

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, 2016 and 2015



C O N T E N T S

	<u>PAGE</u>	
INDEPENDENT AUDITOR’S REPORT.....	1 and 2	
FINANCIAL STATEMENTS		
Statements of Financial Position.....	3	
Statements of Activities	4 and 5	
Statements of Functional Expenses	6 and 7	
Statements of Cash Flows	8 and 9	
Notes to Financial Statements.....	10 through 16	
SUPPLEMENTAL INFORMATION		
Schedule of Expenditures of Federal Awards.....	17	
Notes to Schedule of Expenditures of Federal Awards	18	
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 <i>GOVERNMENT AUDITING STANDARDS</i>		19 and 20
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....		21 and 22
Summary Schedule of Findings and Questioned Costs	23	
Status of Prior Year Findings and Questioned Costs.....	24	

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, 2016 and 2015, 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, 2016 and 2015, 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 audits were 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 July 11, 2017, 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
July 11, 2017

FINANCIAL STATEMENTS

MONTANA CONSERVATION CORPS, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,305,866	\$ 1,065,422
Grants receivable	22,000	34,182
Contracts receivable	107,433	36,500
Contributions receivable	8,346	8,615
Miscellaneous receivable	22,897	-
Prepaid expenses	17,346	69,134
Deposits	23,002	20,372
Inventory	<u>8,964</u>	<u>19,847</u>
Total current assets	<u>1,515,854</u>	<u>1,254,072</u>
NON-CURRENT ASSETS		
Property and equipment, net	<u>427,794</u>	<u>585,420</u>
Total assets	<u>\$ 1,943,648</u>	<u>\$ 1,839,492</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 14,232	\$ 40,419
Accrued wages and benefits payable	24,618	28,386
Payroll taxes payable	45,549	44,109
Accrued compensated absences	<u>200,591</u>	<u>186,967</u>
Total current liabilities	<u>284,990</u>	<u>299,881</u>
NET ASSETS		
Unrestricted	1,333,162	1,254,188
Temporarily restricted	<u>325,496</u>	<u>285,423</u>
Total net assets	<u>1,658,658</u>	<u>1,539,611</u>
Total liabilities and net assets	<u>\$ 1,943,648</u>	<u>\$ 1,839,492</u>

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

MONTANA CONSERVATION CORPS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grant revenues	\$ 2,222,000	\$ -	\$ 2,222,000
Contract revenues	4,108,430	-	4,108,430
Contributions and private grants	166,810	202,799	369,609
Interest	394	-	394
Other	<u>34,240</u>	<u>-</u>	<u>34,240</u>
Total revenues and support	6,531,874	202,799	6,734,673
SATISFACTION OF TEMPORARY RESTRICTIONS			
	<u>162,726</u>	<u>(162,726)</u>	<u>-</u>
Total revenues, support, and satisfaction of temporary restrictions	<u>6,694,600</u>	<u>40,073</u>	<u>6,734,673</u>
EXPENSES			
Member support	2,664,719	-	2,664,719
Program support	3,117,750	-	3,117,750
Training and education	170,722	-	170,722
Administrative	615,783	-	615,783
Fundraising	<u>46,652</u>	<u>-</u>	<u>46,652</u>
Total expenses	<u>6,615,626</u>	<u>-</u>	<u>6,615,626</u>
Change in net assets	78,974	40,073	119,047
Net assets, beginning of the year	<u>1,254,188</u>	<u>285,423</u>	<u>1,539,611</u>
Net assets, end of year	<u>\$ 1,333,162</u>	<u>\$ 325,496</u>	<u>\$ 1,658,658</u>

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

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	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>
Change 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 FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Member Support	Program Support	Training and Education	Administrative	Fundraising	Total
Advertising	\$ -	\$ 49	\$ -	\$ 362	\$ -	\$ 411
Audit	-	-	-	9,800	-	9,800
Background checks	-	14,239	-	37	-	14,276
Bank fees	-	-	-	1,970	993	2,963
Contract labor	-	128,485	23,517	58,503	7,275	217,780
Depreciation	-	157,626	-	-	-	157,626
Dues and publications	-	195	-	11,011	390	11,596
Interest	-	5,811	-	-	-	5,811
Liability insurance	-	5,369	-	60,734	-	66,103
Member living allowance and benefits	2,664,719	-	-	-	-	2,664,719
Office expenses	-	20,100	-	17,787	271	38,158
Computer software licenses	-	1,169	-	8,158	-	9,327
Postage	-	4,157	-	1,139	475	5,771
Printing, copies, and fax	-	6,141	-	2,147	1,246	9,534
Project and safety supplies	-	175,402	-	-	-	175,402
Recognition and incentive	-	9,313	-	-	1,197	10,510
Recruitment	-	27,117	-	-	-	27,117
Rent and utilities	-	134,423	-	14,283	-	148,706
Staff wages and benefits	-	1,729,025	-	424,184	31,808	2,185,017
Telephone	-	26,392	-	2,489	-	28,881
Training	-	-	99,849	60	2,262	102,171
Travel	-	282,229	47,356	2,442	673	332,700
Uniforms	-	20,429	-	-	-	20,429
Vehicle operations	-	343,501	-	677	62	344,240
Youth crew awards	-	26,578	-	-	-	26,578
Total	<u>\$ 2,664,719</u>	<u>\$ 3,117,750</u>	<u>\$ 170,722</u>	<u>\$ 615,783</u>	<u>\$ 46,652</u>	<u>\$ 6,615,626</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
Bank 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.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 2,234,182	\$ 2,304,614
Cash received from contracts	4,037,497	3,730,197
Cash received from contributions and private grants	346,981	281,246
Interest received	394	376
Other cash received	34,240	25,750
Cash paid for personnel	(2,173,721)	(2,087,353)
Cash paid for member living allowances and benefits	(2,664,719)	(2,546,565)
Cash paid for travel and training	(434,871)	(417,650)
Cash paid for contract services	(588,598)	(386,978)
Cash paid to suppliers and vendors	(201,589)	(129,387)
Cash paid for other operating expenses	(343,541)	(426,330)
Cash paid for interest	<u>(5,811)</u>	<u>(7)</u>
Net cash flows from operating activities	<u>240,444</u>	<u>347,913</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(261,448)</u>
Net cash flows from investing activities	<u>-</u>	<u>(261,448)</u>
Net change in cash and cash equivalents	240,444	86,465
Cash and cash equivalents, beginning of year	<u>1,065,422</u>	<u>978,957</u>
Cash and cash equivalents, end of year	<u>\$ 1,305,866</u>	<u>\$ 1,065,422</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 119,047	\$ 132,028
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	157,626	166,037
Changes in operating assets and liabilities:		
Grants receivable	12,182	(17,262)
Contracts receivable	(70,933)	61,598
Miscellaneous receivable	(22,628)	(1,053)
Prepaid expenses	51,788	(45,996)
Deposits paid	(2,630)	3,500
Inventory	10,883	(7,342)
Accounts payable and accrued liabilities	(26,187)	28,041
Accrued wages and benefits payable	(3,768)	11,348
Payroll taxes payable	1,440	2,324
Accrued compensated absences	13,624	14,690
Net cash flows from operating activities	<u>\$ 240,444</u>	<u>\$ 347,913</u>

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

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Montana Conservation Corps, Inc. (the Organization) is a nonprofit corporation organized under Internal Revenue Service Code Section 501(c)(3). The Organization is headquartered in Bozeman, Montana, and operates field offices in Bozeman, Helena, Kalispell, and Missoula, Montana. The Organization 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 300 project sponsor agencies, which include federal, state, and local governments and community-based nonprofit organizations.

The Organization 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 Organization operates both the AmeriCorps program for young adults age 17 and up for a term of three to nine months through either our crew model or single placements as Conservation Interns. In addition the organization offers the month long Youth Service Expedition summer program for youth 14 to 18 years of age and the one week long Middle School Expedition program for youth age 12 to 14. The Organization 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 Organization operates the Big Sky Watershed Corps (BSWC), is a partnership between the Montana Conservation Corps, the Soil and Water Conservation Districts of Montana, and the Montana Watershed Coordination Council, to activate community-based solutions for watershed health and protection. BSWC AmeriCorps members serve with local watershed-related groups throughout the state of Montana where they increase the capacity of host site organizations to lead community based, citizen-led watershed stewardship. Home-grown solutions to local watershed issues, on the ground watershed education and outreach, volunteer training, stream restoration projects and water monitoring initiatives make a measurable difference in local conservation efforts. BSWC AmeriCorps members gain practical professional experience in watershed stewardship while developing skills for project leadership, collaborative management, volunteer engagement, and the role of citizens in leading change in their communities.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016 and 2015

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

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).

The net assets of the Organization 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 Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets as of December 31, 2016 and 2015.

Contributions, including unconditional promises to give, are recognized as revenues in the period earned. 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 Organization 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. The Organization's bank accounts are insured by the FDIC up to \$250,000. As of December 31, 2016 and 2015, bank balances exceeded their insured limits by \$807,693 and \$584,019, respectively.

Inventory

Inventory consists of weatherization materials used for the Organization's home weatherization program. Inventory is 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, 2016 and 2015

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

Grants, Contracts, and Contributions Receivable

Grants receivable represents 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 Organization for contract project services that have been earned but not yet received. The Organization 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 value at the date of contribution. Management considers all contracts, grants, and contributions receivable to be fully collectable; therefore, no allowance for uncollectable accounts is presented.

Property and Equipment

The Organization capitalizes property and equipment with an acquisition cost of \$5,000 or greater with an expected life of at least three years. Purchased property and equipment are carried at cost. Donations of property and equipment are recorded as support at their estimated fair value at the 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. 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 Organization expenses advertising costs as they are incurred. In 2016 and 2015, \$411 and \$723 were charged to expense for advertising, respectively.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and has been granted public charity status.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016 and 2015

NOTE 1. NATURE OF ORGANIZATION 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 – 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 Organization 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 Organization and allow the Organization 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 Organization.

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

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

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform to the presentation of the 2016 financial statements. The reclassification had no effect on previously reported net assets or the change in net assets.

Subsequent Events

Management has evaluated subsequent events through July 11, 2017, the date which the financial statements were available to be issued.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016 and 2015

NOTE 2. PROPERTY AND EQUIPMENT

As of December 31, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Furniture, fixtures, and equipment	\$ 38,961	\$ 38,961
Vehicles	<u>1,520,756</u>	<u>1,777,497</u>
Total equipment, cost	1,559,717	1,816,458
Accumulated depreciation	<u>(1,131,923)</u>	<u>(1,231,038)</u>
Total equipment, net	<u>\$ 427,794</u>	<u>\$ 585,420</u>

Depreciation expense for the years ended December 31, 2016 and 2015, amounted to \$157,626 and \$166,037, respectively.

NOTE 3. OPERATING LEASES

The Organization classifies its leases as either operating or capital 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 \$585 monthly through November 2017;
\$310 May 2017 through April 2018
- Bozeman \$2,283 monthly through January 2019
- Kalispell \$1,125 monthly through September 2019
- Helena \$2,700 monthly through June 2019
- Helena \$1,805 terminated September 2016
- Missoula \$2,147 monthly through February 2017

Rent expense for the years ended December 31, 2016 and 2015, amounted to \$132,864 and \$116,314, respectively.

The future non-cancellable lease payments are scheduled as follows:

2017	\$ 109,812
2018	80,834
2019	<u>28,775</u>
	<u>\$ 219,421</u>

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016 and 2015

NOTE 3. OPERATING LEASES (CONTINUED)

In 2015, the Organization entered into a five-year operating lease for the use of 17 vehicles. As of December 31, 2016, all 17 vehicles had been delivered and are in use by the Organization. Monthly lease payments range from \$537 to \$679 per vehicle per month. There was no lease expense paid for these vehicles for the year ended December 31, 2015. Lease expense for the year ended December 31, 2016 totaled \$88,098.

Future non-cancellable lease payments related to vehicles are scheduled as follows:

2017	\$ 228,780
2018	260,242
2019	260,242
2020	260,242
2021	172,145
Thereafter	<u>27,783</u>
	<u>\$ 1,209,435</u>

NOTE 4. RETIREMENT PLAN

The Organization 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 Organization matched up to 5 percent of the employee's salary for 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, 2016 and 2015, the Organization contributed \$56,343 and \$57,315 to the employee retirement plan, respectively.

NOTE 5. LINE OF CREDIT

As of December 31, 2016 and 2015, the Organization had a line of credit from a financial institution which can be renewed annually and matures in October 2017. The line of credit is for a maximum of \$750,000 with a variable interest rate at the prime rate plus 1 percent. Interest on the line of credit is payable monthly with all principal and interest due at maturity. As of December 31, 2016 and 2015, the balance on the line of credit was \$-0-.

MONTANA CONSERVATION CORPS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016 and 2015

NOTE 6. RISK MANAGEMENT AND CONCENTRATION OF RISKS

The Organization 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 Organization has a concentration of risks relating to its revenue sources. The Organization received 28% and 30% of total revenue from the AmeriCorps grant for the years ended December 31, 2016 and 2015, respectively. A substantial change in the AmeriCorps grant funding may have a substantial effect on the operations of the Organization.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets are revenues and donations that are earmarked for a specific purpose or particular activities for which they must be used. Once the funds are obligated or expended, the temporarily restricted net asset is released or reduced. Temporarily restricted net assets include memorial funds to recognize members, unexpended match for specific grant program purposes and donations for youth and diversity and inclusion initiatives.

Temporarily restricted net assets as of December 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
AmeriCorps Match	\$ 213,227	\$ 215,930
Big Sky Watershed	21,586	21,617
Nathan Cox and Friends Memorial Fund	6,182	7,876
Youth Service Expeditions	<u>84,501</u>	<u>40,000</u>
	<u>\$ 325,496</u>	<u>\$ 285,423</u>

SUPPLEMENTAL INFORMATION

MONTANA CONSERVATION CORPS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

Federal Source Pass-Through Source 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>270,000</u>
TOTAL Corporation for National and Community Service				<u>2,142,000</u>
Disaster Response Cooperative Agreement	\$ 71,633	4227DR-LA-CNCS-01	94.02	<u>71,633</u>
National Fish and Wildlife Foundation				
Bureau of Land Management (FA.A068)	\$ 55,000	2100.15.047874	15.231	55,000
Bureau of Reclamation (for BSWC)	10,000	2100.16.053405	15.546	10,000
Bureau of Land Management	15,000	5100.16.049879	15.231	<u>15,000</u>
TOTAL National Fish and Wildlife Foundation				<u>80,000</u>
U. S. Department of Interior				
<i>Bureau of Land Management</i>				
Montana	\$ 229,900	L13AC00027	15.225	<u>100,000</u>
TOTAL Bureau of Land Management				<u>100,000</u>
<i>Bureau of Reclamation</i>				
	\$ 5,000	R15AC00039	15.546	5,000
	25,000	R16AC00034	15.546	25,000
	72,000	R16AC00081	15.546	<u>72,000</u>
TOTAL Bureau of Reclamation				<u>102,000</u>
<i>National Park Service</i>				
Badlands National Park/Fort Union/Knife River	\$ 167,419	P13AC00631	15.931	75,200
Yellowstone National Park	20,000	P15AC01150	15.931	20,000
Yellowstone National Park	48,000	P16AC00436	15.931	48,000
Glacier National Park	57,600	P16AC00605	15.931	57,600
Yellowstone National Park	67,600	P16AC00682	15.931	67,600
Grand Teton National Park	16,000	P16AC00859	15.931	16,000
Grand Teton National Park	25,600	P16AC00892	15.931	25,600
Glacier National Park	34,000	P16AC00974	15.931	34,000
Big Hole National Battlefield	24,191	P16AC01035	15.931	18,891
Little Bighorn Battlefield National Monument	20,160	P16AC01123	15.931	19,200
Yellowstone National Park	19,200	P16AC01177	15.931	19,200
Yellowstone National Park	19,200	P16AC01296	15.931	19,200
Glacier National Park	7,000	P16AC01297	15.931	<u>7,000</u>
TOTAL National Park Service				<u>427,491</u>
<i>U.S. Fish and Wildlife Service</i>				
Service Training and Technical Assistance	\$ 13,000	F11AC0039	15.649	9,000
Habitat Enhancement by Veteran Crews	109,600	F16AC00980	15.652	77,600
Habitat Enhancement by Youth Crews	125,900	F16AC00432	15.676	<u>114,300</u>
TOTAL U.S. Fish and Wildlife Service				<u>200,900</u>
TOTAL U.S. Dept. of Interior				<u>830,391</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 3,124,024</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, 2016

NOTE 1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Montana Conservation Corps, Inc. under programs of the federal government for the year ended December 31, 2016. 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 Corps, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Montana Conservation Corps, Inc.

NOTE 2. 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 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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits 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

July 11, 2017

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, 2016. 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, 2016.

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.

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
July 11, 2017

MONTANA CONSERVATION CORPS, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

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, 2016

No Findings or questioned costs were reported for the year ended December 31, 2015.



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS