



**Financial Statements
with
Independent Auditors' Report**

December 31, 2020 and 2019

Montana Conservation Corps, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montana Conservation Corps, Inc.
Bozeman, MT

Report on the 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, 2020 and 2019, 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 from 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, 2020 and 2019, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 4, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Montana Conservation Corps, Inc. 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.

Rudd & Company, PLLC

Bozeman, Montana
June 4, 2021

Montana Conservation Corps, Inc.
Statements of Financial Position
December 31,

Assets	2020	2019
Current Assets		
Cash and cash equivalents	\$ 2,768,540	\$ 1,671,266
Grants receivable	-	25,000
Contracts receivable	85,045	59,935
Contributions receivable	16,786	10,780
Prepaid expenses	7,822	24,980
Deposits	11,615	12,820
Inventory	7,928	7,928
Total Current Assets	<u>2,897,736</u>	<u>1,812,709</u>
Property and Equipment		
Property and equipment, net	<u>11,296</u>	<u>40,125</u>
Total Assets	<u>\$ 2,909,032</u>	<u>\$ 1,852,834</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 32,769	\$ 51,963
Accrued wages and benefits payable	52,272	57,055
Payroll taxes payable	22,844	39,911
Deferred revenue	33,600	62
Accrued compensated absences	165,822	216,767
Paycheck Protection Program loan	225,291	-
Total Current Liabilities	<u>532,598</u>	<u>365,758</u>
Net Assets		
Without donor restrictions	2,270,948	1,446,419
With donor restrictions	105,486	40,657
Total Net Assets	<u>2,376,434</u>	<u>1,487,076</u>
Total Liabilities and Net Assets	<u>\$ 2,909,032</u>	<u>\$ 1,852,834</u>

The accompanying notes are an integral part of the Financial Statements

Montana Conservation Corps, Inc.
Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grant revenues	\$ 2,139,352	\$ -	\$ 2,139,352
Contract revenues	3,728,995	-	3,728,995
Contributions and private grants	392,232	97,472	489,704
Interest	325	-	325
Gain on sale of assets	14,931	-	14,931
Paycheck Protection Program Loan Forgiveness	717,789	-	717,789
Other	535	-	535
Total Revenue and Support	<u>6,994,159</u>	<u>97,472</u>	<u>7,091,631</u>
Satisfaction of Project Restrictions	<u>32,643</u>	<u>(32,643)</u>	<u>-</u>
Total Revenues, Support, and Satisfaction of Project Restrictions	<u>7,026,802</u>	<u>64,829</u>	<u>7,091,631</u>
Expenses			
Member support	2,504,150	-	2,504,150
Program support	2,962,577	-	2,962,577
Training and education	79,343	-	79,343
Administrative	643,459	-	643,459
Fundraising	12,744	-	12,744
Total Expenses	<u>6,202,273</u>	<u>-</u>	<u>6,202,273</u>
Change in Net Assets	824,529	64,829	889,358
Net Assets, Beginning of Year	<u>1,446,419</u>	<u>40,657</u>	<u>1,487,076</u>
Net Assets, End of Year	<u>\$ 2,270,948</u>	<u>\$ 105,486</u>	<u>\$ 2,376,434</u>

The accompanying notes are an integral part of the Financial Statements

Montana Conservation Corps, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grant revenues	\$ 2,282,283	\$ -	\$ 2,282,283
Contract revenues	4,951,767	-	4,951,767
Contributions and private grants	427,590	35,800	463,390
Interest	386	-	386
Gain on sale of assets	161,292	-	161,292
Other	712	-	712
Total Revenue and Support	<u>7,824,030</u>	<u>35,800</u>	<u>7,859,830</u>
Satisfaction of Project Restrictions	<u>45,475</u>	<u>(45,475)</u>	<u>-</u>
Total Revenues, Support, and Satisfaction of Project Restrictions	<u>7,869,505</u>	<u>(9,675)</u>	<u>7,859,830</u>
Expenses			
Member support	3,084,543	-	3,084,543
Program support	3,787,183	-	3,787,183
Training and education	150,444	-	150,444
Administrative	726,102	-	726,102
Fundraising	39,319	-	39,319
Total Expenses	<u>7,787,591</u>	<u>-</u>	<u>7,787,591</u>
Change in Net Assets	81,914	(9,675)	72,239
Net Assets, Beginning of Year	<u>1,364,505</u>	<u>50,332</u>	<u>1,414,837</u>
Net Assets, End of Year	<u>\$ 1,446,419</u>	<u>\$ 40,657</u>	<u>\$ 1,487,076</u>

The accompanying notes are an integral part of the Financial Statements

Montana Conservation Corps, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Activities			Supporting Activities		Total
	Member Support	Program Support	Training and Education	Administration	Fundraising	
Advertising	\$ -	\$ 376	\$ -	\$ 49	\$ -	\$ 425
Audit and legal	-	394	-	11,350	-	11,744
Background checks	-	22,922	-	36	-	22,958
Bank fees	-	-	-	999	1,228	2,227
Contract labor	-	62,219	2,512	16,403	-	81,134
Depreciation	-	27,585	-	-	-	27,585
Dues and publications	-	-	-	14,993	2,069	17,062
Interest	-	1,628	-	-	-	1,628
Liability insurance	-	8,352	-	26,494	-	34,846
Member living allowance and benefits	2,498,550	-	-	-	-	2,498,550
Office expenses	-	18,774	-	3,929	-	22,703
Computer software licenses	-	13,372	-	38,218	-	51,590
Postage	-	3,310	-	1,094	506	4,910
Printing, copies, and fax	-	4,832	-	2,582	25	7,439
Project and safety supplies	-	119,456	-	-	-	119,456
Recognition and incentive	-	2,622	-	35	-	2,657
Recruitment	-	39,571	-	-	-	39,571
Rent and utilities	-	192,922	-	40,351	-	233,273
Staff wages and benefits	-	1,654,438	-	483,769	8,571	2,146,778
Telephone	-	25,221	-	1,971	-	27,192
Training	-	-	57,814	637	345	58,796
Travel	-	147,135	19,017	549	-	166,701
Uniforms	-	24,203	-	-	-	24,203
Vehicle operations	-	593,245	-	-	-	593,245
Youth crew awards	5,600	-	-	-	-	5,600
Total Expenses	\$ 2,504,150	\$ 2,962,577	\$ 79,343	\$ 643,459	\$ 12,744	\$ 6,202,273

The accompanying notes are an integral part of the Financial Statements

Montana Conservation Corps, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Activities			Supporting Activities		Total
	Member Support	Program Support	Training and Education	Administration	Fundraising	
Advertising	\$ -	\$ 212	\$ -	\$ 1,184	\$ 50	\$ 1,446
Audit and legal	-	-	-	10,684	-	10,684
Background checks	-	20,278	-	-	-	20,278
Bank fees	-	-	-	1,384	1,546	2,930
Contract labor	-	63,526	10,136	17,199	86	90,947
Depreciation	-	95,274	-	-	-	95,274
Dues and publications	-	230	-	11,851	925	13,006
Interest	-	7,537	-	-	-	7,537
Liability insurance	-	8,531	-	53,389	-	61,920
Member living allowance and benefits	3,081,643	3,349	-	-	-	3,084,992
Office expenses	-	21,829	-	10,620	1,204	33,653
Computer software licenses	-	9,295	-	20,214	-	29,509
Postage	-	4,354	-	1,365	1,649	7,368
Printing, copies, and fax	-	11,336	-	7,621	1,111	20,068
Project and safety supplies	-	183,909	-	-	-	183,909
Recognition and incentive	-	10,615	-	-	-	10,615
Recruitment	-	34,446	-	-	-	34,446
Rent and utilities	-	204,129	-	29,692	-	233,821
Staff wages and benefits	-	2,088,001	-	555,152	31,136	2,674,289
Telephone	-	28,880	-	2,258	-	31,138
Training	-	-	113,035	3,045	216	116,296
Travel	-	274,839	27,273	444	1,396	303,952
Uniforms	-	34,317	-	-	-	34,317
Vehicle operations	-	635,316	-	-	-	635,316
Youth crew awards	2,900	46,980	-	-	-	49,880
Total Expenses	\$ 3,084,543	\$ 3,787,183	\$ 150,444	\$ 726,102	\$ 39,319	\$ 7,787,591

The accompanying notes are an integral part of the Financial Statements

Montana Conservation Corps, Inc.
Statements of Cash Flows
For the Years Ended December 31,

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Cash received from:		
Grants	\$ 2,164,352	\$ 2,288,813
Contracts	3,703,885	5,022,904
Contributions and private grants	483,698	494,175
Interest	325	386
Other	535	712
Cash paid to/for:		
Personnel	(2,186,035)	(2,644,307)
Member living allowances and benefits	(2,498,550)	(3,084,992)
Travel and training	(225,497)	(420,248)
Contract services	(679,979)	(776,143)
Suppliers and vendors	(234,976)	(265,044)
Other operating expenses	(388,111)	(439,188)
Interest	(48)	(7,537)
Net Cash Provided by Operating Activities	<u>139,599</u>	<u>169,531</u>
Cash Flows From Investing Activities		
Sale of property and equipment	<u>16,175</u>	<u>163,780</u>
Net Cash Provided by Investing Activities	<u>16,175</u>	<u>163,780</u>
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan	<u>941,500</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>941,500</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	1,097,274	333,311
Cash and Cash Equivalents, Beginning of Year	<u>1,671,266</u>	<u>1,337,955</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,768,540</u>	<u>\$ 1,671,266</u>
Noncash Financing Activities		
Paycheck Protection Program loan forgiveness	<u>\$ 717,789</u>	<u>-</u>

The accompanying notes are an integral part of the Financial Statements

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

1. Summary of 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 150 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 a two-week and a four-week-long Youth Service Expedition summer program for youth age 14 to 17 years of age. The Organization conducts over 330 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), which 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 the Financial Statements
For the Years Ended December 31, 2020 and 2019

1. Summary of 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).

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 net assets with donor restrictions and are reclassified to net assets without donor restrictions 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 net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of net assets with donor restrictions (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.

Categories of Net Assets

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

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – 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. Restricted contributions whose restrictions are met in the same reporting period are reflected as contributions without donor restrictions by the Organization. As of December 31, 2020 and 2019, the Organization had \$105,486 and \$40,657, respectively, in net assets with donor restrictions. Net assets with donor restrictions may be subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no net assets that were required to be maintained permanently as of December 31, 2020 and 2019.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (continued)

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, 2020 and 2019, bank balances exceeded their insured limits by \$2,270,930 and \$1,151,830, respectively.

Inventory

Inventory consists of weatherization materials used for the Organization's home weatherization program. Inventory is stated at the lower of cost or net realizable value on the first in-first out method.

Revenue and Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers (Topic 606)*. This standard changes the way revenue is recognized from contracts and aims to standardize how revenue is recorded and reported across industries. The Organization adopted this ASU on January 1, 2019, as amended, as management believed the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to previously issued financial statements were required on a retrospective basis. Management determined the transactions subjected to the updated presentation and disclosures of revenue are not material to the financial statements as a whole; therefore no significant changes have been made to the financial statements.

In 2019, The Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of this standard resulted in no financial statement change as it aligns with the previous treatment of items within the standard.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

1. Summary of 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 statement of financial position 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 with or without donor restrictions depending upon the existence of donor stipulations. Donor restricted contributions, whose restrictions have been fulfilled in the current year, are reported as contributions without donor restrictions. 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.

Advertising Expenses

The Organization expenses advertising costs as they are incurred.

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 support without donor restrictions 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. As of December 31, 2020 and 2019, property and equipment, net is \$11,296 and \$40,125, respectively.

Compensated Absences

Eligible employees may accumulate a 1000 hours of sick leave and up to 25 days of vacation leave. Once the maximum has been reached, employees will not accrue additional sick or vacation hours until their accrued total is less than 1000 hours and 25 days, respectively. Regular employees working less than 40 hours and more than 20 hours a week will not accrue additional sick or vacation hours based upon a pro-rated share of the 1000 hours or 25 days. Upon termination, employees are paid at 100 percent of their unused vacation leave and 25 percent of their unused sick leave. As of December 31, 2020 and 2019, the Organization's vacation leave liability, was \$165,822 and \$216,767, respectively.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (continued)

Program Services and Expense Classification

Separate accounts are maintained for each fund and expenses are directly coded to each function; 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.

Administration – includes costs that are used for administering the Organization and allow the Organization to operate and provide services to members that are not directly attributed to member 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.

Functional Expenses Allocation Methodology

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office and occupancy and telephone, which are allocated on an employee count basis.

Timesheets are used as the basis for charging salaries and benefits to the functional categories and particular projects. All allowable direct costs are charged directly to functions and programs as incurred. Vehicle costs are charged to projects based on the number of project crew weeks. Vehicle costs are analyzed on an annual basis to determine a weekly cost for projects during the year.

Costs not directly benefiting a particular project are generally allocated to program support and included in the Organization's federally negotiated indirect cost rate calculation.

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 the Financial Statements
For the Years Ended December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (continued)

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.

Subsequent Events

The Organization evaluates subsequent events through the date the financial statements are available to be issued which is the date of the auditor's report.

2. Property and Equipment

As of December 31, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures, and equipment	\$ 31,396	\$ 31,396
Vehicles	387,203	422,082
Total equipment, cost	418,599	453,478
Accumulated Depreciation	<u>(407,303)</u>	<u>(413,353)</u>
Total equipment, net	<u>\$ 11,296</u>	<u>\$ 40,125</u>

Depreciation expense for the years ended December 31, 2020 and 2019, amounted to \$27,585 and \$95,275, respectively.

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 \$6,000 monthly through October 2020;
\$5,000 monthly through December 2021,
\$5,150 monthly through November 2022,
\$5,305 monthly through November 2022

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

3. Operating Leases (continued)

- Bozeman \$655 monthly through June 2020;
\$370 monthly through July 2021
- Bozeman \$2,675 monthly through January 2021;
\$2,809 monthly through January 2022
- Kalispell \$2,227 monthly through May 2021, with an
option for lease renewal at end of term
\$341 monthly through February 2021
- Helena \$2,700 month-to-month lease
- Missoula \$3,470 monthly through January 2020;
\$3,573 monthly through January 2021;
\$3,680 monthly through January 2022;
\$3,750 monthly through January 2023;
\$3,860 monthly through January 2024

Rent expense for the years ended December 31, 2020 and 2019, amounted to \$208,207 and \$207,535, respectively.

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

2021	\$ 156,764
2022	110,530
2023	99,288
2024	<u>3,860</u>
Total	<u>\$ 370,442</u>

Before 2020, the Organization entered into a five-year operating lease for the use of 46 vehicles. In 2020, the Organization entered into an additional five-year operating leases for the use of 8 vehicles and sold 20 vehicles. As of December 31, 2020, all 34 vehicles had been delivered and are in use by the Organization. Monthly lease payments range from \$524 to \$681 per vehicle per month. Lease expense for the years ended December 31, 2020 and 2019 totaled \$352,402 and \$321,652, respectively.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

3. Operating Leases (continued)

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

2021	\$ 257,976
2022	159,337
2023	116,378
2024	66,459
2025	<u>12,901</u>
Total	<u>\$ 613,051</u>

4. Retirement Plans

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 matches 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, 2020 and 2019, the Organization contributed \$53,834 and \$70,273 to the employee retirement plan, respectively.

5. Line of Credit

The Organization has a line of credit from a financial institution which can be renewed annually and matures in September 2021. 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, 2020 and 2019, the balance on the line of credit was \$0 for both years.

6. Risk Management and Concentrations 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 22% and 24% of total revenue from the AmeriCorps grant for the years ended December 31, 2020 and 2019, respectively. A substantial change in the AmeriCorps grant funding may have a substantial effect on the operations of the Organization.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

6. Risk Management and Concentrations of Risks (continued)

The Organization did not have a concentration of risks relating to its contract receivable balance at December 31, 2020 and 2019.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are revenues and donations that are earmarked by the donor for a specific purpose, particular activities for which they must be used or when they must be used. Once the funds are obligated or expended, the net asset with donor restriction is released or reduced. Net assets with donor restrictions include memorial funds to recognize members, unexpended match for specific grant program purposes, donations for youth service expedition programs and future general operations.

Net assets with donor restrictions as of December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions		
All Nations	\$ -	\$ 5,800
Nathan Cox and Friends Memorial Fund	3,014	4,857
Leadership	11,500	-
Youth Services Expeditions	75,972	30,000
Timing Restrictions		
2021 General Operations	15,000	-
	<u>\$ 105,486</u>	<u>\$ 40,657</u>

8. Liquidity and Availability of Resources

Financial assets available for general expenses (without donor or other restrictions limiting their use), within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,768,540	\$ 1,671,266
Grants receivable	-	25,000
Contracts receivable	85,045	59,934
Contributions receivable	16,786	10,780
Total	<u>2,870,371</u>	<u>1,766,980</u>
Less Donor Restricted Funds	<u>(105,486)</u>	<u>(40,657)</u>
Total Financial Assets Available	<u>\$ 2,764,885</u>	<u>\$ 1,726,323</u>

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

8. Liquidity and Availability of Resources (continued)

The Organization is primarily supported by grants, contracts, and contributions. As part of the Organization's liquidity management, management reviews its liquidity monthly with the finance committee of the board of directors. The Organization's cash balances historically have been sufficient to allow the Organization to satisfy its liquidity needs from November to May of each year. The Organization typically draws upon its \$750,000 line of credit to help with liquidity during the summer months; however, the line of credit is paid in full each fall (see Note 5).

9. Coronavirus Pandemic

The Organization has been impacted by the effects of the worldwide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

10. Paycheck Protection Program (PPP) Loan

The Organization was granted a \$941,500 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized other revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization recognized \$717,789 as other income for the year ended December 31, 2020. The Organization repaid the remaining balance of \$223,711 plus interest accrued (at 1 percent) of \$2,063 in March 2021.

11. Subsequent Events

Future Funding

In May 2021, the Organization received a new notice of award for the third year of the latest AmeriCorps program grant cycle. This award's approved budget is \$1,994,000 and has a budget period from January 1, 2021 to December 31, 2021.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

12. New Accounting Pronouncements

The FASB issued Accounting Standard Update (ASU) 2016-02: *Leases, Topic 842*, in February 2016. This ASU requires the recognition of lease assets and liabilities in the financial statements as a “right-to-use” asset and a lease liability. This ASU is effective for periods beginning after December 15, 2021. Early implementation is permitted; however, the Organization elected not to early implement. Upon implementation, the Organization will recognize the lease assets and lease liabilities of lessees for those leases classified as operating leases under current GAAP.

Supplementary Information

Montana Conservation Corps, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Source/Pass-through Grantor/Program Title	Award Amount	Grant or Pass- Through Number	CFDA Number	Federal Expenditures
<u>U.S Department of the Treasury</u>				
<i>Montana Department of Commerce - Coronavirus Aid, Relief, and Economic Security (CARES) Act</i>				
COVID-19 - Social Services Nonprofit Grant	10,000	ID 16297892	21.019	\$ 10,000
COVID-19 - Social Services Nonprofit Grant	25,000	ID 16297892	21.019	25,000
Total U.S. Department of the Treasury				35,000
<u>Corporation for National and Community Service</u>				
<i>Montana Governor's Office Serve Montana</i>				
AmeriCorps	1,994,000	18ESHMT001 0001	94.006	1,557,597
Big Sky Watershed Corps	490,059	19FXHTMT001 0001	94.006	483,529
Total Montana Governor's Office Serve Montana				2,041,126
Disaster Response Cooperative Agreement	12,054	4559DR-LA-CNCS-01	94.020	12,054
Total Corporation for National and Community Service				2,053,180
<u>National Fish and Wildlife Foundation</u>				
U.S. Forest Service (FA.A074)	44,011	1701.17.058463	10.683	4,035
Total National Fish and Wildlife Foundation				4,035
<u>U. S. Endowment for Forestry and Communities</u>				
Healthy Watersheds Consortium Grant Program	198,800	E19-23	66.441	94,190
Total U. S. Endowment for Forestry and Communities				94,190
<u>U. S. Department of Interior</u>				
<i>Bureau of Land Management</i>				
<i>Montana</i>				
Miles City Field Office	28,000	L18AC00005	15.243	8,800
Malta Field Office	67,500	L18AC00006	15.243	11,000
Billings Field Office Pompey Pillar	65,100	L18AC00007	15.243	14,800
Billings Field Office	225,500	L18AC00008	15.243	56,525
Lewistown Field Office UMRBNM	55,500	L18AC00009	15.243	28,400
Butte Field Office	300,000	L18AC00011	15.243	114,466
Dillon Field Office	57,919	L18AC00012	15.243	25,601
Wyoming	678,000	L16AC00410	15.225	213,000
Idaho	225,000	L16AC00419	15.225	38,500
Total Bureau of Land Management				511,092
<i>Bureau of Reclamation</i>				
Upper Snake River Office	11,750	R19AC00011	15.546	5,750
Total Bureau of Reclamation				5,750

See Independent Auditors' Report
The accompanying notes are an integral part of this schedule

Montana Conservation Corps, Inc.
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended December 31, 2020

Federal Source/Pass-through Grantor/Program Title	Award Amount	Grant or Pass- Through Number	CFDA Number	Federal Expenditures
<i>National Park Service</i>				
Little Bighorn Battlefield National Monument	50,595	P18AC00427	15.931	12,400
Badlands NP/Fort Union/Knife River	115,000	P19AC00344	15.931	8,000
Theodore Roosevelt National Park	89,200	P20AC00277	15.931	62,500
Glacier National Park	48,200	P20AC00526	15.931	42,000
Glacier National Park	99,000	P20AC00574	15.931	99,000
Yellowstone National Park	40,000	P20AC00659	15.931	16,000
Yellowstone National Park	22,000	P20AC00718	15.931	22,000
Yellowstone National Park	15,286	P20AC00721	15.931	15,000
Glacier National Park	85,446	P20AC00759	15.931	64,000
Yellowstone National Park	10,000	P20AC00825	15.931	10,000
Total National Park Service				<u>350,900</u>
<i>U.S. Fish and Wildlife Service</i>				
Habitat Enhancement by Youth Crews	418,350	F16AC00432	15.676	16,500
Habitat Enhancement by Youth Crews	49,000	F20AC003810	15.676	22,000
Habitat Enhancement by Youth Crews	22,000	F20AC11294	15.676	11,000
Total U.S. Fish and Wildlife Service				<u>49,500</u>
TOTAL U.S. Dept. of Interior				<u>917,242</u>
Total Federal Expenditures				<u>\$ 3,103,647</u>

See Independent Auditors' Report
The accompanying notes are an integral part of this schedule

Montana Conservation Corps, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Montana Conservation Corp, Inc. (the “Organization”) and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Cost Allocation

The Organization has elected not to use the 10% de minimis cost rate.



**INDEPENDENT AUDITORS' 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.
Bozeman, Montana

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, 2020, 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 4, 2021.

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) as a basis for designing 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 financial statements. 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.

Rudd & Company, PLLC

Bozeman, Montana
June 4, 2021



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

To the Board of Directors of
Montana Conservation Corps, Inc.
Bozeman, Montana

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, 2020. 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 its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Montana Conservation Corps, Inc.'s major federal program 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 the 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, the 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 its major federal program for the year ended December 31, 2020.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Rudd & Company, PLLC

Bozeman, Montana
June 4, 2021

Montana Conservation Corps, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
94.006	Ameri Corps and Big Sky Watershed Corps

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes
Current Year Findings	None reported
Prior Audit Findings	None reported