



**Financial Statements
with
Independent Auditors' Report**

December 31, 2021 and 2020

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 Audit of the Financial Statements

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Montana Conservation Corps, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montana Conservation Corps, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montana Conservation Corps, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Montana Conservation Corps, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montana Conservation Corps, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2022, 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.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montana Conservation Corps, Inc. internal control over financial reporting and compliance.

Rudd & Company, PLLC

Bozeman, Montana
June 3, 2022

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

Assets	2021	2020
Current Assets		
Cash and cash equivalents	\$ 3,729,618	\$ 2,768,540
Grants receivable	5,043	-
Contracts receivable	369,577	85,045
Contributions receivable	6,585	16,786
Miscellaneous receivable	749	-
Prepaid expenses	11,825	7,822
Deposits	12,565	11,615
Inventory	-	7,928
Total Current Assets	<u>4,135,962</u>	<u>2,897,736</u>
Property and Equipment		
Property and equipment, net	<u>6,456</u>	<u>11,296</u>
Total Assets	<u>\$ 4,142,418</u>	<u>\$ 2,909,032</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 35,705	\$ 32,769
Other accrued liabilities	20,972	-
Accrued wages and benefits payable	57,702	52,272
Payroll taxes payable	45,234	22,844
Deferred revenue	68,284	33,600
Accrued compensated absences	189,718	165,822
Paycheck Protection Program loan	-	225,291
Total Current Liabilities	<u>417,615</u>	<u>532,598</u>
Net Assets		
Without donor restrictions	3,234,591	2,270,948
Without donor restrictions - board designated	300,000	-
With donor restrictions	<u>190,212</u>	<u>105,486</u>
Total Net Assets	<u>3,724,803</u>	<u>2,376,434</u>
Total Liabilities and Net Assets	<u>\$ 4,142,418</u>	<u>\$ 2,909,032</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grant revenues	\$ 2,432,850	\$ -	\$ 2,432,850
Contract revenues	5,699,409	-	5,699,409
Contributions and private grants	546,623	190,212	736,835
Interest	199	-	199
Gain on sale of assets	199,464	-	199,464
Other	2,614	-	2,614
Total Revenue and Support	<u>8,881,159</u>	<u>190,212</u>	<u>9,071,371</u>
Satisfaction of Project and Time Restrictions	<u>105,486</u>	<u>(105,486)</u>	<u>-</u>
Total Revenues, Support, and Satisfaction of Project Restrictions	<u>8,986,645</u>	<u>84,726</u>	<u>9,071,371</u>
Expenses			
Member support	3,289,961	-	3,289,961
Program support	3,577,177	-	3,577,177
Training and education	111,926	-	111,926
Administrative	718,113	-	718,113
Fundraising	25,825	-	25,825
Total Expenses	<u>7,723,002</u>	<u>-</u>	<u>7,723,002</u>
Change in Net Assets	1,263,643	84,726	1,348,369
Net Assets, Beginning of Year	<u>2,270,948</u>	<u>105,486</u>	<u>2,376,434</u>
Net Assets, End of Year	<u>\$ 3,534,591</u>	<u>\$ 190,212</u>	<u>\$ 3,724,803</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 Functional Expenses
For the Year Ended December 31, 2021

	Program Activities			Supporting Activities		Total
	Member Support	Program Support	Training and Education	Administration	Fundraising	
Advertising	\$ -	\$ 2,277	\$ -	\$ 1,065	\$ -	\$ 3,342
Audit and legal	-	-	-	11,915	-	11,915
Background checks	-	27,630	-	41	-	27,671
Bank fees	-	2	-	1,624	1,373	2,999
Contract labor	-	78,621	11,548	16,328	11,561	118,058
Depreciation	-	2,092	-	-	-	2,092
Dues and publications	-	-	-	9,860	215	10,075
Interest	-	501	-	-	-	501
Liability insurance	-	6,370	-	19,599	-	25,969
Member living allowance and benefits	3,275,861	3,411	-	-	-	3,279,272
Office expenses	-	24,290	-	7,351	132	31,773
Computer software licenses	-	12,411	-	41,753	4,645	58,809
Postage	-	4,368	-	868	400	5,636
Printing, copies, and fax	-	3,053	-	6,108	1,069	10,230
Project and safety supplies	-	158,279	-	-	-	158,279
Recognition and incentive	-	4,277	-	-	5	4,282
Recruitment	-	12,531	-	-	-	12,531
Rent and utilities	-	212,297	-	24,564	-	236,861
Staff wages and benefits	-	1,998,922	-	567,226	6,377	2,572,525
Telephone	-	34,344	-	7,205	-	41,549
Training	-	-	74,849	2,416	25	77,290
Travel	-	270,725	25,529	190	10	296,454
Uniforms	-	27,259	-	-	-	27,259
Vehicle operations	-	679,997	-	-	13	680,010
Youth crew awards	14,100	13,520	-	-	-	27,620
Total Expenses	\$ 3,289,961	\$ 3,577,177	\$ 111,926	\$ 718,113	\$ 25,825	\$ 7,723,002

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.
Statements of Cash Flows
For the Years Ended December 31,

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from:		
Grants	\$ 2,427,807	\$ 2,164,352
Contracts	5,414,877	3,703,885
Contributions and private grants	746,287	483,698
Interest	199	325
Other	2,614	535
Cash paid to/for:		
Personnel	(2,486,125)	(2,186,035)
Member living allowances and benefits	(3,279,272)	(2,498,550)
Travel and training	(373,744)	(225,497)
Contract services	(825,688)	(679,979)
Suppliers and vendors	(270,390)	(234,976)
Other operating expenses	(371,907)	(388,111)
Interest	(2,081)	(48)
Net Cash Provided by Operating Activities	<u>982,577</u>	<u>139,599</u>
Cash Flows From Investing Activities		
Sale of property and equipment	<u>202,212</u>	<u>16,175</u>
Net Cash Provided by Investing Activities	<u>202,212</u>	<u>16,175</u>
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan	-	941,500
Payments on Paycheck Protection Program loan	<u>(223,711)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(223,711)</u>	<u>941,500</u>
Net Change in Cash and Cash Equivalents	961,078	1,097,274
Cash and Cash Equivalents, Beginning of Year	<u>2,768,540</u>	<u>1,671,266</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,729,618</u>	<u>\$ 2,768,540</u>
Noncash Financing Activities		
Paycheck Protection Program loan forgiveness	<u>\$ -</u>	<u>\$ 717,789</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, 2021 and 2020

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, 2021 and 2020

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. The Board of Directors has voluntarily designated \$300,000 and \$0 of net assets without donor restrictions for operating reserves as of December 31, 2021 and 2020, respectively. The general purpose of the operating reserve is to help ensure the long-term financial stability of the Organization and position it to respond to varying economic conditions, opportunities and changes affecting the Organization’s financial position and the ability of the Organization to continuously carry out its mission.

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, 2021 and 2020, the Organization had \$190,212 and \$105,486, 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, 2021 and 2020.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020, bank balances exceeded their insured limits by \$2,977,430 and \$2,270,930, 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.

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, 2021 and 2020, property and equipment, net is \$6,456 and \$11,296, respectively.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

1. Summary of Significant Accounting Policies (continued)

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, 2021 and 2020, the Organization's vacation leave liability, was \$189,718 and \$165,822, respectively.

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.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

1. Summary of Significant Accounting Policies (continued)

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.

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, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures, and equipment	\$ 31,396	\$ 31,396
Vehicles	132,813	387,203
Total equipment, cost	164,209	418,599
Accumulated Depreciation	<u>(157,753)</u>	<u>(407,303)</u>
Total equipment, net	<u>\$ 6,456</u>	<u>\$ 11,296</u>

Depreciation expense for the years ended December 31, 2021 and 2020, amounted to \$2,092 and \$27,585, respectively.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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 \$5,150 monthly through November 2021,
\$5,305 monthly through November 2022
- Bozeman \$370 monthly through July 2021
\$435 monthly through July 2022
- Bozeman \$2,675 monthly through January 2021;
\$2,809 monthly through January 2022
- Kalispell \$2,568 month-to-month lease
\$341 month-to-month lease
- Helena \$3,100 monthly through October 2021;
\$3,162 monthly through October 2022,
\$3,225 monthly through October 2023
- Missoula \$3,573 monthly through January 2021;
\$3,640 monthly through January 2022,
\$3,750 monthly through January 2023,
\$3,860 monthly through January 2024

Rent expense for the years ended December 31, 2021 and 2020, amounted to \$210,570 and \$208,207, respectively.

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

2022	\$ 152,713
2023	128,282
2024	<u>3,860</u>
Total	<u>\$ 284,855</u>

Before 2021, the Organization entered into a five-year operating lease for the use of 41 vehicles. In 2021, the Organization entered into an additional five-year operating leases for the use of 34 vehicles. As of December 31, 2021, all 34 vehicles had been delivered and are in use by the Organization. Monthly lease payments range from \$467 to \$902 per vehicle per month. Lease expense for the years ended December 31, 2021 and 2020 totaled \$493,773 and \$399,823, respectively.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

3. Operating Leases (continued)

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

2022	\$ 461,323
2023	384,493
2024	322,452
2025	262,090
2026	<u>123,915</u>
Total	<u>\$ 1,554,273</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, 2021 and 2020, the Organization contributed \$68,747 and \$53,834 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020

6. Risk Management and Concentrations of Risks (continued)

The Organization has a concentration of risks relating to its contract receivable balance at December 31, 2021, as 91% is due from the United States Forest Service. The Organization did not have a concentration of risks relating to its contract receivable balance at December 31, 2020.

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, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Purpose Restrictions		
Flathead Programming	\$ 51,114	\$ -
Missoula Projects	10,000	-
Nathan Cox and Friends Memorial Fund	-	3,014
Leadership	-	11,500
Youth Services Expeditions	60,000	75,972
Miscellaneous Programs	30,000	-
Fundraising	4,854	-
Piikuni Lands Corps	20,000	-
Diversity, Equity and Inclusion	14,244	-
Timing Restrictions		
2021 General Operations	-	15,000
	<u>\$ 190,212</u>	<u>\$ 105,486</u>

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,729,618	\$ 2,768,540
Grants receivable	5,043	-
Contracts receivable	369,577	85,045
Contributions receivable	6,585	16,786
Miscellaneous receivable	749	-
Total	<u>4,111,572</u>	<u>2,870,371</u>
Less Donor Restricted Funds	<u>(190,212)</u>	<u>(105,486)</u>
Total Financial Assets Available	<u>\$ 3,921,360</u>	<u>\$ 2,764,885</u>

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). See Note 1 for board designated amounts.

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.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

10. Paycheck Protection Program (PPP) Loan

In 2020, 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 during 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 2022, the Organization received a new notice of award for the second year of the latest AmeriCorps program grant cycle. This award's approved budget is \$2,587,635 and has a budget period from January 1, 2023 to December 31, 2023.

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, 2021

Federal Source/Pass-through Grantor/Program Title	Award Amount	Grant or Pass- Through Number	CFDA Number	Federal Expenditures
<u>Corporation for National and Community Service</u>				
<i>Montana Governor's Office Serve Montana</i>				
AmeriCorps	1,994,000	18ESHMT001 0001	94.006	\$ 1,860,120
Big Sky Watershed Corps	490,059	19FXHTMT001 0001	94.006	446,273
Total Corporation for National and Community Service				<u>2,306,393</u>
<u>National Fish and Wildlife Foundation</u>				
Natural Resource Conservation Service (FC.R429)	75,885	2501.21.070924	10.902	23,308
Total National Fish and Wildlife Foundation				<u>23,308</u>
<u>U. S. Endowment for Forestry and Communities</u>				
Healthy Watersheds Consortium Grant Program	198,800	E19-23	66.441	103,150
Total U. S. Endowment for Forestry and Communities				<u>103,150</u>
<u>U. S. Department of Interior</u>				
<i>Bureau of Land Management</i>				
Montana				
Billings Field Office	225,500	L18AC00008	15.243	18,000
Butte Field Office	300,000	L18AC00011	15.243	49,500
Billings Field Office	279,500	L21AC10163	15.243	84,800
Miles City Field Office	18,000	L21AC10243	15.243	11,000
Malta Field Office	25,992	L21AC10257	15.243	21,500
Butte Field Office	167,100	L21AC10263	15.243	23,600
South Dakota	22,000	L21AC10248	15.243	10,500
Wyoming	773,000	L16AC00410	15.243	131,000
Idaho	225,000	L16AC00419	15.233	69,000
Total Bureau of Land Management				<u>418,900</u>
<i>Bureau of Reclamation</i>				
Upper Snake River Office	11,750	R19AC00011	15.546	6,000
Middle Snake River Office	18,000	R21AC10192	15.546	18,000
Total Bureau of Reclamation				<u>24,000</u>

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, 2021

Federal Source/Pass-through Grantor/Program Title	Award Amount	Grant or Pass-Through Number	CFDA Number	Federal Expenditures
<i>National Park Service</i>				
Grand Teton National Park	131,200	P17AC00514	15.931	16,000
Little Bighorn Battlefield National Monument	50,595	P18AC00427	15.931	8,000
Badlands NP/Fort Union/Knife River	115,000	P19AC00344	15.931	16,000
Big Hole National Historic Battlefield	65,327	P19AC00813	15.931	12,000
Theodore Roosevelt National Park	89,200	P20AC00277	15.931	26,700
Yellowstone National Park	16,000	P20AC00361	15.931	16,000
Glacier National Park	48,200	P20AC00526	15.931	6,200
Yellowstone National Park	82,000	P20AC00659	15.931	16,000
Yellowstone National Park	52,737	P20AC00721	15.931	32,820
Glacier National Park	85,446	P20AC00759	15.931	21,446
Grand Teton National Park	66,000	P21AC10164	15.931	66,000
Glacier National Park	27,500	P21AC10167	15.931	25,300
Glacier National Park	99,000	P21AC10219	15.931	99,000
Yellowstone National Park	34,800	P21AC10232	15.931	34,800
Yellowstone National Park	88,000	P21AC10826	15.931	88,000
Theodore Roosevelt National Park	24,000	P21AC11439	15.931	22,000
Total National Park Service				506,266
<i>U.S. Fish and Wildlife Service</i>				
National Bison Range NWR	100,000	F16AC00980	15.676	1,630
National Bison Range NWR	49,000	F20AC00381	15.676	28,900
Seedskaadee NWR Complex	22,000	F20AC11294	15.676	11,000
CMR Conservation intern	6,000	F21AC01095	15.676	6,000
CMR Sand Creek Salt Cedar Removal	12,000	F21AC01104	15.676	6,000
CMR Fort Peck	12,000	F21AC01106	15.676	12,000
CMR Sand Creek Fence Removal Project	14,000	F21AC01206	15.676	14,000
Benton Lakes NWR	11,000	F21AC01401	15.676	11,000
Bowdoin NWR	58,000	F21AC01404	15.676	22,000
Total U.S. Fish and Wildlife Service				112,530
Total U.S. Department of Interior				1,061,696
Total Federal Expenditures				\$ 3,494,547

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, 2021

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, 2021, 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 3, 2022.

Report on 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.

Report on 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 3, 2022



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

Opinion on 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, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Montana Conservation Corps, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Montana Conservation Corps, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Montana Conservation Corps, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Montana Conservation Corps, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Montana Conservation Corps, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Montana Conservation Corps, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Montana Conservation Corps, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Montana Conservation Corps, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rudd & Company, PLLC

Bozeman, Montana
June 3, 2022

Montana Conservation Corps, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

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