



**West Central
Community Services, Inc.**

Annual Financial Report

Years Ended August 31, 2022 and 2021



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Independent Auditors' Report

To the Board of Directors and Management of
West Central Community Services, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of West Central Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of West Central Community Services, Inc. as of August 31, 2022 and 2021, 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 Community Services, 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 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 Community Services, Inc.'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.

Independent Auditors' Report (Concluded)

- 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 Community Services, 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 West Central Community Services, 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*, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022, on our consideration of West Central Community Services, 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 West Central Community Services, 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 West Central Community Services, Inc.'s internal control over financial reporting and compliance



Dennis G. Koch and Associates LLC
Certified Public Accountants

September 21, 2022
Quincy, Illinois



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

To the Board of Directors and Management of
West Central Community Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Central Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, 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 September 21, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Central Community Services, Inc.'s internal control over financial reporting (internal control) to determine the 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 West Central Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Central Community Services, 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*.

West Central Community Services, Inc.'s responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. West Central's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based
(Concluded)**

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 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.



Dennis G. Koch and Associates LLC
Certified Public Accountants

September 21, 2022
Quincy, Illinois



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 and Management of
West Central Community Services, Inc.

Opinion on Each Major Federal Program

We have audited West Central Community Services, 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 each of West Central Community Services, Inc.'s major federal programs for the year ended August 31, 2022. West Central Community Services, Inc.'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, West Central Community Services, Inc. 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 August 31, 2022.

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 West Central Community Services, 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 each major federal program. Our audit does not provide a legal determination of West Central Community Services, 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 West Central Community Services, 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 West Central Community Services, 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,

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

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 West Central Community Services, Inc.'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 West Central Community Services, 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 West Central Community Services, 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 West Central Community Services, 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on West Central Community Services, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. West Central Community Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance
(Concluded)**

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.



Dennis G. Koch and Associates LLC
Certified Public Accountants

September 21, 2022
Quincy, Illinois



West Central Community Services, Inc.

Statements of Financial Position

August 31,	2022	2021
Assets		
Cash and cash equivalents	\$ 30,549	\$ 27,768
Accounts receivable	-	30,033
Prepaid expenses	37,057	41,308
Property and equipment	424,975	543,295
Total Assets	<u>\$ 492,581</u>	<u>\$ 642,404</u>
Liabilities		
Accounts payable	\$ 1,395	\$ 24,781
Accrued expenses	127,265	102,421
Lease liabilities	140,614	210,616
Total Liabilities (Current)	<u>\$ 269,274</u>	<u>\$ 337,818</u>
Net Assets		
Without Donor Restrictions	\$ 223,307	\$ 304,586
Total Net Assets	<u>\$ 223,307</u>	<u>\$ 304,586</u>
Total Liabilities and Net Assets	<u>\$ 492,581</u>	<u>\$ 642,404</u>



West Central Community Services, Inc.

Statements of Activities

Years Ended August 31,	2022	2021
Increases in Net Assets Without Donor Restrictions		
Public Support		
Contributions	\$ 432	\$ 500
Government grants	3,238,897	2,677,965
In-kind contributions	130,454	139,524
Interest income	78	36
Other	979	555
Total Increases in Net Assets Without Donor Restrictions	<u>\$ 3,370,840</u>	<u>\$ 2,818,580</u>
Decrease in Net Assets Without Donor Restrictions		
Program services		
Compensation	\$ 1,780,060	\$ 1,476,166
Benefits	435,339	441,638
Purchased services	453,603	430,110
Supplies	295,575	135,539
Other	6,129	13,661
Interest	-	79
Pandemic related expenses	216,281	143,788
Depreciation	46,031	43,463
Supporting services		
Compensation	153,993	135,518
Benefits	50,116	45,187
Purchased services	14,656	18,374
Other	-	31,303
Depreciation	336	348
Total Decreases in Net Assets Without Donor Restrictions	<u>\$ 3,452,119</u>	<u>\$ 2,915,174</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ (81,279)	\$ (96,594)
Net assets, beginning of year	304,586	401,180
Net assets, end of year	<u>\$ 223,307</u>	<u>\$ 304,586</u>



West Central Community Services, Inc.

Statement of Functional Expenses - Current Year

	Program Services			Support Services		2022 Total	2021 (Memorandum Only)
	Head Start	In-Kind Contributions	Child Nutrition	Administration			
Compensation and Related Expenses							
Compensation	\$ 1,724,719	\$ -	\$ 55,341	\$ 153,993	\$ 1,934,053	\$ 1,611,684	
Payroll taxes	142,508	-	4,904	12,451	159,863	190,047	
Medical benefits	200,229	-	14,551	28,425	243,205	225,719	
Retirement	70,733	-	2,414	9,240	82,387	71,059	
	<u>\$ 2,138,189</u>	<u>\$ -</u>	<u>\$ 77,210</u>	<u>\$ 204,109</u>	<u>\$ 2,419,508</u>	<u>\$ 2,098,509</u>	
Other Expenses							
Purchased Services							
Contractual services	\$ 45,391	\$ 3,000	\$ 1,900	\$ 13,860	\$ 64,151	\$ 43,937	
Travel	33,196	-	-	-	33,196	11,536	
Utilities	48,721	-	887	362	49,970	37,742	
Telephone	35,653	-	-	-	35,653	39,797	
Repairs & maintenance	93,398	-	1,220	-	94,618	83,237	
Rent	74,952	60,111	-	-	135,063	165,244	
Insurance	40,580	-	1,062	434	42,076	58,226	
Training	13,532	-	-	-	13,532	8,765	
Supplies							
Supplies	79,484	40,678	-	-	120,162	108,002	
Food	-	26,664	148,749	-	175,413	27,537	
Other							
Other	6,129	-	-	-	6,129	44,964	
Interest expense	-	-	-	-	-	79	
Pandemic related	216,281	-	-	-	216,281	143,788	
Depreciation	45,208	-	823	336	46,367	43,811	
Total Expenses	<u>\$ 2,870,714</u>	<u>\$ 130,453</u>	<u>\$ 231,851</u>	<u>\$ 219,101</u>	<u>\$ 3,452,119</u>	<u>\$ 2,915,174</u>	

The accompanying notes are an integral part of this statement.



West Central Community Services, Inc.

Statement of Functional Expenses - Prior Year

	Program Services			Support Services		2021 Total	2020 (Memorandum Only)
	Head Start	In-Kind Contributions	Child Nutrition	Administration			
Compensation and Related Expenses							
Compensation	\$ 1,436,571	\$ -	\$ 39,595	\$ 135,518	\$ 1,611,684	\$ 1,657,461	
Payroll taxes	175,071	-	3,841	11,135	190,047	143,842	
Medical benefits	187,444	-	12,354	25,921	225,719	229,953	
Retirement	59,760	-	3,168	8,131	71,059	66,589	
	<u>\$ 1,858,846</u>	<u>\$ -</u>	<u>\$ 58,958</u>	<u>\$ 180,705</u>	<u>\$ 2,098,509</u>	<u>\$ 2,097,845</u>	
Other Expenses							
Purchased Services							
Contractual services	\$ 23,179	\$ 1,680	\$ 1,590	\$ 17,488	\$ 43,937	\$ 34,007	
Travel	11,536	-	-	-	11,536	1,903	
Utilities	36,798	-	670	274	37,742	36,256	
Telephone	39,797	-	-	-	39,797	34,395	
Repairs & maintenance	82,567	-	476	194	83,237	88,036	
Student transportation	-	-	-	-	-	22,478	
Rent	75,077	90,167	-	-	165,244	167,046	
Insurance	56,783	-	1,025	418	58,226	34,920	
Training	8,765	-	-	-	8,765	40,185	
Supplies							
Supplies	66,067	41,935	-	-	108,002	198,613	
Food	-	5,742	21,795	-	27,537	174,336	
Other							
Other	13,661	-	-	31,303	44,964	8,474	
Interest expense	79	-	-	-	79	-	
Pandemic related	143,788	-	-	-	143,788	-	
Depreciation	42,611	-	852	348	43,811	51,018	
Total Expenses	<u>\$ 2,459,554</u>	<u>\$ 139,524</u>	<u>\$ 85,366</u>	<u>\$ 230,730</u>	<u>\$ 2,915,174</u>	<u>\$ 2,989,512</u>	

The accompanying notes are an integral part of this statement.



West Central Community Services, Inc.

Statements of Cash Flows

Years Ended August 31,	2022	2021
Cash Flows From Operating Activities		
Cash provided by Head Start grants	\$ 3,031,550	\$ 2,653,473
Cash provided by USDA grants	159,827	15,992
Cash provided by ARP grants	47,520	
Cash provided by donations	432	500
Cash provided by interest	78	36
Cash provided by sale of assets	-	505
Cash provided by restitution and other	979	8,550
Cash used to pay salaries, taxes and benefits	(2,394,664)	(2,020,183)
Cash used to pay operating expenses	(844,892)	(698,500)
Cash used to pay building leases	(70,001)	(74,952)
Amortization of lease asset	71,952	74,952
Net Cash Flows From Operating Activities	\$ 2,781	\$ (39,627)
Cash Flows From Investing Activities		
Payments for property and equipment	\$ -	\$ (25,867)
Sale of assets	-	505
Net Cash Flows from Investing Activities	\$ -	\$ (25,362)
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 2,781	\$ (64,989)
Cash and Cash Equivalents at Beginning of Year	27,768	92,757
Cash and Cash Equivalents at End of Year	\$ 30,549	\$ 27,768
Reconciliation of Increase/(Decrease) in Net Assets to Cash Flows From Operating Activities		
Increase/(Decrease) in net assets	\$ (81,279)	\$ (96,594)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	46,367	43,811
Lease amortization	71,952	-
Lease payments	(70,001)	
(Increase) decrease in operating assets:		
Accounts receivable	30,033	(30,033)
Prepaid expenses	4,251	(3,835)
Increase (decrease) in operating liabilities:		
Accounts payable	(23,386)	(1,269)
Accrued expenses	24,844	48,293
	\$ 2,781	\$ (39,627)
Other Required Information:		
Interest Expense:		
Interest Paid	\$ -	\$ 79
Interest Capitalized	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -

The accompanying notes are an integral part of this statement.



1. Nature of Activities and Significant Accounting Policies

Nature of Activities

West Central Community Services, Inc. (referred to in these financial statements as West Central) is engaged in the provision of educational assistance for birth to five year old children in Warren, Henderson, and Knox Counties. Primary support for these services is provided by a Federal Head Start grant. Funds derived from the Head Start Grant are restricted for use in providing the Head Start Program to students.

Financial Statement Presentation

In accordance with FASB ASC Section 958, *Not-for-Profit Entities*, we are required to report information regarding its financial position and activities according to two classes of assets: net assets without donor restrictions and net assets with donor restrictions. In addition, we are required to present a statement of functional expenses and a statement of cash flows.

Cash and Cash Equivalents

For purposes of the statement of cash flows, we consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

We had no investments for the years ending August 31, 2022 and 2021.

Contributions and Contributed Services

FASB ASC Section 958, *Not-for-Profit Entities*, establishes requirements for how contributions received, including unconditional promises to give, are recorded as net assets with or without donor restrictions depending on the existence or nature of any donor restrictions.

For purposes of reporting matching contributions to the Head Start Program, contributed services are reported as contributions, regardless of whether the labor represents specialized skills, as allowed by provisions of the Head Start Grant. As more fully described in Note 10, Contributed Services and Labor expense have been reduced by \$11,911 and \$42,535 in accordance with Section 958 for the years ended August 31, 2022 and 2021, respectively.

Allowance for Uncollectible Accounts

Accounts receivable at August 31, 2021, consisted of a duplicated payment for insurance, received subsequent to the end of the fiscal year. As such, the receivables are deemed to be fully collectible and no allowance for uncollectible accounts has been established.

Management Estimates

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



1. Nature of Activities and Significant Accounting Policies (Continued)

Property, Plant and Equipment

Property, plant, and equipment are composed principally of our office building, vehicles, and equipment used for our operations. Property, plant, and equipment are stated at original cost net of accumulated depreciation, which includes the cost of construction when the properties and any subsequent additions were first placed in service.

Property and equipment acquired with Head Start funds are considered to be owned by us while used in the program or in future programs. The Federal Government maintains a residual interest in such assets and has the right to determine the use of any proceeds received from the sale of these assets.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, we report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. We reclassify net assets with donor restrictions to net assets without donor restrictions at that time.

Replacements and renewals of items considered to be units of property are charged to the property accounts. At the time properties are disposed of, the original cost, plus cost of removal, less salvage of such property is charged to the statement of activities.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts.

Property and equipment are depreciated over the estimated useful lives of the assets on a straight line basis, as follows:

Buildings and improvements	15 to 40 years
Furniture and equipment	5 to 10 years
Vehicles	5 to 10 years

Promises to Give and Pledges Receivable

Contributions and pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the net present value of estimated future cash flows. We had no pledges receivable at August 31, 2022 or 2021.

Functional Expenses

We allocate our expenses on a functional basis among its program, support, and fundraising services. Expenses that can be identified with a specific program and/or support service are allocated directly according to their natural expenditure classification. Other expenses are allocated based on the discretion of our management.



1. Nature of Activities and Significant Accounting Policies (Concluded)

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash with financial institutions believed to be creditworthy. Amounts on deposit typically do not exceed insured limits due to the nature of the cash requirements of the Head Start grant. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high collection rates and because substantial portions of the outstanding amounts are due from governmental agencies.

Income Taxes

We are an Illinois Not-for-Profit corporation which is generally exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. IRS Form 990, Return of Center Exempt from Income Tax, and Illinois Form AG-990-IL, Illinois Charitable Organization Annual Report, for the year ended August 31, 2022 and prior years have been filed. Future events may arise which could affect this tax-exempt status.

We follow the guidance of the Financial Accounting Standards Board (FASB) ASC section 740 regarding the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The evaluation of a tax position in accordance with this Interpretation is a two-step process. The first step is recognition: The enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

2. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.



**2. Net Assets
(Concluded)**

***With Donor
Restrictions***

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

3. Liquidity

Our financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2022	2021
Cash and cash equivalents	\$ 30,549	\$ 27,768
Accounts receivable	-	30,033
Prepaid expenses	37,057	41,308
	<u>\$ 67,606</u>	<u>\$ 99,109</u>
Less: Accounts payable	(1,395)	(24,781)
	<u>\$ 66,211</u>	<u>\$ 74,328</u>

**4. Prepaid
Expenses**

We have prepaid various expenditures to be recognized as expenses in the period benefited. These prepaid expenses at August 31, 2022 and 2021 were as follows:

	2022	2021
Prepaid insurance	\$ 28,402	\$ 27,992
Other prepaid expenses	8,655	13,316
Total Prepays	<u>\$ 37,057</u>	<u>\$ 41,308</u>

**5. Accounts
Receivable**

Accounts receivable at August 31, 2021, consisted of a refund of overpayment of insurance premiums on our commercial coverage insurance policy. Duplicate payments were made by us during the year and were discovered subsequent to year end. A premium refund of \$30,033 was received by us on September 10, 2021.

There were no accounts receivable at August 31, 2022.



West Central Community Services, Inc.

Notes to Financial Statements

6. Property, Plant and Equipment

Fixed assets are stated at cost. Depreciation is provided over the estimated useful life of the assets on a straight line basis.

At August 31, 2022 and 2021, the costs and accumulated depreciation were as follows:

	2022	2021
Buildings	\$ 657,143	\$ 657,144
Right to use lease asset	138,664	210,616
Equipment	63,549	63,549
Vehicles	530,160	530,160
Total Depreciable Assets	\$ 1,389,516	\$ 1,461,469
Less: Accumulated Depreciation	1,020,541	974,174
Net Depreciable Assets	\$ 368,975	\$ 487,295
Land	56,000	56,000
Net Capital Assets	\$ 424,975	\$ 543,295

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842), to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions.

A summary of transactions related to building leases follows:

Location	Lease End	Balance 8/31/20	New Leases	Payments	Balance 8/31/21	New Leases	Payments	Balance 8/31/22
Knoxville	07/31/24	\$ 32,860	\$ -	\$ (8,400)	\$ 24,460	\$ -	\$ (8,400)	\$ 16,060
Knox Co	08/31/24	199,008	-	(49,752)	149,256	-	(49,752)	99,504
Oquawka	08/31/25	36,000	-	(7,200)	28,800	-	(7,200)	21,600
Abington	07/31/22	16,200	-	(8,100)	8,100	-	(8,100)	-
Galesburg	08/31/21	1,500	-	(1,500)	-	3,000	(1,500)	1,500
		\$ 285,568	\$ -	\$ (74,952)	\$ 210,616	\$ 3,000	\$ (74,952)	\$ 138,664

7. Public Support and Revenue Recognition

We recognize revenue from services rendered when the following criteria are met: 1) persuasive evidence of an arrangement exists; 2) services have been rendered; 3) the fee is fixed or determinable; and 4) collectability is reasonably assured. Head Start Program service revenue is recognized when allowable expenditures are made, to the extent of the grant award. USDA Program service revenue is recognized when the meals are served and claim for reimbursement has been filed.

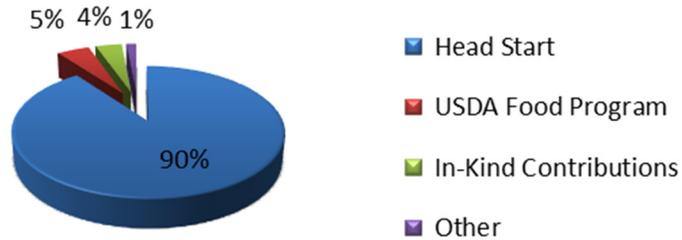
We receive virtually all of its funding from the Federal Government. Terms of the grant agreement require local matching funds, which can be made in cash or in-kind services. A reduction in, or termination of, the Head Start program at the Federal level could have a severe financial impact on the operations of the Organization.



7. Public Support and Revenues (Concluded)

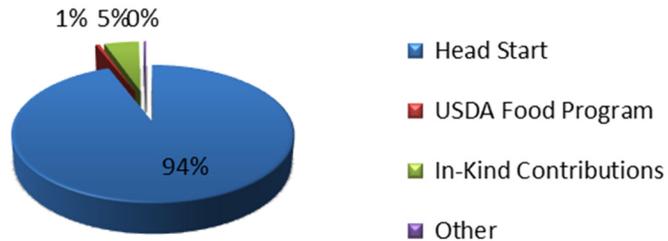
Revenues for the year ended August 31, 2022 came from the following sources:

2022 Revenues



Revenues for the year ended August 31, 2021 came from the following sources:

2021 Revenues



8. Capital Grants

Grant funds received to purchase capital assets are recorded as revenue when received. Assets purchased are capitalized and depreciated over the useful lives of the assets.

9. Employee Benefit Plans

Compensated Absences

Our employees earn vacation and sick leave based on formulas that consider years of service and minimum monthly service. Employees accrue one day of sick leave for every month in which they work 130 hours. Employees may accumulate up to 60 days of sick leave but are not reimbursed for unused sick leave upon termination. Vacation time is provided to regular full-time, full year employees on a scale ranging from 5 days for 12 months of continuous service to 20 days for 20 years of eligible service. Vacation time must be used within the next benefit year. At August 31, 2022 and 2021, the Organization maintained a reserve for compensated absences of \$12,943 and \$20,225, respectively.

Retirement Plan

All employees who have completed 24 months of active service are eligible to participate in the Organization's defined contribution retirement program. The Board of Directors annually establishes the funding percentage and contributes to the employee's account. For the years ended August 31, 2022 and 2021, the funding percentage was 6%. We recognized pension expense of \$82,387 and \$71,059, respectively.



9. Employee Benefit Plans (Concluded)

Educational Assistance

We provide educational assistance to all eligible employees immediately upon assignment to an eligible employment classification. The educational assistance program encourages personal development through formal education so that employees can maintain and improve job-related skills. Employees voluntarily separating from the Organization within 24 months of completion of the education program are required to refund a portion of the educational expenses.

COBRA Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), we provide healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. We are allowed to charge the amount of the premium plus a 2% administration fee to the insured for the actual month covered. Individuals are offered this program for a period of 18 months after the termination date. we had no participants in the program as of August 31, 2022.

10. Donated Services

We are required to provide a local match for its Head Start grant. That local match may be made in cash and/or donated goods and services. Allowable services for grant matching purposes include volunteer hours. Under generally accepted accounting procedures, volunteer services are not recorded as revenues in the financial statements. As a result, donated goods and services reported for grant matching purposes differ from in-kind contributions and expenses reported for financial statement purposes. A reconciliation of the differences follows.

	<u>2022</u>	<u>2021</u>
Rent	\$ 60,111	\$ 90,167
Supplies	40,679	41,935
Food	26,664	5,742
Mental Health Services	3,000	1,680
Total In-Kind Contributions	\$ 130,454	\$ 139,524
Volunteers	11,911	42,535
Total In-Kind Match	<u>\$ 142,365</u>	<u>\$ 182,059</u>

11. Restitution Due to HHS

On April 12, 2005, a former employee pled guilty to a charge of theft and was ordered to pay restitution of \$79,715. The stolen funds were provided under the Organization's Head Start grant. Restitution received from the plaintive are required to be repaid to the U.S. Department of Health and Human Services (HHS). Given the uncertainty of the recovery of the amounts, no receivable has been recorded on our accounts. The Warren County Circuit Clerk is responsible for accounting for, collecting and remitting us the restitution. Upon receipt, we record restitution received as a liability due to HHS and periodically remit the recoveries to the regional office of HHS located in Chicago.



West Central Community Services, Inc.

Notes to Financial Statements

12. Restitution Due to HHS

At August 31, 2022, the amount restitution recovered and due to HHS was as followed:

Original Restitution	\$ 79,715
Recoveries to date	<u>(32,140)</u>
Outstanding Restitution Due	<u>\$ 47,575</u>
Recoveries to Date	\$ 32,140
Remittance to HHS	<u>(30,746)</u>
Amount due to HHS	<u>\$ 1,394</u>

13. Rental Commitments

We lease classroom space in the communities it serves. Terms of the lease agreements are as follows:

Location	Term	Monthly Rental
103 S Western Avenue Abingdon IL	Thru 7/31/2022	\$ 675
199 S 7th Street Oquawka, IL	Thru 8/31/2025	600
277 E Tompkins Street Galesburg IL	Thru 8/31/2024	4,146
51 East Ann Street Knoxville, IL	Thru 7/31/2024	700
527 Iowa Ct Galesburg, IL	Thru 8/31/2023	125
Annual Rent under Leases and agreements		<u>\$ 74,952</u>

14. New Accounting Literature

Upon issuance of exposure drafts or final pronouncements, United Way reviews new accounting literature to determine the relevance, if any, to its business. At August 31, 2022, the following pronouncements relate to our operations:

ASU 2016-13

Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets (including trade receivables) in scope.

The amendments in this Update are effective for our fiscal year beginning September 1, 2022.

ASU 2016-02, ASU 2021-09, and ASU 2021-05

Leases (Topic 842) (as amended) represents a significant overhaul of the accounting treatment for leases. Most leases will now be brought onto an organization's statement of financial position as right to use assets and lease liabilities.

The amendments in this Update are effective for our fiscal year beginning September 1, 2022.



14. New Accounting Literature (Concluded)

ASU 2020-07

Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). This ASU requires presentation of contributed non-financial assets as a separate line item in the state of activities along with disclosure of additional information regarding the asset.

The amendments in this Update are effective for our fiscal year beginning September 1, 2023.

ASU 2021-10

Government Assistance (Topic 832). This ASU increases the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements.

The amendments in this Update are effective for our fiscal year beginning September 1, 2022.

15. Subsequent Events

Information and subsequent events included in these financial statements have been evaluated through September 21, 2022, the date of issuance of the financial statements.

Federal Compliance Section



West Central Community Services, Inc.

Schedule of Expenditures of Federal Awards
Year Ended, August 31, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
<i>Direct Funding</i>			
Head Start	93.600	05CH011223-02 M	\$ 300,556
Head Start	93.600	05CH011223-03 M	2,496,660
Head Start	93.600	05HE001002-01-01 M	200,628
<i>Total U.S. Department of Health and Human Services</i>			\$ 2,997,844
U.S. Department of Agriculture			
<i>Passed through Illinois State Board of Education</i>			
Child and Adult Care Food Program	10.558	33-094-004P-00-21	\$ 29,141
Child and Adult Care Food Program	10.558	33-094-004P-00-22	119,399
			\$ 148,540
Total Expenditures of Federal Awards			\$ 3,146,384

M - Indicates Major Program



West Central Community Services, Inc.

Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) include the federal award activity of West Central Community Services, Inc. under programs of the federal government for the year ended August 31, 2022. 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 West Central Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of West Central Community Services, Inc..

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or 2 CFR 230, Cost Principles for Non-profit Organizations (OMB Circular A-122), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

West Central Community Services, Inc. has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 – Sub-Recipients

Of the federal expenditures presented in this schedule, West Central Community Services, Inc. provided no federal awards to sub-recipients.

Note 5 – Non-Monetary Federal Awards

West Central Community Services, Inc. received no non-monetary federal awards during the year ended August 31, 2022.



West Central Community Services, Inc.

Schedule of Findings and Questioned Costs

1. Summary of Auditor's Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of West Central Community Services, Inc. were prepared in accordance with GAAP.
- b. Significant deficiencies in internal control over financial reporting are reported in the Report on Compliance and Internal Control over Financial Reporting and on Compliance and Other Matters as Finding 2022-001.
- a. No instances of noncompliance material to the financial statements of West Central Community Services, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- b. No reportable conditions were disclosed during the audit of internal control over major federal award programs of West Central Community Services, Inc.
- c. The auditor's report on compliance for the major federal award programs for West Central Community Services, Inc. expresses an unmodified opinion on the Head Start major federal program (Head Start is the only major federal award program).
- d. No instances of noncompliance were disclosed during the audit of compliance over major federal award programs of West Central Community Services, Inc.
- e. The programs tested as major programs included Head Start.
- f. The threshold for distinguishing Types A and B programs was \$750,000.
- g. West Central Community Services, Inc. did not qualify as a low-risk auditee.

2. Findings – Financial Statement Audit

Finding 2022-001 (Repeat Finding)

Condition: Lack of Periodic Reconciliations in Accounting Systems

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) requires smaller entities to maintain the same internal control components for achieving effective internal control over financial reporting as their larger counterparts. Among the seven internal control procedures is a requirement to conduct periodic reconciliations in accounting systems. Occasional accounting reconciliations can ensure that balances in the accounting system match up with balances in accounts held by other entities, including banks, suppliers, and credit customers. Differences between these types of complementary accounts can reveal errors or discrepancies in the accounts, or the errors may originate with the other entities.

Cause of Condition: Lack of proper training in the accounting software.

Potential Effect of Condition: During the course of the audit, adjusting journal entries to asset and liability accounts resulted in a net increase of expenses of \$23,710 and an increase in revenues of \$24,073. While bank accounts were reconciled on a monthly basis, other accounts, including accounts receivable, accounts payable, prepaid expenses, and accrued expenses are not reconciled. While not material in the aggregate, entries increasing expense accounts amounted to \$134,279 while entries reducing expense accounts amounted to \$110,569.

Recommendation: Improvements in this area over the prior year are noted and an internal control of reconciling not only the bank accounts, but also each balance sheet account on a monthly basis and correcting differences as needed has been implemented. We recommend that the Fiscal Officer receive additional training in working with QuickBooks Online, the Organization's bookkeeping system. We further recommend that any consultants contracted have a working knowledge of the Head Start program and accrual basis accounting in addition to a working knowledge of the Organization's bookkeeping software.



West Central Community Services, Inc.

Schedule of Findings and Questioned Costs

Views of Responsible Officials and Planned Corrective Actions: West Central Community Services, Inc. has responded to Findings 2022-001 in an attachment on page 26.



a. Reportable Conditions

Finding 2021-001

Condition: Lack of Periodic Reconciliations in Accounting Systems

Recommendation: An internal control of reconciling not only the bank accounts, but also each balance sheet account on a monthly basis and correcting differences as needed is recommended. We further recommend that the Fiscal Officer receive additional training in working with QuickBooks Online, the Organization's bookkeeping system. We further recommend that any consultants contracted have a working knowledge of the Head Start program and accrual basis accounting in addition to a working knowledge of the Organization's bookkeeping software.

Current Status: This finding has been repeated. While improvements have been noted in this area, additional improvements are required. The use of the consultant in question was terminated and the Agency is currently researching consultants that are qualified in using both QuickBooks online and are familiar with grant accounting.

Audit 2021-2022 Corrective Action Plan
West Central Community Services, Inc.

Grantee Name: West Central Community Services Inc.		Grant #: 05CH011223-03-00				
Repeat Finding	Action Steps:	Person Responsible:	Time Frame:	Resources or Budget Considerations:	Monitoring:	Progress Notes:
2020-001 Lack of Periodic Reconciliations in Accounting Systems	<p>#1. Monthly reconciliation to include reconciling of each balance sheet account and correcting differences as needed.</p> <p>#2. Additional training with QuickBooks Online.</p> <p>#3. Post entries to accounts receivable and accrued expense accounts and reconcile monthly.</p> <p>#4. Utilize Cash Requirements report function in QuickBooks to determine funds needed and amounts required for operations.</p> <p>#5. Monthly review the reconciliation of Head Start funds received to allowable expenses to determine the reasonable of the amounts drawn.</p>	<p>Fiscal Officer Executive Director</p> <p>Fiscal Officer</p> <p>Fiscal Officer</p> <p>Fiscal Officer</p> <p>Fiscal Officer Executive Director</p>	<p>October 2022</p> <p>October 2022 and ongoing</p> <p>November 2022 and ongoing</p> <p>November 2022 and ongoing</p> <p>November 2022 and ongoing</p>	<p>N/A</p> <p>MyPeers Community-Social Network for Early Childhood Professionals & QuickBooks</p>	<p>Monthly and Ongoing</p> <p>Monthly and Ongoing</p> <p>Monthly and Ongoing</p>	<p>This is current practice and will remain WCCS practice.</p> <p>Fiscal Officer currently enrolled in QuickBooks Certification Boot Camp. Schedule included.</p>