WEST CENTRAL INITIATIVE
FERGUS FALLS, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
West Central Initiative
Fergus Falls, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of West Central Initiative (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 financial statements present fairly, in all material respects, the financial position of West Central Initiative as of June 30, 2023 and 2022, 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 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 West Central Initiative 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 opinions.

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 West Central Initiative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 West Central Initiative'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 West Central Initiative'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 accompanying supplementary information on pages 31-32 is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, 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 auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information on pages 31-32 and the Schedule of Expenditures of Federal Awards are 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 October 23, 2023, on our consideration of West Central Initiative'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 West Central Initiative'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 West Central Initiative's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
FARGO, NORTH DAKOTA

October 23, 2023

WEST CENTRAL INITIATIVE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

Assets

	2023	2022
Current assets:		
Cash and cash equivalents	$ 409,548	$ 239,578
Restricted cash	739,256	895,813
Cash - investments	4,049,223	4,768,689
Receivables:		
Grants and other	1,501,419	290,871
Interest	66,456	19,300
Current portion of promises to give	131,667	126,874
Current portion of loans	1,029,044	1,096,762
Prepaid expenses	-	45,152
Total current assets	7,926,613	7,483,039
Property and equipment, net	1,756,451	1,373,977
Other assets:		
Receivables:		
Promises to give, net of allowance and current portion	49,071	116,433
Loans, net of allowance and current portion	4,515,930	4,217,597
Investments	72,830,069	67,736,983
Total other assets	77,395,070	72,071,013
Total assets	$ 87,078,134	$ 80,928,029

Liabilities and Net Assets

	2023	2022
Current liabilities:		
Accounts payable	$ 114,209	$ 42,335
Accrued vacation, payroll, and deferred compensation	205,992	206,330
Grants payable	23,000	312,200
Current portion of notes payable	31,359	50,178
Agency funds	1,322,351	1,132,933
Total current liabilities	1,696,911	1,743,976
Notes payable, net of current portion	23,738	54,250
Total liabilities	1,720,649	1,798,226
Net assets:		
Without donor restrictions	35,892,947	34,359,280
With donor restrictions	49,464,538	44,770,523
Total net assets	85,357,485	79,129,803
Total liabilities and net assets	$ 87,078,134	$ 80,928,029

See notes to the financial statements

WEST CENTRAL INITIATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Contributed support:			
Foundation grants	$ 648,650	$ 2,605,247	$ 3,253,897
Government grants	1,022,524	262,097	1,284,621
Corporate contributions	546,445	242,928	789,373
Individual contributions	1,715,583	366	1,715,949
Total contributed support	3,933,202	3,110,638	7,043,840
Earned revenue:			
Program service fees	196,188	-	196,188
Lending revenue	245,370	48,527	293,897
Other income	20,684	46,721	67,405
Total earned revenue	462,242	95,248	557,490
Net assets released from restrictions	2,656,958	(2,656,958)	-
Total revenue and other support	7,052,402	548,928	7,601,330
Expenses	7,315,966	-	7,315,966
Change in net assets (operating)	(263,564)	548,928	285,364
Investment activity:			
Realized gain (loss)	172,400	1,283	173,683
Gain (loss) on sale of equipment	18,500	-	18,500
Unrealized gain (loss)	939,156	2,306,876	3,246,032
Other investment income	667,175	1,836,928	2,504,103
Total investment activity	1,797,231	4,145,087	5,942,318
Change in net assets	1,533,667	4,694,015	6,227,682
Net assets, beginning of year	34,359,280	44,770,523	79,129,803
Net assets, end of year	$ 35,892,947	$ 49,464,538	$ 85,357,485

See notes to the financial statements

WEST CENTRAL INITIATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Contributed support:			
Foundation grants	$ 195,904	$ 104,250	$ 300,154
Government grants	3,240,822	694,500	3,935,322
Corporate contributions	509,783	268,839	778,622
Individual contributions	2,088,793	2,010	2,090,803
Total contributed support	6,035,302	1,069,599	7,104,901
Earned revenue:			
Program service fees	200,016	-	200,016
Lending revenue	249,278	40,869	290,147
Other income	17,536	672	18,208
Total earned revenue	466,830	41,541	508,371
Net assets released from restrictions	3,992,197	(3,992,197)	-
Total revenue and other support	10,494,329	(2,881,057)	7,613,272
Expenses	8,555,509	-	8,555,509
Change in net assets (operating)	1,938,820	(2,881,057)	(942,237)
Investment activity:			
Realized gain (loss)	488,645	1,222,865	1,711,510
Unrealized gain (loss)	(2,965,848)	(6,939,045)	(9,904,893)
Other investment income	275,359	1,721,312	1,996,671
Total investment activity	(2,201,844)	(3,994,868)	(6,196,712)
Change in net assets	(263,024)	(6,875,925)	(7,138,949)
Net assets, beginning of year	34,622,304	51,646,448	86,268,752
Net assets, end of year	$ 34,359,280	$ 44,770,523	$ 79,129,803

WEST CENTRAL INITIATIVE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Lending & Loan Fund	Planning & Transportation	Early Childhood	Grantmaking & General Program	Component Funds	Administrative	Development & Communications	Total
Personnel expenses:								
Benefits	$ 32,369	$ 53,312	$ 22,938	$ 31,705	$ 15,882	$ 75,067	$ 57,731	$ 289,004
Payroll taxes	12,756	23,534	11,008	7,988	6,147	35,206	25,696	122,335
Professional development	1,755	2,912	9	4,115	6	3,154	2,572	14,523
Salaries and wages	174,319	325,474	146,654	110,102	88,085	518,874	357,007	1,720,515
Total personnel expenses	221,199	405,232	180,609	153,910	110,120	632,301	443,006	2,146,377
Contracted services	1,417	1,246	214,622	278,022	6,238	250,262	180,542	932,349
Equipment and technology	34,012	47,322	44,829	23,581	22,502	106,674	65,105	344,025
Grants/distributions to other entities	-	-	217,200	397,497	2,401,701	-	-	3,016,398
Lending expenses	9,834	-	-	-	69,708	-	-	79,542
Marketing and communications	597	-	-	1,974	9,909	4,281	116,236	132,997
Meeting expenses	128	2,271	64,619	26,398	5,562	138	19,766	118,882
Occupancy	9,955	17,066	8,038	8,915	5,898	24,126	20,688	94,686
Operating expenses	4,614	11,598	25,684	7,967	284,540	26,607	24,423	385,433
Provision for loan losses	45,553	-	-	-	(45,777)	-	-	(224)
Travel expenses	696	8,249	6,964	33,340	2,356	1,389	12,507	65,501
Total Expenses	$ 328,005	$ 492,984	$ 762,565	$ 931,604	$ 2,872,757	$ 1,045,778	$ 882,273	$ 7,315,966

See notes to the financial statements

WEST CENTRAL INITIATIVE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Lending & Loan Fund	Planning & Transportation	Early Childhood	Grantmaking & General Program	Component Funds	Administrative	Development & Communications	Total
Personnel expenses:								
Benefits	$ 31,869	$ 65,502	$ 22,478	$ 11,231	$ 11,963	$ 67,090	$ 58,958	$ 269,091
Payroll taxes	13,497	28,901	10,559	4,100	4,118	35,152	20,952	117,279
Professional development	252	2,301	14	14,760	9	448	6,563	24,347
Salaries and wages	180,073	385,944	139,936	54,127	57,794	493,178	293,827	1,604,879
Total personnel expenses	225,691	482,648	172,987	84,218	73,884	595,868	380,300	2,015,596
Contracted services	-	3,625	160,623	43,706	6,420	297,177	85,400	596,951
Equipment and technology	19,985	36,985	10,531	4,842	5,939	32,292	40,959	151,533
Grants/distributions to other entities	-	-	204,500	2,841,262	1,796,246	-	-	4,842,008
Lending expenses	24,887	-	-	-	76,583	-	-	101,470
Marketing and communications	2,183	4,450	1,613	1,043	6,466	5,333	76,278	97,366
Meeting expenses	617	1,384	29,190	11,517	8,985	6,302	15,422	73,417
Occupancy	10,732	23,515	7,107	5,006	4,012	25,194	20,077	95,643
Operating expenses	7,317	17,042	40,458	3,461	243,352	38,961	40,684	391,275
Provision for loan losses	185,075	-	-	-	(20,664)	-	-	164,411
Travel expenses	1,312	6,206	1,002	7,531	952	1,767	7,069	25,839
Total Expenses	$ 477,799	$ 575,855	$ 628,011	$ 3,002,586	$ 2,202,175	$ 1,002,894	$ 666,189	$ 8,555,509

WEST CENTRAL INITIATIVE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 6,227,682	$ (7,138,949)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	118,834	60,691
Unrealized (gains) losses on investments	(4,352,245)	9,003,859
Realized gains on sale of investments	(184,848)	(1,738,278)
Loan charge-offs, recoveries, and provisions	-	194,279
Net effect on operating cash flows due to changes in:		
Grants and other receivables	(1,210,548)	(229,042)
Promises to give, net	(4,793)	43,455
Interest receivable	(47,156)	30,524
Prepaid expenses	45,152	(23,792)
Accounts payable	71,874	(14,292)
Accrued vacation, payroll, and deferred compensation	(338)	(62,501)
Grants payable	(289,200)	274,500
Agency funds, net	189,418	(165,251)
Cash flows provided (used) by operating activities	563,832	235,203
Cash flows from investing activities:		
Purchases of property and equipment	(501,308)	(217,410)
Disbursement of loans receivable	(1,456,203)	(2,047,549)
Principal received on loan receivable	1,225,588	1,792,290
Purchase of investments	(7,196,208)	(8,290,279)
Proceeds from sale of investments	6,640,215	8,397,079
Cash flows provided (used) by investing activities	(1,287,916)	(365,869)
Cash flows from financing activity:		
Collections of contributions restricted to pledges	67,362	31,621
Principal payments on long-term debt	(49,331)	(112,028)
Cash flows provided (used) by financing activities	18,031	(80,407)
Change in cash, cash equivalents, and restricted cash	(706,053)	(211,073)
Cash, cash equivalents, and restricted cash, Beginning of year	5,904,080	6,115,153
Cash, cash equivalents, restricted cash, end of year	$ 5,198,027	$ 5,904,080

See notes to the financial statements

WEST CENTRAL INITIATIVE
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash and cash equivalents consists of:		
Cash and cash equivalents	$ 409,548	$ 239,578
Restricted cash	739,256	895,813
Cash - investments	4,049,223	4,768,689
Total cash and equivalents	$ 5,198,027	$ 5,904,080
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 1,044	$ 2,441

See notes to the financial statements

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

West Central Initiative (WCI) is a publicly supported foundation dedicated to enriching the quality of life in west central Minnesota. WCI serves a nine-county region including: Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin counties.

WCI provides assistance to businesses, non-profit organizations, and governmental entities in the areas of economic development, education and human services, and leadership development. The major forms of assistance in these areas are loans, grants, and technical assistance.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, donor restricted net assets are reclassified to without donor restriction and reported in the statements of activities as net assets released from restrictions. If restrictions are satisfied during the same fiscal year of the contribution, the entire transaction is reported as without donor restrictions. See Note 13 for additional details.

Estimates

The preparation of financial statements in conformity with 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

WCI considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments holding restrictions are excluded from this definition.

Restricted Cash

Cash balances in certain loan programs are included in restricted cash. Per grant awards, funds received for the revolving loan programs must be held in accounts separated by the year of the award and the loan program.

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Allowances are established based upon management estimates of the collectability of the accounts and review of past collection experience. Generally, this involves a 50% allowance on delinquent balances and a 2% allowance on all remaining balances. See Note 3 for additional details.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses. Loans are written off when management has explored all avenues of collection and have received the approval of the Board of Directors.

Recoveries of loans receivable previously written off are recorded when received.

Loan origination fees and certain direct origination costs are not material and are recognized in the period received or incurred.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When a loan is placed on nonaccrual status, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. Loans are typically charged-off when management determines the loan to be a loss. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. See Note 5 for additional details.

Allowance for Loan Losses

The allowance for estimated uncollectible loans is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on WCI's past loan loss experience and the estimated value of any underlying collateral. These economic factors include consideration of the following: changes in the lending policies and underwriting practices, national and local economic conditions, changes in past due and nonaccrual loans, changes in credit quality, change in payment history, changes in loan review and oversight, impact and effects of concentrations, and the impact of competition. These factors are inherently subjective and are driven by the repayment risk associated with each loan.

The allowance is calculated based on assessed risk by using a graded scale. The risk-rating scale uses ranges from 1-9, with 1 being "superior" and requiring very minimal allowance, to 9 being "loss" and needing to be written off. Most loans are assessed at a risk rating from 1 to 7 (which translates to a 0%, 0%, 0%, 2.5%, 20%, 30%, or 50% allowance, respectively) and individual loan reserves are adjusted periodically for economic factors based on the risks for each loan.

Based on current information and events, a loan is considered impaired when it is more likely than not that WCI will be unable to collect the scheduled payments of principal or interest when due per the contractual terms of the loan agreement. When a loan is impaired, WCI measures impairment based on an observable market price or the fair value. When a loan does become uncollectible it will be charged directly to the allowance in the year of default.

General reserves cover non-impaired loans and are based on historical loss rates for each portfolio, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio classes historical loss experience.

Portfolio classes identified by WCI include EDA Revolving Loan Fund, IRP, Community and County Loan Funds, Revolving Loan Funds, and Loans Serviced for Other Organizations.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Unrealized gains and losses are included in the change in net assets on the statements of activities.

The investment objective of West Central Initiative's endowment is designed to provide for the long-term needs and requirements of WCI. The long-term goals of the endowment investment policy are to enhance the real purchasing power of the principal of the endowment, and to provide reasonably stable and predictable funds from the endowment for operating budgets.

Progress of the endowment, its components, and each investment manager will be measured over a full market cycle. Market cycles may differ markedly in length, and there is no standardized measure for a market cycle's term. For the endowment's purposes, a full market cycle encompasses both a down leg and an up leg, in either order. The up or down portions each will be over at least two consecutive quarters in length. Thus, a full market cycle may be as short as one year, though generally the Investment Committee expects most market cycles to last from three to five years. Shortfalls relative to the return targets for the endowment may be tolerated over portions of the market cycles, provided that the return objectives for the endowment are met over the full market cycle.

The total return objective of the endowment is to exceed an annualized total return after investment management fees of 6% more than inflation as measured by the Consumer Price Index or equivalent.

The investment committee recognizes that its role is supervisory, not advisory, and that investment discretion is delegated to managers as long as they adhere to the policy and guidelines as established by West Central Initiative.

The primary roles of the investment committee are to:

1. Make recommendations to the Board of Directors, investment managers, and advisors for the endowment account and monitor performance, as appropriate;

2. Develop, review, and recommend the overall asset allocation for the endowment, as well as the funding level for each individual investment manager;

3. Provide the Board of Directors with information regarding fund investment structure and performance against established objectives and policies;

4. Review the performance results of the endowment and individual managers; and

5. Review and grant or deny special requests by managers that are outside of the approved investment policy or that are an exception to policy.

The assets will be diversified with the intent to increase income and reduce risk. West Central Initiative will retain the services of professional money managers to manage the assets of the endowment. Where appropriate, the endowment will be diversified by the manager within asset classes.

When selecting investment managers, the investment committee will consider, but not be limited by, the following criteria:

- experience and background of key personnel;
- long-term history managing a specific asset class;
- assets under management broken out by asset class;
- sources and sustainability of competitive advantages;
- personnel and account turnover; and
- issues of equal opportunity and affirmative action in the ownership and management of the investment managers.

Fair Value Measurements

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the authoritative guidance are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that WCI has ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Certificates of Deposit – WCI invests in CDs traded in the financial markets. CDs are valued by the custodians of the securities using pricing models based on credit quality, time to maturity stated interest rates, and market-rate assumptions, and are classified within Level 2.

Money Market – Money Market funds are valued at fair value at year end.

Bond Funds – Valued at the most recent traded prices reported on the active market on which the individual securities are traded. The trade prices are determined based on a combination of the relative changes in market interest rates, changes in the credit quality of bonds, and the relative supply for bonds.

Mutual Funds – Valued at the net asset value of shares held by WCI at year-end based on information obtained from the security exchanges on which they are traded. The mutual funds are open-ended mutual funds readily determinable fair values based on daily redemption values.

Equity Investment in LLLP – The equity investment is valued at an estimated fair value based on an independent third-party appraisal and independent third-party audited financial statements as of December 31, 2022 and 2021 and consideration of the 6 months of activity from January through June.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while WCI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property and Equipment

Property and equipment are capitalized at cost or, if donated, at the acquisition value on the date of donation. It is WCI's policy to capitalize expenditures for these items more than $2,500. Lesser amounts are expensed and are included under equipment and technology expense on the statements of functional expenses. Property and equipment are being depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Description	Lives
Office Equipment and Furniture	3 - 15 years
Buildings	7 - 39 years
Land Improvements	20 - 39 years

Revenue Recognition

WCI recognizes revenue on contributions and grants when they have an unrestricted right to the use of the funds. WCI uses the funds it receives to provide financial resources to help entrepreneurs get their businesses up and running. This revenue is a nonexchange transaction, or a contribution, which is transfer of assets that is unconditional, voluntary, and nonreciprocal.

WCI recognizes interest income on its loans receivable monthly as the loans are paid back as a portion of the payment is allocated to both interest and return of principal. Interest rates are agreed upon when the loan documentation is signed. The primary performance obligation is the servicing and processing of the loan. This revenue stream is scoped out of ASC 606. When WCI has a single performance obligation, the entire transaction price is attributed to that performance obligation. When a contract has more than one performance obligation, the transaction price is allocated to each performance obligation based on estimated relative standalone selling prices of the goods or services at the inception of the contract, which typically is determined using observable standalone sales.

WCI recognizes contributions when cash or other assets are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of WCI's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when WCI has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Agency Funds

WCI is serving as the fiscal agent for the United Way of Otter Tail and Wadena Counties, Lakeland Mental Health, Becker County Historical Society, Fergus Falls YMCA Foundation, Pope County Historical Society, Kaddatz Galleries, Friends of Tamarac Wildlife Refuge, United Way of Douglas and Pope Counties and West Central Area Education Foundation. WCI recognizes as revenue their share of these donations received, and the remaining balances are treated as agency funds.

WCI follows GAAP in regards to transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. GAAP specifically requires that if a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. WCI refers to such funds as agency funds.

WCI maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of WCI. However, in accordance with GAAP, a liability has been established for the fair value of the funds.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements, with no effect on change in net assets or total net assets, to be consistent with classifications used in the 2023 financial statements.

Income Taxes

WCI is exempt from payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

West Central Initiative’s policy is to evaluate the likelihood that uncertain tax positions will prevail based upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Fundraising Costs

WCI records fundraising costs based on actual hours spent and on actual expenses incurred while performing these duties.

Advertising

WCI expenses advertising costs as they are incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 LIQUIDITY AND AVAILABILITY

WCI regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, WCI considers all expenditures related to its ongoing programming activities and the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, WCI operates with a budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statements of cash flows which identifies the sources and uses of the WCI's cash and cash equivalents and restricted cash.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	$ 409,548	$ 239,578
Restricted cash	739,256	895,813
Cash - investments	4,049,223	4,768,689
Grants and other receivables	1,501,419	290,871
Interest receivables	66,456	19,300
Current portion of promises to give	131,667	126,874
Current portion of loans receivable	1,029,044	1,096,762
Investments	72,830,069	67,736,983
Total financial assets	80,756,682	75,174,870
Assets limited as-to-use:		
Restricted cash	739,256	895,813
Agency funds	1,322,351	1,132,933
Net assets with donor restrictions	49,464,538	44,770,523
Total assets limited as-to-use	51,526,145	46,799,269
Financial assets available to meet cash needs for general expenditures within one year	$ 29,230,537	$ 28,375,601

NOTE 3 PROMISES TO GIVE

Promises to give at June 30, 2023 and 2022, consist of the following:

	2023	2022
Receivable in less than one year	$ 131,667	$ 126,874
Receivable in one to five years	84,400	134,859
Total promises to give	216,067	261,733
Less: discounts to net present value	(6,383)	(13,142)
Less: allowance for uncollectible pledges	(28,946)	(5,284)
Promises to give, net	$ 180,738	$ 243,307

The discount rate used on long-term promises to give was 3% for both 2023 and 2022. None of the promises to give are pledged as collateral on borrowings.

See Note 13 for restrictions on promises to give.

NOTE 4 RELATED-PARTY TRANSACTIONS

Promises to give includes pledge balances from employees and board members totaling $0 and $1,800 during the fiscal years ended June 30, 2023 and 2022, respectively. Amounts received from employees and board members totaled $9,608 and $8,903 during the fiscal years ended June 30, 2023 and 2022, respectively.

During the year ended June 30, 2023, WCI paid $2,500 for contracted services and $10,000 for a grant to a company where one of WCI's Board of Directors is involved in management.

NOTE 5 LOANS RECEIVABLE

Loans receivable consist of the following at June 30:

	2023	2022
Economic Development Adminstration (EDA) Revolving Loan Fund Program:		
Loans bearing interest from 0% to 5.5%, with maturity dates through 2028, secured with personal guarantees, inventory, property and equipment, of the borrowers.	$ 1,779,246	$ 1,754,474
Less: allowance for doubtful accounts	(489,437)	(499,386)
EDA Revolving loan fund loans receivable, net	1,289,809	1,255,088
Intermediary Relending Program (IRP):		
Loans bearing interest from 4% to 5%, with maturity dates through 2029, secured with personal guarantees, inventory, property and equipment, of the borrowers.	139,582	167,333
Less: allowance for doubtful accounts	(38,900)	(40,640)
IRP loan funds loans receivable, net	100,682	126,693
Various Community and County loan funds:		
Loans bearing interest from 0% to 6%, with maturity dates through 2032, secured with personal guarantees, inventory, property and equipment, of the borrowers.	416,140	667,100
Less: allowance for doubtful accounts	(91,007)	(136,671)
Community and county loan funds loans receivable, net	325,133	530,429
Various revolving loan funds:		
Loans bearing interest from 0% to 6%, with maturity dates through 2051, secured with personal guarantees, inventory, property and equipment, of the borrowers.	4,992,876	4,525,092
Less: allowance for doubtful accounts	(1,163,526)	(1,106,173)
Revolving loan funds, net	3,829,350	3,418,919
Various loans serviced for other organizations	266,887	675,152
Less: payables to other organizations	(266,887)	(691,922)
Loans serviced for other organizations, net	-	(16,770)
Total loans receivable, net	$ 5,544,974	$ 5,314,359

The components of loans receivable balances as of June 30 are as follows:

2023	EDA Revolving Loan Fund	IRP	Community and County Loan Funds	Revolving Loan Funds	Total
Allowance for Loan Losses					
Balance, beginning of period	$ 499,386	$ 40,640	$ 136,671	$ 1,106,173	$ 1,782,870
Charge-offs	-	-	-	57,353	57,353
Recoveries	(9,949)	(1,740)	(45,664)	-	(57,353)
Balance, end of year	$ 489,437	$ 38,900	$ 91,007	$ 1,163,526	$ 1,782,870
Individually evaluated for impairment	$ 489,437	$ 38,900	$ 91,007	$ 1,163,526	$ 1,782,870
Collectively evaluated for impairment	-	-	-	-	-
Balance, end of year	$ 489,437	$ 38,900	$ 91,007	$ 1,163,526	$ 1,782,870
Loans					
Individually evaluated for impairment	$ 1,779,250	$ 139,578	$ 416,140	$ 4,992,876	$ 7,327,844
Collectively evaluated for impairment	-	-	-	-	-
Balance, end of year	$ 1,779,250	$ 139,578	$ 416,140	$ 4,992,876	$ 7,327,844

2022	EDA Revolving Loan Fund	IRP	Community and County Loan Funds	Revolving Loan Funds	Total
Allowance for Loan Losses					
Balance, beginning of period	$ 343,247	$ 39,859	$ 151,072	$ 1,054,412	$ 1,588,590
Charge-offs	156,139	781	-	51,761	208,681
Recoveries	-	-	(14,401)	-	(14,401)
Balance, end of year	$ 499,386	$ 40,640	$ 136,671	$ 1,106,173	$ 1,782,870
Individually evaluated for impairment	$ 499,386	$ 40,640	$ 136,671	$ 1,106,173	$ 1,782,870
Collectively evaluated for impairment	-	-	-	-	-
Balance, end of year	$ 499,386	$ 40,640	$ 136,671	$ 1,106,173	$ 1,782,870
Loans					
Individually evaluated for impairment	$ 1,754,474	$ 167,333	$ 667,100	$ 4,525,092	$ 7,113,999
Collectively evaluated for impairment	-	-	-	-	-
Balance, end of year	$ 1,754,474	$ 167,333	$ 667,100	$ 4,525,092	$ 7,113,999

The following table disaggregates the allowance for loan losses and recorded investment in loans by impairment methodology:

	Allowance for Loan Losses	Recorded Investment in Loans
	Total	Total
June 30, 2023		
Individually evaluated (1)	$ 1,782,870	$ 7,327,844
June 30, 2022		
Individually evaluated (1)	$ 1,782,870	$ 7,113,999

(1) Represents loans individually evaluated for impairment in accordance with ASC 310-10, Receivables (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for unimpaired loans.

Credit Quality Indicators: Various classes of loans present respectively unique risk. Loan delinquency is the common credit quality indicator that is utilized in the monitoring of credit quality.

In addition, past due status is monitored as part of the credit risk management practices for loans. The following tables provide past due information for these loans as of June 30, 2023 and 2022:

2023	Past Due				Status of Interest Accruals	
	Current	30-59 days	60-89 days	90 + days	Total financing receivables on nonaccrual status	Financing receivables past due > 90 days and still accruing interest
EDA revolving loan fund	$ 1,778,796	$ 450	$ -	$ -	$ -	$ -
IRP	136,097	205	205	3,075	-	3,075
Community and County loan funds	416,140	-	-	-	-	-
Revolving loan funds	4,987,837	539	500	4,000	-	4,000
Less: allowance for loan losses	(1,782,870)	-	-	-	-	-
Total	$ 5,536,000	$ 1,194	$ 705	$ 7,075	$ -	$ 7,075

2022	Past Due				Status of Interest Accruals	
	Current	30-59 days	60-89 days	90 + days	Total financing receivables on nonaccrual status	Financing receivables past due > 90 days and still accruing interest
EDA revolving loan fund	$ 1,754,474	$ -	$ -	$ -	$ -	$ -
IRP	166,308	205	205	615	-	615
Community and County loan funds	667,100	-	-	-	-	-
Revolving loan funds	4,524,903	189	-	-	-	-
Less: allowance for loan losses	(1,782,870)	-	-	-	-	-
Total	$ 5,329,915	$ 394	$ 205	$ 615	$ -	$ 615

Impaired Loans: Loans assessed for impairment are all those on nonaccrual and or risk assessed as being potentially uncollectible. These impaired loans may have estimated losses which are included in the allowance for loan losses. As of June 30, 2023 and 2022, WCI did not have any loans on non-accrual status and did not consider any impaired.

NOTE 6 INVESTMENTS

Costs, fair values, and unrealized appreciation at June 30, are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation
2023			
Held to Maturity:			
Certificates of deposit (through 2023)	$ 779,021	$ 779,021	$ -
Available for Sale:			
Money market funds	9,696,019	9,696,019	-
Bond funds	12,141,968	10,558,855	(1,583,113)
Mutual funds	35,193,970	42,686,188	7,492,218
Equity Investment in Granite Equity, LLLP	1,816,377	9,109,986	7,293,609
Total Investments	$ 59,627,355	$ 72,830,069	$ 13,202,714
2022			
Held to Maturity:			
Certificates of deposit (through 2022)	$ 658,463	$ 658,463	$ -
Available for Sale:			
Money market funds	8,103,283	8,103,283	-
Bond funds	11,633,239	10,394,674	(1,238,565)
Mutual funds	37,251,211	40,746,123	3,494,912
Equity Investment in Granite Equity, LLLP	1,584,491	7,834,440	6,249,949
Total Investments	$ 59,230,687	$ 67,736,983	$ 8,506,296

WCI's share in ownership of Granite Equity, LLLP is noncontrolling at both June 30, 2023 and 2022. Management accounts for the investment in Granite Equity, LLLP using a 3rd party, independent appraisal (see Note 8), rather than the cost method because they believe that to be the best method of valuation.

NOTE 7 ENDOWMENTS

The State of Minnesota adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective August 1, 2008. GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to UPMIFA.

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

WCI has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WCI classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions when those accounts are appropriated for expenditure by WCI in a manner consistent with the standard at prudence prescribed by MUPMIPA.

In accordance with MUPMIFA, WCI considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of WCI 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 WCI; and
7. The investment policies of WCI.

As of June 30, 2023 and 2022, the endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
June 30, 2023			
Donor-restricted Endowment Funds			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	$ -	$ 18,566,263	$ 18,566,263
Accumulated Investment Gains	-	25,335,706	25,335,706
Total	$ -	$ 43,901,969	$ 43,901,969
June 30, 2022			
Donor-restricted Endowment Funds			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	$ -	$ 18,560,420	$ 18,560,420
Accumulated Investment Gains	-	23,052,226	23,052,226
Total	$ -	$ 41,612,646	$ 41,612,646

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets, July 1, 2021	$ -	$ 46,870,312	$ 46,870,312
Investment Income (loss)	-	(3,994,868)	(3,994,868)
Endowment Contributions	-	20,963	20,963
Appropriation for Expenditures	-	(1,283,761)	(1,283,761)
Endowment Net Assets, June 30, 2022	-	41,612,646	41,612,646
Investment Income (loss)	-	4,145,087	4,145,087
Endowment Contributions	-	5,843	5,843
Appropriation for Expenditures	-	(1,861,607)	(1,861,607)
Endowment Net Assets, June 30, 2023	$ -	$ 43,901,969	$ 43,901,969

Not included in the above endowment with donor restrictions are pledge receivables of $0 and $5,165 as of June 30, 2023 and 2022, respectively, that are intended for endowments in perpetuity but have not been fully realized and added to the investment pool. These pledges are still considered net assets with donor restrictions on the statements of financial position.

Return Objectives and Risk Parameters

WCI has adopted investment and spending policies for endowment assets to achieve growth in principal value while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that WCI must hold in perpetuity or for a donor-specified period(s). WCI expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The assets will be managed on a total return basis. While WCI recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. It is not a breach of fiduciary responsibility to pursue riskier investment strategies if such strategies are in WCI's best interest on a risk-adjusted basis. Risk management of the investment program is focused on understanding both the investment and operational risks to which WCI is exposed. The objective is to minimize operational risks and require appropriate compensation for investment risks which WCI is willing to accept.

NOTE 8 FAIR VALUE MEASUREMENTS

The following table presents WCI's fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of June 30:

	Level 1	Level 2	Level 3	Total
2023				
Investments:				
Money market funds	$ 9,696,019	$ -	$ -	$ 9,696,019
Certificate of deposit	-	779,021	-	779,021
Bond funds	10,558,855	-	-	10,558,855
Mutual funds	42,686,188	-	-	42,686,188
Equity Investment in LLLP	-	-	9,109,986	9,109,986
Total Assets at Fair Value	$ 62,941,062	$ 779,021	$ 9,109,986	$ 72,830,069
2022				
Investments:				
Money market funds	$ 8,103,283	$ -	$ -	$ 8,103,283
Certificate of deposit	-	658,463	-	658,463
Bond funds	10,394,674	-	-	10,394,674
Mutual funds	40,746,123	-	-	40,746,123
Equity Investment in LLLP	-	-	7,834,440	7,834,440
Total Assets at Fair Value	$ 59,244,080	$ 658,463	$ 7,834,440	$ 67,736,983

NOTE 9 PROPERTY AND EQUIPMENT

	2023	2022
Office equipment and furniture	$ 1,052,341	$ 610,435
Buildings	1,581,148	1,581,148
Land and land improvements	276,512	276,512
Total property and equipment	2,910,001	2,468,095
Less: accumulated depreciation	(1,153,550)	(1,094,118)
Property and equipment, net	$ 1,756,451	$ 1,373,977

NOTE 10 COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

WCI maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed the federally insured limits as guaranteed by the Federal Deposit Insurance Corporation. WCI has not experienced any losses in such accounts, nor does it believe it is exposed to any credit risk on cash and cash equivalents.

The McKnight Foundation accounted for approximately 35.5% and 0% of WCI's contributed support in 2023 and 2022, respectively.

The State of Minnesota accounted for approximately 0% and 33.6% of WCI's contributed support in 2023 and 2022, respectively.

WCI has committed to funding three loans totaling $290,000 and three loans totaling $550,661 that had not been disbursed as of June 30, 2023 and 2022, respectively.

NOTE 11 NOTES PAYABLE

	2023	2022
1.00% note payable to USDA-Intermediary Relending Program, due in annual installments of $30,848, including interest, through September 2024. Unsecured.	$ 54,586	$ 84,587
1.00% note payable to USDA-Intermediary Relending Program, due in annual installments of $12,337, including interest, through October 2022. Unsecured.	-	13,196
Non-interest bearing note payable to Subaru Motors Finance, due in monthly installments of $511, through July 2023. Secured by vehicle.	511	6,645
Total notes payable	$ 55,097	$ 104,428

Long-term debt maturities for the years ending June 30:

2024	$ 31,359
2025	23,738
Total	$ 55,097

NOTE 12 AGENCY FUNDS

At both June 30, 2023 and 2022, WCI held nine agency funds. All financial activity for the years then ended related to these funds is segregated on the statements of activities and has been reclassified to the agency funds liability. The following table summarizes activity in such funds during the years then ended:

	2023	2022
Agency funds balance, beginning of year	$ 1,132,933	$ 1,298,184
Foundation grants and corporate contributions	131,483	26,050
Investment income	40,405	45,615
Net unrealized gains (loss)	82,266	(196,622)
Grant and donation expense	(64,736)	(40,294)
Agency funds balance, end of year	$ 1,322,351	$ 1,132,933

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

	2023	2022
Endowment investment gains not yet appropriated	$ 25,335,706	$ 23,052,226
Endowment principle held in perpetuity	18,473,456	18,467,613
Promises to give	180,738	238,142
Promises to give - Endowment	-	5,165
Time restricted general operations in next budget period	2,000,000	-
Purpose restricted program and operations grant funds	453,911	289,078
Purpose restricted loan funds	2,927,920	2,625,492
Land and building held In perpetuity	92,807	92,807
Total net assets with donor restrictions	$ 49,464,538	$ 44,770,523

Endowment investment gains are released from restriction when they are appropriated and transferred out of the endowment fund. Pledges receivable adjusted for related allowances and discounts are released from restriction when payments are received unless they are related to the endowment.

Net assets were released from donor restrictions by incurring expense satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended:

	2023	2022
Net assets released from restrictions:		
Passage of time	$ 191,678	$ 2,275,005
Satisfaction of purpose restrictions:		
Endowment gains distributed	1,861,700	1,283,761
Program related releases*	524,664	411,822
Loan related releases	78,916	21,609
Total net assets released from restrictions	$ 2,656,958	$ 3,992,197

*In 2022, WCI distributed $2.49 million in pass-through grantmaking that came in the form of reimbursable grants, so were not restricted and released.

NOTE 14 EMPLOYEE BENEFIT PLANS

WCI has a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. The plan covers substantially all full-time employees and regular part-time employees working 20 or more hours per week. Eligible employees must also have attained the age of 21. Under the plan WCI will match employee deferrals up to 5% of the eligible employees' salary after one year of employment.

For the years ended June 30, 2023 and 2022, WCI's contributions to the plan were $62,729 and $50,581, respectively.

WCI has also approved a deferred compensation plan. The balance of the plan was $40,315 and $60,044 as of June 30, 2023 and 2022, respectively. The assets of the fully funded plan are included under investments and the related liability is included under accrued vacation, payroll, and deferred compensation on the statements of financial position.

NOTE 15 FUNDRAISING EXPENSES

The costs of fundraising are included in administrative and component fund expenses on the statements of functional expenses. The total fundraising expenses are as follows:

	2023	2022
Salaries	$ 148,906	$ 203,262
Travel and Other	64,606	72,189
Total Fundraising Expenses	$ 213,512	$ 275,451

NOTE 16 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expense items included on the statement of functional expense are allocated on the basis of estimates of time and effort.

NOTE 17 INCOME TAX

It is the opinion of management that the Organization has no significant uncertain tax positions that would be subject to change upon examination. The income tax of the Organization is subject to examination by the IRS and state tax authorities, generally for three years after they were filed.

NOTE 18 NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326) – Among other provisions, this ASU requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. For all non-public entities, the ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

Management has not yet determined what effect this pronouncement will have on WCI's financial statements.

Except for the new standard discussed above, management has not identified any other new accounting pronouncements that have potential significance to the WCI's financial statements.

NOTE 19 SUBSEQUENT EVENTS

No significant events occurred subsequent to year end. Subsequent events have been evaluated through October 23, 2023, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WEST CENTRAL INITIATIVE
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Program & Operations	Loan Funds	Component Fund	Endowment Fund	2023 Total	2022 Total
Current assets:						
Cash and cash equivalents	$ 128,290	$ 194,475	$ 56,363	$ 30,420	$ 409,548	$ 239,578
Restricted cash	-	739,256	-	-	739,256	895,813
Cash - investments	-	-	4,049,223	-	4,049,223	4,768,689
Receivables:						
Grants and other	1,501,419	-	-	-	1,501,419	290,871
Interest	37,514	25,869	3,043	30	66,456	19,300
Current portion of promises to give	-	-	131,667	-	131,667	126,874
Current portion of loans	-	873,023	156,021	-	1,029,044	1,096,762
Prepaid expenses	-	-	-	-	-	45,152
Due from other funds	955,060	305,943	(590,360)	-	*	*
Total current assets	2,622,283	2,138,566	3,805,957	30,450	7,926,613	7,483,039
Property and equipment, net	1,663,644	-	-	92,807	1,756,451	1,373,977
Other assets:						
Receivables:						
Promises to give, net of allowance and current portion	21,183	-	27,888	-	49,071	116,433
Loans, net of allowance and current portion	-	4,345,506	170,424	-	4,515,930	4,217,597
Investments	1,599,784	3,553,949	23,897,624	43,778,712	72,830,069	67,736,983
Total other assets	1,620,967	7,899,455	24,095,936	43,778,712	77,395,070	72,071,013
Total assets	$ 5,906,894	$ 10,038,021	$ 27,901,893	$ 43,901,969	$ 87,078,134	$ 80,928,029
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	$ 91,461	$ 16,041	$ 6,707	$ -	$ 114,209	$ 42,335
Accrued vacation, payroll, and deferred compensation	205,992	-	-	-	205,992	206,330
Grants payable	9,000	-	14,000	-	23,000	312,200
Due to other funds	670,643	-	-	-	*	*
Current portion of notes payable	511	30,848	-	-	31,359	50,178
Agency funds	-	-	1,322,351	-	1,322,351	1,132,933
Total current liabilities	977,607	46,889	1,343,058	-	1,696,911	1,743,976
Notes payable, net of current portion	-	23,738	-	-	23,738	54,250
Total liabilities	977,607	70,627	1,343,058	-	1,720,649	1,798,226
Net assets:						
Without donor restrictions	2,454,193	7,039,474	26,399,280	-	35,892,947	34,359,280
With donor restrictions	2,475,094	2,927,920	159,555	43,901,969	49,464,538	44,770,523
Total net assets	4,929,287	9,967,394	26,558,835	43,901,969	85,357,485	79,129,803
Total liabilities and net assets	$ 5,906,894	$ 10,038,021	$ 27,901,893	$ 43,901,969	$ 87,078,134	$ 80,928,029

WEST CENTRAL INITIATIVE
SCHEDULE OF ACTIVITIES BY FUND
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Program & Operations	Loan Funds	Component Fund	Endowment Fund	2023 Total	2022 Total
Contributed support:						
Foundation grants	$ 3,112,747	$ -	$ 141,150	$ -	$ 3,253,897	$ 300,154
Government grants	903,483	261,800	119,041	297	1,284,621	3,935,322
Corporate contributions	94,441	-	694,932	-	789,373	778,622
Individual contributions	10,476	-	1,705,014	459	1,715,949	2,090,803
Total contributed support	4,121,147	261,800	2,660,137	756	7,043,840	7,104,901
Earned revenue:						
Program service fees	195,748	-	440	-	196,188	200,016
Lending revenue	230,661	48,527	14,709	-	293,897	290,147
Other income	66,845	-	560	-	67,405	18,208
Total earned revenue	493,254	48,527	15,709	-	557,490	508,371
Total revenue and other support	4,614,401	310,327	2,675,846	756	7,601,330	7,613,272
Expenses	4,400,578	54,354	2,729,400	131,634	7,315,966	8,555,509
Change in net assets (operating)	213,823	255,973	(53,554)	(130,878)	285,364	(942,237)
Investment activity:						
Realized gain (loss)	-	-	172,400	1,283	173,683	1,711,510
Gain (loss) on sale of equipment	18,500	-	-	-	18,500	-
Unrealized gain (loss)	-	-	939,156	2,306,876	3,246,032	(9,904,893)
Other investment income	125,185	46,721	495,269	1,836,928	2,504,103	1,996,671
Total investment activity	143,685	46,721	1,606,825	4,145,087	5,942,318	(6,196,712)
Change in net assets	357,508	302,694	1,553,271	4,014,209	6,227,682	(7,138,949)
Net assets, beginning of year	4,134,454	8,383,974	24,993,564	41,617,811	79,129,803	86,268,752
Transfers to/from other funds	437,325	1,280,726	12,000	(1,730,051)	-	-
Net assets, end of year	$ 4,929,287	$ 9,967,394	$ 26,558,835	$ 43,901,969	$ 85,357,485	$ 79,129,803

WEST CENTRAL INITIATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Program Title	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Commerce:		
Economic Adjustment Assistance (Direct)	11.307	$ 956,463
COVID-19 - USDC CARES Planning Grant (Direct)	11.307	107,469
COVID-19 - Coronavirus Aid, Relief and Economic (CARES) Act Revolving Loan Fund Security Supplemental Disaster Recover (Direct)	11.307	1,067,740
Economic Development Cluster Total		2,131,672
Economic Development:		
COVID-19 - Support for Planning Organizations (Direct)	11.302	176,019
Total U.S. Department of Commerce		2,307,691
U.S. Department of Agriculture:		
Intermediary Relending Program (Direct)	10.767	97,783
Growing Grant County (Direct)	10.225	144,190
Total U.S. Department of Agriculture		241,973
U.S. Department of Education:		
COVID-19 - Governors Emergency Education Relief Fund (Passed through from the state of Minnesota Department of Education, #S425C200015)	84.425C	179,415
U.S. Department of Transportation:		
Metropolitan Transportation Planning and State and State and Non-Metropolitan Planning (Passed through from State of Minnesota Department of Transportation, #MN-2017-009)	20.505	2,456
Total expenditures of federal awards		$ 2,731,535

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying schedule of expenditures of federal awards (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.

NOTE 2 INDIRECT COST RATE

WCI has not elected to use the 10% de minimus cost rate.

NOTE 3 BASIS OF PRESENTATION

The schedule includes the federal award activity of the West Central Initiative (WCI) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of WCI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of WCI.

NOTE 4 LOANS OUTSTANDING

The calculation of total federal expenditures includes the beginning of year loan balances payable as well as new funds drawn and administration fees. WCI had the following total federal expenditures for the Intermediary Relending Program:

Federal Grantor/Program Title	Federal AL Number	Note Payable Amount
Intermediary Relending Program		
Balance of Loans Payable at July 1, 2022	10.767	$ 97,783

The loan balance outstanding for the Intermediary Relending Program as of June 30, 2023 is $54,586.

The calculation of total federal expenditures for the Economic Adjustment Assistance program (AL 11.307) includes the notes receivable from program participants and is as follows:

			Economic Adjustment Assistance	CARES Act RLF
Balance of Loans Receivable at June 30, 2023			$ 711,506	$ 1,067,740
Cash and Investments			452,884	-
Total Economic Adjustment Assistance			$ 1,164,390	$ 1,067,740
Federal Share:				
Federal Funding	$ 920,000			
÷ Total Funding	1,120,000		82.1429%	
Federal Share of Economic Adjustment Assistance Loans Outstanding at June 30, 2023			$ 956,463	

NOTE 5 FINANCIAL STATEMENT RECONCILIATION

Government grant review per the Statement of Activities by Fund for the year ended June 30, 2023 has been reconciled to the total federal expenditures per the Schedule of Expenditures of Federal Awards as follows:

Foundation grants	$ 3,253,897
Government grants	1,284,621
Less: non-federal grants	(1,861,569)
Total federal grants	2,676,949
Intermediary Relending Program loan	54,586
Total federal expenditures on the SEFA	$ 2,731,535

BradyMartz

INDEPENDENT AUDITOR'S 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*

To the Board of Directors of
West Central Initiative
Fergus Falls, Minnesota

We have audited, in accordance with 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 West Central Initiative (WCI) (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 October 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WCI'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 WCI's internal control. Accordingly, we do not express an opinion on the effectiveness of WCI'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 Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
FARGO, NORTH DAKOTA

October 23, 2023

BradyMartz

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

To the Board of Directors of
West Central Initiative
Fergus Falls, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited West Central Initiative's (WCI) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of WCI's major federal programs for the year ended June 30, 2023. WCI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, WCI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Auditor's 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 WCI'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 generally accepted auditing standards, *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 WCI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 WCI'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 WCI'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 WCI'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 matters 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
FARGO, NORTH DAKOTA

October 23, 2023

WEST CENTRAL INITIATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of major federal programs:

AL Number(s)	Name of Federal Program(s) or Cluster(s)
11.307	U.S. Department of Commerce: Economic Development Cluster

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

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings

None noted.