 and 2022. Accounts that are determined to be uncollectible are written off at that time.

Accounts receivable are reported net of an allowance for credit losses to represent the Organization's estimate of expected losses at the balance sheet date. The adequacy of the Organization's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary.

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:

Buildings 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, 2023 and 2022, 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 $1,677,838 and $1,487,902 for the years ended December 31, 2023 and 2022, 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 $3,154,000 and $2,444,000 that have not been recognized at December 31, 2023 and 2022, 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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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.

Advertising

Advertising costs are charged to operations when incurred. Advertising expenses were $20,671 and $19,668 for the years ended December 31, 2023 and 2022, respectively.

Fair Value of Financial Instruments

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

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.

Change in Accounting Principle

The Organization has adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifieds the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization’s financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through REPORT DATE, the date that 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 66.2% and 57.5% of total revenue for the years ended December 31, 2023 and 2022, respectively. Revenues from grants and contributions from one donor represented 14.3% of total revenue for the year ended December 31, 2022. There were no concentrations for the year ended December 31, 2023.

NOTE 2 CONCENTRATIONS (CONTINUED)

Accounts receivable for Medical Assistance represented 85.8% and 80.6% of Program Accounts Receivable for the years ended December 31, 2023 and 2022, respectively.

Receivables from one customer represented 10.0% and 2.8% of Vocational Accounts Receivable for the years ended December 31, 2023 and 2022, respectively. Receivables from one grantor represent 100% of other accounts receivable at December 31, 2023.

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, 2023		December 31, 2022	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ 46,375	$ 64,082	$ 47,784	$ 56,549
Fixed Income	2,586,140	2,535,560	2,402,643	2,241,529
Investments Held at Community Foundation	362,333	375,538	189,168	169,508
Money Markets	2,369,740	2,369,740	2,500,623	2,500,623
Total	$ 5,364,588	$ 5,344,920	$ 5,140,218	$ 4,968,209

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

	2023	2022
Interest and Dividends	$ 111,145	$ 51,726
Realized Gain (Loss)	(23,522)	(8,476)
Unrealized Gain (Loss)	136,180	(173,606)
Investment Fees	(16,912)	(11,747)
Total	$ 206,891	$ (142,103)

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.

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, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds	$ 64,082	$ -	$ -	$ 64,082
Fixed Income	2,535,560	-	-	2,535,560
Investments Held at Community Foundation	-	375,538	-	375,538
Total	$ 2,599,642	$ 375,538	$ -	$ 2,975,180

	2022			
	Level 1	Level 2	Level 3	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	$ 2,298,078	$ 169,508	$ -	$ 2,467,586

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 $1,870 and $3,044 the years ended December 31, 2023 and 2022, respectively.

Unamortized finance fees are netted against the debt balance and amounted to $7,540 and $9,410 at December 31, 2023 and 2022, respectively. These fees create an effective interest rate of 5.20% for this mortgage.

Description	2023	2022
Note Payable, Bremer Bank, N.A., 4.25% Interest; Monthly Principal and Interest Payments of $8,351; Maturity September 2027; Secured by Buildings	346,096	$ 429,710
Less: Current Maturities and	87,183	83,326
Less: Unamortized Finance Fees	7,540	9,410
Total Long-Term Notes Payable	$ 251,373	$ 336,974

NOTE 5 LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31,	Amount
2024	$ 87,183
2025	90,961
2026	94,903
2027	73,049
Total	$ 346,096

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.

	2023	2022
Finance Lease Costs:		
Amortization of Right-of-Use Assets	$ 9,820	$ 14,732
Interest on Lease Liabilities	101	575
Operating Lease Cost	38,544	38,544
Short-term Lease Cost	20,121	22,411
Total Lease Costs	$ 68,586	$ 76,262
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Finance Leases	$ 101	$ 575
Operating Cash Flows from Operating Leases	38,544	38,544
Financing Cash Flows from Finance Leases	9,820	14,732
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	-	140,673
Weighted-Average Remaining Lease Term - Finance Leases	0.0 Years	0.7 Years
Weighted-Average Remaining Lease Term - Operating Leases	5.6 Years	5.2 Years
Weighted-Average Discount Rate - Finance Leases	N/A	3.63%
Weighted-Average Discount Rate - Operating Leases	1.55%	1.50%

NOTE 6 LEASES – ASC 842 (CONTINUED)

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, 2023, is as follows:

Year	Operating Leases
2024	$ 27,696
2025	6,000
2026	6,000
2027	6,000
2028	6,000
Thereafter	18,000
Total Lease Payments	69,696
Less: Interest	(3,052)
Present Value of Lease Liabilities	$ 66,644

NOTE 7 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, 2023 and 2022. Total employer contributions and expenses incurred for fees during the years ended December 31, 2023 and 2022 were $90,877 and $85,209, respectively.

NOTE 8 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, 2023 and 2022 were $5,260,114 and $4,975,755, 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, 2023 and 2022 were $743,863 and $720,813, respectively.

NOTE 8 NET ASSETS (CONTINUED)

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

	2023	2022
Net Assets with Donor Restrictions:		
Programs	$ -	$ 13,780
Projects	1,371,555	1,215,550
Endowment Earnings Subject to UPMIFA	12,046	(16,277)
Held in Perpetuity	319,472	156,307
Total Net Assets with Donor Restrictions	$ 1,703,073	$ 1,369,360

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

	2023	2022
Satisfaction of Purpose Restrictions:		
Programs	$ 13,780	$ 13,560
Projects	28,753	53,290
Total Net Assets Released from Donor Restrictions	$ 42,533	$ 66,850

NOTE 9 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 $34,541 and $23,449 at December 31, 2023 and 2022, respectively.

NOTE 10 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, 2023 and 2022, 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.

NOTE 10 LIQUIDITY AND AVAILABILITY (CONTINUED)

Description	2023	2022
Cash and Cash Equivalents	$ 1,784,424	$ 1,460,421
Investments	5,344,920	4,968,209
Accounts Receivable	725,239	600,224
Total Financial Assets	7,854,583	7,028,854
Net Assets Without Donor Restriction - Designated	(6,003,977)	(5,696,568)
Net Assets With Donor Restriction	(1,703,073)	(1,369,360)
Financial Assets Available to Meet Cash Needs Expenditures Within One Year	$ 147,533	$ (37,074)

NOTE 11 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 12 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:

	2023	2022
Vocational Business Activities:		
Community Contract	$ 479,048	$ 410,203
Production	338,187	313,410
Shred	373,710	320,820
ThriftWorks!	486,320	443,469
Vocational Business Activities	1,677,265	1,487,902
Private Pay Program Services	303,806	236,819
Total Program Revenue	$ 1,981,071	$ 1,724,721

NOTE 13 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, 2023.

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.

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.

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

NOTE 13 ENDOWMENT (CONTINUED)

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 44,511	$ -	$ 44,511
Donor-Restricted Endowment Funds	-	331,518	331,518
Total	$ 44,511	$ 331,518	$ 376,029

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 29,815	$ -	$ 29,815
Donor-Restricted Endowment Funds	-	140,030	140,030
Total	$ 29,815	$ 140,030	$ 169,845

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ 29,815	$ 140,030	$ 169,845
Contributions	10,000	163,165	173,165
Earnings:			
Interest, Dividends, Gains, and Losses	4,696	28,323	33,019
Subtotal	44,511	331,518	376,029
Appropriations	-	-	-
Endowment Net Assets - End of Year	$ 44,511	$ 331,518	$ 376,029

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
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	$ 29,815	$ 140,030	$ 169,845

NOTE 13 ENDOWMENT (CONTINUED)

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.

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 $-0- and $16,277 as of December 31, 2023 and 2022, respectively. The original corpus value of the endowment funds was $319,472 and $156,307 as of December 31, 2023 and 2022, 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 14 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 ended December 31:

	2023	2022
Thriftworks Inventory	$ 490,061	$ 438,913
Legal Fees	780	350
Fundraising	13,345	1,050
Office Donations	24,500	-
Total Contributed Nonfinancial Assets	$ 528,686	$ 440,313

Thriftworks! Inventory is valued at the wholesale prices that would be received for similar products. Legal, fundraising fees, and office donations are valued at the cost that the Organization would pay for that service.

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, 2023
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)

	Community Contract	Production	Shred	ThriftWorks!	Totals
Salaries	$ 301,996	$ 251,298	$ 134,470	$ 317,727	$ 1,005,491
Benefits	45,091	52,381	15,973	69,118	182,563
Staff Travel and Mileage	296	-	-	-	296
Supplies	4,555	4,317	20,827	3,510	33,209
Minor Equipment and Repairs	1,921	1,794	1,943	5,187	10,845
Rent	-	2,558	-	-	2,558
Telephone	178	8,450	2,688	5,692	17,008
Utilities	-	40,223	12,416	23,658	76,297
Repairs and Maintenance	-	16,501	5,080	12,933	34,514
Snow Removal	-	6,135	1,902	3,654	11,691
Insurance	4,714	5,452	5,944	3,384	19,494
Interest Expense	-	-	-	12,314	12,314
Vehicle Lease Interest	-	-	-	2,620	2,620
Public Relations	-	268	157	586	1,011
Advertising	80	170	5,718	7,264	13,232
Vehicle Fuel	-	5,418	1,214	-	6,632
Vehicle Maintenance	-	8,102	563	-	8,665
Vehicle Insurance	-	1,909	907	-	2,816
Dues and Licensing	411	287	2,160	609	3,467
In Kind	-	-	-	518,596	518,596
Miscellaneous	-	-	-	10,947	10,947
Total Operating Expenses	359,242	405,263	211,962	997,799	1,974,266
Depreciation	-	51,688	15,149	36,317	103,154
Total Functional Expenses	$ 359,242	$ 456,951	$ 227,111	$ 1,034,116	$ 2,077,420

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
Waite Park, 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, 2023, 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.

Board of Directors
WACOSA

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
Waite Park, 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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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.

Board of Directors
WACOSA

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, 2023

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:				
COVID - Provider Relief Funds	93.498	441438	$ -	$ 861,280
Total U.S. Department of Health and Human Services				861,280
Total Federal Awards				$ 861,280

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WACOSA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

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, 2023. 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, 2023.

WACOSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

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 Standards* .

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).