

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.



**MONTANA CONSERVATION
CORPS, INC.**

FINANCIAL REPORT

December 31, 2015 and 2014



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Montana Conservation Corps, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Montana Conservation Corps, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Conservation Corps, Inc. as of December 31, 2015 and 2014, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2016, on our consideration of Montana Conservation Corps, 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 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 Montana Conservation Corps, Inc.'s internal control over financial reporting and compliance.


Bozeman, Montana
June 12, 2016

FINANCIAL STATEMENTS

MONTANA CONSERVATION CORPS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|---------------------|---------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,065,423 | \$ 978,957 |
| Grants receivable | 34,182 | 16,920 |
| Contracts receivable | 36,500 | 98,098 |
| Contributions receivable | 8,615 | 7,562 |
| Prepaid expenses | 69,134 | 23,138 |
| Deposits | 20,372 | 23,872 |
| Inventory | <u>19,847</u> | <u>12,506</u> |
| Total current assets | 1,254,073 | 1,161,053 |
| NONCURRENT ASSETS | | |
| Property and equipment, net | <u>585,420</u> | <u>490,009</u> |
| Total assets | <u>\$ 1,839,493</u> | <u>\$ 1,651,062</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 40,418 | \$ 12,377 |
| Accrued wages and benefits payable | 28,387 | 17,039 |
| Payroll taxes payable | 44,110 | 41,786 |
| Accrued compensated absences | <u>186,967</u> | <u>172,277</u> |
| Total current liabilities | <u>299,882</u> | <u>243,479</u> |
| NET ASSETS | | |
| Unrestricted | 1,254,188 | 1,095,073 |
| Temporarily restricted | <u>285,423</u> | <u>312,510</u> |
| Total net assets | <u>1,539,611</u> | <u>1,407,583</u> |
| Total liabilities and net assets | <u>\$ 1,839,493</u> | <u>\$ 1,651,062</u> |

The Notes to Financial Statements are an integral part of these statements.

MONTANA CONSERVATION CORPS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| REVENUES AND SUPPORT | | | |
| Grant revenues | \$ 2,291,403 | \$ 30,473 | \$ 2,321,876 |
| Contract revenues | 3,668,599 | - | 3,668,599 |
| Contributions and private grants | 270,449 | 11,850 | 282,299 |
| Interest | 376 | - | 376 |
| Other | <u>25,750</u> | <u>-</u> | <u>25,750</u> |
| Total revenues and support | 6,256,577 | 42,323 | 6,298,900 |
| SATISFACTION OF TEMPORARY RESTRICTIONS | | | |
| | <u>69,410</u> | <u>(69,410)</u> | <u>-</u> |
| Total revenues, support and satisfaction of temporary restrictions | <u>6,325,987</u> | <u>(27,087)</u> | <u>6,298,900</u> |
| EXPENSES | | | |
| Member support costs | 2,546,565 | - | 2,546,565 |
| Program support | 2,849,803 | - | 2,849,803 |
| Training and education | 151,791 | - | 151,791 |
| Administrative | 562,742 | - | 562,742 |
| Fundraising | <u>55,971</u> | <u>-</u> | <u>55,971</u> |
| Total expenses | <u>6,166,872</u> | <u>-</u> | <u>6,166,872</u> |
| Changes in net assets | 159,115 | (27,087) | 132,028 |
| Net assets, beginning of the year | <u>1,095,073</u> | <u>312,510</u> | <u>1,407,583</u> |
| Net assets, end of year | <u>\$ 1,254,188</u> | <u>\$ 285,423</u> | <u>\$ 1,539,611</u> |

The Notes to Financial Statements are an integral part of this statement.

MONTANA CONSERVATION CORPS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| REVENUES AND SUPPORT | | | |
| Grant revenues | \$ 2,157,957 | \$ - | \$ 2,157,957 |
| Contract revenues | 3,410,899 | 65,441 | 3,476,340 |
| Contributions and private grants | 98,167 | 34,502 | 132,669 |
| Interest | 385 | - | 385 |
| Other | <u>1,029</u> | <u>-</u> | <u>1,029</u> |
| Total revenues and support | 5,668,437 | 99,943 | 5,768,380 |
| SATISFACTION OF TEMPORARY RESTRICTIONS | | | |
| | <u>41,274</u> | <u>(41,274)</u> | <u>-</u> |
| Total revenues, support, and satisfaction of temporary restrictions | <u>5,709,711</u> | <u>58,669</u> | <u>5,768,380</u> |
| EXPENSES | | | |
| Member support costs | 2,442,830 | - | 2,442,830 |
| Program support | 2,652,159 | - | 2,652,159 |
| Training and education | 160,016 | - | 160,016 |
| Administrative | 412,296 | - | 412,296 |
| Fundraising | <u>36,420</u> | <u>-</u> | <u>36,420</u> |
| Total expenses | <u>5,703,721</u> | <u>-</u> | <u>5,703,721</u> |
| Changes in net assets | 5,990 | 58,669 | 64,659 |
| Net assets, beginning of the year | <u>1,089,083</u> | <u>253,841</u> | <u>1,342,924</u> |
| Net assets, end of year | <u>\$ 1,095,073</u> | <u>\$ 312,510</u> | <u>\$ 1,407,583</u> |

The Notes to Financial Statements are an integral part of this statement.

MONTANA CONSERVATION CORPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

| | Member Support | Program Support | Training and Education | Administrative | Fundraising | Total |
|---|----------------------------|----------------------------|---------------------------|--------------------------|-------------------------|----------------------------|
| Advertising | \$ - | \$ 196 | \$ - | \$ 527 | \$ - | \$ 723 |
| Audit | - | - | - | 9,844 | - | 9,844 |
| Background checks | - | 20,264 | - | 33 | - | 20,297 |
| Banks fees | - | - | - | 1,757 | 855 | 2,612 |
| Contract labor | - | 46,956 | 15,622 | 35,240 | 17,319 | 115,137 |
| Depreciation | - | 166,037 | - | - | - | 166,037 |
| Dues and publications | - | 50 | - | 11,200 | 555 | 11,805 |
| Interest | - | - | - | 7 | - | 7 |
| Liability insurance | - | - | - | 52,704 | - | 52,704 |
| Member living allowance and benefits | 2,546,565 | - | - | - | - | 2,546,565 |
| Office expenses | - | 32,571 | - | 16,505 | 973 | 50,049 |
| Postage | - | 4,760 | - | 1,895 | 1,345 | 8,000 |
| Printing, copies, and fax | - | 6,670 | - | 9,136 | 4,944 | 20,750 |
| Project and safety supplies | - | 157,428 | - | - | - | 157,428 |
| Recognition and incentive | - | 7,201 | - | 291 | 3,769 | 11,261 |
| Recruitment | - | 6,017 | - | - | - | 6,017 |
| Rent and utilities | - | 118,716 | - | 15,454 | - | 134,170 |
| Staff wages and benefits | - | 1,693,609 | - | 397,167 | 24,939 | 2,115,715 |
| Telephone | - | 21,688 | - | 3,322 | - | 25,010 |
| Training | - | - | 107,087 | 345 | - | 107,432 |
| Travel | - | 272,669 | 29,082 | 7,269 | 1,198 | 310,218 |
| Uniforms | - | 23,250 | - | - | - | 23,250 |
| Vehicle operations | - | 240,713 | - | 46 | 74 | 240,833 |
| Youth crew awards | - | 31,008 | - | - | - | 31,008 |
| Total | <u>\$ 2,546,565</u> | <u>\$ 2,849,803</u> | <u>\$ 151,791</u> | <u>\$ 562,742</u> | <u>\$ 55,971</u> | <u>\$ 6,166,872</u> |

The Notes to Financial Statements are an integral part of this statement.

MONTANA CONSERVATION CORPS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

| | Member Support | Program Support | Training and Education | Administrative | Fundraising | Total |
|---|----------------------------|----------------------------|---------------------------|--------------------------|-------------------------|----------------------------|
| Advertising | \$ - | \$ 184 | \$ - | \$ 783 | \$ - | \$ 967 |
| Audit | - | - | - | 9,200 | - | 9,200 |
| Background checks | - | 15,280 | - | - | - | 15,280 |
| Banks fees | - | 20 | - | 1,805 | 401 | 2,226 |
| Contract labor | - | 47,430 | 5,480 | 11,098 | 12,958 | 76,966 |
| Depreciation | - | 147,200 | - | - | - | 147,200 |
| Dues and publications | - | 120 | - | 11,424 | 452 | 11,996 |
| Interest | - | - | - | 44 | - | 44 |
| Liability insurance | - | - | - | 59,118 | - | 59,118 |
| Member living allowance and benefits | 2,442,830 | - | - | - | - | 2,442,830 |
| Office expenses | - | 22,669 | - | 10,787 | 443 | 33,899 |
| Postage | - | 4,881 | - | 2,264 | 1,529 | 8,674 |
| Printing, copies, and fax | - | 3,507 | - | 3,803 | 2,299 | 9,609 |
| Project and safety supplies | - | 172,494 | - | - | - | 172,494 |
| Recognition and incentive | - | 4,461 | - | 61 | - | 4,522 |
| Recruitment | - | 11,593 | - | - | - | 11,593 |
| Rent and utilities | - | 121,883 | - | 16,606 | - | 138,489 |
| Staff wages and benefits | - | 1,436,360 | - | 282,203 | 18,090 | 1,736,653 |
| Telephone | - | 20,187 | - | 1,693 | - | 21,880 |
| Training | - | - | 120,475 | - | 248 | 120,723 |
| Travel | - | 285,239 | 33,469 | 1,407 | - | 320,115 |
| Uniforms | - | 12,357 | - | - | - | 12,357 |
| Vehicle operations | - | 321,602 | 592 | - | - | 322,194 |
| Youth crew awards | - | 24,692 | - | - | - | 24,692 |
| Total | <u>\$ 2,442,830</u> | <u>\$ 2,652,159</u> | <u>\$ 160,016</u> | <u>\$ 412,296</u> | <u>\$ 36,420</u> | <u>\$ 5,703,721</u> |

The Notes to Financial Statements are an integral part of this statement.

MONTANA CONSERVATION CORPS, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from grants | \$ 2,304,614 | \$ 2,152,915 |
| Cash received from contracts | 3,730,197 | 3,387,742 |
| Cash received from contributions and private grants | 281,246 | 132,787 |
| Interest received | 376 | 385 |
| Other cash received | 25,750 | 1,029 |
| Cash paid for personnel | (2,087,353) | (1,761,149) |
| Cash paid for member living allowances and benefits | (2,546,565) | (2,442,830) |
| Cash paid for travel and training | (417,650) | (440,838) |
| Cash paid for contract services | (386,978) | (448,852) |
| Cash paid to suppliers and vendors | (129,387) | (187,916) |
| Cash paid for other operating expenses | (426,329) | (352,369) |
| Cash paid for interest | <u>(7)</u> | <u>(44)</u> |
| Net cash from operating activities | <u>347,914</u> | <u>40,860</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | <u>(261,448)</u> | <u>(128,113)</u> |
| Net cash from investing activities | <u>(261,448)</u> | <u>(128,113)</u> |
| Net change in cash and cash equivalents | 86,466 | (87,253) |
| Cash and cash equivalents, beginning of year | <u>978,957</u> | <u>1,066,210</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,065,423</u> | <u>\$ 978,957</u> |

The Notes to Financial Statements are an integral part of these statements.

MONTANA CONSERVATION CORPS, INC.
STATEMENTS OF CASH FLOWS
(CONTINUED)
Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 132,028 | \$ 64,659 |
| Adjustments to reconcile changes in net assets to net cash flows from operating activities: | | |
| Depreciation | 166,037 | 147,200 |
| Changes in operating assets and liabilities: | | |
| Grants receivable | (17,262) | (5,042) |
| Contracts receivable | 61,598 | (88,598) |
| Contributions receivable | (1,053) | 118 |
| Prepaid expenses | (45,996) | (13,323) |
| Deposits paid | 3,500 | 574 |
| Inventory | (7,341) | 190 |
| Accounts payable and accrued liabilities | 28,041 | (15,422) |
| Accrued wages and benefits payable | 11,348 | (34,238) |
| Payroll taxes payable | 2,324 | 6,255 |
| Accrued compensated absences | 14,690 | 3,487 |
| Deferred revenue | - | (25,000) |
| Net cash flows from operating activities | <u>\$ 347,914</u> | <u>\$ 40,860</u> |

The Notes to the Financial Statements are an integral part of these statements.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1. NATURE OF AGENCY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Montana Conservation Corps, Inc. (the Agency) is a not-for-profit corporation organized under Internal Revenue Service Code Section 501(c)(3). The Agency has a headquarters office located in Bozeman, Montana, and operates field offices in Billings, Bozeman, Helena, Kalispell, and Missoula, Montana. The Agency focuses on equipping young people with the skills and values to be engaged citizens who improve their communities and environment through crew-based experiences enabled by partnerships with over 400 project sponsor agencies, which include federal, state, and local governments and community-based nonprofit organizations.

The Agency accomplishes these goals through teaching the rewards of service and instilling values through performing service projects, which have a lasting and beneficial impact on our natural environment and communities. Young men and women learn practical skills, develop positive attitudes for service and work, and become knowledgeable about the environment and their community. Meaningful and challenging service projects seek to give members: skills to be versatile leaders and contributing team members; values for volunteer service, land stewardship, and civic engagement; improved employability through productive work habits; and practical work skills and self-confidence to succeed at challenging tasks.

The Agency operates both the AmeriCorps program for young adults age 17 and up for a term of three to nine months and Youth Service Expeditions program for youth 14 to 18 years of age for a term of four weeks. The Agency conducts over 200 projects a year in Montana and surrounding states in the Northern Rockies. Projects include a variety of conservation work including trail work, historical restoration, biological research, habitat enhancement, fencing, watershed restoration, home weatherization, and community service projects.

The Agency operates the Big Sky Watershed Corps (BSWC), which is a collaborative effort between the Montana Conservation Corps, the Montana Association of Conservation Districts, and the Montana Watershed Coordination Council. BSWC members serve with local watershed groups throughout the state of Montana. Members increase the capacity of host-site organizations to serve their local communities in effective and efficient ways through innovative partnerships, education and outreach, and citizen-based initiatives. Community-based solutions to local watershed issues, on the ground watershed education and outreach, volunteer training, service projects and water monitoring initiatives across the state make a measurable difference in local conservation efforts.

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB).

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014

NOTE 1. NATURE OF AGENCY AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basis of Accounting (Continued)

The net assets of the Agency are reported in the following categories:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. The Agency had no permanently restricted net assets as of December 31, 2015 and 2014.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unrestricted promises to give that are scheduled to be received after one year are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of contribution.

Sales and service revenues are recognized as revenue upon sale or as the services are provided.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions of net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers highly liquid investments with original maturities of three months or less to be cash equivalents, unless donor imposed restrictions limit their use to long-term purposes. During 2014 and 2015, the Agency's bank accounts were insured by the FDIC up to \$250,000. Bank accounts that are subject to limited FDIC coverage may exceed their insured limits from time to time. As of December 31, 2015 and 2014, bank balances exceeded their insured limits by \$584,019 and \$511,486, respectively.

Inventory

Inventory consists of weatherization materials used for the Agency's home weatherization program. Inventories are stated at the lower of cost or market value on the first in-first out method.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014

NOTE 1. NATURE OF AGENCY AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Grants, Contracts, and Contributions Receivable

Grants receivable represent the balance of earned grant funds not yet received in cash as of the balance sheet date. Contracts receivable represents the amounts owed to the Agency for contract project services that have been earned but not yet received. The Agency recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as unrestricted or temporarily restricted depending upon the existence of donor stipulations. Temporarily restricted contributions, whose restrictions have been fulfilled in the current year, are reported as unrestricted. Contributed service revenue results when donated services create or enhance nonfinancial assets or when specialized skills are provided by people possessing those skills and would typically be purchased if not provided by donation. Contributed goods are valued at their estimated fair market value at the date of contribution. Management considers all contracts, grants, and contributions receivable to be fully collectable; therefore, no allowance for doubtful accounts is presented.

Property and Equipment

The Agency capitalizes equipment with a purchase price of \$5,000 or greater with an expected life of at least three years. Purchased property and equipment are carried at cost. Donations of fixed assets are recorded as support at their estimated fair value at date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted support. Straight-line depreciation is used to depreciate assets over estimated lives of three to ten years. Normal repair and maintenance costs are expensed as incurred.

Compensated Absences

Eligible employees may accumulate an unlimited amount of sick leave and up to 240 hours of vacation leave. Upon termination, employees are paid at 100 percent of their unused vacation leave and 25 percent of their unused sick leave.

Advertising Expenses

The Agency expenses advertising costs as they are incurred. In 2015 and 2014, \$723 and \$967 were charged to expense for advertising and promotion, respectively.

Income Taxes

The Agency is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and has been granted public charity status. With few exceptions, the Agency is no longer subject to examinations by federal tax authorities for years before 2012.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014

NOTE 1. NATURE OF AGENCY AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Program Services and Expense Classification

Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined in program groups. The primary program groups and their related purposes are summarized as follows:

Member Support Costs – includes costs of member living allowances, payroll taxes, and other benefits paid for members.

Program Support – includes direct staff costs, travel related costs, space costs, and those other direct costs which support Agency programs and projects.

Training and Education – includes costs of making participants project ready, increasing leadership skills and training of members for safety and use of tools in the outdoors.

Administrative – includes costs that are used for administering the Agency and allow the Agency to operate and provide services to clients that are not directly attributed to client services. General and administrative expenses consist of the common costs associated with the general management of the Agency.

Fundraising – consists of costs incurred for providing supplies and staff support for special events and activities designed to create public awareness and support for community based projects and costs incurred in the pursuit of grant funding.

Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results of operations may differ from those estimates.

Fair Value

The Agency has determined the fair value of certain assets and liabilities in accordance with GAAP, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability. The Agency's policy for determining the timing of significant transfers between Levels 1, 2, and 3 is at the end of the reporting period.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014

NOTE 1. NATURE OF AGENCY AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Subsequent Events

Management has evaluated subsequent events through June 12, 2016, the date which the financial statements were available for issue.

NOTE 2. PROPERTY AND EQUIPMENT

As of December 31, 2015 and 2014, property and equipment consisted of the following:

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|--------------------|--------------------|
| Furniture, fixtures, and equipment | \$ 38,961 | \$ 18,034 |
| Vehicles | <u>1,777,497</u> | <u>1,611,966</u> |
| Total equipment, cost | 1,816,458 | 1,630,000 |
| Accumulated depreciation | <u>(1,231,038)</u> | <u>(1,139,991)</u> |
| Total equipment, net | <u>\$ 585,420</u> | <u>\$ 490,009</u> |

Depreciation expense for the years ended December 31, 2015 and 2014, amounted to \$166,037 and \$147,200, respectively.

NOTE 3. OPERATING LEASES

The Agency classifies its leases as either operating or capitalized leases. Currently, all leases are operating leases. Various office spaces are leased around the state of Montana. A summary of the lease terms are as follows:

- Bozeman-Headquarters \$2,433 month to month
- Bozeman \$2,283 monthly through January 2017
- Kalispell \$1,125 monthly through September 2019
- Helena \$1,805 monthly through September 2016
- Missoula \$2,085 monthly through February 2016;
\$2,147 thereafter through February 2017

Rent expense for the years ended December 31, 2015 and 2014, for these lease agreements totaled \$116,314 and \$117,650, respectively.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014

NOTE 3. OPERATING LEASES (CONTINUED)

The future non-cancellable lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2016 | \$ 82,781 |
| 2017 | 20,077 |
| 2018 | 13,500 |
| 2019 | 10,125 |
| | <u>\$ 126,483</u> |

In 2015, the Agency entered into a five-year operating lease for the use of 17 vehicles. As of December 31, 2015, there were 4 vehicles delivered and in use by the Agency. Monthly lease payments range from \$537 to \$670 per vehicle per month. There was no lease expense paid for these vehicles for the year ended December 31, 2015.

The future non-cancellable lease payments related to vehicles are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2016 | \$ 87,772 |
| 2017 | 129,284 |
| 2018 | 129,284 |
| 2019 | 129,284 |
| 2020 | 129,284 |
| Thereafter | 41,512 |
| | <u>\$ 646,420</u> |

NOTE 4. RETIREMENT PLAN

The Agency offers eligible employees the ability to participate in a 401(k) retirement plan after one year of service and after obtaining the age of 17. The Agency matched up to 5 percent of the employee's salary towards contributions for retirement. Employees vest 25 percent per year in employer contributions and are fully vested in the fourth year. For the years ended December 31, 2015 and 2014, the Agency contributed \$57,315 and \$49,969 to the employee retirement plan, respectively.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014

NOTE 5. LINE OF CREDIT

As of December 31, 2015 and 2014, the Agency had a line of credit from a financial institution which can be renewed annually and matures in September 2016. The line of credit is for a maximum of \$250,000 with a variable interest rate at the prime rate plus 0.50 percent. Interest on the line of credit is payable monthly with all principal and interest due at maturity. As of December 31, 2015 and 2014, the balance on the line of credit was \$-0-.

NOTE 6. RISK MANAGEMENT AND CONCENTRATION OF RISKS

The Agency faces a number of risks including (1) loss or damage to property; (2) general liability; (3) employee medical insurance, and (4) director's and officer's liability. Commercial insurance policies are purchased for loss or damage resulting from these risks.

The Agency has a concentration of risks relating to its revenue sources. The Agency received 30 percent and 36 percent of their total revenue from the AmeriCorps grant for the years ending December 31, 2015 and 2014, respectively. A substantial change in the AmeriCorps grant funding may have a substantial effect on the operations of the Agency.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 and 2014, consisted of the following:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-------------------|-------------------|
| AmeriCorps Match | \$ 215,930 | \$ 276,484 |
| Big Sky Watershed | 21,617 | - |
| Nathan Cox and Friends Memorial Fund | 7,876 | 1,664 |
| Youth Service Expeditions | 40,000 | 34,362 |
| | <u>\$ 285,423</u> | <u>\$ 312,510</u> |

The Nathan Cox and Friends Memorial Fund is a specialized fund created to honor the memory of Corps member, Nathan Cox, who drew strength from his MCC experience in a battle against cancer. Gifts to this fund help the Agency recognize the outstanding efforts of members and crews and boost training and networking opportunities for members and alumni.

SUPPLEMENTAL INFORMATION

MONTANA CONSERVATION CORPS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

| Federal Source <i>Pass-Through Source</i> Program Name | Award Amount | Grant or Pass- Through Number | CFDA # | Federal Awards Expended |
|--|-----------------|----------------------------------|--------|-------------------------------|
| Corporation for National and Community Service | | | | |
| <i>Montana Governor's Office Serve Montana</i> | | | | |
| AmeriCorps | 1,872,000 | 09ACHMT0010001 | 94.006 | \$ 1,872,000 |
| Big Sky Watershed Corps 2012-2013 | 267,376 | 11AFHMT0010001 | 94.006 | <u>267,376</u> |
| TOTAL Corp for National and Community Service | | | | <u>\$2,139,376</u> |
| National Fish and Wildlife Foundation | | | | |
| Bureau of Land Management (FA.A065) | 50,000 | 2100.14.043027 | 15.231 | \$ 50,000 |
| U.S. Fish and Wildlife Service (FC.R199) | 15,000 | 2100.14.043027 | 15.676 | 15,000 |
| Bureau of Reclamation (FC.R 177) | 35,000 | 2100.14.043984 | 15.546 | 35,000 |
| Bureau of Land Management (FA.A068) | 55,000 | 2100.15.047874 | 15.231 | - |
| TOTAL National Fish and Wildlife Foundation | 155,000 | | | <u>\$ 100,000</u> |
| National Forest Foundation | | | | |
| Rattlesnake National Recreation Area Trails Stewardship | 21,000 | AG-107 | 15.649 | <u>\$ 21,000</u> |
| TOTAL National Forest Foundation | 21,000 | | | <u>\$ 21,000</u> |
| U.S. Fish and Wildlife Service | | | | |
| Service Training and Technical Assistance | 195,200 | F11AC0039 | 15.649 | <u>\$ 182,200</u> |
| TOTAL U.S. Fish and Wildlife Service | 195,200 | | | <u>\$ 182,200</u> |
| U. S. Department of Interior | | | | |
| <i>Bureau of Land Management Montana</i> | 216,100 | L13AC00027 | 15.225 | \$ 134,100 |
| <i>Bureau of Land Management Wyoming</i> | 101,500 | L11AC20035 | 15.225 | <u>99,000</u> |
| | | | | <u>\$ 233,100</u> |
| <i>Bureau of Reclamation</i> | 25,000 | R15AC00011 | 15.546 | \$ 25,000 |
| | 72,000 | R15AC00039 | 15.546 | 72,000 |
| | 9,000 | R14AC00039 | 15.546 | - |
| | | | | <u>\$ 97,000</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MONTANA CONSERVATION CORPS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
Year Ended December 31, 2015

| Federal Source <i>Pass-Through Source</i> Program Name | Award Amount | Grant or Pass- Through Number | CFDA # | Federal Awards Expended |
|--|-----------------|----------------------------------|--------|-------------------------------|
| <i>National Park Service</i> | | | | |
| Badlands National Park/Fort Union/Knife River | 192,419 | P13AC00631 | 15.931 | \$ 84,000 |
| Big Hole National Battlefield | 24,884 | P14AC00794 | 15.931 | 24,884 |
| Bighorn Canyon National Recreation Area | 4,500 | P15AC00353 | 15.931 | 4,500 |
| Glacier National Park | 54,000 | P15AC00373 | 15.931 | 54,000 |
| Bighorn Canyon National Recreation Area | 4,500 | P15AC00428 | 15.931 | 4,500 |
| Glacier National Park | 50,500 | P15AC00685 | 15.931 | 50,500 |
| Yellowstone National Park | 50,000 | P15AC00802 | 15.931 | 50,000 |
| Wind Cave National Park | 27,000 | P15AC00840 | 15.931 | 27,000 |
| Devils Tower National Monument | 26,000 | P15AC00849 | 15.931 | 26,000 |
| Yellowstone National Park | 27,000 | P15AC01143 | 15.931 | 27,000 |
| Yellowstone National Park | 16,000 | P15AC01150 | 15.931 | 8,000 |
| Grand Teton National Park | 17,000 | P15AC01414 | 15.931 | 17,000 |
| Little Bighorn Battlefield National Monument | 28,350 | P15AC01418 | 15.931 | 28,350 |
| Yellowstone National Park | 18,000 | P15AC01491 | 15.931 | 18,000 |
| Yellowstone National Park | 9,000 | P15AC01496 | 15.931 | 9,000 |
| Glacier National Park | 9,000 | P15AC01688 | 15.931 | 9,000 |
| | | | | <u>\$ 441,734</u> |
| TOTAL U.S. Dept. of Interior | 981,753 | | | <u>\$ 771,834</u> |
| TOTAL FEDERAL EXPENDITURES | | | | <u><u>\$3,214,410</u></u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MONTANA CONSERVATION CORPS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

NOTE A. BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Montana Conservation Corp, Inc. under programs of the federal government for the year ended December 31, 2015. 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 Montana Conservation Corp, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Montana Conservation Corp, Inc.

NOTE B. 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.

Montana Conservation Corp, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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
Montana Conservation Corps, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montana Conservation Corps, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 June 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montana Conservation Corps, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montana Conservation Corps, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Montana Conservation Corps, 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.

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
June 12, 2016

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

To the Board of Directors
Montana Conservation Corps, Inc.

Report on Compliance for Each Major Federal Program

We have audited Montana Conservation Corps, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Montana Conservation Corps, Inc.'s major federal programs for the year ended December 31, 2015. Montana Conservation Corps, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Montana Conservation Corps, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montana Conservation Corps, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Montana Conservation Corps, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Montana Conservation Corps, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

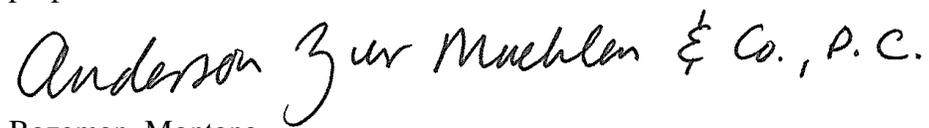
Management of Montana Conservation Corps, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montana Conservation Corps, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Montana Conservation Corps, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.


Bozeman, Montana
June 12, 2016

MONTANA CONSERVATION CORPS, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|--|---------------|
| Type of auditor’s report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | 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)? | No |

Identification of major programs

94.006 AmeriCorps and Big Sky Watershed Corps

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II – Financial Statement Findings

The audit disclosed no findings related to the financial statements, which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Awards Findings and Questioned Costs

There were no findings required to be reported in accordance with *Government Auditing Standards*.

MONTANA CONSERVATION CORPS, INC.
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

No findings or questioned costs were reported for the year ended December 31, 2014.



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