WACOSA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2025 AND 2024

WACOSA
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YEARS ENDED DECEMBER 31, 2025 AND 2024

INDEPENDENT AUDITORS' REPORT

Board of Directors
WACOSA
Waite Park, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of WACOSA, which comprise the statements of financial position as of December 31, 2025 and 2024, 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 present fairly, in all material respects, the financial position of WACOSA as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' 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 audits. 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 the 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 within one year after the date that the financial statements are available to be issued.

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 auditors' 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of vocational business activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. 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.

CliftonLarsonAllen LLP

St. Cloud, Minnesota
REPORT DATE

WACOSA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,299,735	$ 2,389,369
Investments	7,969,418	6,555,078
Accounts Receivable - Program	648,343	636,299
Accounts Receivable - Vocational, Less Allowance for Credit Losses Accounts of $941 for both the years ended December 31, 2025 and 2024.	117,925	131,732
Other Receivable	9,926	1,528
Inventory	136,002	125,752
Prepaid Expenses	183,075	189,908
Total Current Assets	11,364,424	10,029,666
PROPERTY AND EQUIPMENT		
Land	569,281	569,281
Leasehold Improvements	29,600	29,600
Building	5,918,256	5,894,386
Equipment	1,592,853	1,516,264
Vehicles	1,738,573	1,726,256
Total Property and Equipment	9,848,563	9,735,787
Less: Accumulated Depreciation	5,213,388	5,275,979
Net Property and Equipment	4,635,175	4,459,808
OTHER ASSETS		
Operating ROU Assets	156,245	192,164
Total Other Assets	156,245	192,164
Total Assets	$ 16,155,844	$ 14,681,638

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2025 AND 2024

	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Notes Payable	$ 94,903	$ 90,961
Current Lease Liability - Operating	37,143	35,921
Accounts Payable	110,676	150,953
Deferred Revenue	-	2,500
Accrued Expenses	2,935	2,935
Salaries and Related Benefits Payable	273,391	259,605
Accrued Vacation	329,098	287,445
Total Current Liabilities	848,146	830,320
LONG-TERM DEBT		
Notes Payable, Net of Current Maturities and Unamortized Finance Fees	69,770	162,468
Long-Term Lease Liability - Operating, Net of Current Maturities	119,102	156,243
Total Long-Term Debt	188,872	318,711
Total Liabilities	1,037,018	1,149,031
NET ASSETS		
Nets Assets Without Donor Restriction:		
Undesignated	6,602,621	5,224,367
Designated	6,090,261	6,086,941
Total Net Assets Without Donor Restriction	12,692,882	11,311,308
Net Assets With Donor Restriction	2,425,944	2,221,299
Total Net Assets	15,118,826	13,532,607
Total Liabilities and Net Assets	$ 16,155,844	$ 14,681,638

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Support:			
Program Services	$ 7,887,099	$ -	$ 7,887,099
Contributions	239,456	179,070	418,526
Donated Services and Assets	538,573	-	538,573
Total Support	8,665,128	179,070	8,844,198
Revenue:			
Vocational Business Activities	2,011,539	-	2,011,539
Investment Income	313,130	73,162	386,292
Gain on Sale of Property and Equipment	34,272	-	34,272
Other Income	2,999	-	2,999
Subtotal Revenues and Support	11,027,068	252,232	11,279,300
Net Assets Released from Restrictions	47,587	(47,587)	-
Total Revenues and Support	11,074,655	204,645	11,279,300
EXPENSES			
Program Expenses:			
General Program and Transportation	5,925,556	-	5,925,556
Vocational Business Activities	2,247,574	-	2,247,574
Management and General	1,391,372	-	1,391,372
Fundraising	128,579	-	128,579
Total Expenses	9,693,081	-	9,693,081
CHANGE IN NET ASSETS	1,381,574	204,645	1,586,219
Net Assets - Beginning of Year	11,311,308	2,221,299	13,532,607
NET ASSETS - END OF YEAR	$ 12,692,882	$ 2,425,944	$ 15,118,826

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Support:			
Program Services	$ 7,711,726	$ -	$ 7,711,726
Contributions	406,682	489,462	896,144
Donated Services and Assets	501,062	-	501,062
Total Support	8,619,470	489,462	9,108,932
Revenue:			
Vocational Business Activities	1,803,260	-	1,803,260
Investment Income	237,670	48,549	286,219
Gain on Sale of Property and Equipment	9,424	-	9,424
Other Income	479	-	479
Subtotal Revenues and Support	10,670,303	538,011	11,208,314
Net Assets Released from Restrictions	19,785	(19,785)	-
Total Revenues and Support	10,690,088	518,226	11,208,314
EXPENSES			
Program Expenses:			
General Program and Transportation	5,634,623	-	5,634,623
Vocational Business Activities	2,013,755	-	2,013,755
Management and General	1,324,235	-	1,324,235
Fundraising	109,846	-	109,846
Total Expenses	9,082,459	-	9,082,459
CHANGE IN NET ASSETS	1,607,629	518,226	2,125,855
Net Assets - Beginning of Year	9,703,679	1,703,073	11,406,752
NET ASSETS - END OF YEAR	$ 11,311,308	$ 2,221,299	$ 13,532,607

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Program				
	General Program and Transportation	Vocational Business Activities	Management and General	Fundraising	Total
Salaries	$ 3,897,953	$ 1,112,351	$ 823,354	$ 78,955	$ 5,912,613
Benefits	978,070	200,498	185,696	21,282	1,385,546
Staff Travel and Mileage	11,238	26	1,972	-	13,236
Supplies	43,748	34,796	9,732	-	88,276
Minor Equipment and Repairs	13,637	28,231	21,456	-	63,324
Rent	38,681	2,788	-	-	41,469
Telephone	27,752	23,654	8,428	-	59,834
Utilities	102,652	93,148	14,863	-	210,663
Repairs and Maintenance	42,144	30,199	4,530	-	76,873
Snow Removal	12,686	10,233	1,640	-	24,559
Insurance	77,781	35,866	2,514	-	116,161
Interest Expense	-	7,561	3,890	-	11,451
Public Relations	-	3,175	14,715	28,195	46,085
Advertising	5,770	13,295	3,231	147	22,443
Client Transportation	181,487	-	-	-	181,487
Vehicle Fuel	85,569	6,417	-	-	91,986
Vehicle Maintenance	136,561	9,486	-	-	146,047
Vehicle Insurance	42,477	2,118	-	-	44,595
Vehicle Licenses	41	-	-	-	41
Professional Services	-	2,242	228,650	-	230,892
Postage	-	68	8,386	-	8,454
Dues and Licensing	17,548	4,626	1,937	-	24,111
Board	-	-	654	-	654
Subscriptions	164	-	219	-	383
In Kind	-	513,039	-	-	513,039
Miscellaneous	-	11,227	19,676	-	30,903
Total Operating Expenses	5,715,959	2,145,044	1,355,543	128,579	9,345,125
Depreciation	209,597	102,530	35,829	-	347,956
Total Functional Expenses	$ 5,925,556	$ 2,247,574	$ 1,391,372	$ 128,579	$ 9,693,081

See accompanying Notes to Financial Statements.

WACOSA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program				
	General Program and Transportation	Vocational Business Activities	Management and General	Fundraising	Total
Salaries	$ 3,735,717	$ 987,773	$ 719,949	$ 59,609	$ 5,503,048
Benefits	948,993	172,356	177,802	18,592	1,317,743
Staff Travel and Mileage	8,586	38	1,692	16	10,332
Supplies	36,673	30,921	11,224	-	78,818
Minor Equipment and Repairs	13,600	15,616	42,198	-	71,414
Rent	36,863	2,653	-	-	39,516
Telephone	25,900	22,807	7,682	-	56,389
Utilities	88,014	78,167	12,376	-	178,557
Repairs and Maintenance	28,155	29,611	4,381	-	62,147
Snow Removal	8,571	7,168	1,148	-	16,887
Insurance	58,602	23,591	805	-	82,998
Interest Expense	-	9,958	5,122	-	15,080
Vehicle Interest Expense	-	176	-	-	176
Public Relations	-	2,552	19,092	31,526	53,170
Advertising	4,038	11,729	1,962	103	17,832
Client Transportation	181,431	-	-	-	181,431
Vehicle Fuel	94,695	5,976	-	-	100,671
Vehicle Maintenance	108,623	6,442	-	-	115,065
Vehicle Insurance	46,945	3,625	-	-	50,570
Vehicle Licenses	854	43	-	-	897
Vehicle Lease	16,465	-	-	-	16,465
Professional Services	-	1,944	254,681	-	256,625
Postage	-	43	8,588	-	8,631
Dues and Licensing	14,100	2,543	4,841	-	21,484
Board	-	-	1,253	-	1,253
Subscriptions	374	-	149	-	523
In-Kind	-	484,022	-	-	484,022
Miscellaneous	-	11,487	11,411	-	22,898
Total Operating Expenses	5,457,199	1,911,241	1,286,356	109,846	8,764,642
Depreciation	177,424	102,514	37,879	-	317,817
Total Functional Expenses	$ 5,634,623	$ 2,013,755	$ 1,324,235	$ 109,846	$ 9,082,459

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Support and Revenue	$ 10,829,439	$ 10,714,732
Interest and Dividends Received	169,271	139,534
Cash Paid to Suppliers and Employees	(9,321,929)	(8,848,141)
Interest Paid	(9,394)	(13,024)
Net Cash Provided by Operating Activities	1,667,387	1,993,101
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(523,323)	(400,543)
Proceeds from Sale of Property and Equipment	34,272	9,424
Change in Funds Held in Money Market	(116,174)	(80,555)
Purchase of Investments	(1,958,562)	(2,150,567)
Proceeds from Sale of Investments	779,248	1,104,555
Net Cash Used by Investing Activities	(1,784,539)	(1,517,686)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	(90,813)	(87,183)
Proceeds for Contributions Restricted for Investment in Endowment	118,331	216,713
Net Cash Provided by Financing Activities	27,518	129,530
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(89,634)	604,945
Cash and Cash Equivalents - Beginning of Year	2,389,369	1,784,424
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,299,735	$ 2,389,369

See accompanying Notes to Financial Statements.

WACOSA
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 1,586,219	$ 2,125,855
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	347,956	317,817
Amortization	2,057	2,056
Net Unrealized Gain on Investments	(99,997)	(62,148)
Contributions Restricted for Investment in Endowment	(118,331)	(216,713)
Gain on Sale or Disposal of Property and Equipment	(34,272)	(9,424)
Realized Gain on Investments	(18,855)	(21,443)
(Increase) Decrease in:		
Accounts Receivable - Program	(12,044)	(25,344)
Accounts Receivable - Vocational	13,807	(19,085)
Other Receivable	(8,398)	109
Inventory	(10,250)	500
Prepaid Expenses	6,833	6,497
Increase (Decrease) in:		
Accounts Payable	(40,277)	(118,261)
Accrued Expenses	-	(34,541)
Deferred Revenue	(2,500)	-
Salaries and Related Benefits Payable and Accrued Vacation	55,439	47,226
Net Cash Provided by Operating Activities	$ 1,667,387	$ 1,993,101

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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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses (Continued)

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 $941 for both the years ended December 31, 2025 and 2024. 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.

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. The receivable balances were $117,925, $131,732, and $112,647 as of December 31, 2025, 2024, and 2023, respectively. The receivable balances from privately paying consumers were $33,295, $29,900, and $41,145 as of December 31, 2025, 2024, and 2023, respectively.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025 and 2024, 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 $2,011,539 and $1,803,260 for the years ended December 31, 2025 and 2024, 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.

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 $3,686,000 and $3,632,000 that have not been recognized at December 31, 2025 and 2024, 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. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the 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 $22,443 and $17,832 for the years ended December 31, 2025 and 2024, 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.

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Investments valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange. Securities valued using Level 2 inputs include US Treasury notes and other bond holdings.

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.

Reclassifications

Certain reclassification of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications have no impact on previously reported net assets.

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.

The Organization manages deposit concentration risk by placing cash with financial institutions it believes to be creditworthy. At times, amounts on deposit may exceed insured limits. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category.

NOTE 2 CONCENTRATIONS (CONTINUED)

As of December 31, 2025 and 2024, the Organization had approximately $6,381,406 and $5,424,360, respectively, in excess of FDIC insurance limits. To date, we have not experienced losses in any of these accounts. With regard to investments, the Organization invests primarily in high-grade marketable securities, thereby limiting credit risk.

Revenues from Medical Assistance represented 65.2% and 64.3% of total revenue for the years ended December 31, 2025 and 2024, respectively. There were no concentrations for the years ended December 31, 2025 and 2024.

Accounts receivable for Medical Assistance represented 89.4% and 90.8% of Program Accounts Receivable for the years ended December 31, 2025 and 2024, respectively.

Receivables from one customer represented 12.6% of Vocational Accounts Receivable for the year ended December 31, 2025. Receivables from three customers represented 36.7% of Vocational Accounts Receivable for the year ended December 31, 2024. Receivables from one grantor represent 100% of other accounts receivable at December 31, 2025. Receivables from one grantor represent 100% of other accounts receivable at December 31, 2024.

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, 2025		December 31, 2024	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ 57,576	$ 73,781	$ 57,576	$ 66,081
Fixed Income	2,608,502	2,649,655	2,529,812	2,524,617
Investments Held at Community Foundation	668,776	812,490	579,046	643,963
Money Markets	4,433,492	4,433,492	3,320,417	3,320,417
Total	$ 7,768,346	$ 7,969,418	$ 6,486,851	$ 6,555,078

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

	2025	2024
Interest and Dividends	$ 285,445	$ 220,089
Realized Gain (Loss)	18,855	21,443
Unrealized Gain (Loss)	99,997	62,148
Investment Fees	(18,005)	(17,461)
Total	$ 386,292	$ 286,219

NOTE 4 FAIR VALUE MEASUREMENTS

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

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2025 and 2024:

	2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds	$ 73,781	$ -	$ -	$ 73,781
Fixed Income	185,610	2,464,045	-	2,649,655
Investments Held at Community Foundation	-	812,490	-	812,490
Total	$ 259,391	$ 3,276,535	$ -	$ 3,535,926

	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds	$ 66,081	$ -	$ -	$ 66,081
Fixed Income	166,574	2,358,043	-	2,524,617
Investments Held at Community Foundation	-	643,963	-	643,963
Total	$ 232,655	$ 3,002,006	$ -	$ 3,234,661

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 $2,057 and $2,056 the years ended December 31, 2025 and 2024, respectively.

NOTE 5 LONG-TERM DEBT (CONTINUED)

Unamortized finance fees are netted against the debt balance and amounted to $3,427 and $5,484 at December 31, 2025 and 2024, respectively. These fees create an effective interest rate of 4.25% for this mortgage.

Description	2025	2024
Note Payable, Bremer Bank, N.A., 4.25% Interest; Monthly Principal and Interest Payments of $8,351; Maturity September 2027; Secured by Buildings	$ 168,100	$ 258,913
Less: Current Maturities and	94,903	90,961
Less: Unamortized Finance Fees	3,427	5,484
Total Long-Term Notes Payable	$ 69,770	$ 162,468

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

Year Ending December 31,	Amount
2026	$ 94,903
2027	73,197
Total	$ 168,100

NOTE 6 LINE OF CREDIT

The Organization entered into a line of credit on March 10, 2021 with Old National Bank, the lender, for up to $1,000,000 with a maturity date of March 31, 2027. It is available for working capital purposes. Monthly interest payments due on outstanding balance at prime rate, currently 7.5% at December 31, 2025. It is secured by the Organization’s investments held at Old National Bank. The outstanding balance on the line was $-0- as of December 31, 2025 and 2024.

NOTE 7 LEASES – ASC 842

The Organization leases vehicles as well as certain office facilities for various terms under long-term, noncancelable 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.

	2025	2024
Operating Lease Cost	$ 41,469	$ 39,519
Short-term Lease Cost	-	16,465
Total Lease Costs	$ 41,469	$ 55,984
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Operating Leases	$ 41,469	$ 39,519
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ -	$ 162,372
Weighted-Average Remaining Lease Term - Operating Leases	4.2 Years	5.1 Years
Weighted-Average Discount Rate - Operating Leases	3.21%	3.24%

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, 2025, is as follows:

Year Ended December 31,	Operating Leases
2026	$ 41,469
2027	41,469
2028	41,469
2029	29,646
2030	6,000
Thereafter	6,000
Total Lease Payments	166,053
Less: Interest	(9,808)
Present Value of Lease Liabilities	$ 156,245

NOTE 8 RETIREMENT PLAN

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

WACOSA has a 401(k) plan with an elective employer match. Employees must have worked at WACOSA for one year and at least 1,000 hours in the year to be eligible. A 3% match was elected during both the years ended December 31, 2025 and 2024. Total employer contributions and expenses incurred for fees during the years ended December 31, 2025 and 2024 were $103,035 and $88,709, respectively.

NOTE 9 NET ASSETS

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

Replenishment of Property and Equipment

The replenishment of property and equipment reserve exists to fund future capital expenditures and replacement of existing property and equipment. Total amounts designated at December 31, 2025 and 2024 were $5,289,930 and $5,312,334, 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, 2025 and 2024 were $800,331 and $774,607, respectively.

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

	2025	2024
Net Assets with Donor Restrictions:		
Programs	$ 1,289	$ -
Projects	1,626,382	1,614,519
Endowment Earnings Subject to UPMIFA	133,757	60,595
Held in Perpetuity	664,516	546,185
Total Net Assets with Donor Restrictions	$ 2,425,944	$ 2,221,299

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

	2025	2024
Satisfaction of Purpose Restrictions:		
Programs	$ 240	$ -
Projects	47,347	19,785
Total Net Assets Released from Donor Restrictions	$ 47,587	$ 19,785

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, 2025 and 2024, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Board-designated reserves are intended to protect the Organization, continue operations into the future, and create staff assurance of unemployment benefits. In the event that need arises to utilize the board-designated reserves for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Description	2025	2024
Cash and Cash Equivalents	$ 2,299,735	$ 2,389,369
Investments	7,969,418	6,555,078
Accounts Receivable	776,194	769,559
Total Financial Assets	11,045,347	9,714,006
Net Assets Without Donor Restriction - Designated	(6,090,261)	(6,086,941)
Net Assets With Donor Restriction	(2,425,944)	(2,221,299)
Financial Assets Available to Meet Cash Needs Expenditures Within One Year	$ 2,529,142	$ 1,405,766

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:

	2025	2024
Vocational Business Activities:		
Community Contract	$ 573,698	$ 515,455
Production	498,804	406,184
Shred	416,353	390,571
ThriftWorks!	522,684	491,050
Vocational Business Activities	2,011,539	1,803,260
Private Pay Program Services	384,779	346,814
Total Program Revenue	$ 2,396,318	$ 2,150,074

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.

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.

NOTE 13 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

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

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

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

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 41,975	$ -	$ 41,975
Donor-Restricted Endowment Funds	-	798,273	798,273
Total	$ 41,975	$ 798,273	$ 840,248

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 37,673	$ -	$ 37,673
Donor-Restricted Endowment Funds	-	606,780	606,780
Total	$ 37,673	$ 606,780	$ 644,453

NOTE 13 ENDOWMENT (CONTINUED)

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ 37,673	$ 606,780	$ 644,453
Contributions	-	118,331	118,331
Earnings:			
Interest, Dividends, Gains, and Losses	4,302	73,162	77,464
Subtotal	41,975	798,273	840,248
Appropriations	-	-	-
Endowment Net Assets - End of Year	$ 41,975	$ 798,273	$ 840,248

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ 44,511	$ 331,518	$ 376,029
Contributions	-	216,713	216,713
Earnings:			
Interest, Dividends, Gains, and Losses	3,162	48,549	51,711
Subtotal	47,673	596,780	644,453
Appropriations	-	-	-
Transfers	(10,000)	10,000	-
Endowment Net Assets - End of Year	$ 37,673	$ 606,780	$ 644,453

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.

NOTE 13 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 $-0- as of December 31, 2025 and 2024. The original corpus value of the endowment funds was $664,516 and $546,185 as of December 31, 2025 and 2024, 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:

	2025	2024
Thriftworks Inventory	$ 524,896	$ 482,282
Legal Fees	-	224
Fundraising	13,677	18,556
Total Contributed Nonfinancial Assets	$ 538,573	$ 501,062

Thriftworks! Inventory is valued at the wholesale prices that would be received for similar products. Legal and fundraising fees 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, 2025
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)

	Community Contract	Production	Shred	ThriftWorks!	Totals
Salaries	$ 299,590	$ 300,783	$ 134,978	$ 377,000	$ 1,112,351
Benefits	45,852	63,163	15,515	75,968	200,498
Staff Travel and Mileage	11	15	-	-	26
Supplies	5,271	2,429	22,299	4,797	34,796
Minor Equipment and Repairs	6,122	18,014	432	3,663	28,231
Rent	-	2,788	-	-	2,788
Telephone	-	12,174	3,873	7,607	23,654
Utilities	-	49,054	15,215	28,879	93,148
Repairs and Maintenance	-	15,062	4,638	10,499	30,199
Snow Removal	-	5,366	1,679	3,188	10,233
Insurance	6,642	12,600	8,811	7,813	35,866
Interest Expense	-	-	-	7,561	7,561
Public Relations	-	-	1,666	1,509	3,175
Advertising	62	138	5,830	7,265	13,295
Vehicle Fuel	-	5,151	1,266	-	6,417
Vehicle Maintenance	-	6,441	3,045	-	9,486
Vehicle Insurance	-	1,102	1,016	-	2,118
Professional Services	-	-	2,094	148	2,242
Postage	-	68	-	-	68
Dues and Licensing	397	280	3,273	676	4,626
In Kind	-	-	-	513,039	513,039
Miscellaneous	-	-	1,325	9,902	11,227
Total Operating Expenses	363,947	494,628	226,955	1,059,514	2,145,044
Depreciation	-	50,387	15,878	36,265	102,530
Total Functional Expenses	$ 363,947	$ 545,015	$ 242,833	$ 1,095,779	$ 2,247,574