Semcac

People Are Our Business

Financial Statements

September 30, 2025 and 2024

SEMCAC
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Independent Auditor's Report

To the Board of Directors
SEMCAC
Rushford, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SEMCAC, which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SEMCAC as of September 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 SEMCAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SEMCAC'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 SEMCAC'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 SEMCAC'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 a report dated August 13, 2026, on our consideration of SEMCAC'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 the effectiveness of SEMCAC'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 SEMCAC's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
August 13, 2026

SEMCAC
Statements of Financial Position
As of September 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 1,031,834	$ 793,092
Accounts receivable	559,036	855,590
Contributions and grants receivable	4,698,428	5,140,449
Co-op patronage receivable, net	79,954	79,954
Notes receivable	59,743	66,583
Prepaid expenses	259,457	286,715
Inventory	28,415	31,595
Other assets	5,080	50,527
Property and equipment, net	4,850,889	4,340,501
Right-of-use assets - operating leases	526,744	830,491
Total assets	$ 12,099,580	$ 12,475,497
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 553,492	$ 576,926
Accrued expenses and other liabilities	880,677	747,259
Refundable advances	140,113	489,968
Deferred revenue	67,867	17,969
Notes payable	584,746	555,532
Lease liabilities - operating	575,753	893,728
Lease liability - finance	11,868	17,466
Cash held as fiscal agent	70,745	70,786
Total liabilities	2,885,261	3,369,634
Net assets		
Without donor restrictions	5,231,856	4,815,100
With donor restrictions	3,982,463	4,290,763
Total net assets	9,214,319	9,105,863
Total liabilities and net assets	$ 12,099,580	$ 12,475,497

SEMCAC
Statement of Activities
Year Ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grant and contract revenue	$ 15,105,991	$ -	$ 15,105,991
Contributions	1,234,956	132,237	1,367,193
In-kind contributions	301,505	-	301,505
Program revenue	2,079,765	-	2,079,765
Fundraising	100,000	-	100,000
Interest income	7,548	-	7,548
Other income	9,890	-	9,890
Net assets released from restrictions	440,537	(440,537)	-
Total revenue and support	19,280,192	(308,300)	18,971,892
Expenses			
Program services			
Child education services	4,339,089	-	4,339,089
Older Americans	3,811,675	-	3,811,675
Energy assistance	439,552	-	439,552
Community services	1,379,471	-	1,379,471
Weatherization	2,853,665	-	2,853,665
Housing assistance	667,753	-	667,753
Health	506,858	-	506,858
Food assistance	525,275	-	525,275
Transportation	2,644,585	-	2,644,585
Supporting services			
Management and general	1,688,390	-	1,688,390
Fundraising	9,344	-	9,344
Total expenses	18,865,657	-	18,865,657
Gain on disposal of property and equipment	(2,221)	-	(2,221)
Change in net assets	416,756	(308,300)	108,456
Net Assets			
Beginning of year	4,815,100	4,290,763	9,105,863
End of year	$ 5,231,856	$ 3,982,463	$ 9,214,319

See notes to financial statements.

SEMCAC
Statement of Activities
Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grant and contract revenue	$ 15,010,944	$ 11,409	$ 15,022,353
Contributions	843,934	583,966	1,427,900
In-kind contributions	445,785	-	445,785
Program revenue	2,065,779	-	2,065,779
Fundraising	200,000	-	200,000
Interest income	23,150	-	23,150
Other income	100,571	-	100,571
Net assets released from restrictions	680,265	(680,265)	-
Total revenue and support	19,370,428	(84,890)	19,285,538
Expenses			
Program services			
Child education services	4,258,467	-	4,258,467
Older Americans	3,747,455	-	3,747,455
Energy assistance	438,074	-	438,074
Community services	1,574,070	-	1,574,070
Weatherization	2,653,007	-	2,653,007
Housing assistance	760,715	-	760,715
Health	407,833	-	407,833
Food assistance	684,625	-	684,625
Transportation	2,462,613	-	2,462,613
Supporting services			
Management and general	1,583,947	-	1,583,947
Fundraising	16,429	-	16,429
Total expenses	18,587,235	-	18,587,235
Loss on disposal of property and equipment	468,700	-	468,700
Change in net assets	314,493	(84,890)	229,603
Net Assets			
Beginning of year	4,500,607	4,375,653	8,876,260
End of year	$ 4,815,100	$ 4,290,763	$ 9,105,863

See notes to financial statements.

SEMCAC
Statement of Functional Expenses
Year Ended September 30, 2025

	Program Services						
	Child Education Services	Older Americans	Energy Assistance	Community Services	Weatherization	Housing Assistance	Health
Salaries and Related Taxes and Benefits							
Salaries	$ 2,719,584	$ 1,701,335	$ 232,321	$ 516,381	$ 941,234	$ 69,757	$ 325,544
Payroll taxes and employee benefits	697,479	346,004	63,417	102,438	325,740	19,704	61,096
Total salaries and related taxes and benefits	3,417,063	2,047,339	295,738	618,819	1,266,974	89,461	386,640
Direct services	226,271	1,203,851	-	650,331	1,296,285	-	28,560
Contract labor and consultants	112,752	23,530	19,840	106	553	561,813	26,327
Travel and transportation	60,406	27,264	1,376	4,477	25,511	2,822	1,218
Space costs and utilities	239,891	138,973	10,855	71,063	24,203	690	36,925
Consumable supplies	126,630	143,049	25,545	22,148	53,858	2,764	15,548
Minor equipment and lease of equipment	18,347	7,801	-	-	-	-	406
Depreciation	29,882	65,347	-	-	71,226	-	-
Other costs	107,847	154,521	86,198	12,527	115,055	10,203	11,234
Total expenses	$ 4,339,089	$ 3,811,675	$ 439,552	$ 1,379,471	$ 2,853,665	$ 667,753	$ 506,858

See notes to financial statements.

SEMCAC
Statement of Functional Expenses
Year Ended September 30, 2025

	Program Services			Supporting Services		
	Food Assistance	Transportation	Total	Management and General	Fundraising	Total
Salaries and Related						
Taxes and Benefits						
Salaries	$ 128,329	$ 1,278,144	$ 7,912,629	$ 952,596	$ 3,670	$ 8,868,895
Payroll taxes and employee benefits	19,559	331,682	1,967,119	225,898	520	2,193,537
Total salaries and related taxes and benefits	147,888	1,609,826	9,879,748	1,178,494	4,190	11,062,432
Direct services	82,633	227,477	3,715,408	944	-	3,716,352
Contract labor and consultants	-	39,522	784,443	97,213	21	881,677
Travel and transportation	2,801	9,921	135,796	10,454	1,123	147,373
Space costs and utilities	32,769	78,772	634,141	2,243	-	636,384
Consumable supplies	247,488	32,973	670,003	99,361 `	2,438	771,802
Minor equipment and lease of equipment	-	61,927	88,481	6,170	1	94,652
Depreciation	3,857	297,081	467,393	55,158	-	522,551
Other costs	7,839	287,086	792,510	238,353	1,571	1,032,434
Total expenses	$ 525,275	$ 2,644,585	$ 17,167,923	$ 1,688,390	$ 9,344	$ 18,865,657

See notes to financial statements.

SEMCAC
Statement of Functional Expenses
Year Ended September 30, 2024

	Program Services						
	Child Education Services	Older Americans	Energy Assistance	Community Services	Weatherization	Housing Assistance	Health
Salaries and Related Taxes and Benefits							
Salaries	$ 2,439,851	$ 1,600,347	$ 257,612	$ 519,604	$ 715,109	$ 93,515	$ 249,385
Payroll taxes and employee benefits	555,184	320,470	69,197	92,593	224,456	20,484	49,107
Total salaries and related taxes and benefits	2,995,035	1,920,817	326,809	612,197	939,565	113,999	298,492
Direct services	227,939	1,247,724	-	851,522	1,400,644	4,557	22,421
Contract labor and consultants	90,941	33,899	3,560	2,959	2,365	578,714	21,520
Travel and transportation	89,267	27,819	1,667	5,980	19,512	1,897	2,869
Space costs and utilities	350,753	135,886	9,885	53,574	31,053	933	36,846
Consumable supplies	273,225	140,122	23,807	23,076	65,762	3,272	7,009
Minor equipment and lease of equipment	15,169	30,705	175	-	300	-	446
Depreciation	32,661	79,318	-	-	71,342	-	-
Other costs	183,477	131,165	72,171	24,762	122,464	57,343	18,230
Total expenses	$ 4,258,467	$ 3,747,455	$ 438,074	$ 1,574,070	$ 2,653,007	$ 760,715	$ 407,833

SEMCAC
Statement of Functional Expenses
Year Ended September 30, 2024

	Program Services			Supporting Services		
	Food Assistance	Transportation	Total	Management and General	Fundraising	Total
Salaries and Related Taxes and Benefits						
Salaries	$ 121,807	$ 1,238,546	$ 7,235,776	$ 882,279	$ 10,533	$ 8,128,588
Payroll taxes and employee benefits	17,840	281,108	1,630,439	199,916	3,808	1,834,163
Total salaries and related taxes and benefits	139,647	1,519,654	8,866,215	1,082,195	14,341	9,962,751
Direct services	90,776	247,642	4,093,225	-	-	4,093,225
Contract labor and consultants	923	37,003	771,884	112,183	14	884,081
Travel and transportation	3,317	15,426	167,754	12,364	59	180,177
Space costs and utilities	40,192	77,501	736,623	118,021	-	854,644
Consumable supplies	396,230	68,927	1,001,430	92,139	` 710	1,094,279
Minor equipment and lease of equipment	210	6,007	53,012	6,859	1	59,872
Depreciation	3,857	165,298	352,476	55,849	-	408,325
Other costs	9,473	325,155	944,240	104,337	1,304	1,049,881
Total expenses	$ 684,625	$ 2,462,613	$ 16,986,859	$ 1,583,947	$ 16,429	$ 18,587,235

See notes to financial statements.

SEMCAC
Statements of Cash Flows
Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows - Operating Activities		
Change in net assets	$ 108,456	$ 229,603
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	522,551	408,325
(Gain) Loss on disposal of property and equipment	(2,221)	468,700
Amortization of ROU assets	260,690	358,715
Changes in operating assets and liabilities		
Accounts receivable	296,554	(179,098)
Contributions and grants receivable	442,021	(809,898)
Co-op patronage receivable, net	-	(845)
Prepaid expenses	27,258	(57,665)
Inventory	3,180	(20)
Other assets	45,447	14,716
Operating lease liabilities	(274,918)	(336,915)
Accounts payable	(23,434)	211,993
Accrued expenses and other liabilities	133,418	71,098
Refundable advances	(349,855)	(142,527)
Deferred revenue	49,898	9,194
Cash held as fiscal agent	(41)	23,005
Total adjustments	1,130,548	38,778
Net cash flows - operating activities	1,239,004	268,381
Cash Flows - Investing Activities		
Principal payments on note receivable	6,840	7,273
Purchases of property and equipment	(1,041,318)	(1,015,531)
Proceeds from sales of property and equipment	10,600	5,500
Net cash flows - investing activities	(1,023,878)	(1,002,758)
Cash Flows - Financing Activities		
Principal payments on financing lease	(5,598)	(5,518)
Principal payments on notes payable	(21,828)	(23,653)
Proceeds from notes payable	50,000	-
Capitalized interest on notes payable	1,042	-
Net cash flows - financing activities	23,616	(29,171)
Net change in cash and cash equivalents	238,742	(763,548)
Cash and Cash Equivalents		
Beginning of year	793,092	1,556,640
End of year	$ 1,031,834	$ 793,092
Supplemental Disclosure of Cash Flow Information		
Cash paid for amounts included in the measurement of lease liabilities	$ 302,029	$ 313,747
Cash paid for interest	36,808	27,448
Supplemental Schedule of Noncash Investing and Financing Activities		
Lease modification	$ 43,057	$ -
ROU assets obtained in exchange for operating lease liabilities	$ -	$ 32,822

See notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
SEMCAC (the Organization) was organized as a nonprofit corporation in 1966. The Organization was formed to develop and provide a variety of health, education, housing, and human service programs for low-income citizens in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona counties in Minnesota. The Organization is primarily supported through federal and state government grants.

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 include highly liquid investments with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates fair value.

Accounts Receivable
Accounts receivable consist primarily of amounts billed under performance contracts related to senior, weatherization, and family planning programs and are shown net of expected credit losses, if any. The Organization uses historical loss information and periodic evaluations of aging of the accounts receivable as the basis to determine expected credit losses for receivables and believes that the composition of receivable at year-end is consistent with historical conditions as there have been no significant changes in par sources, credit terms and collection policies, or economic conditions. There were no expected credit losses as of September 30, 2025 and 2024.

Contributions and Grants Receivable
Contributions and grants receivable are due primarily from federal, state, and local governmental units and agencies and arise primarily from the Organization's grants and contracts with those agencies to administer various programs. All accounts are reviewed annually for collectability and are charged to bad debt expense when deemed uncollectible. As of September 30, 2025 and 2024, there were no uncollectible amounts.

Concentrations
Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, and receivables. The Organization places its cash and cash equivalents with a limited number of financial institutions. At times, the Organization's cash and cash equivalents are in excess of the FDIC insurance limit.

The Organization is subject to a degree of vulnerability due to concentrations of receivables, grant and contract revenue, and contributions from major funding sources. The Organization received approximately 22% and 31%, respectively, of its total grant and contract revenue from two sources for the years ended September 30, 2025 and 2024. The Organization received approximately 57% and 54%, respectively, of its total contributions and grants receivables from two sources for the years ended September 30, 2025 and 2024.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost, or fair value if donated, with depreciation computed under the straight-line method over the economic useful lives of the assets. The Organization follows the policy of capitalizing all property and equipment expenditures over $5,000 with an estimated useful life of greater than one year.

Property and equipment purchased with grant funds are owned by the Organization while used in the programs for which it was purchased or in other future authorized programs. However, certain 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.

Long-Lived Assets

The Organization records impairment losses on property and equipment 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 impairments losses for the years ended September 30, 2025 and 2024.

Leases

The Organization 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 Organization 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 Organization 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 Organization has elected the practical expedients (1) to discount the lease liability using the risk-free rate based on 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 classes of assets.

Cash Held as Fiscal Agent

The Organization acts as the fiscal agent for the Bluff Country Minnesota Multi-County Housing and Redevelopment Authority, Inc. Cash held as fiscal agent are funds held by the Organization for the other nonprofit organization.

Net Assets

Net assets, revenue and support 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.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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

Contributions and grants 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 met.

A majority of the Organization's revenue is derived from cost-reimbursable contracts and grants. Amounts received are recognized as earned and are reported as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as a refundable advance in the statement of financial position. The Organization received cost-reimbursable grants of $10,158,768 and $7,415,702, respectively, for which qualifying expenditures have not yet been incurred, with progress payments of $140,113 and $489,968, respectively recognized in the statement of financial position as a refundable advance as of September 30, 2025 and 2024.

Program revenues are generated from various programs including conservation improvement, family planning clinic, senior services, and transportation and are recognized over time as performance obligations are satisfied.

Conservation improvement program revenue is received from utility companies. Services are invoiced monthly and typically paid within 30 days. Pricing varies by contract and is negotiated annually.

Family planning clinic revenue is received from the Minnesota Department of Health and Human Services, State Medical Assistance, private health insurance providers, and self-pay patients. The Organization determines the transaction price based on industry rates for services provided, reduced by contractual adjustments provided to third-party payers and discounts provided to clients in accordance with the Organization's policy. Services are offered to patients on a sliding fee scale when appropriate. Payments are received after claims are submitted to the State and/or private insurance companies. Self-pay patients pay either on date of service or after being billed. Any discounts are applied immediately upon providing services, according to the patient's income. Subsequent changes that are determined to be the result of credit and collection issues not assessed at the date of service are recorded as bad debt expense.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Senior services program revenue is received from State Medical Assistance and outside agencies. Each service agreement has a predetermined rate per meal. Services are invoiced monthly and typically paid within 30 days.

Transportation program revenue is received from farebox revenues and State Medical Assistance. Fare rates are established based on type of ride and/or mileage. Fares are collected at the time of ride by cash, check or prepaid pass. Refunds of unused prepaid pass can be requested. State Medical Assistance waiver revenue is received for provider paid rides for the volunteer driver program. Pricing varies by contract and is negotiated annually. Services are invoiced monthly and typically paid within 30 days.

Accounts receivable totaled $676,492 and deferred revenue totaled $8,775 as of October 1, 2023.

In-Kind Contributions

In-kind contributions are recorded at fair value on the date of the donation. These amounts are reported as both in-kind contributions and in-kind expense on the statement of activities or as an asset on the statement of financial position. The Organization recognizes the fair value of contributed services received if such services (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 professional fees and equipment were valued based on pricing for similar services and equipment. Donated food was valued using a rate of $1 per pound of food or amounts provided by Channel One, a food bank in southeastern Minnesota and the USDA. Donated space was value based on rates per square foot for similar space.

In addition, the Organization received contributions of nonprofessional volunteer services during the year with a fair value of $341,170 and $416,797 for its senior dining program, which are not recognized in the financial statements for the years ended September 30, 2025 and 2024, respectively. These services were valued based on the estimated flat hourly rate for similar services of the most common positions volunteered with an additional 20% for estimated benefits.

Functional Allocation of Expenses

The costs of providing the program 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. The Organization utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs which are common to more than one program, have been identified and classified into cost pools. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs being allocated include salaries, payroll taxes and employee benefits, contract labor and consultants, travel and transportation, space costs and utilities, consumable supplies, depreciation, and other costs. Costs are allocated based on direct labor hours and square footage.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Organization 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

We have evaluated subsequent events through August 13, 2026, the date 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, comprise of the following as of September 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents	$ 1,031,834	$ 793,092
Accounts receivable	559,036	855,590
Contributions and grants receivable	4,698,428	5,140,449
Notes receivable	59,743	66,583
Total financial assets at year end	6,349,041	6,855,714
Less amounts not available to meet general expenditures within one year		
Cash held as fiscal agent	70,745	70,786
Long-term portion of notes receivable	55,834	59,743
Donor restricted net assets	3,982,463	4,290,763
Financial assets available to meet general expenditures within one year	$ 2,239,999	$ 2,434,422

The Organization 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 Organization invests cash in excess of daily requirements in various short-term investments.

NOTE 3 – PROPERTY AND EQUIPMENT

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

	Other Property	Grant Awarded Property	Total
Land	$ 568,107	$ -	$ 568,107
Buildings and improvements	2,043,502	1,885,887	3,929,389
Equipment	674,841	3,005,033	3,679,874
Construction in progress	-	258,024	258,024
Total	3,286,450	5,148,944	8,435,394
Less accumulated depreciation	1,585,982	1,998,523	3,584,505
Property and equipment, net	$ 1,700,468	$ 3,150,421	$ 4,850,889

Property and equipment consist of the following as of September 30, 2024:

	Other Property	Grant Awarded Property	Total
Land	$ 568,107	$ -	$ 568,107
Buildings and improvements	2,043,502	1,885,887	3,929,389
Equipment	661,511	2,569,017	3,230,528
Construction in progress	-	79,301	79,301
Total	3,273,120	4,534,205	7,807,325
Less accumulated depreciation	1,468,992	1,997,832	3,466,824
Property and equipment, net	$ 1,804,128	$ 2,536,373	$ 4,340,501

NOTE 4 – NOTES PAYABLE

The Organization has a note payable bearing interest at 7.81%, requiring monthly payments of principal and interest of $5,186 through July 10, 2028. Any remaining unpaid principal and accrued interest are due on July 30, 2028. The note is collateralized by certain real property of the Organization. The outstanding principal balance was $533,704 and $555,532 as of September 30, 2025 and 2024, respectively.

In November 2024, the Organization entered into a second note payable agreement with an original principal balance of $50,000. Under the terms of the agreement, an additional $1,250 will be added to the principal balance if the note is not repaid in full within one year of the origination date. The note bears interest at 2.5% and requires monthly principal and interest payments of $483 beginning in December 2025 and continuing through November 2035. The outstanding principal balance of the note was $51,042 as of September 30, 2025.

NOTE 4 – NOTES PAYABLE (CONTINUED)

Future principal payments on the notes payable are as follows for the years ending September 30:

2026	$	25,110
2027		27,702
2028		494,139
2029		4,903
2030		5,027
Thereafter		27,865
Total notes payable	$	584,746

NOTE 5 – OPERATING LEASES

The Organization has operating lease agreements for office space and various equipment. Payments under these lease arrangements are all fixed.

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

2026	$	225,829
2027		180,668
2028		108,816
2029		94,816
Total lease payments		610,129
Less amounts representing interest		34,376
Present value of operating lease liabilities	$	575,753

Total lease expense for the year ended September 30, 2025 totaled $330,445, which includes $289,105 of operating costs and $41,340 of variable and short-term costs. Total lease expense for the year ended September 30, 2024 totaled $398,894, which includes $316,555 of operating costs and $82,339 of variable and short-term costs.

As of September 30, 2025 and 2024, operating leases had a weighted-average remaining lease term of 37 and 43 months, respectively, and the weighted-average discount rate was 3.85% and 3.93%, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of September 30, 2025 and 2024:

	2025	2024
Patronage dividends	$ 79,954	$ 79,954
Head Start	2,652,357	2,686,085
Food programs	573,316	549,418
Senior programs	208,271	472,516
Community service programs	310,895	271,578
MNDOT reserve	157,670	231,212
Total donor restricted net assets	$ 3,982,463	$ 4,290,763

NOTE 7 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following for the years ended September 30, 2025 and 2024:

	2025	2024
Donated professional fees	$ 260	$ 520
Donated food	242,745	386,765
Donated space	58,500	58,500
Total in-kind contributions	$ 301,505	$ 445,785

There were no donor imposed restrictions on in-kind contributions for the years ending September 30, 2025 and 2024. Donated space was used for the older Americans program and donated professional fees were used for management and general purposes. Donated food was used for the food assistance program.

NOTE 8 – RETIREMENT PLAN

Employees of the Organization participate in a single employer defined contribution retirement plan covering employees who have been employed by the Organization for one year, work a minimum of 800 hours, and are at least 21 years of age. Contributions are made to the plan at the discretion of the Board of Directors. Retirement plan expenses for 2025 and 2024 were $178,978 and $155,824, respectively.

NOTE 9 – CONTINGENCIES

Financial awards from federal and state governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. In the opinion of the Organization, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 10 – RECLASSIFICATION

Certain amounts previously reported as program revenue have been reclassified as contributions in the statement of activities to conform with the current year presentation. This reclassification had no effect on total revenue or change in net assets.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to September 30, 2025, the Organization entered into a $1,250,000 loan agreement with a bank. Loan proceeds were used to purchase property in Kasson, Minnesota, and refinance debt on property located in Kasson, Minnesota. The loan bears interest at 6.25% and matures on May 10, 2033.

On April 24, 2026, the Organization entered into a $150,000 revolving line of credit with a bank. The line matures on April 24, 2027, bears interest at prime less 0.50%, and is secured by substantially all assets of the Organization.

SUPPLEMENTARY INFORMATION

SEMCAC
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through Minnesota Department of Education			
Child & Adult Care Food Program	10.558	1000003559	$ 173,751
Pass-Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	219944	38,511
Pass-Through Channel One Regional Food Bank			
Food Distribution Cluster			
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	100,637
Total U.S. Department of Agriculture			312,899
U.S. Department of Housing and Urban Development			
Pass-Through Minnesota Department of Economic Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Hokah)	14.228	CDAP-20-0021-0-FY21	1,312
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Harmony)	14.228	CDAP-21-0028-0-FY23	9,803
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (LaCrescent)	14.228	CDAP-20-0020-0-FY21	1,341
Total Assistance Listing Number 14.228 and U.S. Department of Housing and Urban Development			12,456
U.S. Department of Transportation			
Pass-Through Minnesota Department of Transportation			
Formula Grants for Rural Areas and Tribal Transit Program	20.509	1054533/1057433	396,339
Formula Grants for Rural Areas and Tribal Transit Program	20.509	1050564	343,959
Total Assistance Listing Number 20.509			740,298
Federal Transit Cluster			
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	1054296	162,196
Total U.S. Department of Transportation			902,494
U.S. Department of Energy			
Pass-Through Minnesota Department of Commerce			
Weatherization Assistance for Low-Income Persons	81.042	DE-EE0009910/DE-EE0009995/DE-EE0010266	1,504,446
U.S. Department of Health and Human Services			
Pass-Through Southeastern Minnesota Area Agency on Aging, Inc.			
Aging Cluster			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	310-24-003B-052/310-25-003B-052	63,733
Special Programs for the Aging, Title III, Part C, Nutrition Services (Meals on Wheels)	93.045	310-24-03C2-001-002/310-23-03C2001-002	627,017
Special Programs for the Aging, Title III, Part C, Nutrition Services (Congregate Dining)	93.045	310-24-03C1-001-002/310-25-03C1-001-002	787,682
Total Assistance Listing Number 93.045			1,414,699
Nutrition Services Incentive Program (Meals on Wheels)	93.053	310-24-03C2-001-002/310-23-03C2001-002	54,812
Nutrition Services Incentive Program (Congregate Dining)	93.053	310-24-03C1-001-002/310-25-03C1-001-002	62,717
Total Assistance Listing Number 93.053			117,529
Total Aging Cluster			1,595,961
Pass-Through Southeastern Minnesota Area Agency on Aging, Inc.			
COVID-19 National Family Caregiver Support, Title III, Part E (Rural Community Expansion)	93.052	310-23-ARPE-050-000	922
National Family Caregiver Support, Title III, Part E	93.052	310-24-003E-004/310-25-003E-004	82,747
Total Assistance Listing Number 93.052			83,669
Temporary Assistance for Needy Families	93.558	2201MNTANF/2301MNTANF/2401MNTANF	391,949
Temporary Assistance for Needy Families	93.558	23700	31,796
Total Assistance Listing Number 93.558			423,745

See notes to the schedule of expenditures of federal awards.

SEMCAC
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
Pass-Through Minnesota Department of Commerce			
Low-Income Home Energy Assistance	93.568	2402MNLIEA	475,492
Low-Income Home Energy Assistance	93.568	2402MNLIEA/2503MNLIEA	806,876
Low-Income Home Energy Assistance - Direct Payments	93.568	N/A	2,687,455
Total Assistance Listing Number 93.568			3,969,823
Pass-Through Minnesota Department of Human Services			
Community Services Block Grant	93.569	229534	253,118
Direct			
Head Start Cluster			
Head Start	93.600		2,483,674
Head Start	93.600		707,078
Head Start	93.600		44,898
Head Start 1303 Facilities Grant	93.600		129,600
Total Assistance Listing Number 93.600 and Head Start Cluster			3,365,250
Total U.S. Department of Health and Human Services			9,691,566
U.S. Department of Homeland Security			
Pass-Through EFASP National Board			
Emergency Food & Shelter National Board Program	97.024	540611	6,701
Total Federal Expenditures			$ 12,430,562

SEMCAC
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 SEMCAC (the Organization) 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 the Organization it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Organization 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, the Organization has elected not to use the 15-percent de minimis rate allowed.

NOTE 4 – ELIGIBILITY DETERMINATIONS

The Organization assists the State of Minnesota with eligibility determinations for the Low-Income Home Energy Assistance Program (LIHEAP). Client benefits for LIHEAP eligible participants are subsequently paid directly by the State of Minnesota. For the year ended September 30, 2025, client benefits in the amount of $2,687,455 for LIHEAP was paid by the state. This amount is considered federal awards to the Organization and are included in the schedule of expenditures of federal awards but are not included in the statement of activities.

NOTE 5 – PASS-THROUGH ENTITY IDENTIFICATION NUMBERS

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

bergankdv

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
SEMCAC
Rushford, Minnesota

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 SEMCAC, 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 financial statements, and have issued our report thereon dated August 13, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SEMCAC'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 SEMCAC's internal control. Accordingly, we do not express an opinion on the effectiveness of SEMCAC'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SEMCAC'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and questioned costs as item 2025-001.

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 SEMCAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SEMCAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
August 13, 2026

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Directors
SEMCAC
Rushford, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited SEMCAC'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 SEMCAC's major federal programs for the year ended September 30, 2025. SEMCAC'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, SEMCAC 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 SEMCAC 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 SEMCAC'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 SEMCAC'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 SEMCAC'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 SEMCAC'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 SEMCAC'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 SEMCAC'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 SEMCAC'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 an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. 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 SEMCAC's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. SEMCAC'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 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
August 13, 2026

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

Identification of Major Federal Programs

Assistance Listing Number:	81.042
Name of Federal Program or Cluster	Weatherization Assistance for Low Income persons
Assistance Listing Number:	93.568
Name of Federal Program or Cluster	Low-Income Home Energy Assistance
Auditee qualified as low risk auditee?	No

SEMCAC
Schedule of Findings and Questioned Costs
Year Ended September 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal Agency: Various
Assistance Listing Number: Multiple
Compliance Requirement: Reporting

Finding 2025-001: Submission of the Audit Reporting Package and Data Collection Form (Repeat of Finding 2024-001)

Criteria: Per 2 CFR §200.510(b), the auditee must prepare a Schedule of Federal Awards (SEFA) for the period covered by the auditee's financial statements. Per §200.512(a), the SEFA must be submitted to the Federal Audit Clearinghouse (FAC) within the required deadline.

Condition: The audit reporting package and data collection form for the year ended September 30, 2025, was not submitted to the FAC within the timeframe as required by the Uniform Guidance.

Cause: The delay was due to a lack of capacity in the finance department and not following the year-end closing schedule.

Effect: To qualify as a low-risk auditee, 2 CFR section 200.520 requires the audit reporting package and data collection form to be submitted to the FAC by the due date for each of the previous two years. Late filing will result in noncompliance with timely submission of financial information to the grantor agencies.

Recommendation: Management should address the lack of capacity in the finance department and monitor the year-end closing schedule for a timely audit reporting package and data collection form to ensure compliance with federal deadlines.

Questioned costs: None

Responsible Official's Response: We agree with the auditors' comments, the following action will be taken to address the situation. As SEMCAC continues to grow and compliance requirements increase, we have evaluated staffing capacity within the Fiscal Department and added a management-level position in fiscal year 2026. SEMCAC has also contracted with an outsourced accounting firm to strengthen internal controls, improve processes and procedures, support adherence to the year-end closing schedule, and help ensure timely submission of the audit reporting package.