



Financial Statements

September 30, 2025

United Community Action Partnership, Inc.
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Independent Auditor's Report

Board of Directors
United Community Action Partnership, Inc.
Marshall, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Community Action Partnership, Inc., which comprise the statement of financial position as of September 30, 2025, 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 accompanying financial statements present fairly, in all material respects, the financial position of United Community Action Partnership, Inc. as of September 30, 2025, 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 of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Community Action Partnership, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Agency identified an error in the classification of certain donor-restricted grants that resulted in an overstatement of net assets without donor restrictions and an understatement of net assets with donor restrictions as of October 1, 2024. Accordingly, the beginning net assets have been restated to correct this error. Our opinion is not modified with respect to this matter.

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 United Community Action Partnership, Inc.'s ability to continue as a going concern for one year after the date that the financial statements were 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Community Action Partnership, 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 United Community Action Partnership, 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* (Uniform Guidance) 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 February 26, 2026 on our consideration of United Community Action Partnership, 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 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 effectiveness of United Community Action Partnership, 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 United Community Action Partnership, Inc.'s internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
February 26, 2026

United Community Action Partnership, Inc.
Statement of Financial Position
As of September 30, 2025

Assets

Current assets

Cash and cash equivalents	\$ 4,266,920
Restricted cash - unemployment insurance	132,214
Certificate of deposit	189,334
Investments	119,297
Grants receivable	2,680,305
Accounts receivable	266,212
Health insurance stop-loss receivable	294,199
Current portion of land contracts receivable	85,434
Inventory	919,608
Prepaid expenses	398,062
Total current assets	9,351,585

Property and equipment, net	15,951,797
Right-of-use asset - operating leases	1,565,799
Land contracts receivable, net	624,348

Total assets	\$ 27,493,529
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Liabilities and Net Assets

Current liabilities

Current maturities of long-term debt	\$ 42,746
Accounts payable and other liabilities	1,464,528
Funds held for other agencies - fiscal agent	36,550
Escrow accounts held for others	151,810
Accrued payroll and related expenses	1,088,403
Accrued vacation and sick time	1,290,458
Current portion of operating lease liabilities	464,608
Refundable advances	1,089,530
Total current liabilities	5,628,633

Long-term liabilities

Long-term debt, net	757,159
Operating lease liabilities	1,120,475
Total liabilities	7,506,267

Net assets

Net assets without donor restrictions	11,072,012
Net assets with donor restrictions	8,915,250
Total net assets	19,987,262

Total liabilities and net assets	\$ 27,493,529
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See notes to financial statements.

United Community Action Partnership, Inc.
Statement of Activities
Year Ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Grant revenue	\$ 32,104,749	\$ 4,941,428	\$ 37,046,177
Contributions	3,232	452,718	455,950
In-kind contributions	1,598,966	-	1,598,966
Program income	602,224	-	602,224
Contract revenue	963,833	-	963,833
Sale of single-family homes	1,033,000	-	1,033,000
Other revenue	103,060	-	103,060
Net assets released from restriction	1,893,861	(1,893,861)	-
Total revenue	<u>38,302,925</u>	<u>3,500,285</u>	<u>41,803,210</u>
Expenses			
Program services	33,691,350	-	33,691,350
Management and general	2,256,396	-	2,256,396
Fundraising	4,062	-	4,062
Total expenses	<u>35,951,808</u>	<u>-</u>	<u>35,951,808</u>
Change in net assets	2,351,117	3,500,285	5,851,402
Net Assets			
Beginning of the year	<u>8,720,895</u>	<u>5,414,965</u>	<u>14,135,860</u>
End of the year	<u>\$ 11,072,012</u>	<u>\$ 8,915,250</u>	<u>\$ 19,987,262</u>

United Community Action Partnership, Inc.
Statement of Functional Expenses
Year Ended September 30, 2025

	Program Services										
	Head Start	Transportation	Community Service and Family Development	Housing and Rehabilitation	Weatherization and Energy Assistance	Food Programs	Other Programs	Total	Management and General	Fundraising	Total
Wages and related expenses	\$ 7,497,481	\$ 3,346,953	\$ 4,098,819	\$ 190,754	\$ 767,691	\$ 86,203	\$ 582,053	\$ 16,569,954	\$ 1,891,309	\$ 26	\$ 18,461,289
Contracted services	315,162	95,701	207,225	10,462	81,850	2,699	37,705	750,804	180,467	-	931,271
Occupancy	953,781	170,326	215,937	10,737	29,021	40,607	30,871	1,451,280	1,686	106	1,453,072
Training, meetings, and travel	82,977	22,939	153,425	6,233	28,256	4,104	14,018	311,952	12,438	-	324,390
Depreciation	297,403	538,237	61,057	8,995	14,902	37,790	19,200	977,584	367	-	977,951
Supplies and communication	257,148	231,360	418,485	10,373	46,030	21,012	11,380	995,788	79,471	3,338	1,078,597
Vehicle expenses	66,630	599,521	96,775	29,113	3,905	6,713	17,165	819,822	254	-	820,076
Direct participant benefits	331,530	567,710	4,368,101	3,220,782	1,889,749	932,941	16,232	11,327,045	-	-	11,327,045
Other expenses	167,696	16,310	52,516	49,498	6,198	112,507	82,396	487,121	90,404	592	578,117
Program support allocation	(300,955)	-	(237,509)	-	-	-	538,464	-	-	-	-
Total expenses	\$ 9,668,853	\$ 5,589,057	\$ 9,434,831	\$ 3,536,947	\$ 2,867,602	\$ 1,244,576	\$ 1,349,484	\$ 33,691,350	\$ 2,256,396	\$ 4,062	\$ 35,951,808

United Community Action Partnership, Inc.
Statement of Cash Flows
Year Ended September 30, 2025

Cash Flows - Operating Activities

Change in net assets	\$ 5,851,402
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	977,951
Amortization of debt issuance costs	10,318
Amortization of operating leases	533,361
Donated inventory	6,887
Change in discount on land contracts receivable	(107,090)
Unrealized gain on investments	(36,809)
Reinvested interest earned on certificate of deposit	(5,175)
Reinvested dividends and capital gains on investment	(1,298)
Grants restricted for long-term purposes	(3,368,009)
Gain on sale of property and equipment	(41,776)
Changes in operating assets and liabilities	
Grants receivable	1,955,339
Accounts receivable	(233,809)
Health insurance receivable	1,137
Inventory	959,938
Operating leases	(503,240)
Prepaid expenses	79,931
Accounts payable and other liabilities	(145,162)
Funds held for other agencies - fiscal agent	(15,220)
Escrow accounts held for others	81,780
Accrued payroll and related expenses	89,209
Accrued vacation and sick time	89,732
Refundable advances	(1,587,158)
Net cash flows - operating activities	4,592,239

Cash Flows - Investing Activities

Purchases of property and equipment	(8,071,041)
Proceeds from sale of property and equipment	84,760
Payments received on land contracts receivable	85,433
Net cash flows - investing activities	(7,900,848)

United Community Action Partnership, Inc.
Statement of Cash Flows
Year Ended September 30, 2025

Cash Flows - Financing Activities

Borrowings on line of credit	\$ 100,000
Payments on line of credit	(500,000)
Principal payments on long-term debt	(943,254)
Grants restricted for long-term purposes	3,368,009
Net cash flows - financing activities	<u>2,024,755</u>

Net change in cash and cash equivalents and restricted cash (1,283,854)

Cash and Cash Equivalents and Restricted Cash

Beginning of the year	<u>5,682,988</u>
End of the year	<u><u>\$ 4,399,134</u></u>

Reconciliation to Statement of Financial Position

Cash and cash equivalents	\$ 4,266,920
Restricted cash - unemployment insurance	<u>132,214</u>
Total cash and cash equivalents and restricted cash	<u><u>\$ 4,399,134</u></u>

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	\$ 80,152
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash outflows from operating leases	629,745
Property and equipment included in accounts payable and other liabilities	143,017

Supplementary Disclosure of Noncash Investing and Financing Activities

Lease modification - reduced term	\$ 1,159,188
ROU assets obtained in exchange for operating lease liabilities	674,595

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

United Community Action Partnership, Inc. (the Agency) is a nonprofit organization established under the Federal Economic Opportunity Act of 1964 (the Act). The Act empowers community action agencies to address the causes and conditions of poverty at the local level. The Agency's primary service area includes the nine Minnesota Counties (Cottonwood, Jackson, Kandiyohi, Lincoln, Lyon, McLeod, Meeker, Redwood and Renville), but also provides programs and services in the counties of Murray, Nobles, Pipestone and Rock. The Agency offers innovative programs and services to address meeting basic needs, comprehensive child and family development, transportation services, affordable housing solutions, emergency services, community economic development projects, weatherization, energy efficiency, asset-building, financial literacy, child development, and services and opportunities for people with disabilities. The Agency operates with a combination of federal, state, and local funding.

Accounting Estimates

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

Cash Equivalents

Cash equivalents are recorded at cost plus accrued interest. The Agency has elected to participate in a sweep account with one bank. The Agency sweeps cash daily into a repurchase agreement whereby the Agency owns a secured interest in securities sold by the bank. The securities, which consist of government bonds, had a fair value of \$3,812,597 as of September 30, 2025.

Restricted Cash - Unemployment Insurance

The Agency reimburses the State of Minnesota for unemployment payments as allowed by the State of Minnesota statute. The Agency utilizes an outside vendor to manage claims and reimburse the State of Minnesota for actual unemployment claims paid. The Agency makes estimated quarterly payments from corporate funds to the outside vendor to cover estimated claims and to build a reserve for future unemployment claims. The amount of funds held by the outside vendor are shown as restricted cash.

Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value.

Grants Receivable

Grants receivable are government and pass-through grant proceeds received subsequent to September 30, 2025 and specifically allocated to the Agency's operations for 2025. No allowance is deemed necessary due to the nature of the government grants.

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

Approximately one-third of the Agency's employees are members of the Minnesota Council 65, of the American Federation of State, County and Municipal Employees, AFL-CIO, Union #3444.

The Agency is subject to a degree of vulnerability due to concentrations of revenue from major funding sources. Federal grant revenue from the U.S Department of Health and Human Services for the Head Start program was 23% of total revenue for the Agency during 2025.

Land Contracts Receivable

The Agency received funding from the Minnesota Housing Finance Agency (MHFA) for the Minnesota Urban and Rural Housing Program (MURL). The program provides funding for the acquisition and rehabilitation of single-family homes. The purchase and rehabilitation of homes are recorded as inventory. The homes are sold on the basis of no-interest installment loans, and revenue is recognized for the sale price of the home. Any loans repaid are a reduction in land contracts receivable. The land contracts receivable has been discounted at the prevailing market rate at the inception of the mortgage. There is no allowance provided on these loans, since any uncollectible loan would be secured by the property.

Inventory

Donated inventory is recorded at management's estimate of fair value at date of donation. The Agency constructs quality affordable housing for income eligible homebuyers using funds financed with Minnesota Housing Finance Agency. Single family homes inventory is held for sale and is stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, and disposal. The inventory of MURL homes not sold, if any, is recorded at the lower of cost or net realizable value.

Property and Equipment

Property and equipment are recorded at cost, or at fair value when donated, and are depreciated using the straight-line method over their estimated useful lives. Beginning October 1, 2024, following the OMB Uniform Guidance revision, the Agency defines property and equipment as items with a unit cost of **\$10,000 or more** and a useful life of more than one year. Items that were capitalized before October 1, 2024, with a value below \$10,000 will continue to be treated as property and equipment until they are fully depreciated; once fully depreciated, they will no longer be classified as property and equipment. If a federal agency does not adopt the revised OMB Uniform Guidance, the Agency will continue to apply the prior threshold, treating items purchased with grant funds (including pass-through grants) as property and equipment if they have a unit cost of **\$5,000 or more** and a useful life of more than one year.

Property and equipment purchased with grant funds are owned by the Agency 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.

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

The Agency records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the year ended September 30, 2025.

Leases

The Agency recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Agency does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Agency are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Agency has elected the practical expedients (1) to discount the lease liability using the risk-free rate for all classes of assets, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components for all class of assets.

Net Assets

Net assets and revenues 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:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor or 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 that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. 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.

Revenue Recognition

Grant revenue and contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of September 30, 2025, conditional contributions approximating \$18,000,000, for which \$1,089,530 had been received in advance, have not been recognized in the accompanying financial statements.

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Program income includes fare box revenue for public transit bus services, housing environment services, and client rent for HUD Permanent Supportive Housing grants.

Public bus fares are collected at the time of the ride and recorded as revenue. Public fare rates are fixed annually by service (i.e. city bus, rural bus, volunteer drivers, etc.) and are subject to change if special grant funds from various sources are sought to reduce fare costs for passengers and to increase transit operations/options. Public bus fare revenue totaled \$416,460 for the year ended September 30, 2025.

Housing environment service revenue is recognized after the project is completed. Services are billed within 30 days of completing the project and payment is typically received within 30 days of billing. Housing environment service revenue totaled \$10,860 for the year ended September 30, 2025.

The majority of the remaining program income is from client rents for HUD Permanent Supportive Housing grants where the leases are in the Agency's name. The Agency pays the landlord the full amount of the monthly rent, and the client pays the Agency their monthly share of rent, which is classified as program income.

Contract revenue is recognized over time for providing transportation services under agreements with other entities. Pricing is determined on a contract-by-contract basis at fixed rates. Contract revenue is recorded in the period the transportation service is provided and billed within 30 days after the month of service. Payment is typically received within 30 to 60 days.

Sale of single-family homes revenue is recognized and collected at a point in time, at the date of the sale. Sales price is based on the contract.

In-Kind Contributions

Donated space is reported at the fair rental value of comparable space, as established by an independent appraiser. Donated vehicles are recorded based on blue book value. Goods donated to the food programs are recorded based on a per pound annual valuation from Feeding America. Thrift store goods donated to the Agency are sold and recorded at the price received, which represents the fair market value. Donated supplies are valued based on the cost of similar items.

Contributions of services are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services include salary and fringe benefit rates and are consistent with rates paid for similar work.

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the Agency's cost allocation plan. Some expenses allocated include:

- Salaries and wages - based on number of program employees or number of fiscal transactions
- Space rent and utilities - based on occupied square footage
- Supplies and communication - based on employee count
- Vehicle expenses - based on actual mileage

Program support expenses represent program costs that were funded by the Community Services Block Grant (CSBG) and the Minnesota Community Action Grant (MCAG).

Tax Status

The Agency is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code.

Subsequent Events

The Agency has evaluated subsequent events through February 26, 2026, the date which the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following as of September 30, 2025:

Cash and cash equivalents	\$ 4,266,920
Certificate of deposit	189,334
Investments	119,297
Grants receivable	2,680,305
Accounts receivable	266,212
Health insurance receivable	294,199
Current portion of land contracts receivable	85,434
Total financial assets	<u>7,901,701</u>
Less funds held for other agencies - fiscal agent	36,550
Less escrow accounts held for others	151,810
Less net assets with donor restrictions, excluding CIP	<u>4,672,822</u>
Total financial assets available for general expenditures	<u><u>\$ 3,040,519</u></u>

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 2 - LIQUIDITY AND AVAILABILITY (CONTINUED)

The Agency structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Agency invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

NOTE 3 - LAND CONTRACTS RECEIVABLE

Land contracts receivable consisted of the following as of September 30, 2025:

Land contracts receivable	\$ 883,457
Less discount at 5%	173,675
Land contracts receivable, net	709,782
Less current portion of land contracts receivable	85,434
Land contracts receivable	\$ 624,348

The unamortized discount is the difference between the face amount of the land contract and its present value discounted at a compound interest rate. The discount is amortized over the life of the land contract.

NOTE 4 - INVENTORY

Inventory consisted of the following as of September 30, 2025:

Thrift store	\$ 32,944
Donated vehicles	20,338
Donated food inventory	35,749
Single-family homes	629,843
MURL homes, net discount allowance of \$76,234	200,734
Total inventory	\$ 919,608

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2025:

Land	\$ 746,235
Buildings and building improvements	11,845,005
Equipment	7,976,557
Construction in progress	4,242,428
Less accumulated depreciation	<u>8,858,428</u>
Property and equipment, net	<u><u>\$ 15,951,797</u></u>

NOTE 6 - LONG-TERM DEBT

Long-term debt consisted of the following as of September 30, 2025:

Note payable to Southwest Minnesota Housing Partnership at 0% interest, with a one-time payment due upon maturity. The loan matures in August 2049 and is secured by real estate.	\$ 17,023
Note payable to Old National Bank (Senior Lender) at 3.11% interest, with interest only monthly payments through March 1, 2020, then monthly payments of \$5,620. The interest rate will be adjusted October 1, 2029, and October 1, 2034. The loan matures in August 2039 with a balloon payment and is secured by real estate.	811,720
Note payable to Kandiyohi County HRA at 0% interest. The loan is forgivable after 7 years (June 2029) as long as the property is held by the Agency, and is secured by real estate.	<u>40,000</u>
Total	868,743
Less unamortized discount and debt issuance costs, net	68,838
Less current portion	<u>42,746</u>
Long-term notes payable	<u><u>\$ 757,159</u></u>

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt are as follows for the years ending September 30:

2026		\$	42,746
2027			44,124
2028			45,516
2029			86,952
2030			48,433
Thereafter			600,972
Total		\$	868,743

The Agency has access to a \$900,000 loan from the Minnesota Housing Finance Agency solely to assist with the construction of single-family homes. The loan is available through October 31, 2027, or for 90 days after the final home is conveyed to an owner-occupant household; the interest rate is 6.5% and is secured by undisbursed contract funds and substantially all assets of the Agency. The Agency did not access the loan as of September 30, 2025.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for a specific purpose consisted of the following as of September 30, 2025:

Construction in progress - food shelf facility and emergency shelter	\$	4,242,428
Transportation		1,995,734
Community Service and Family Development		1,382,687
Housing and Rehabilitation		600,090
Weatherization and Energy Assistance		164,781
Food Programs		529,530
Total net assets with donor restrictions	\$	8,915,250

Net assets released from donor restrictions are as follows for the year ended September 30, 2025:

Head Start	\$	62,563
Transportation		61,721
Community Service and Family Development		943,193
Housing and Rehabilitation		81,656
Weatherization and Energy Assistance		154,713
Food Programs		176,015
Total net assets released from donor restrictions	\$	1,479,861

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 8 - IN-KIND CONTRIBUTIONS

Contributed nonfinancial assets utilized by programs are as follows for the year ending September 30, 2025:

	<u>Head Start</u>	<u>Food Programs</u>	<u>Other Programs</u>	<u>Total</u>
Services	\$ 62,386	\$ -	\$ -	\$ 62,386
Space	416,580	-	-	416,580
Food	-	943,040	-	943,040
Thrift store goods	-	-	155,913	155,913
Vehicles	-	-	16,583	16,583
Supplies	4,464	-	-	4,464
	<u>\$ 483,430</u>	<u>\$ 943,040</u>	<u>\$ 172,496</u>	<u>\$ 1,598,966</u>

There were donor restrictions on certain in-kind contributions, such as food contributions and vehicles to be used in the Agency's programs. All donor restrictions for in-kind contributions were released within the same year and therefore shown as without donor restrictions.

NOTE 9 - RETIREMENT PLAN

The Agency sponsors a 401(k) retirement plan. Eligible employees may contribute a portion of their wages to the plan up to the maximum allowed per IRS regulations. The Agency matches up to 5% of the employee's eligible compensation, for which such employer contributions totaled \$335,489 for the year ended September 30, 2025.

NOTE 10 - OPERATING LEASES

The Agency has operating leases for certain building space. Payments under these lease agreements are all fixed.

Lease costs for the year ended September 30, 2025 were as follows:

Operating lease costs	\$ 634,446
Short-term and variable lease costs	<u>258,931</u>
Total lease costs	<u>\$ 893,377</u>

As of September 30, 2025, operating leases had a weighted average remaining lease term of 81 months, and the weighted average discount rate was 4.09%.

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 10 - OPERATING LEASES (CONTINUED)

Future minimum lease payments under non-cancellable lease agreements are as follows as of September 30:

2026		\$ 514,354
2027		294,440
2028		190,099
2029		165,907
2030		114,620
Thereafter		547,385
	Total lease payments	1,826,805
	Less amounts representing interest	241,722
	Present value of lease liabilities	\$ 1,585,083

NOTE 11 - CONTINGENCIES AND COMMITMENTS

Federal and State Government Awards

Financial awards from federal and state governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Agency for disallowed costs or noncompliance with grantor restrictions.

Health Insurance

The Agency maintains a self-insured employee health insurance plan which insures covered employees and their families for approved claims. The Agency is liable for claims up to the individual maximum annual claim amount of \$50,000 and an aggregate amount. The Agency has recorded a receivable of \$294,199 for reimbursement of claims paid in excess of the plan's individual and aggregate limits as of September 30, 2025. The Agency has recorded a payable of \$172,957 for claims incurred prior to September 30, 2025.

Claims

The Agency is subject to claims arising in the normal course of business. While it is not feasible to determine the outcome of any of these claims, it is the opinion of management that their outcomes will not have a material adverse effect on the financial position or operations of the Agency.

Food Shelf Facility

In January 2024, the Agency was awarded a grant from the State of Minnesota Department of Human Services totaling \$1,600,000 for food shelf facility planning/design, acquisition, and/or renovation through June 2027. The Agency has purchased land for \$100,000 and a building for \$440,426 as of September 30, 2025. Total renovations completed and included in construction in process totaled \$103,154 as of September 30, 2025.

United Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 12 - RECLASSIFICATION OF NET ASSETS

During the year ended September 30, 2025, the Agency identified a restatement necessary to the beginning net assets classifications. As a result, the Agency increased net assets with donor restrictions and decreased net assets without donor restrictions by \$2,387,930 for grants restricted for the construction of the Emergency Shelter facility (\$434,000) and Food Shelf (\$420,426), which was not placed in service as of October 1, 2024 and for the government transit reserve (\$1,533,504). This reclassification had no effect on total net assets as of October 1, 2024.

SUPPLEMENTARY INFORMATION

**United Community Action Partnership, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025**

Federal Grantors/Program or Cluster Title/Project Name/ Pass-Through Identification Number	Assistance Listing Number	Funding Source	Program Period	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture					
Child and Adult Care Food Program N/A	10.558	MN Dept. of Education	10/01/24-09/30/25	\$ -	\$ 394,437
SNAP Cluster					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Outreach 2025 GRK%219986	10.561	MN Dept. of Human Services	10/01/24-09/30/25	-	258,254
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Outreach 2025 GRK%219437	10.561	MN Dept. of Human Services	10/01/24-09/30/25	-	935
Total Federal Expenditures SNAP Cluster and Assistance Listing Number 10.561				-	259,189
Food Distribution Cluster:					
Emergency Food Assistance Program (Food Commodities) N/A	10.569	Second Harverst - St Paul Food Bank	10/01/24-09/30/25	-	213,372
Total U.S. Department of Agriculture				-	866,998
U.S. Department of Housing and Urban Development					
Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii					
Small Cities - Jackson CDAP-21-0056-O-FY23	14.228	MN Dept. of Employment and Economic Development	11/07/22-12/01/25	-	83,277
Small Cities - Watkins CDAP-23-0035-O-FY24	14.228	MN Dept. of Employment and Economic Development	09/01/23-09/30/26	-	258,505
Small Cities - Sacred Heart CDAP-23-0036-O-FY24	14.228	MN Dept. of Employment and Economic Development	09/01/23-09/30/26	-	100,542
Small Cities - Tracy CDAP-23-0034-O-FY24	14.228	MN Dept. of Employment and Economic Development	09/01/23-09/30/26	-	403,204
Small Cities - Lakefield CDAP-20-0023-O-FY21	14.228	MN Dept. of Employment and Economic Development	08/24/21-12/31/25	-	251,849
Total Federal Expenditures Assistance Listing Number 14.228				-	1,097,377
Emergency Solutions Grant Program					
Emergency Solutions Grant Re-housing GRK%233027	14.231	MN Dept. of Human Services	07/01/23-06/30/25	-	154,003
Emergency Solutions Grant Re-housing GRK%233027	14.231	MN Dept. of Human Services	07/01/25-06/30/27	-	32,156
Total Federal Expenditures Assistance Listing Number 14.231				-	186,159
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants					
Meeker County Emergency Shelter Program Facility B-23-CP-MN-0851	14.251	U.S. Dept. of Housing and Urban Development	11/01/23-08/31/31	-	2,588
Continuum of Care Program					
HUD Supportive Housing Program Consolidated MN0143L5K112414	14.267	U.S. Dept. of Housing and Urban Development	06/01/25-05/31/26	-	74,206
HUD Supportive Housing Program Consolidated MN0143L5K112313	14.267	U.S. Dept. of Housing and Urban Development	06/01/24-05/31/25	-	282,984
HUD Supportive Housing - Southwest PSH MN0224L5K112309	14.267	U.S. Dept. of Housing and Urban Development	06/01/24-05/31/25	-	27,556
HUD Supportive Housing - Lease Combined MN0224L5K112410	14.267	U.S. Dept. of Housing and Urban Development	06/01/25-05/31/26	-	72,799
HUD Supportive Housing - Lease Combined MN0146L5K112316	14.267	U.S. Dept. of Housing and Urban Development	07/01/24-06/30/25	-	192,681
HUD Domestic Violence Rapid Re-housing MN0439D5K112406	14.267	U.S. Dept. of Housing and Urban Development	10/01/24-09/30/25	47,930	248,519
HUD Supportive Housing - Rural Set Aside MN0556R5K112200	14.267	U.S. Dept. of Housing and Urban Development	11/01/23-10/31/26	-	163,164
HUD Supportive Housing - Westwinds Townhomes MN0185L5K112312	14.267	U.S. Dept. of Housing and Urban Development	11/01/24-10/31/25	-	74,321
Total Federal Expenditures Assistance Listing Number 14.267				47,930	1,136,230
Total U.S. Department of Housing and Urban Development				47,930	2,422,354

**United Community Action Partnership, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025**

Federal Grantors/Program or Cluster Title/Project Name/ Pass-Through Identification Number	Assistance Listing Number	Funding Source	Program Period	Passed through to Subrecipients	Federal Expenditures
U.S. Department of State					
U.S. Refugee Admissions Program N/A	19.510	U.S. Conference of Catholic Bishops (USCCB)	01/01/24-09/30/25	\$ -	\$ 61,254
U.S. Department of Transportation					
Formula Grants for Rural Areas and Tribal Transit Program Transit Program #1048102	20.509	MN Dept. of Transportation	01/01/24-12/31/24	-	401,641
Formula Grants for Rural Areas and Tribal Transit Program Transit Operating Assistance #1048102	20.509	MN Dept. of Transportation	01/01/25-12/31/25	-	537,501
Total Federal Expenditures Assistance Listing Number 20.509				-	939,142
Enhanced Mobility of Seniors and Individuals with Disabilities 2023 Regional Transportation Coordinating C Council - Grant #1047205	20.513	MN Dept. of Transportation	07/01/23-06/30/25	-	73,563
Enhanced Mobility of Seniors and Individuals with Disabilities 2023 Regional Transportation Coordinating Council - Grant #1047205	20.513	MN Dept. of Transportation	07/01/25-06/30/26	-	24,350
Total Federal Expenditures Assistance Listing Number 20.513				-	97,913
Total U.S. Department of Transportation				-	1,037,055
U.S. Department of Treasury					
Volunteer Income Tax Assistance (VITA) Matching Grant Program - 25VITA0004	21.009	U.S. Department of Treasury	10/01/24-09/30/25	-	78,680
U.S. Department of Energy					
Weatherization Assistance of Low-Income Persons WAP Serc II #251165/18802 - DE-EE0009910	81.042	MN Dept. of Commerce	07/01/24-06/30/25	-	15,900
WAP Serc II #271112/20528 - DE-EE0009910	81.042	MN Dept. of Commerce	07/01/25-09/30/25	-	25,887
WAP E&I #251165/18802 - DE-EE0010266	81.042	MN Dept. of Commerce	07/01/24-06/30/25	-	104,434
WAP E&I #271112/20528 - DE-EE0010266	81.042	MN Dept. of Commerce	07/01/25-06/30/26	-	391
WAP DOE A2500 (Carryover) #271112/20528 - DE-EE0009910	81.042	MN Dept. of Commerce	08/26/25-09/30/25	-	37,828
WAP DOE A2500 #251165/18802 - DE-EE0009910	81.042	MN Dept. of Commerce	07/01/24-06/30/25	-	747,161
WAP IIJA #271112/20528 - DE-EE0009995	81.042	MN Dept. of Commerce	07/01/25-06/30/26	-	54,846
WAP BIL #251165/18802 - DE-EE0009995	81.042	MN Dept. of Commerce	07/01/24-06/30/25	-	205,403
Total Federal Expenditures Assistance Listing Number 81.042				-	1,191,850
U.S. Department of Health and Human Services					
Aging Cluster Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers Title III-B #316-22-003B-068	93.044	Minnesota River Area Agency on Aging	01/01/25-12/31/25	-	37,043
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers Title III-B #316-22-003B-068	93.044	Minnesota River Area Agency on Aging	01/01/24-12/31/24	-	6,229
Total Federal Expenditures Aging Cluster and Assistance Listing Number 93.044				-	43,272
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchange MNSure Consumer Assistance Partner N/A	93.525	MN Dept. of Human Services	10/01/24-09/30/25	-	4,100
Refugee and Entrant Assistance State/Replacement Designee Administered Programs Resettlement Network Services - Family Education Supports Contract # 258438	93.566	MN Dept. of Commerce	10/08/24-09/30/26	17,370	53,315
Resettlement Network Services - Family Resource Connections Contract # 258470	93.566	MN Dept. of Commerce	10/10/24-09/30/26	-	62,920
Resettlement Network Services - Community Workshops Contract # 259176	93.566	MN Dept. of Commerce	10/24/24-09/30/26	-	49,301
Total Federal Expenditures Assistance Listing Number 93.566				17,370	165,536

**United Community Action Partnership, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025**

Federal Grantors/Program or Cluster Title/Project Name/ Pass-Through Identification Number	Assistance Listing Number	Funding Source	Program Period	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
Low-Income Home Energy Assistance					
2025 Low-Income Home Energy Assistance Program #2503MNLiEA-1563	93.568	MN Dept. of Commerce	10/01/24-09/30/25	\$ -	\$ 540,750
EAPWX A2124 #271112/20528-2503MNLiEA	93.568	MN Dept. of Commerce	07/01/25-06/30/26	-	103,081
EAPWX A2122 #251165/18802/2402MNLiEA	93.568	MN Dept. of Commerce	07/01/24-06/30/25	-	507,143
LIHEAP Direct Payments Program #2503MNLiEA-156	93.568	MN Dept. of Commerce	10/01/24-09/30/25	-	3,611,702
EAPWX A2122 Carry Over #271112/20528 - 2402MNLiEA	93.568	MN Dept. of Commerce	07/01/25-09/30/25	-	100,452
Total Federal Expenditures Assistance Listing Number 93.568				-	4,863,128
Community Services Block Grant					
2023-2025 Community Services Block Grant Grant Contract # 229579	93.569	MN Dept. of Human Services	10/01/23-12/31/25	-	348,554
2024-2025 Community Services Block Grant - Disaster Relief Discretionary - Grant Contract # 252595	93.569	MN Dept. of Human Services	07/15/24-04/30/25	-	23,014
2025 Community Services Block Grant - Flood Relief Discretionary - Grant Contract # 252595	93.569	MN Dept. of Human Services	06/01/25-09/30/25	-	10,000
MNCAP Discretionary Sub-Grant N/A	93.569	Minnesota Community Action Partnership	09/01/25-12/31/25	-	10,000
Total Federal Expenditures Assistance Listing Number 93.569				-	391,568
CCDF Cluster					
Child Care and Development Block Grant					
Child Care Assistance Program Grant #251828	93.575	MN Dept. of Human Services	07/01/24-06/30/25	-	33,198
Child Care Assistance Program Grant #251828	93.575	MN Dept. of Human Services	07/01/25-06/30/26	-	10,863
Family Friends Neighbor (FFN) Caregiver Grant #237239	93.575	MN Dept. of Human Services	10/01/25-06/30/26	-	36,507
Family Friends Neighbor (FFN) Caregiver Grant #237239	93.575	MN Dept. of Human Services	10/01/24-06/30/25	-	74,412
Total Federal Expenditures Assistance Listing Number 93.575				-	154,980
Child Care Mandatory and Matching Funds of The Child Care and Development Fund					
2025-2027 Child Care Aware Baseline Grant #275375	93.596	MN Dept. of Human Services	07/01/25-06/30/26	-	118,814
2023-2025 Child Care Aware Baseline Grant #197015	93.596	MN Dept. of Human Services	07/01/24-06/30/25	-	375,981
Total Federal Expenditures Assistance Listing Number 93.596				-	494,795
Total Federal Expenditures CCDF Cluster				-	649,775
Head Start Cluster					
Head Start					
Head Start 05CH01250701	93.600	U.S. Dept. of Health and Human Services	03/01/24-02/28/25	-	1,969,168
Head Start 05CH01250702	93.600	U.S. Dept. of Health and Human Services	03/01/25-02/28/26	-	2,939,220
Early Head Start 05CH01250701	93.600	U.S. Dept. of Health and Human Services	03/01/24-02/28/25	-	901,613
Early Head Start 05CH01250702	93.600	U.S. Dept. of Health and Human Services	03/01/25-02/28/26	-	1,214,862
Head Start\Early Head Start - Supplemental Bright Lights Purchase 05WH00006701	93.600	U.S. Dept. of Health and Human Services	09/30/24-09/29/26	-	2,460,000
Head Start\Early Head Start - Supplemental Health & Safety 05CH01250701	93.600	U.S. Dept. of Health and Human Services	03/01/24-02/28/25	-	60,698
Total Federal Expenditures for Head Start Cluster and Assistance Listing Number 93.600				-	9,545,561
Medicaid Cluster:					
Medical Assistance Program N/A	93.778	MN Dept. of Human Services	10/01/24-09/30/25	-	37,300
Total U.S. Department of Health and Human Services				17,370	15,700,240
U.S. Department of Homeland Security					
Emergency Food and Shelter National Board Program					
Cottonwood/Lincoln/Jackson/Redwood Counties EFSP 39-4859-15 Phase 39	97.024	U.S. Dept. of Homeland Security	10/01/24-09/30/25	-	1,420
Lyon County EFSP 39-4990-00 Phase 39	97.024	U.S. Dept. of Homeland Security	10/01/24-09/30/25	-	981
McLeod County EFSP 39-4992-00 Phase 39	97.024	U.S. Dept. of Homeland Security	10/01/24-09/30/25	-	2,712
Nobles County EFSP 39-5012-00 Phase 39	97.024	U.S. Dept. of Homeland Security	10/01/24-09/30/25	-	1,277
Total Federal Expenditures Assistance Listing Number 97.024				-	6,390
Total Expenditures of Federal Awards				\$ 65,300	\$ 21,364,821

See notes to schedule of expenditures of federal awards.

United Community Action Partnership, Inc.
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of United Community Action Partnership, Inc. under programs of the federal government for the year ended September 30, 2025. 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 United Community Action Partnership, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of United Community Action Partnership, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting, which conform to accounting principles generally accepted in the United States of America. 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.

NOTE 3 - INDIRECT COST RATE

United Community Action Partnership, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. For awards issued after October 1, 2024, United Community Action Partnership, Inc. has elected not to use the 15-percent de minimis rate allowed.

NOTE 4 - ENERGY ASSISTANCE DIRECT PAYMENTS

Included in assistance listing number 93.568 are client benefits paid directly by the State of Minnesota of \$3,611,702. These expenditures are not included in the statement of activities.

NOTE 5 - PASS-THROUGH ENTITY IDENTIFICATION NUMBERS

Several of the programs, grants and/or awards included in the Schedule are missing the pass-through entity identification numbers. The missing numbers are due to the pass-through entities not providing the pass-through entity identification numbers.



**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
United Community Action Partnership, Inc.
Marshall, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of United Community Action Partnership, Inc., which comprise the statement of financial position as of September 30, 2025, 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 February 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Community Action Partnership, 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 United Community Action Partnership, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Community Action Partnership, 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 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. 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Community Action Partnership, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
February 26, 2026



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

Board of Directors
United Community Action Partnership, Inc.
Marshall, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited United Community Action Partnership, 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 United Community Action Partnership, Inc.'s major federal programs for the year ended September 30, 2025. United Community Action Partnership, 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, United Community Action Partnership, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 United Community Action Partnership, 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 United Community Action Partnership, 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 United Community Action Partnership, 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 United Community Action Partnership, 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about United Community Action Partnership, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding United Community Action Partnership, 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 United Community Action Partnership, 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 United Community Action Partnership, 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 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 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
February 26, 2026

**United Community Action Partnership, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2025**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Federal Programs

Assistance Listing Number	93.600
Name of Federal Program	Head Start Cluster
Dollar threshold used to distinguish between type A and type B programs?	\$1,000,000
Auditee qualified as low-risk auditee	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.