

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



**DISTRICT IV HUMAN RESOURCES
DEVELOPMENT COUNCIL**

FINANCIAL REPORT

June 30, 2019 and 2018



C O N T E N T S

| | <u>PAGE</u> |
|--|--------------|
| INDEPENDENT AUDITOR’S REPORT..... | 1 and 2 |
| | |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statements of Activities..... | 4 |
| Statements of Functional Expenses | 5 and 6 |
| Statements of Cash Flows | 7 and 8 |
| Notes to Financial Statements | 9 through 18 |
| | |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Expenditures of Federal Awards | 19 and 20 |
| Notes to Schedule of Expenditures of Federal Awards..... | 21 |
| | |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 22 and 23 |
| | |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 24 and 25 |
| Schedule of Findings and Questioned Costs | 26 |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
District IV Human Resources Development Council
Havre, Montana

We have audited the accompanying financial statements of District IV Human Resources Development Council (the Council) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 District IV Human Resources Development Council as of June 30, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Council adopted Financial Accounting Standards Board's Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 November 12, 2019, on our consideration of District IV Human Resources Development Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District IV Human Resources Development Council's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
November 12, 2019

FINANCIAL STATEMENTS

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 168,933 | \$ 185,243 |
| Cash and cash equivalents - restricted | 132,262 | 137,597 |
| Grants receivable | 260,796 | 235,223 |
| Accounts receivable | <u>55,056</u> | <u>78,251</u> |
| Total current assets | <u>617,047</u> | <u>636,314</u> |
| | | |
| LAND, BUILDINGS, AND EQUIPMENT, NET | <u>523,509</u> | <u>634,609</u> |
| | | |
| OTHER ASSETS | | |
| Notes receivable | 1,686,500 | 1,686,500 |
| Interest receivable | 126,942 | 86,992 |
| Other assets | <u>300</u> | <u>550</u> |
| Total other assets | <u>1,813,742</u> | <u>1,774,042</u> |
| | | |
| Total assets | <u>\$ 2,954,298</u> | <u>\$ 3,044,965</u> |
| | | |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 126,933 | \$ 122,073 |
| Accrued payroll and benefits | 76,479 | 69,492 |
| Accrued vacation | 86,190 | 93,765 |
| Current portion of long-term debt | <u>18,848</u> | <u>48,339</u> |
| Total current liabilities | <u>308,450</u> | <u>333,669</u> |
| | | |
| LONG TERM DEBT, NET OF CURRENT PORTION | <u>462,663</u> | <u>479,447</u> |
| | | |
| Total liabilities | <u>771,113</u> | <u>813,116</u> |
| | | |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | <u>2,183,185</u> | <u>2,231,849</u> |
| Total net assets without donor restrictions | <u>2,183,185</u> | <u>2,231,849</u> |
| | | |
| Total liabilities and net assets | <u>\$ 2,954,298</u> | <u>\$ 3,044,965</u> |

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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| REVENUES AND OTHER SUPPORT | | |
| Grants awarded | \$ 3,426,571 | \$ 3,457,461 |
| Contributions | 103,903 | 202,341 |
| Fees | 214,874 | 341,488 |
| Investment income | 402 | 7,761 |
| Other income | <u>469,947</u> | <u>408,259</u> |
| Total revenues and other support | <u>4,215,697</u> | <u>4,417,310</u> |
| EXPENSES | | |
| Program: | | |
| Head Start | 1,924,224 | 1,846,331 |
| Community Services Block Grant | 160,054 | 152,234 |
| Food Bank | 42,419 | 58,589 |
| Skills Training | 3,511 | 635 |
| WIA Adult | 124,638 | 86,851 |
| Pathways | 124,865 | 140,153 |
| Summer Youth Training | - | 26,245 |
| WIA Youth | 77,772 | 63,566 |
| Child Care Block Grant | 948 | 6,220 |
| Northwestern Energy (NWE) Weatherization | 143,510 | 120,049 |
| Weatherization | 352,969 | 314,023 |
| Domestic Violence | 241,359 | 199,994 |
| Low Income Energy Assistance Program | 274,894 | 213,624 |
| Emergency Homeless and Shelter | 17,391 | 23,318 |
| Section 8 and Buildings | 243,771 | 257,503 |
| Veterans Helping Veterans | 1,178 | 856 |
| Rural Development Community Center | 17,396 | 41,954 |
| Rural Development Surrey Court | <u>51,856</u> | <u>59,306</u> |
| Total program expense | 3,802,755 | 3,611,451 |
| Management and general | <u>461,606</u> | <u>434,522</u> |
| Total expenses | <u>4,264,361</u> | <u>4,045,973</u> |
| Change in net assets | (48,664) | 371,337 |
| Net assets without donor restrictions, beginning of year | <u>2,231,849</u> | <u>1,860,512</u> |
| Net assets without donor restrictions, end of year | <u>\$ 2,183,185</u> | <u>\$ 2,231,849</u> |

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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

| | Head Start | Community Services Block Grant | Food Bank | Skills Training | WIA Adult | WIA Pathways | WIA Youth | Child Care Block Grant | NWE Weatherization | NWE Weatherization | Domestic Violence | Low Income Energy Assistance Program | Emergency Homeless and Shelter | Section 8 | Veterans Helping Veterans | Rural Development Community Center | Rural Development Surrey Court | Management and General | Totals |
|-------------------------|---------------------|--------------------------------|------------------|-----------------|-------------------|-------------------|------------------|------------------------|--------------------|--------------------|-------------------|--------------------------------------|--------------------------------|-------------------|---------------------------|------------------------------------|--------------------------------|------------------------|---------------------|
| Salaries | \$ 1,152,061 | \$ 113,163 | \$ 17,503 | \$ - | \$ 79,903 | \$ 56,324 | \$ 49,807 | \$ 179 | \$ 14,550 | \$ 68,289 | \$ 111,166 | \$ 60,043 | \$ 19,857 | \$ 102,963 | \$ - | \$ 13,452 | \$ 5,547 | \$ 238,243 | \$ 2,103,050 |
| Payroll taxes | 159,488 | 10,350 | 2,447 | - | 10,503 | 7,148 | 6,566 | 24 | 1,809 | 9,082 | 15,428 | 8,015 | 2,772 | 13,436 | - | 1,874 | 652 | 26,815 | 276,409 |
| Employee benefits | 65,125 | 11,448 | 239 | - | 12,267 | 7,611 | 4,818 | 36 | 2,139 | 8,817 | 2,634 | 4,692 | 869 | 14,434 | - | 2,394 | 747 | 20,204 | 158,474 |
| Contracted services | 7,706 | 4,668 | 896 | 160 | 2,114 | 25,882 | 693 | - | 110,572 | 153,517 | 4,034 | 961 | 384 | 6,046 | - | 3,334 | - | 21,825 | 342,792 |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 116,750 | 116,750 |
| Insurance | 29,396 | 295 | 1,127 | - | 1,416 | 1,381 | 345 | - | 347 | 266 | 5,365 | 1,506 | 5 | 7,973 | - | 160 | 2,845 | - | 52,427 |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 15,542 | - | - | 15,542 |
| Legal and accounting | - | 650 | 85 | - | 374 | 598 | 441 | 27 | - | 648 | 792 | 895 | - | 3,794 | - | 598 | 161 | - | 9,063 |
| Maintenance and repairs | 30,307 | - | 550 | - | - | - | - | - | - | - | 3,060 | - | 488 | 17,264 | - | 15,652 | 7,990 | - | 75,311 |
| Materials | - | - | - | - | - | - | - | - | 10,900 | 65,178 | - | - | - | 3,800 | 1,178 | - | - | - | 81,056 |
| Meals | 133,083 | - | 1,652 | - | - | - | - | - | - | - | 430 | - | 841 | - | - | - | - | - | 136,006 |
| Other costs | 2,753 | 3,103 | 2,479 | 8 | (5) | 4 | (2) | 599 | 5 | 259 | 3,341 | 3,719 | 982 | 20,039 | - | 4,204 | 30,299 | 14,184 | 85,971 |
| Rent and space | 8,400 | 2,280 | - | - | 2,515 | 6,469 | 3,012 | - | - | - | 12,468 | 2,724 | 14,046 | 8,172 | - | (97,931) | - | 12,972 | (24,873) |
| Supplies | 216,455 | 2,578 | 5,327 | 3,343 | 2,993 | 8,312 | 4,665 | 80 | 3,009 | 5,429 | 21,692 | 3,985 | 1,153 | 8,995 | - | 6,649 | 72 | 6,362 | 301,099 |
| Support services | 19,118 | 2,165 | 359 | - | 1,862 | - | 4,740 | - | - | 25,994 | 36,282 | 185,019 | (28,245) | 22,003 | - | - | 1,197 | - | 270,494 |
| Telephone and utilities | 53,203 | 840 | 7,814 | - | 1,023 | 905 | 493 | - | 179 | 27 | 12,725 | 114 | 4,022 | 5,469 | - | 51,450 | 2,266 | 2,193 | 142,723 |
| Training | 32 | 1,387 | 115 | - | 797 | 4,149 | 134 | - | - | 400 | 814 | 50 | - | 674 | - | - | - | - | 8,552 |
| Transportation | 12,169 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12,169 |
| Travel | 34,928 | 7,127 | 1,826 | - | 8,876 | 6,082 | 2,060 | 3 | - | 15,063 | 11,128 | 3,171 | 217 | 8,709 | - | 18 | 80 | 2,058 | 101,346 |
| Totals | \$ 1,924,224 | \$ 160,054 | \$ 42,419 | \$ 3,511 | \$ 124,638 | \$ 124,865 | \$ 77,772 | \$ 948 | \$ 143,510 | \$ 352,969 | \$ 241,359 | \$ 274,894 | \$ 17,391 | \$ 243,771 | \$ 1,178 | \$ 17,396 | \$ 51,856 | \$ 461,606 | \$ 4,264,361 |

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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

| | Head Start | Community Services Block Grant | Food Bank | Skills Training | WIA Adult | Pathways | Summer Youth | WIA Youth | Child Care Block Grant | NWE Weatherization | Weatherization | Domestic Violence | Low Income Energy Assistance Program | Emergency Homeless and Shelter | Section 8 | Veterans Helping Veterans | Rural Development Community Center | Rural Development Surrey Court | Management and General | Totals | |
|-------------------------|---------------------|--------------------------------|------------------|-----------------|------------------|-------------------|------------------|------------------|------------------------|--------------------|-------------------|-------------------|--------------------------------------|--------------------------------|-------------------|---------------------------|------------------------------------|--------------------------------|------------------------|---------------------|--------|
| Salaries | \$ 1,080,146 | \$ 107,661 | \$ 22,917 | \$ 9 | \$ 43,139 | \$ 70,698 | \$ 22,928 | \$ 36,428 | \$ - | \$ - | \$ 68,842 | \$ 99,532 | \$ 57,569 | \$ 12,174 | \$ 100,547 | \$ - | \$ 16,388 | \$ 4,124 | \$ 214,966 | \$ 1,958,068 | |
| Payroll taxes | 135,673 | 10,289 | 2,536 | 1 | 5,107 | 8,545 | 2,807 | 4,455 | - | - | 8,370 | 12,663 | 7,159 | 1,592 | 12,250 | - | 2,048 | 466 | 23,173 | 237,134 | |
| Employee benefits | 71,728 | 10,123 | 3,631 | 1 | 4,995 | 4,970 | 314 | 3,338 | - | - | 1,052 | 186 | 4,268 | 65 | 9,995 | - | 3,131 | 523 | 22,684 | 141,004 | |
| Contracted services | 24,023 | 4,906 | 986 | - | 1,528 | 33,797 | - | 1,141 | 3,400 | 54,882 | 157,848 | 4,130 | - | 456 | 9,352 | - | 3,616 | - | 28,972 | 329,037 | |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 90,546 | 90,546 | |
| Insurance | 27,719 | 414 | 639 | - | 2,008 | 1,791 | - | 540 | 100 | 371 | 147 | 4,985 | 1,666 | 34 | 5,101 | - | 708 | 585 | - | 46,808 | |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 15,942 | 26,208 | - | 42,150 |
| Legal and accounting | 37 | 1,456 | 148 | 15 | 158 | 531 | - | 463 | 100 | - | 1,324 | 683 | 857 | 65 | 1,837 | - | 893 | 201 | - | 8,768 | |
| Maintenance and repairs | 31,742 | - | 9,495 | - | - | - | - | - | - | - | - | 6,444 | - | 616 | 30,152 | (1.00) | 27,871.00 | 10,522.00 | - | 116,841 | |
| Materials | - | - | - | - | - | - | - | - | - | 35,141 | 48,375 | - | - | - | - | 857 | 264 | - | - | 84,637 | |
| Meals | 160,794 | - | 1,513 | - | - | - | - | - | - | - | - | 369 | - | - | - | - | - | - | - | 162,676 | |
| Other costs | 5,062 | 2,232 | 761 | 13 | 4 | - | 1 | (1) | (399) | 2 | 6,833 | 1,782 | 3,853 | 980 | 19,360 | - | 4,190 | 13,189 | 11,606 | 69,468 | |
| Rent and space | 8,400 | 2,280 | - | - | 2,588 | 5,588 | - | 5,818 | - | - | - | 12,468 | - | 19,222 | 8,172 | - | (99,984) | - | 14,853 | (20,595) | |
| Supplies | 160,879 | 2,711 | 5,249 | 985 | 16,524 | 5,432 | - | 4,802 | 3,019 | 3,779 | 7,683 | 8,446 | 8 | 1,414 | 12,294 | - | 6,936 | - | 16,391 | 256,552 | |
| Support services | 19,712 | (350) | 1,407 | 9 | 3,205 | - | - | 4,285 | - | 25,431 | (4,285) | 32,388 | 135,991 | (18,176) | 27,103 | - | 1,195 | 1,513 | (74) | 229,354 | |
| Telephone and utilities | 58,840 | 788 | 8,069 | - | 258 | 1,318 | - | 865 | - | 444 | 148 | 4,113 | - | 4,394 | 6,863 | - | 58,581 | 1,903 | 2,190 | 148,774 | |
| Training | - | 1,531 | - | - | - | - | - | - | - | - | - | 2,662 | - | - | 212 | - | - | 65 | - | 4,470 | |
| Transportation | 13,983 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 13,983 | |
| Travel | 47,593 | 8,193 | 1,238 | (398) | 7,337 | 7,483 | 195 | 1,432 | - | (1) | 17,686 | 9,143 | 2,253 | 482 | 14,265 | - | 175 | 7 | 9,215 | 126,298 | |
| Totals | \$ 1,846,331 | \$ 152,234 | \$ 58,589 | \$ 635 | \$ 86,851 | \$ 140,153 | \$ 26,245 | \$ 63,566 | \$ 6,220 | \$ 120,049 | \$ 314,023 | \$ 199,994 | \$ 213,624 | \$ 23,318 | \$ 257,503 | \$ 856 | \$ 41,954 | \$ 59,306 | \$ 434,522 | \$ 4,045,973 | |

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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from grants | \$ 3,407,985 | \$ 3,545,001 |
| Cash received from contributions | 73,903 | 72,341 |
| Cash received from fees and other sources | 668,316 | 681,261 |
| Cash paid to suppliers and employees | (4,134,784) | (3,927,277) |
| Interest income | 402 | 7,761 |
| Interest expenses | <u>(15,542)</u> | <u>(42,150)</u> |
| Net cash flows from operating activities | <u>280</u> | <u>336,937</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | <u>(5,650)</u> | <u>(208,981)</u> |
| Net cash from investing activities | <u>(5,650)</u> | <u>(208,981)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on notes | <u>(16,275)</u> | <u>(13,958)</u> |
| Net cash flows from financing activities | <u>(16,275)</u> | <u>(13,958)</u> |
| Net change in cash and cash equivalents | (21,645) | 113,998 |
| Cash and cash equivalents, beginning of year | <u>322,840</u> | <u>208,842</u> |
| Cash and cash equivalents, end of year | <u>\$ 301,195</u> | <u>\$ 322,840</u> |
| Reconciliation of Cash to Statement of Financial Position | | |
| Cash and cash equivalents | \$ 168,933 | \$ 185,243 |
| Cash and cash equivalents - restricted | <u>132,262</u> | <u>137,597</u> |
| | <u>\$ 301,195</u> | <u>\$ 322,840</u> |

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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 STATEMENTS OF CASH FLOWS (CONTINUED)
 Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------|-------------------|
| Change in net assets | \$ (48,664) | \$ 371,337 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 116,750 | 90,546 |
| Contribution for forgiveness of debt | (30,000) | (130,000) |
| Changes in operating assets and liabilities: | | |
| Grants receivable | (25,573) | 93,330 |
| Accounts receivable | 23,195 | (29,282) |
| Interest receivable | (39,950) | (39,950) |
| Other assets | 250 | 746 |
| Accounts payable | 4,860 | (31,273) |
| Accrued payroll and benefits | 6,987 | (5,790) |
| Accrued vacation | <u>(7,575)</u> | <u>17,273</u> |
| Net cash flows from operating activities | <u>\$ 280</u> | <u>\$ 336,937</u> |

SUPPLEMENTAL CASH FLOW INFORMATION

| | | |
|------------------------|------------------|------------------|
| Cash paid for interest | <u>\$ 15,542</u> | <u>\$ 42,150</u> |
|------------------------|------------------|------------------|

SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES

During the years ended June 30, 2019 and 2018, the Council recognized contributions of debt forgiven of \$30,000 and \$130,000, respectively.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The District IV Human Resources Development Council (the Council) was organized to better focus all available local, state, private, and federal resources upon the goal of enabling families and individuals with low incomes of all ages in rural and urban areas of Hill, Blaine, and Liberty counties in Montana, to attain the skills, knowledge and motivations and secure the opportunities needed for them to become self-sufficient.

The board of directors exercise oversight responsibility for the following programs:

- Head Start
- Community Services Block Grant
- Food Bank
- Skills Training
- WIA Adult
- Pathways
- WIA Youth
- Child Care Block Grant
- Northwestern Energy (NWE) Weatherization
- Weatherization
- Domestic Violence
- Low Income Energy Assistance Program
- Emergency Homeless and Shelter
- Section 8 and Buildings
- Veterans Helping Veterans
- Adult Basic Education & Literacy
- Rural Development Community Center
- Rural Development Surrey Court Apartment Complex

The Council receives a significant portion of its revenue from grants and/or contracts from government agencies; thus, the Council is subject to possible cutbacks due to changes in funding priorities. During the years ended June 30, 2019 and 2018, the Council received approximately 81% and 77%, respectively, of its gross public support from such grants/contracts.

Basis of Presentation

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.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Council has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The Council has elected not to restate 2018 for the liquidity disclosures, which is allowed in the year of implementation. The ASU has been applied retrospectively to all periods presented, which had no effect on the change in net assets or total assets previously reported.

Classification of Net Assets

In accordance with GAAP the Council reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating and capital reserve.

Net assets with donor restrictions – Net assets that are subject to donor or certain grantor imposed stipulations. Some donor or grant restrictions are temporary in nature such as those that will be met by passage of time or other events specified by the donor or grantor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both. There were no net assets with donor restrictions as of and for the years ended June 30, 2019 and 2018.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

The Council reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

The Council reports gifts of land, buildings, and other equipment as net assets without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restriction. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Restricted Cash and Cash Equivalents

Certain cash balances generated from grant and other income sources are classified as restricted on the statement of financial position due to the use being limited to specific programs or functions.

Receivables

Receivables consist primarily of amounts due from grants and other income sources. The allowance method is used to determine uncollectible amounts. An allowance for uncollectible receivables is provided based on management's estimate, including such factors as prior collection history. Management believes all receivables are fully collectible at June 30, 2019 and 2018. Accordingly, no allowance for doubtful accounts is considered necessary.

Annual Leave

Employees accrue vacation from the date of hire. Vacation is accrued based on years of service and is prorated for employees with less than full-time status. Upon termination, employees may be paid for accrued annual leave up to a maximum of 200 hours. Vacation is accrued and expensed monthly.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis on the statement of activities. Directly identifiable expenses are charged to programs and supporting services. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Council. If an expense is not directly identifiable to a program, the Council allocates these expenses based on the following two methods:

- Square footage – expenses related to the main HRDC building, such as utilities, are allocated based on the amount of square footage the program utilizes.
- Number of employees – expenses related to employees, such as insurance, are allocated based on the number of employees in the program in relation to the number of employees who are covered by the cost.

Income Taxes

The Council is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the June 30, 2018 financial statements to conform to the June 30, 2019 presentation. Such reclassifications had no effect on previously reported net assets or changes in net assets.

Subsequent Events

The Council has evaluated events and transactions that occurred from the date of the financial statements through November 12, 2019, which is the date that the financial statements were available for issue.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure include only those without donor restrictions, excluding board designated net assets or other restrictions limiting their use within one year of the statement of financial position date. General expenditures include those listed within the management and general classification of the statement of activities.

The following financial assets are expected to be available to support the Council in the year ending June 30, 2020:

| | |
|---|-------------------|
| Financial assets: | |
| Cash and cash equivalents | \$ 168,933 |
| Accounts receivable | <u>55,056</u> |
| Financial assets available to meet cash needs for | |
| general expenditures within one year | <u>\$ 223,989</u> |

As of June 30, 2019, the Council has working capital of \$305,897 and 26 days cash on hand. As part of the Council's liquidity management plan, the Council has a policy to structure its financial assets to be available as general expenditures, liabilities, and or obligations as they become due. Restricted cash and grants receivable are excluded from financial assets available for general expenditure as they are generally restricted for specific grant purposes.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

NOTE 3. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Council considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

At times, the Council may maintain deposits in excess of federally insured limits. GAAP identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. As of June 30, 2019 and 2018, the Council's deposits were in excess of federally insured limits by \$81,122 and \$136,505, respectively.

NOTE 4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are stated at cost or fair value at date of purchase or donation. Management's policy is to capitalize these purchases over \$5,000. Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

| | |
|--------------------------------|----------------|
| Transport equipment | 5 to 7 years |
| Office furniture and equipment | 5 to 10 years |
| Buildings and improvements | 15 to 30 years |

Major betterments are capitalized and depreciated. Maintenance and repairs that do not significantly improve or extend the life of the respective assets are expensed currently. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities.

Land, buildings, and equipment transactions for the years ended June 30, 2019 and 2018 are as follows:

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 |
|--------------------------------|--------------------------|--------------|-----------|--------------------------|
| Transportation equipment | \$ 424,777 | \$ - | \$ - | \$ 424,777 |
| Office furniture and equipment | 231,739 | 5,650 | - | 237,389 |
| Buildings and land | 1,535,193 | - | - | 1,535,193 |
| | 2,191,709 | 5,650 | - | 2,197,359 |
| Accumulated depreciation | (1,557,100) | (116,750) | - | (1,673,850) |
| Total | \$ 634,609 | \$ (111,100) | \$ - | \$ 523,509 |

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

NOTE 4. LAND, BUILDINGS, AND EQUIPMENT (CONTINUED)

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|--------------------------------|-------------------------|-------------------|--------------------|--------------------------|
| Transportation equipment | \$ 414,778 | \$ 9,999 | \$ - | \$ 424,777 |
| Office furniture and equipment | 231,739 | - | - | 231,739 |
| Buildings and land | 1,314,703 | 220,490 | - | 1,535,193 |
| Construction in process | <u>21,508</u> | <u>-</u> | <u>(21,508)</u> | <u>-</u> |
| | 1,982,728 | 230,489 | (21,508) | 2,191,709 |
| Accumulated depreciation | <u>(1,466,554)</u> | <u>(90,546)</u> | <u>-</u> | <u>(1,557,100)</u> |
| Total | <u>\$ 516,174</u> | <u>\$ 139,943</u> | <u>\$ (21,508)</u> | <u>\$ 634,609</u> |

NOTE 5. NOTES RECEIVABLE

Notes receivable include a loan made by the Council, to provide down-payment assistance to a first time homebuyer in the amount of \$21,500. No interest will be charged on the loan prior to default. Interest may be charged after default, at the sole option of the Council, in the amount of 6% per annum.

The principal amount on this note, shall be due and payable in full upon the occurrence of one of the following events:

- a. The first sale or transfer of the property to occur after the date of this note.
- b. A default or breach under this note or the Deed of Trust securing this note.
- c. The borrower's refinancing of a lien superior to that created by the Deed of Trust securing this note.
- d. The borrower's vacation of the property or borrower's cessation of use as borrower's sole residence.
- e. Full payment of the original first mortgage.

If the note has not been paid in full by July 25, 2041, then the principal balance shall be paid in monthly installments equal to the last recorded principal and interest payment as documented by request of the Council from CSC (USDA Customer Service Center), which was due under the original 1st mortgage, the first of which shall be due August 25, 2041, and succeeding installments of which shall be due on the same day of each month until the entire amount due under this note is paid in full. Management reviews this loan on a continual basis for impairment. No allowance for doubtful loans has been maintained and would be immaterial to the financial statements.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 5. NOTES RECEIVABLE (CONTINUED)

The Council has two outstanding notes receivable related to its housing program. As more fully disclosed in Note 10, the Council is the single member of the two entities created to serve as the general partner in low- and moderate-income housing projects located in Havre, Montana. Buffalo Court, consisting of twenty units, was completed in 2012. Antelope Court, consisting of thirty units, was completed in 2017. The Council received grant funds which were subsequently lent to the partnerships created to construct and operate the housing complexes.

As of June 30, 2019 and 2018, the Council had a note receivable with Buffalo Court Partnership, LLC in the amount of \$500,000. Interest is calculated at 1% annually with the unpaid principal and interest due August 2042. The note is secured by a Deed of Trust with Assignment of Rents. The interest income for both of the years ended June 30, 2019 and 2018, was \$5,000. As of June 30, 2019 and 2018, Buffalo Court Partnership, LLC owed the Council \$35,574 and \$30,574, respectively, for accrued interest.

As of June 30, 2019 and 2018, the Council had a note receivable with Antelope Court Limited Partnership in the amount of \$1,165,000. Interest is calculated at 3% annually with the unpaid principal and interest due April 2056. The note is secured by a Deed of Trust with Assignment of Rents. The interest income for the years ended June 30, 2019 and 2018 was \$34,950. As of June 30, 2019 and 2018, Antelope Court Limited Partnership owed the Council \$91,368 and \$56,418, respectively, for accrued interest.

NOTE 6. OTHER INCOME

Other income on the statement of activities for the years ended June 30, 2019 and 2018 consists of the following:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Equipment and building rent | \$ 147,289 | \$ 144,343 |
| Section 8 income | 97,679 | 106,776 |
| CRF income | 151,776 | 89,596 |
| Energy share | 3,616 | 3,483 |
| Head Start childcare reimbursement | 7,413 | 12,072 |
| Domestic violence rental income | 4,950 | 4,950 |
| NWE rental and MPC income | 3,456 | 5,627 |
| Interest income | 39,950 | 39,950 |
| Non-federal funds, other miscellaneous | 13,818 | 1,462 |
| | <u>\$ 469,947</u> | <u>\$ 408,259</u> |

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 7. NOTES PAYABLE

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Mortgages Payable | | |
| Real estate mortgage payable to USDA - Rural Development. Payable in monthly installments of \$1,964 including interest at 5.125%, maturing June 2041; secured by property. | \$ 298,863 | \$ 306,888 |
| Real estate mortgage payable to USDA - Rural Development. Payable in monthly installments of \$2,712 including interest at 13.25%. As part of the Loan Agreement, the Council entered into an Interest Credit and Rental Assistance Agreement that reduces the monthly mortgage payment to \$528, which effectively lowers the interest rate to approximately 1% over the term of the loan. Matures in August 2031; secured by property. | 182,648 | 190,898 |
| Note payable to Community Frameworks to pay for infrastructure development costs for the mutual Self Help Housing Project, including 0% interest, matures February 2019, 100% forgivable upon compliance with loan agreement; unsecured. | <u>-</u> | <u>30,000</u> |
| Total long term debt | 481,511 | 527,786 |
| Less current portion | <u>(18,848)</u> | <u>(48,339)</u> |
| Total long term portion | <u>\$ 462,663</u> | <u>\$ 479,447</u> |

Future maturities of long-term debt for the year ended June 30, 2019, are as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|-------------------|
| 2020 | \$ 18,848 |
| 2021 | 19,379 |
| 2022 | 19,933 |
| 2023 | 20,512 |
| 2024 | 21,117 |
| Thereafter | <u>381,722</u> |
| Total | <u>\$ 481,511</u> |

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

NOTE 8. EMPLOYEE BENEFITS

The Council has a Simple pension plan. The agency may contribute an amount equal to a maximum of 3% of gross wages for all eligible employees who make a contribution. Eligible employees are those who are one year past their employment date. Total contributions made by the Council amounted to \$25,864 and \$25,895 for June 30, 2019 and 2018, respectively.

The Council provides group health insurance to all permanent and seasonal employees who work 20 hours per week, or more, after three months of continuous employment.

NOTE 9. OPERATING LEASES

The Head Start Program leases office and classroom space from Child Development, Inc. at a cost of \$8,400 per year. The lease expires November 2020. In 2017, the Council leased a vehicle with a lease payment of \$412 per month. The vehicle lease expires in January 2020. In 2018, the Council leased a vehicle with a lease payment of \$405 per month. The vehicle lease expires in February 2021. Lease expense for the years ended June 30, 2019 and 2018 was approximately \$16,000.

The future minimum lease payments for the year ended June 30, 2019, are as follows:

| | |
|-------|------------------|
| 2020 | \$ 11,242 |
| 2021 | <u>2,836</u> |
| Total | <u>\$ 14,078</u> |

NOTE 10. INVESTMENT IN DISTRICT IV HRDC, LLC AND LLC1

The Council is the sole member of District IV HRDC, LLC (a corporation). District IV HRDC, LLC owns a .005% general partnership interest in Buffalo Court Limited Partnership that provides housing for low income senior citizens. The Council has estimated the value of this investment at \$-0- for both years ended June 30, 2019 and 2018.

The Council is the sole member of District IV HRDC, LLC1 (a corporation). District IV HRDC, LLC1 owns a .005% general partnership interest in Antelope Court Limited Partnership that provides housing for low income families with preference given to individuals with a disability. The Council has estimated the value of this investment at \$-0- for both years ended June 30, 2019 and 2018.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 11. RELATED PARTY TRANSACTIONS

For the years ended June 30, 2019 and 2018, the Council received \$34,804 and \$36,296, respectively, in expense reimbursement and developer fees from Buffalo Court Limited Partnership. At June 30, 2019 and 2018, accrued developer fees receivable were \$24,436. Payment is contingent on available cash as defined by the partnership agreement.

During the years ended June 30, 2019 and 2018, the Council received \$48,877 and \$173,761, respectively, in expense reimbursement and developer fees from Antelope Court Limited Partnership. At June 30, 2019 and 2018, accrued developer fees receivable were \$7,100. Payment is contingent on available cash as defined by the partnership agreement.

In 2012, the Council was awarded a HOME grant in the amount of \$500,000. The Council then loaned this money to Buffalo Court Limited Partnership to assist in the construction of the low income housing project. The terms of this note are described in Note 5.

In 2017, the Council was awarded a HOME grant in the amount of \$1,165,000. The Council then loaned this money to Antelope Court Limited Partnership to assist in the construction of the low income housing project. The terms of this note are described in Note 5.

The Council is reimbursed for two employees who manage and maintain these facilities. For the years ended June 30, 2019 and 2018, total amounts reimbursed were \$83,681 and \$79,871, respectively.

SUPPLEMENTARY INFORMATION

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

| Federal Source/ Pass-through Source/ Program Title | Federal CFDA Number | Award Number | Federal Expenditures | Passed Through to Subrecipients |
|---|---------------------------|-------------------------|-------------------------|---------------------------------------|
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Head Start | 93.600 | 08CH1034/05 | \$ 899,970 | \$ - |
| Head Start | 93.600 | 08CH1034/06 | <u>1,173,080</u> | <u>-</u> |
| Total CFDA 93.600 | | | <u>2,073,050</u> | <u>-</u> |
| Pass-through Montana Dept. of Public Health and Human Services | | | | |
| Community Services Block Grant | 93.569 | 18-0281-0002-0 | 84,505 | - |
| Community Services Block Grant | 93.569 | 19-0281-0002-0 | <u>60,034</u> | <u>-</u> |
| Total CFDA 93.569 | | | <u>144,539</u> | <u>-</u> |
| Low Income Energy Assistance-CRF | 93.568 | CRF2018 | 54,637 | - |
| Low Income Energy Assistance-CRF | 93.568 | CRF2019 | 95,185 | - |
| Low Income Energy Assistance - Administration | 93.568 | 18-028-11002-0 | 25,067 | - |
| Low Income Energy Assistance - Administration | 93.568 | 19-028-13002-0 | 56,526 | - |
| Weatherization-LIEAP | 93.568 | 17-028-16002-0 | 60,188 | - |
| Weatherization-LIEAP | 93.568 | 18-028-16002-0 | <u>79,764</u> | <u>-</u> |
| Total CFDA 93.568 | | | <u>371,367</u> | <u>-</u> |
| State Domestic Abuse | 93.671 | 20193DMVL0013 | <u>47,130</u> | <u>-</u> |
| Total CFDA 93.671 | | | <u>47,130</u> | <u>-</u> |
| Pathways WoRC | 93.558 | 17-022-28012-0 | 14,935 | - |
| Pathways WoRC | 93.558 | 18-022-28012-0 | <u>110,368</u> | <u>-</u> |
| Total CFDA 93.558 | | | <u>125,303</u> | <u>-</u> |
| Subtotal for Pass-through Montana Dept. of Health and Human Services | | | <u>688,339</u> | <u>-</u> |
| Total U.S. Department of Health and Human Services | | | <u>2,761,389</u> | <u>-</u> |
| <u>U.S. Department of Labor</u> | | | | |
| Pass-through Montana Dept. of Labor | | | | |
| WIA Adult | 17.258 | DL1SFY13-WIAADULT04-A6 | 34,530 | - |
| WIOA Adult | 17.258 | DL1SFY13 WIOA-ADULT04 | <u>7,887</u> | <u>-</u> |
| Total CFDA 17.258 | | | <u>42,417</u> | <u>-</u> |
| WIA Youth | 17.259 | DL1SFY13-WIOAYOUTH04-A6 | 80,666 | - |
| WIA Youth - Carry over | 17.259 | DL1SFY13WIA-YOUTH04 | <u>3,605</u> | <u>-</u> |
| Total CFDA 17.259 | | | <u>84,271</u> | <u>-</u> |
| Total U.S. Department of Labor | | | <u>126,688</u> | <u>-</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Pass-through Montana Dept. of Public Health and Human Services | | | | |
| Emergency Shelter Grant | 14.231 | 18-028-51002-0 | <u>19,889</u> | <u>-</u> |
| Total CFDA 14.231 | | | <u>19,889</u> | <u>-</u> |
| Housing Counseling Assistance Program | 14.169 | HUD2016-2018 | <u>4,376</u> | <u>-</u> |
| Total CFDA 14.169 | | | <u>4,376</u> | <u>-</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>24,265</u> | <u>-</u> |

Notes to Schedule of Federal Expenditures are an integral part of this schedule.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2019

| Federal Source/ Pass-through Source/ Program Title | Federal CFDA Number | Award Number | Federal Expenditures | Passed Through to Subrecipients |
|---|---------------------------|-----------------------|-------------------------|---------------------------------------|
| <u>U.S Department of Energy</u> | | | | |
| Pass-through Montana Dept. of Public Health and Human Services | | | | |
| Weatherization-DOE | 81.042 | 17-028-30037-0 | 74,048 | - |
| Weatherization - DOE-Fort Belknap | 81.042 | 17-028-30022-0 | 59,111 | - |
| Weatherization - DOE-Rocky Boy | 81.042 | 18-028-30037-0 | 53,865 | - |
| Total CFDA 81.042 | | | <u>187,024</u> | <u>-</u> |
| Total U.S. Department of Energy | | | <u>187,024</u> | <u>-</u> |
| <u>U.S Department of Education</u> | | | | |
| Pass-through Montana Office of Public Instruction | | | | |
| Adult Education and Family Literacy | 84.002 | 62299525610BG - Fed | 64,494 | - |
| Adult Education and Family Literacy | 84.002 | 62299525610BG - State | 27,966 | - |
| Total CFDA 84.002 | | | <u>92,460</u> | <u>-</u> |
| Preschool Development Grants | 84.419 | 1802PROS0278 | 741 | - |
| Total CFDA 84.419 | | | <u>741</u> | <u>-</u> |
| Total U.S. Department of Education | | | <u>93,201</u> | <u>-</u> |
| <u>U.S. Department of Agriculture</u> | | | | |
| Pass-through Montana Dept. of Public Health and Human Services | | | | |
| USDA Reimbursement | 10.558 | 12-02-CACFP-127 | 90,694 | - |
| Total CFDA 10.558 | | | <u>90,694</u> | <u>-</u> |
| HOME Preservation | 10.433 | 18-027-22008-0 | 34,479 | - |
| Total CFDA 10.433 | | | <u>34,479</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | | <u>125,173</u> | <u>-</u> |
| <u>U.S Department of Justice</u> | | | | |
| Pass-through Montana Board of Crime Control | | | | |
| Crime Control | 16.575 | 16-V01-91801 | 135,742 | - |
| Crime Control | 16.575 | 16-V01-92053 | 2,137 | - |
| Crime Control | 16.575 | 15-V44-92341 | 15,536 | - |
| Total CFDA 16.575 | | | <u>153,415</u> | <u>-</u> |
| Total U.S. Department of Justice | | | <u>153,415</u> | <u>-</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 3,471,155</u> | <u>\$ -</u> |

Notes to Schedule of Federal Expenditures are an integral part of this schedule.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of the Council under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a select portion of the operations of the Council, it is not intended to, and does not present, the financial position, changes in net assets, or cash flows of the Council.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Schedule has been prepared on the accrual basis of accounting which is the method of accounting used for the financial statements. Such expenditures are recognized following Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The Council has elected not to use the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.

NOTE 4. MATCHING

The Council provided cash and in-kind match in the year ended June 30, 2019, for federal awards as follows:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Provided</u> |
|-------------------------|------------------------------------|----------------------------|
| Early Head Start | 93.600 | \$ 278,754 |
| State Domestic Abuse | 93.671 | \$ 11,783 |
| Crime Control | 16.575 | \$ 28,310 |
| Emergency Shelter Grant | 14.231 | \$ 19,590 |
| Adult Basic Education | 84.002 | \$ 9,540 |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
District IV Human Resources Development Council
Havre, 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 District IV Human Resources Development Council (the Council) (a nonprofit organization), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 the Council'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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
November 12, 2019

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

Board of Directors
District IV Human Resources Development Council
Havre, Montana

Report on Compliance for Each Major Federal Program

We have audited District IV Human Resources Development Council's (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2019. The Council's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council'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 programs. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on the Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Council 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 the Council's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the Council's internal control over compliance.

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

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

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

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
November 12, 2019

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2019

Section I – Summary of Auditor Results:

Financial Statements:

| | |
|--|---------------|
| Type of Auditor’s Report issued: | Unmodified |
| Internal Control over financial reporting: | |
| Material weakness identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses | None reported |
| Type of Auditor’s Report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? | No |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--------------------------------------|
| 93.600 | Head Start and Early Head Start |
| 93.568 | Low Income Energy Assistance Program |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as a low-risk auditee? | No |

Section II – Findings Relating to Financial Statements

The audit report for the year ended June 30, 2019, reported no findings.

Section III – Federal Award Findings and Questioned Costs

The audit report for the year ended June 30, 2019, reported no findings.

Section IV – Status of Corrective Action on Prior Findings

The audit report for the year ended June 30, 2018, reported no findings.



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS