



**Financial Statements
with
Independent Auditors' Report**

December 31, 2018 and 2017

Montana Conservation Corps, Inc.
Table of Contents
December 31, 2018 and 2017

Independent Auditors' Report..... 1 and 2

Financial Statements

Statements of Financial Position..... 3

Statements of Activities 4 and 5

Statements of Functional Expenses 6 and 7

Statements of Cash Flows..... 8

Notes to Financial Statements..... 9 to 17

Supplementary Information

Schedule of Expenditures of Federal Awards..... 18 and 19

Notes to the Schedule of Expenditures of Federal Awards 20

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*..... 21 and 22

Independent Auditors' Report on Compliance for Each Major Program and on Internal Over Compliance Required by Uniform Guidance 23 and 24

Schedule of Findings and Questioned Costs..... 25



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, 2018 and 2017, 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, 2018 and 2017, 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 May 31, 2019, 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
May 31, 2019

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

Assets	2018	2017
Current Assets		
Cash and cash equivalents	\$ 1,337,955	\$ 1,202,499
Grants receivable	31,530	25,714
Contracts receivable	131,072	319,064
Contributions receivable	7,345	9,146
Miscellaneous receivable	34,220	58,038
Prepaid expenses	16,299	39,107
Deposits	27,222	27,222
Inventory	12,504	7,314
Total Current Assets	<u>1,598,147</u>	<u>1,688,104</u>
Property and Equipment		
Property and equipment, net	<u>137,887</u>	<u>273,640</u>
Total Assets	<u>\$ 1,736,034</u>	<u>\$ 1,961,744</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 37,383	\$ 24,284
Due to sponsors	-	124,075
Accrued wages and benefits payable	40,056	51,565
Payroll taxes payable	48,408	79,460
Accrued compensated absences	195,350	189,965
Total Current Liabilities	<u>321,197</u>	<u>469,349</u>
Net Assets		
Without donor restrictions	1,364,505	1,454,794
With donor restrictions	50,332	37,601
Total Net Assets	<u>1,414,837</u>	<u>1,492,395</u>
Total Liabilities and Net Assets	<u>\$ 1,736,034</u>	<u>\$ 1,961,744</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grant revenues	\$ 2,220,064	\$ -	\$ 2,220,064
Contract revenues	4,650,940	-	4,650,940
Contributions and private grants	387,486	44,000	431,486
Interest	688	-	688
Gain on sale of assets	134,230	-	134,230
Other	947	-	947
Total Revenue and Support	<u>7,394,355</u>	<u>44,000</u>	<u>7,438,355</u>
Satisfaction of Project Restrictions	<u>31,269</u>	<u>(31,269)</u>	<u>-</u>
Total Revenues, Support, and Satisfaction of Project Restrictions	<u>7,425,624</u>	<u>12,731</u>	<u>7,438,355</u>
Expenses			
Member support	2,998,805	-	2,998,805
Program support	3,592,756	-	3,592,756
Training and education	177,436	-	177,436
Administrative	694,804	-	694,804
Fundraising	52,112	-	52,112
Total Expenses	<u>7,515,913</u>	<u>-</u>	<u>7,515,913</u>
Change in Net Assets	(90,289)	12,731	(77,558)
Net Assets, Beginning of Year	<u>1,454,794</u>	<u>37,601</u>	<u>1,492,395</u>
Net Assets, End of Year	<u>\$ 1,364,505</u>	<u>\$ 50,332</u>	<u>\$ 1,414,837</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, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grant revenues	\$ 2,194,880	\$ -	\$ 2,194,880
Contract revenues	4,577,472	-	4,577,472
Contributions and private grants	299,782	31,419	331,201
Interest	556	-	556
Gain on sale of assets	88,495	-	88,495
Other	2,234	-	2,234
Total Revenue and Support	<u>7,163,419</u>	<u>31,419</u>	<u>7,194,838</u>
Satisfaction of Project Restrictions	<u>319,314</u>	<u>(319,314)</u>	<u>-</u>
Total Revenues, Support, and Satisfaction of Project Restrictions	<u>7,482,733</u>	<u>(287,895)</u>	<u>7,194,838</u>
Expenses			
Member support	3,051,422	-	3,051,422
Program support	3,428,791	-	3,428,791
Training and education	161,444	-	161,444
Administrative	666,741	-	666,741
Fundraising	52,703	-	52,703
Total Expenses	<u>7,361,101</u>	<u>-</u>	<u>7,361,101</u>
Change in Net Assets	121,632	(287,895)	(166,263)
Net Assets, Beginning of Year	<u>1,333,162</u>	<u>325,496</u>	<u>1,658,658</u>
Net Assets, End of Year	<u>\$ 1,454,794</u>	<u>\$ 37,601</u>	<u>\$ 1,492,395</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, 2018

	Program Activities			Supporting Activities		Total
	Member Support	Program Support	Training and Education	Administration	Fundraising	
Advertising	\$ -	\$ 793	\$ -	\$ 992	\$ -	\$ 1,785
Audit and legal	-	1,379	-	11,185	-	12,564
Background checks	176	15,006	-	15	-	15,197
Bank fees	-	4	-	1,367	1,022	2,393
Contract labor	-	76,183	16,668	32,742	17,750	143,343
Depreciation	-	133,621	-	-	-	133,621
Dues and publications	-	835	-	12,745	3,360	16,940
Interest	-	9,042	-	-	-	9,042
Miscellaneous	-	500	-	-	-	500
Liability insurance	-	8,369	-	56,848	-	65,217
Member living allowance and benefits	2,998,544	3,004	-	-	-	3,001,548
Office expenses	-	29,563	-	15,049	1,059	45,671
Computer software licenses	-	8,705	-	20,294	-	28,999
Postage	-	4,121	-	1,253	584	5,958
Printing, copies, and fax	-	11,555	-	3,736	6,976	22,267
Project and safety supplies	85	204,447	-	-	1	204,533
Recognition and incentive	-	7,276	-	-	-	7,276
Recruitment	-	34,196	-	-	-	34,196
Rent and utilities	-	185,463	-	27,706	-	213,169
Staff wages and benefits	-	1,777,771	-	501,292	19,550	2,298,613
Telephone	-	25,562	-	2,420	-	27,982
Training	-	-	124,313	3,436	443	128,192
Travel	-	318,407	36,455	3,716	1,230	359,808
Uniforms	-	33,911	-	-	-	33,911
Vehicle operations	-	637,013	-	8	137	637,158
Youth crew awards	-	66,030	-	-	-	66,030
Total Expenses	\$ 2,998,805	\$ 3,592,756	\$ 177,436	\$ 694,804	\$ 52,112	\$ 7,515,913

The accompanying notes are an integral part of the Financial Statements

Montana Conservation Corps, Inc.
Statement of Functional Expenses
For the Years Ended December 31, 2017

	Program Activities			Supporting Activities		Total
	Member Support	Program Support	Training and Education	Administration	Fundraising	
Advertising	\$ -	\$ 787	\$ -	\$ 1,419	\$ -	\$ 2,206
Audit and legal	-	1,350	-	11,410	-	12,760
Background checks	-	14,780	-	43	-	14,823
Bank fees	-	-	-	1,899	620	2,519
Contract labor	-	66,685	35,742	40,408	22,875	165,710
Depreciation	-	154,154	-	-	-	154,154
Dues and publications	-	1,520	-	11,510	365	13,395
Interest	-	1,679	-	-	-	1,679
Liability insurance	-	7,411	-	54,262	-	61,673
Member living allowance and benefits	3,051,422	-	-	-	-	3,051,422
Office expenses	-	28,385	-	14,295	215	42,895
Computer software licenses	-	8,752	-	6,315	-	15,067
Postage	-	4,319	-	1,151	315	5,785
Printing, copies, and fax	-	10,139	-	6,155	5,489	21,783
Project and safety supplies	-	197,946	-	-	-	197,946
Recognition and incentive	-	20,199	-	560	10	20,769
Recruitment	-	40,816	-	-	-	40,816
Rent and utilities	-	159,052	-	18,683	-	177,735
Staff wages and benefits	-	1,762,550	-	490,712	21,378	2,274,640
Telephone	-	24,331	-	2,606	-	26,937
Training	-	-	96,040	3,579	200	99,819
Travel	-	328,485	29,662	1,645	959	360,751
Uniforms	-	44,040	-	-	-	44,040
Vehicle operations	-	519,863	-	89	277	520,229
Youth crew awards	-	31,548	-	-	-	31,548
Total Expenses	\$ 3,051,422	\$ 3,428,791	\$ 161,444	\$ 666,741	\$ 52,703	\$ 7,361,101

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>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Cash received from:		
Grants	\$ 2,214,248	\$ 2,191,166
Contracts	4,838,932	4,365,841
Contributions and private grants	457,105	295,260
Interest	688	556
Other	947	2,234
Cash paid to/for:		
Personnel	(2,335,789)	(2,224,408)
Member living allowances and benefits	(3,001,548)	(3,051,422)
Travel and training	(488,000)	(460,570)
Contract services	(846,531)	(717,487)
Suppliers and vendors	(382,633)	(153,517)
Other operating expenses	(449,283)	(437,836)
Interest	(9,042)	(1,679)
Net Cash Used by Operating Activities	<u>(906)</u>	<u>(191,862)</u>
Cash Flows From Investing Activities		
Sale of property and equipment	<u>136,362</u>	<u>88,495</u>
Net Cash Provided by Investing Activities	<u>136,362</u>	<u>88,495</u>
Net Change in Cash and Cash Equivalents	135,456	(103,367)
Cash and Cash Equivalents, Beginning of Year	<u>1,202,499</u>	<u>1,305,866</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,337,955</u>	<u>\$ 1,202,499</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, 2018 and 2017

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 the month long Youth Service Expedition summer program for youth 14 to 18 years of age and the one week long Middle School Expedition program for youth age 12 to 14. The Organization conducts over 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, 2018 and 2017

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.

Adoption of New Accounting Standard

The Organization adopted the provisions of Accounting Standard Update 2016-14, *Presentation of Financial Statement for Not-for-Profit Entities*. The adoption does not change any prior reported amounts for net assets or changes in net assets, other than combining prior year reported temporarily restricted and permanently restricted net assets into one category referred to as “with donor restrictions” and unrestricted net assets is now referred to as “net assets without donor restrictions.” The adoption also requires an increase in disclosures related to liquidity and availability of resources and the allocation of functional expenses.

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.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

1. Summary of Significant Accounting Policies (continued)

Categories of Net Assets (continued)

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, 2018 and 2017, the Organization had \$50,332 and \$37,601, 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, 2018 and 2017.

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, 2018 and 2017, bank balances exceeded their insured limits by \$842,555 and \$743,483, 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.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

1. Summary of Significant Accounting Policies (continued)

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, 2018 and 2017, property and equipment, net is \$137,887 and \$273,640, respectively.

Compensated Absences

Eligible employees may accumulate an unlimited amount of sick leave and up to 240 hours of vacation leave. Upon termination, employees are paid at 100 percent of their unused vacation leave and 25 percent of their unused sick leave. As of December 31, 2018 and 2017, the Organization's vacation leave liability, was \$195,350 and \$189,965, respectively.

Due to Sponsors

Due to sponsors consists of federal award funds due back to the AmeriCorps granting agency for funds that were overdrawn based on differences in the initial member payable hours calculation and the final calculation.

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.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

1. Summary of Significant Accounting Policies (continued)

Program Services and Expense Classification (continued)

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.

Use of Estimates

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

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.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

2. Property and Equipment

As of December 31, 2018 and 2017, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Furniture, fixtures, and equipment	\$ 31,396	\$ 31,875
Vehicles	809,949	1,193,937
Total equipment, cost	841,345	1,225,812
Accumulated Depreciation	<u>(703,458)</u>	<u>(952,172)</u>
Total equipment, net	<u>\$ 137,887</u>	<u>\$ 273,640</u>

Depreciation expense for the years ended December 31, 2018 and 2017, amounted to \$133,621 and \$154,154, 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 \$5,000 monthly through August 31, 2018;
\$5,500 monthly through August 31, 2019;
\$6,000 monthly through August 31, 2020
- Bozeman \$585 monthly through May 2019;
\$370 monthly through July 2019
- Bozeman \$2,548 monthly through January 2020; with an option for lease renewal at end of term
- Kalispell \$2,025 monthly through August 2021, with an option for lease renewal at end of term
- Helena \$2,700 monthly through June 2019
- Missoula \$2,307 monthly through January 2019; \$3,470 monthly through January 2020; \$3,573 monthly through January 2021

Rent expense for the years ended December 31, 2018 and 2017, amounted to \$186,940 and \$155,496, respectively.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

3. Operating Leases (continued)

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

2019	\$ 184,970
2020	117,621
2021	<u>19,773</u>
Total	<u>\$ 322,364</u>

Before 2018, the Organization entered into a five-year operating lease for the use of 33 vehicles. In 2018, the Organization entered into an additional five-year operating leases for the use of 12 vehicles. As of December 31, 2018, all 45 vehicles had been delivered and are in use by the Organization. Monthly lease payments range from \$467 to \$681 per vehicle per month. Lease expense for the years ended December 31, 2018 and 2017 totaled \$310,925 and \$228,775, respectively.

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

2019	\$ 338,560
2020	338,560
2021	250,462
2022	109,785
2023	<u>27,635</u>
Total	<u>\$ 1,065,002</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, 2018 and 2017, the Organization contributed \$65,640 and \$64,509 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 2019. 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, 2018 and 2017, the balance on the line of credit was \$0 for both years.

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

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 24% and 25% of total revenue from the AmeriCorps grant for the years ended December 31, 2018 and 2017, respectively. A substantial change in the AmeriCorps grant funding may have a substantial effect on the operations of the Organization.

The Organization has a concentration of risks relating to its contract receivable balance at December 31, 2018 and 2017. The contract receivable balance at December 31, 2018 and 2017, was due 100% and 81%, respectively, from Corporation for National and Community Service.

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 or particular activities for which 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 and donations for youth service expedition programs.

Net assets with donor purpose restrictions as of December 31, 2018 and 2017, consisted of the following:

Purpose Restrictions	2018	2017
Nathan Cox and Friends Memorial Fund	\$ 6,332	\$ 7,601
Youth Services Expeditions	44,000	30,000
	<u>\$ 50,332</u>	<u>\$ 37,601</u>

Montana Conservation Corps, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

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>2018</u>
Cash and cash equivalents	\$ 1,317,623
Grants receivable	1,530
Contracts receivable	131,072
Contributions receivable	7,345
Miscellaneous receivable	<u>34,220</u>
Total Financial Assets Available	<u>\$ 1,491,790</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).

Supplementary Information

Montana Conservation Corps, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

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	1,872,000	15ESHMT001 0001	94.006	\$ 1,783,947
Big Sky Watershed Corps	356,400	15ESHMT001 0001	94.006	349,420
Total Montana Governor's Office Serve Montana				<u>2,133,367</u>
Disaster Response Cooperative Agreement	155,748	4394DR-SC-CNCS-02	94.020	<u>131,073</u>
				<u>131,073</u>
Total Corporation for National and Community Service				<u>2,264,440</u>
<u>National Forest Foundation</u>				
Ski Conservation Fund Project CK-403	4,333	16-CA-11132422-078	10.682	<u>4,333</u>
Total National Forest Foundation				<u>4,333</u>
<u>National Fish and Wildlife Foundation</u>				
Bureau of Reclamation (FC.R242)	40,874	2100.17.055230	15.546	35,874
Bureau of Land Management (FA.A067)	43,000	2100.17.055230	15.231	31,000
U.S. Forest Service (FA.A074)	44,011	1701.17.058463	10.683	<u>15,490</u>
Total National Fish and Wildlife Foundation				<u>82,364</u>
<u>U. S. Department of Interior</u>				
<i>Bureau of Land Management</i>				
<i>Montana</i>				
Malta Field Office	25,000	L18AC00006	15.243	23,500
Billings Field Office Pompey Pillar	25,500	L18AC00007	15.243	14,000
Billings Field Office	64,500	L18AC00008	15.243	38,500
Lewistown Field Office UMRBNM	35,500	L18AC00009	15.243	21,000
Lewistown Field Office	75,000	L18AC00010	15.243	47,500
Butte Field Office	81,400	L18AC00011	15.243	33,000
Dillon Field Office	20,000	L18AC00012	15.243	9,000
Wyoming	364,000	L16AC00410	15.225	130,000
Idaho	125,000	L16AC00419	15.225	<u>40,000</u>
Total Bureau of Land Management				<u>356,500</u>
<i>Bureau of Reclamation</i>				
Canyon Ferry/ Clarks Fork	182,000	R16AC00081	15.546	40,000
Dakota Area Office	8,500	R18AC00037	15.546	8,500
Dakota Area Office	10,000	R18AC00038	15.546	<u>10,000</u>
Total Bureau of Reclamation				<u>58,500</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, 2018

Federal Source/Pass-through Grantor/Program Title	Award Amount	Grant or Pass-Through Number	CFDA Number	Federal Expenditures
<i>Conservation Legacy</i>				
Ancestral Lands Conservation Corps/Career Institute	19,200	P16AC00675	15.931	19,200
Ancestral Lands Conservation Corps/Career Institute	32,000	P18AC00176	15.931	24,000
Total Conservation Legacy				43,200
<i>National Park Service</i>				
Badlands NP/Fort Union/Knife River	346,664	P13AC00631	15.931	34,000
Yellowstone National Park	52,000	P16AC01007	15.931	16,000
Big Hole National Historic Battlefield	45,300	P17AC00183	15.931	30,000
Grand Teton National Park	100,000	P17AC00514	15.931	16,000
Theodore Roosevelt National Park	23,200	P17AC00891	15.931	15,200
Yellowstone National Park	30,000	P17AC01188	15.931	10,000
Theodore Roosevelt National Park	30,000	P18AC00071	15.931	30,000
Yellowstone National Park	16,000	P18AC00213	15.931	16,000
Theodore Roosevelt National Park	20,000	P18AC00237	15.931	20,000
Theodore Roosevelt National Park	7,600	P18AC00312	15.931	3,800
Glacier National Park	36,000	P18AC00419	15.931	36,000
Little Bighorn National Battlefield	42,195	P18AC00427	15.931	4,000
Glacier National Park	80,000	P18AC00516	15.931	80,000
Yellowstone National Park	60,500	P18AC00675	15.931	60,500
Yellowstone National Park	50,000	P18AC00919	15.931	49,650
Yellowstone National Park	20,000	P18AC00980	15.931	17,000
Yellowstone National Park	10,000	P18AC01037	15.931	10,000
Total National Park Service				448,150
<i>U.S. Fish and Wildlife Service</i>				
Habitat Enhancement by Veteran Crews	109,600	F16AC00980	15.652	5,000
Habitat Enhancement by Youth Crews	301,900	F16AC00432	15.676	123,000
Total U.S. Fish and Wildlife Service				128,000
TOTAL U.S. Dept. of Interior				1,034,350
<u>U.S Department of Transportation</u>				
<i>Montana Fish Wildlife & Parks</i>				
FWP RTP Recreational Trails Program	15,606	2017-27	20.219	5,000
TOTAL U.S Department of Transportation				5,000
Total Federal Expenditures				\$ 3,390,487

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, 2018

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, 2018, 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 May 31, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rudd & Company, PLLC

Bozeman, Montana
May 31, 2019



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, 2018. 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, 2018.

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
May 31, 2019

Montana Conservation Corps, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness 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