

Inter-County Community Council, Inc.

Financial Statements and
Supplementary Information

Year Ended September 30, 2024



Inter-County Community Council, Inc.

Year Ended September 30, 2024

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Independent Auditor's Report

Board of Directors
Inter-County Community Council, Inc.
Oklee, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Inter-County Community Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 Inter-County Community Council, Inc. as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Inter-County Community Council, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, 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 Inter-County Community Council, Inc.'s ability to continue as a going concern within one year after the date 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 Inter-County Community Council, Inc.'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 Inter-County Community Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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*, and the schedule of nonfederal assistance are presented for purposes of additional analysis and are 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2025, on our consideration of the Inter-County Community Council, Inc.'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 Inter-County Community Council, Inc.'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 the Organization's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

January 16, 2025

Inter-County Community Council, Inc.

Statement of Financial Position

September 30, 2024

| Assets | |
|---|---------------------|
| Current assets: | |
| Cash | \$ 396,249 |
| Certificates of deposit | 240,110 |
| Grants receivable | 582,386 |
| Revolving loans receivable, current portion | 27,907 |
| Prepaid expenses | 63,108 |
| Total current assets | 1,309,760 |
| Other assets: | |
| Revolving loans receivable, long-term, net | 30,118 |
| Certificates of deposit | 464,806 |
| Total other assets | 494,924 |
| Right-of-use lease assets - operating | 16,815 |
| Property and equipment, net | 175,960 |
| TOTAL ASSETS | \$ 1,997,459 |
| Liabilities and Net Assets | |
| Current liabilities: | |
| Operating lease obligations | \$ 14,627 |
| Accounts payable | 116,896 |
| Accrued payroll and related liabilities | 150,955 |
| Compensated absences payable | 183,915 |
| Total current liabilities | 466,393 |
| Long-term liabilities: | |
| Operating lease obligations | 575 |
| Total long-term liabilities | 575 |
| Total liabilities | 466,968 |
| Net assets: | |
| Without donor restrictions | 1,256,447 |
| With donor restrictions | 274,044 |
| Total net assets | 1,530,491 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,997,459 |

See accompanying notes to financial statements

Inter-County Community Council, Inc.

Statement of Activities

Year Ended September 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| Revenue: | | | |
| Grant revenue | \$ 5,005,769 | \$ 0 | \$ 5,005,769 |
| Contracts and program contributions | 20,022 | 0 | 20,022 |
| Contributions and donations | 26,046 | 0 | 26,046 |
| Interest | 37,385 | 0 | 37,385 |
| Noncash contributions | 418,915 | 0 | 418,915 |
| Other income | 35 | 0 | 35 |
| Loss on lease termination | (64,631) | 0 | (64,631) |
| Net assets released from restrictions | 110,949 | (110,949) | 0 |
| Total revenue | 5,554,490 | (110,949) | 5,443,541 |
| Expenses: | | | |
| Program services expenses | 4,874,149 | 0 | 4,874,149 |
| Management and general expenses | 723,832 | 0 | 723,832 |
| Total expenses | 5,597,981 | 0 | 5,597,981 |
| Changes in net assets | (43,491) | (110,949) | (154,440) |
| Net assets - Beginning of year | 1,299,938 | 384,993 | 1,684,931 |
| Net assets - End of year | \$ 1,256,447 | \$ 274,044 | \$ 1,530,491 |

Inter-County Community Council, Inc.

Statement of Functional Expenses

Year Ended September 30, 2024

| | Program Services | | | | | | | | | | | Management and General | Total Expenses |
|-----------------------|----------------------|-------------------|-------------------------------|---------------------|----------------------|-----------------------|-----------------|------------------------|------------------------------|------------------------------|-------------------|---------------------------|-------------------|
| | Energy Assistance | Weatherization | Employment and Training | Head Start | Homeless Programs | Community Services | MURL Housing | Contracted Services | Other Program Services | Total Program Services | | | |
| | LIHEAP | | | | | | | | | | | | |
| Salaries and benefits | \$ 67,154 | \$ 186,825 | \$ 359,834 | \$ 1,373,119 | \$ 193,508 | \$ 118,416 | \$ 1,309 | \$ 599 | \$ 87,679 | \$ 2,388,443 | \$ 600,378 | \$ 2,988,821 | |
| Direct client support | 0 | 449,017 | 167,175 | | 393,782 | 3,746 | 0 | 0 | 28,964 | 1,042,684 | 0 | 1,042,684 | |
| Contracted services | 1,136 | 4,565 | 7,886 | 184,154 | 162,708 | 17,725 | 32 | 13 | 2,891 | 381,110 | 40,832 | 421,942 | |
| Office expenses | 3,121 | 4,775 | 9,401 | 69,077 | 7,189 | 2,736 | 30 | 8 | 1,673 | 98,010 | 27,164 | 125,174 | |
| Occupancy | 2,227 | 4,876 | 25,134 | 135,880 | 7,218 | 614 | 22 | 8 | 5,392 | 181,371 | 11,616 | 192,987 | |
| Travel | 1,230 | 7,548 | 9,103 | 46,990 | 6,923 | 8,584 | 76 | 0 | 2,072 | 82,526 | 1,680 | 84,206 | |
| Depreciation | 0 | 0 | 0 | 25,020 | 0 | 0 | 0 | 0 | 0 | 25,020 | 16,459 | 41,479 | |
| Training | 0 | 32,191 | 959 | 24,153 | 1,799 | 13,521 | 0 | 0 | 0 | 72,623 | 7,037 | 79,660 | |
| Other costs | 1,582 | 1,372 | 3,210 | 102,870 | 4,316 | 12,016 | 0 | 0 | 12,069 | 137,435 | 18,666 | 156,101 | |
| In-kind expenses | 0 | 0 | 0 | 74,305 | 380,171 | 0 | 0 | 0 | 10,451 | 464,927 | 0 | 464,927 | |
| Total expenses | \$ 76,450 | \$ 691,169 | \$ 582,702 | \$ 2,035,568 | \$ 1,157,614 | \$ 177,358 | \$ 1,469 | \$ 628 | \$ 151,191 | \$ 4,874,149 | \$ 723,832 | \$ 5,597,981 | |

See accompanying notes to financial statements.

Inter-County Community Council, Inc.

Statement of Cash Flows

Year Ended September 30, 2024

| | |
|---|--------------|
| Increase (decrease) in cash: | |
| Cash flows from operating activities: | |
| Changes in net assets | (\$ 154,440) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | |
| Depreciation | 41,479 |
| Loss on lease termination | 64,631 |
| Noncash lease expense | 17,854 |
| Amortization of discount on revolving loans receivable | (2,834) |
| Amortization of discount on contribution receivable to give to noncash contributions | (1,830) |
| Contribution receivable recognized in in-kind expenses | 47,841 |
| Changes in operating assets and liabilities: | |
| Grants receivable | 16,782 |
| Prepaid expenses | (9,889) |
| Accounts payable | (99,473) |
| Accrued payroll and related liabilities | 37,549 |
| Compensated absences payable | 3,008 |
| Operating lease obligations | (17,796) |
| Net cash from operating activities | (57,118) |
| Cash flows from investing activities: | |
| Interest reinvested in certificates of deposit | (24,454) |
| Purchase of property and equipment | (6,664) |
| Collections on revolving loans | 5,850 |
| Issuance of revolving loans | (3,971) |
| Net cash from investing activities | (29,239) |
| Changes in cash | (86,357) |
| Cash - Beginning of year | 482,606 |
| Cash - End of year | \$ 396,249 |

See accompanying notes to financial statements.

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Inter-County Community Council, Inc. (the "Organization") is a nonprofit organization that provides health and welfare services as a Community Action Agency for Clearwater, East Polk, Pennington, and Red Lake Counties. The Organization provides services in a variety of areas, including energy and weatherization assistance, Head Start and Early Head Start, housing rehabilitation, youth employment and training, and senior employment.

The Organization's support comes primarily from state and federal grant awards. The Organization received approximately 37% of its grant revenue for the year ended September 30, 2024, from the U.S. Department of Health and Human Services (DHHS) under the federal Head Start program. The Organization also received approximately 11% of total grant funding received under its Low-Income Home Energy Assistance (LIHEAP) grants passed-through Minnesota Department of Commerce for the year ended September 30, 2024.

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

Classifications of Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of 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 that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or may not be met either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is satisfied in the year of contribution, the contribution is recorded as revenue without restrictions.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Certificates of Deposit

Certificates of deposit are carried at cost plus accrued interest, which approximates fair value. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Based on this analysis, the Organization believes it will collect all amounts owed on these certificates of deposit and has not recognized an allowance for credit losses on them.

Revenue Recognition

Contributions and Grants

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions are recognized when the barriers to entitlement are overcome and the promises become unconditional. Unconditional contributions are recognized as revenue when received or promised.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award. Revenue is recognized in the accounting period when the conditions in the award are satisfied. Amounts received or receivable in excess of expenses are reflected as a refundable advance liability.

B. Grant Awards That Are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in excess of recognized revenue is reflected as a contract liability.

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revolving Loans Receivables

The Organization operates a housing revolving loan program funded by the Minnesota Housing and Finance Authority (MHFA). The Organization receives funds from MHFA to construct or renovate homes and then sell those homes under land contracts to eligible individuals. Any funds repaid must be used to construct homes, provide renovation loans to existing individuals under the program, or cover a percentage of administrative costs. Loans receivable are stated at the amount of unpaid principal discounted at the prevailing market rate at the inception of the mortgage. The loans are non-interest-bearing.

Management generally has the intent and ability to hold all loans for the foreseeable future or until maturity or pay-off and has reported the loans at their outstanding unpaid principal balances. Loan origination fees, net of certain direct origination costs, are recognized as income or expense when received or incurred since capitalization of these fees or costs would not have a significant impact on the financial statements.

Allowance of Credit Losses

Effective October 1, 2023, the Organization uses a current expected credit loss (“CECL”) model to estimate the allowance for credit losses on revolving loans receivable. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses estimate under CECL, the Organization segments the loan portfolio into loan pools based on loan type and similar credit risk elements and adjusts for forecasted macro-level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Organization's loan portfolios. Management evaluates revolving loans receivable using the probability of default model.

Under the CECL model, revolving loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates its loans receivable for evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of the collateral (if applicable) or the discounted value of expected future cash flows.

The Organization has recorded no allowance for credit losses related to its revolving loans due to the fact that in the event of non-payment by a homeowner, the Organization will start eviction proceedings and take back possession of the home. The home is then put back on the market to be contracted to another qualifying individual or family. The Organization classifies a receivable as delinquent if the individual is two or more months in arrears, has abandoned the home, or if the home is at risk of incurring damage. Delinquent payments are treated on a case-by-case basis but, generally, if a homeowner is late more than 30 days with a payment and no forbearance has been granted, verbal contact is made with the homeowner and is followed up with a letter confirming the conversation. If the terms outlined during the verbal contact are not met and/or the homeowner becomes 60 days late, cancellation proceedings are started. All cancellations are handled by the Organization's attorney in accordance with the laws of the State of Minnesota.

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. The Organization capitalizes property and equipment purchased with a cost greater than \$5,000 and a useful life of more than one year. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of property and equipment purchased with grant funds was \$90,950 as of September 30, 2024.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long lived assets during 2024 and 2023.

Income Taxes

The Organization is qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Minnesota law.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Functional Allocation of Expenses

The costs of providing the various program and activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage. Other costs may be allocated to multiple programs using a basis determined to be appropriate to that particular cost.

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Noncash Contributions

Contributed nonfinancial assets include noncash contributions for space, supplies, and professional services recorded at the respective fair values of the goods or services received on the statement of activities and statement of functional expenses. Contributed services are recorded in accordance with a financial accounting standard that requires that only contributions of service received that create or enhance a nonfinancial asset or required specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different than the in-kind requirements of several of the Organization's grant awards. The Organization received contributions during the year ended September 30, 2024, with a value of \$696,728 primarily for its Head Start and Early Head Start programs, which are not recorded in the statement of activities or statement of functional expenses.

Recently Adopted Accounting Pronouncements

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires the Organization to present financial assets measured at amortized cost (including trade receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts.

The Organization adopted ASU No. 2016-13 on October 1, 2023. The net impact to beginning net assets would have been immaterial, thus no cumulative effect adjustment was made to net assets upon adoption of this standard.

Leases

The Organization is a lessee in two noncancelable operating leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

Subsequent Events

Subsequent events have been evaluated through January 16, 2025, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

The Organization maintains cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Balances in the Organization's operating account in excess of the FDIC limit are swept to a savings account at an affiliated financial institution.

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 3: Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of September 30:

| | 2024 |
|---|------------|
| Cash | \$ 396,249 |
| Certificates of deposit | 240,110 |
| Grants receivable | 582,386 |
| Revolving loan receivables, current portion | 27,907 |
| | |
| Total financial assets | 1,246,652 |
| Less: Accounts payable included in grants receivable | 116,896 |
| Less: Accrued payroll and compensated absences included in financial assets | 334,870 |
| Less: Net assets with donor restriction included in the financial assets | 243,921 |
| | |
| Total available financial assets | \$ 550,965 |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations become due. As part of its liquidity plan, excess cash is invested in short-term investments, including savings accounts and certificates of deposit. The Organization can rely on a lower cash balance as they are primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred an organization can request reimbursement from the funding source. Their grants have varying renewal dates. The Organization has grant commitments for future expenses of approximately \$3,360,000 as further described in Note 10.

Note 4: Grants Receivable

Grants receivable consist of the following at September 30:

| | 2024 |
|------------------|------------|
| Federal programs | \$ 405,681 |
| State programs | 172,875 |
| Other programs | 3,830 |
| | |
| Total | \$ 582,386 |

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 5: Revolving Loans Receivables

The Organization operates a housing revolving loan fund that provides assistance to eligible participants in the form of non-interest-bearing loans which are secured by various property owned by the recipients. Principal payments are based on the participants' ability to pay and repayment terms are adjusted annually. As loan funds are repaid, they are available to be re-loaned to eligible participants and to cover a fixed percentage of administrative and program costs. The loans are due and payable on the occurrence of various events, including sale, transfer, or reassignment of the property, death of the homeowner, the homeowner no longer occupying the property, or the passage of time.

The loans were discounted to their net present value using discount rates ranging from 4% to 6%. The loans receivable are as follows at September 30:

| | 2024 |
|--|-----------|
| Revolving loans receivable | \$ 83,058 |
| Discount on revolving loans receivable | (25,033) |
| Revolving loans receivable, net | 58,025 |
| Current portion | 27,907 |
| Net long-term revolving loans receivable | \$ 30,118 |

Note 6: Property and Equipment

Property and equipment consist of the following at September 30:

| | 2024 |
|-------------------------------|------------|
| Land | \$ 21,961 |
| Building | 484,541 |
| Equipment | 450,173 |
| Subtotals | 956,675 |
| Less accumulated depreciation | (780,715) |
| Total | \$ 175,960 |

Depreciation expense was \$41,479 for the year ended September 30, 2024.

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 7: Lease Assets and Obligations

The Organization leases space for operation of its programs. The leases entered into include one or more options to renew. The renewal terms can extend the lease term from three to five years. The exercise of lease renewal options is at the Organization's sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease obligation when the renewal is reasonably certain to occur. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The Organization's lease agreements do not contain any material residual guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

The Organization's components of lease expense and operating cash flows from operating leases were as follows for the year ended September 30, 2024:

Lease cost

| | | |
|-----------------------|----|---------|
| Operating lease cost | \$ | 18,762 |
| Short-term lease cost | | 90,899 |
| <hr/> | | |
| Total lease cost | \$ | 109,661 |

| | |
|---|------------|
| Weighted average remaining lease term - Operating lease | 0.86 years |
| Weighted average discount rate - Operating lease | 3.90% |

Future minimum rentals under the existing leases are as follows:

| | | |
|-------------------------|----|----------|
| 2025 | \$ | 14,919 |
| 2026 | | 578 |
| <hr/> | | |
| Total lease payments | | 15,497 |
| Less imputed interest | | (295) |
| <hr/> | | |
| Subtotal | | 15,202 |
| Less current portion | | (14,627) |
| <hr/> | | |
| Total long-term portion | \$ | 575 |

The Organization prepaid one month of lease payments as of September 30, 2024 and the payments are included in right-of-use lease assets.

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 8: Net Assets with Donor Restrictions

Net assets with donor restrictions of \$274,044 as of September 30, 2024, respectively, consist of revolving loan funds. The revolving loan funds are to be used for housing loans to eligible participants and to cover administrative costs of operating the program.

Net assets of \$113,783 were released from donor restrictions during the year ended September 30, 2024 through the satisfaction of program restrictions or occurrence of the passage of time.

Note 9: Retirement Plan

The Organization has a defined contribution retirement plan authorized under Section 403(b) of the Internal Revenue Code. The plan is open to substantially all employees. The Organization contributes 5% of employees' compensation for eligible employees who have met a six-month service requirement. The Organization's contributions for the year ended September 30, 2024, were \$106,046.

Note 10: Grant Award Commitments

At September 30, 2024, the Organization had commitments under various grants of approximately \$3,360,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

Note 11: Related Party Transactions

For the year ended September 30, 2024, the Organization recognized contract revenue of \$18,800, for accounting and reporting services provided to Northwest Private Industry Council (NWPIC). NWPIC is the pass-through entity for one of the Organization's programs and the Organization received grant funds of \$544,312 as the subrecipient of the award programs from NWPIC for the year ended September 30, 2024, and had grants receivable of \$112,706 at September 30, 2024.

Note 12: Contributed Nonfinancial Assets

Contributed nonfinancial assets included in noncash contributions revenue on the statement of activities are as follows for the year ended September 30:

| | 2024 |
|------------------------|------------|
| Rent | \$ 1,830 |
| Professional volunteer | 14,850 |
| Transportation | 2,643 |
| Food | 10,451 |
| Supplies | 183 |
| Contractual services | 388,958 |
| Total | \$ 418,915 |

Inter-County Community Council, Inc.

Notes to Financial Statements

Note 12: Contributed Nonfinancial Assets (Continued)

The Organization recognizes contributed nonfinancial assets as noncash contributions revenue on the statement of activities. Food is restricted to program participants that are eligible under the federal program TEFAP. Otherwise, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed space is used for agency operations. In valuing contributed space, the Organization estimated the fair value based on recent comparable rental prices in the City's real estate market. Professional volunteers and contractual services, which are used in the Organization's homeless programs, are based on current rates of donor services provided by the donor. Transportation, which is used in the Head Start program, is based on current rates of donor services provided by the donor and expected fuel and maintenance expenses. Food and supplies used in the Organization's programs are based on the estimated fair value on the basis of wholesale values that would be received for selling similar products in the United States.

Supplementary Information

Inter-County Community Council, Inc.

Schedule A-1

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2024

| Federal Grantor/Pass-Through Grantor/Program Title | AL Number | Grant Number | Grant Period | Federal Expenditures |
|---|-----------|-----------------|-------------------|----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Passed-Through Minnesota Department of Education | | | | |
| Child and Adult Care Food Program | 10.558 | 2MN300061 | 10/01/23-09/30/24 | \$ 45,833 |
| Passed-Through Minnesota Department of Children, Youth and Families | | | | |
| SNAP CLUSTER | | | | |
| SNAP Outreach | 10.561 | GRK%219896 | 10/01/22-09/30/25 | 48,263 |
| SNAP Project 4 | 10.561 | GRK%219896 | 10/01/23-09/30/24 | 30,214 |
| Subtotal SNAP Cluster 10.561 | | | | 78,477 |
| SUBTOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | 124,310 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| Direct Support | | | | |
| Supportive Housing Program | 14.267 | MN0176L5K062312 | 09/01/24-08/31/25 | 1,308 |
| Supportive Housing Program | 14.267 | MN0176L5K062211 | 09/01/23-08/31/24 | 14,476 |
| Youth Homeless Demonstration Grant (includes subrecipient expenditures of \$145,576) | 14.267 | MN0442Y5K062203 | 10/01/23-09/30/24 | 309,590 |
| Subtotal 14.267 | | | | 325,374 |
| SUBTOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | 325,374 |
| U.S. DEPARTMENT OF LABOR | | | | |
| Passed-Through the Minnesota Department of Employment & Economic Development | | | | |
| Northwest Private Industry Council | | | | |
| WIOA CLUSTER | | | | |
| WIOA Adult | 17.258 | PY23-3013100 | 07/01/23-06/30/25 | 94,464 |
| WIOA Adult | 17.258 | PY22-2013100 | 07/01/22-06/30/24 | 112,126 |
| WIOA Adult | 17.258 | PY24-4013100 | 07/01/24-06/30/26 | 7,303 |
| | | | | 213,893 |
| Passed-Through the Rural Minnesota CEP, Inc | | | | |
| Regional Plan Implementation Funding | 17.258 | N/A | 10/01/23-12/31/24 | 4,134 |
| Subtotal 17.258 | | | | 218,027 |
| Passed-Through the Minnesota Department of Employment & Economic Development | | | | |
| Northwest Private Industry Council | | | | |
| WIOA Youth | 17.259 | PY24-4013600 | 04/01/24-03/31/26 | 11,760 |
| WIOA Youth In-School | 17.259 | PY22-2013600 | 04/01/22-03/31/24 | 27,668 |
| WIOA Youth In-School | 17.259 | PY23-3013600 | 04/01/23-03/31/25 | 26,215 |
| WIOA Youth Out-of-School | 17.259 | PY23-3013600 | 04/01/23-03/31/25 | 57,021 |
| Subtotal 17.259 | | | | 122,664 |
| WIOA Dislocated Worker | 17.278 | PY23-3018000 | 07/01/23-06/30/25 | 49,816 |
| WIOA Dislocated Worker | 17.278 | PY24-4018000 | 07/01/24-06/30/26 | 27,920 |
| WIOA Dislocated Worker | 17.278 | PY22-2018000 | 07/01/22-06/30/24 | 13,869 |
| Subtotal 17.278 | | | | 91,605 |
| WIOA CLUSTER SUBTOTAL | | | | 432,296 |
| SUBTOTAL U.S. DEPARTMENT OF LABOR | | | | 432,296 |

Inter-County Community Council, Inc.

Schedule A-2

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2024

| Federal Grantor/Pass-Through Grantor/Program Title | AL Number | Grant Number | Grant Period | Federal Expenditures |
|---|-----------|---------------|-------------------|----------------------|
| U.S. DEPARTMENT OF ENERGY | | | | |
| Passed-Through the Minnesota Department of Commerce | | | | |
| E&I | 81.042 | DE-EE0010266 | 07/01/23-06/30/24 | 5,724 |
| Bipartisan Infrastructure Law (BIL) | 81.042 | DE-EE0009995 | 07/01/24-06/30/25 | 44,463 |
| Bipartisan Infrastructure Law (BIL) | 81.042 | DE-EE0009995 | 07/01/23-06/30/24 | 154,755 |
| WAP DOE A2500 | 81.042 | DE-EE0009910 | 07/01/24-06/30/25 | 44,972 |
| WAP DOE A2500 | 81.042 | DE-EE0009910 | 07/01/23-06/30/24 | 160,577 |
| Subtotal 81.042 | | | | 410,491 |
| SUBTOTAL U.S. DEPARTMENT OF ENERGY | | | | 410,491 |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| Passed-Through the Minnesota Department of Employment & Economic Development | | | | |
| Pre-Employment Transition Services | 84.126 | 214023 | 07/01/22-06/30/24 | 342 |
| SUBTOTAL U.S. DEPARTMENT OF EDUCATION | | | | 342 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| Passed-Through the Minnesota Department of Human Services | | | | |
| MNsure Navigator/In-Person Assister | 93.525 | 69965 | 01/01/15-06/30/22 | 550 |
| Passed-Through the Minnesota Department of Commerce | | | | |
| Low-Income Home Energy Assistance | 93.568 | 2302MNLIEA | 10/01/23-09/30/24 | 54,707 |
| Low-Income Home Energy Assistance | 93.568 | 2402MNLIEA | 10/01/23-09/30/24 | 147,473 |
| EAPWX A2122 | 93.568 | 2402MNLIEA | 07/01/24-09/30/25 | 9,099 |
| EAPWX A2119 | 93.568 | 2302MNLIEA | 07/01/23-09/30/24 | 333,442 |
| Energy Assistance - Direct Client Payments | 93.568 | N/A | 10/01/23-09/30/24 | 1,365,457 |
| Subtotal 93.568 | | | | 1,910,178 |
| Passed-Through the Minnesota Department of Human Services | | | | |
| CSBG 2023 | 93.569 | GRK%197464 | 10/01/22-12/31/23 | 18,733 |
| CSBG 2024 | 93.569 | GRK%229516 | 10/01/23-09/30/25 | 79,356 |
| Subtotal 93.569 | | | | 98,089 |
| Direct Funding | | | | |
| HEAD START CLUSTER | | | | |
| Head Start/Early Head Start Program | 93.600 | 05CH012546-01 | 04/01/24-03/31/25 | 823,078 |
| Head Start/Early Head Start Program | 93.600 | 05CH010866-05 | 04/01/23-03/31/24 | 1,012,560 |
| Subtotal Head Start Cluster 93.600 | | | | 1,835,638 |
| SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | 3,844,455 |
| TOTAL FEDERAL EXPENDITURES | | | | \$ 5,137,268 |

See Independent Auditor's Report.

Inter-County Community Council, Inc.

Notes to the Schedule of Expenditures of Federal Awards

Year Ended September 30, 2024

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Inter-County Community Council, Inc. under programs of the federal government for the year ended September 30, 2024. The information in this schedule 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 Inter-County Community Council, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Inter-County Community Council, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect Cost Allocation

Inter-County Community Council, Inc. has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Energy Assistance Payments

Included in AL #93.568 are client benefits paid by the State of Minnesota of \$1,365,457. These expenditures are not included on the statement of activities.

Inter-County Community Council, Inc.

Schedule B-1

Schedule of Nonfederal Assistance

Year Ended September 30, 2024

| Grantor/Pass-through Grantor/Program Title | Grant Number | Grant Period | Grant Award | Grant/ Contract Revenue | Other Revenue | Expenditures |
|---|--------------|-------------------|-------------|-------------------------|---------------|---------------------|
| STATE OF MINNESOTA FUNDING | | | | | | |
| Minnesota Department of Employment & Economic Development | | | | | | |
| Minnesota Youth Program | 5256400 | 07/01/24-09/30/25 | 108,292 | \$ 8,949 | \$ 0 | \$ 8,949 |
| Minnesota Youth Program | 4256400 | 07/01/23-09/30/24 | 108,292 | 84,825 | 0 | 84,825 |
| Total Minnesota Youth Program | | | | 93,774 | 0 | 93,774 |
| Northwest Private Industry Council | | | | | | |
| State Dislocated Worker | PY23-3018500 | 07/01/23-06/30/25 | 278,633 | 52,274 | 0 | 52,274 |
| State Dislocated Worker | PY22-2018500 | 07/01/22-06/30/24 | 145,790 | 63,876 | 0 | 63,876 |
| Total State Dislocated Worker | | | | 116,150 | 0 | 116,150 |
| Minnesota Department of Commerce | | | | | | |
| Propane A2501 | N/A | 07/01/24-06/30/25 | 28,776 | 97 | 0 | 97 |
| Propane A2501 | N/A | 07/01/23-06/30/24 | 44,941 | 44,876 | 0 | 44,876 |
| Total Propane | | | | 44,973 | 0 | 44,973 |
| Pre Weatherization | N/A | 07/01/24-06/30/25 | 98,646 | 34 | 0 | 34 |
| Minnesota Housing | | | | | | |
| Tri-Valley Opportunity Council Inc. | | | | | | |
| Homeless Prevention (FHPAP) | N/A | 10/01/23-09/30/25 | 65,839 | 14,933 | 0 | 14,933 |
| Homeless Prevention (FHPAP) Fast Track | N/A | 10/01/23-06/30/24 | 65,839 | 62,917 | 0 | 62,917 |
| Total Homeless Prevention | | | | 77,850 | 0 | 77,850 |
| Minnesota Department of Education/Department of Children, Youth, and Families | | | | | | |
| Minnesota Head Start | 6789 | 07/01/23-06/30/25 | 667,798 | 283,397 | 0 | 283,397 |
| Pathways II Early Learning Scholarships 2023-24 | N/A | 07/01/23-06/30/25 | 150,000 | 68,811 | 0 | 68,811 |
| Grow Your Own Early Childhood and Family Education | 247304 | 04/19/24-06/30/26 | 200,000 | 1,026 | 0 | 1,026 |
| Minnesota Department of Human Services/Department of Children, Youth, and Families | | | | | | |
| MN CAG 2024-2025 | 229516 | 07/01/23-06/30/25 | 149,642 | 104,011 | 0 | 104,011 |
| Emergency Services Program (ESP) | 233855 | 07/01/23-06/30/25 | 220,000 | 101,704 | 0 | 101,704 |
| Transitional Housing (THP) | 235095 | 07/01/23-06/30/25 | 290,000 | 148,714 | 0 | 148,714 |
| Homeless Youth Act (HYA) | 233211 | 07/01/23-06/30/25 | 340,000 | 131,435 | 0 | 131,435 |
| Hunger Solutions | N/A | 11/01/23-06/30/24 | N/A | 5,359 | 0 | 5,359 |
| SNAP Project 4 State | GRK%219896 | 10/01/23-09/30/24 | N/A | 30,214 | 0 | 30,214 |
| Mahube-OTWA Community Action Partnership, Inc | | | | | | |
| Long-term Homelessness | N/A | 01/01/22-12/31/25 | 62,792 | 17,036 | 0 | 17,036 |
| Minnesota Insurance Marketplace | | | | | | |
| Northwest Community Action | | | | | | |
| Community Education & Outreach Services | 214311 | 07/01/23-06/30/24 | 10,000 | 6,907 | 0 | 6,907 |
| Community Education & Outreach Services | 250838 | 07/01/24-06/30/25 | 10,000 | 1,606 | 0 | 1,606 |
| Total Community Education & Outreach Services | | | | 8,513 | 0 | 8,513 |
| TOTAL STATE OF MINNESOTA FUNDING | | | | \$ 1,233,001 | \$ 0 | \$ 1,233,001 |
| OTHER PROGRAMS | | | | | | |
| Otter Tail Power Company | | | | | | |
| Conservation Improvement Program 2023 | N/A | 01/01/23-12/31/23 | 10,000 | 0 | 0 | 1,280 |
| Conservation Improvement Program 2024 | N/A | 01/01/24-12/31/26 | 12,000 | 0 | 0 | 0 |
| City of Thief River Falls | | | | | | |
| Conservation Improvement Program 2023 | N/A | 01/01/23-12/31/23 | 9,595 | 957 | 0 | 957 |

See Independent Auditor's Report.

Inter-County Community Council, Inc.

Schedule B-2

Schedule of Nonfederal Assistance

Year Ended September 30, 2024

| Grantor/Pass-through Grantor/Program Title | Grant Number | Grant Period | Grant Award | Grant/ Contract Revenue | Other Revenue | Expenditures |
|--|--------------|-------------------|-------------|-------------------------|------------------|---------------------|
| OTHER PROGRAMS (Continued) | | | | | | |
| Wild Rice Electric | | | | | | |
| Conservation Improvement Program 2023 | N/A | 01/01/23-12/31/23 | 10,979 | 0 | 0 | 0 |
| Food Shelf Donations | N/A | 10/01/23-09/30/24 | N/A | 0 | 12,588 | 25,338 |
| Reach out for Warmth Donations | N/A | 10/01/23-09/30/24 | N/A | 0 | 3,068 | 2,316 |
| Enbridge Fueling Futures Grant | N/A | 10/01/23-09/30/24 | N/A | 0 | 10,000 | 0 |
| Misc Donations | N/A | 10/01/23-09/30/24 | N/A | 0 | 425 | 0 |
| The Schuett Companies Inc | | | | | | |
| Riverside Terrace Limited Partnership Project | N/A | 10/01/23-09/30/24 | N/A | 0 | 0 | 0 |
| DW Jones Management | | | | | | |
| River Pointe Project | N/A | 10/01/23-09/30/24 | N/A | 0 | 920 | 920 |
| Northwest Minnesota Foundation | | | | | | |
| Building Systems to End or Prevent Youth Homelessness | N/A | 07/01/22-7/31/25 | N/A | 0 | 0 | 36,342 |
| Emergency Assistance and Related Support | APP-22-12376 | 6/28/22-11/30/23 | N/A | 0 | 0 | 141 |
| Northwest Community Action Programs- | | | | | | |
| Weatherization Audits | N/A | 07/01/16-06/30/23 | N/A | 0 | 0 | 386 |
| Northwest Community Action Programs- Accounting | N/A | 05/19/22-11/30/23 | N/A | 0 | 303 | 303 |
| Northwest Private Industry Council - | | | | | | |
| Accounting & MIS Services | N/A | 07/01/23-06/30/24 | N/A | 0 | 14,100 | 14,622 |
| Northwest Private Industry Council - | | | | | | |
| Accounting & MIS Services | N/A | 07/01/24-06/30/25 | N/A | 0 | 4,700 | 5,448 |
| TOTAL OTHER PROGRAMS | | | | \$ 957 | \$ 46,104 | \$ 88,053 |
| TOTAL NONFEDERAL ASSISTANCE | | | | \$ 1,233,958 | \$ 46,104 | \$ 1,321,054 |

See Independent Auditor's Report.

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*

Board of Directors
Inter-County Community Council, Inc.
Oklee, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States 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 Inter-County Community Council, Inc., which comprise the statement of financial position as of September 30, 2024, 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 January 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Inter-County Community Council, Inc.'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 Inter-County Community Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Inter-County Community Council, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Inter-County Community Council, Inc.'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 determination of financial statement amounts. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Inter-County Community Council, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Madison, Wisconsin

January 16, 2025

Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Inter-County Community Council, Inc.
Oklee, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Inter-County Community Council, Inc.'s 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 Inter-County Community Council, Inc.'s major federal program for the year ended September 30, 2024. Inter-County Community Council, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Inter-County Community Council, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 Inter-County Community Council, Inc. 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 the major federal program. Our audit does not provide a legal determination of Inter-County Community Council, Inc.'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 Inter-County Community Council, Inc.'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 Inter-County Community Council, Inc.'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 Inter-County Community Council, Inc.'s compliance with the requirements of the 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 Inter-County Community Council, Inc.'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 Inter-County Community Council, Inc.'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 Inter-County Community Council, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

January 16, 2025

Inter-County Community Council, Inc.

Schedule of Federal Findings and Questioned Costs

Year Ended September 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? yes no

 Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? yes no

 Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]? yes no

Identification of major federal programs:

| <u>AL Number</u> | <u>Name of Federal Program or Cluster</u> |
|------------------|---|
| 93.600 | Head Start Cluster |

Dollar threshold used to distinguish between Type A and Type B programs:

| | |
|---------|-----------|
| Federal | \$750,000 |
|---------|-----------|

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Year Findings

None