

**DISTRICT IV HUMAN RESOURCES  
DEVELOPMENT COUNCIL**

**FINANCIAL REPORT**

**June 30, 2021 and 2020**



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

### **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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Effect of Adopting New Accounting Standard**

As discussed in Note 1, the Council adopted the Financial Accounting Standards Board's Accounting Standard Updates (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash* as of and for the year ended June 30, 2021. Our opinion is not modified with respect to these matters.

## **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 January 11, 2022, 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  
January 11, 2022

FINANCIAL STATEMENTS

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 88,117	\$ 285,246
Cash and cash equivalents - restricted	147,354	85,940
Grants receivable	281,552	225,644
Accounts receivable	<u>37,268</u>	<u>54,735</u>
Total current assets	<u>554,291</u>	<u>651,565</u>
LAND, BUILDINGS, AND EQUIPMENT, NET	<u>1,169,830</u>	<u>587,647</u>
<b>OTHER ASSETS</b>		
Notes receivable	1,686,500	1,686,500
Interest receivable	206,842	166,892
Other assets	<u>100</u>	<u>450</u>
Total other assets	<u>1,893,442</u>	<u>1,853,842</u>
Total assets	<u>\$ 3,617,563</u>	<u>\$ 3,093,054</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 121,244	\$ 130,173
Accrued payroll and benefits	23,702	14,354
Accrued vacation	84,154	114,146
Current portion of long-term debt	<u>31,642</u>	<u>111,764</u>
Total current liabilities	<u>260,742</u>	<u>370,437</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>754,224</u>	<u>562,436</u>
Total liabilities	<u>1,014,966</u>	<u>932,873</u>
<b>NET ASSETS</b>		
Without donor restrictions	<u>2,602,597</u>	<u>2,160,181</u>
Total net assets without donor restrictions	<u>2,602,597</u>	<u>2,160,181</u>
Total liabilities and net assets	<u>\$ 3,617,563</u>	<u>\$ 3,093,054</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>REVENUES AND OTHER SUPPORT</b>		
Grants	\$ 4,000,798	\$ 3,457,645
Contributions	288,520	76,381
Fees	104,831	171,328
Investment revenue	221	638
Other revenue	<u>608,321</u>	<u>505,966</u>
Total revenues and other support	<u>5,002,691</u>	<u>4,211,958</u>
<b>EXPENSES</b>		
Program:		
Head Start	2,134,557	1,981,942
Community Services Block Grant	144,040	127,776
Food Bank	118,946	48,871
Skills Training	5,956	4,081
WIA Adult	69,526	69,733
Pathways	87,951	97,079
WIA Youth	85,952	88,566
Child Care Block Grant	2	618
Northwestern Energy (NWE) Weatherization	19,214	88,495
Weatherization	142,272	263,191
Domestic Violence	186,887	214,712
Low Income Energy Assistance Program	242,889	249,524
Emergency Homeless and Shelter	177,288	29,586
Section 8 and Buildings	502,659	352,749
Veterans Helping Veterans	-	709
Rural Development Community Center	32,721	19,816
Rural Development Surrey Court	<u>49,035</u>	<u>50,923</u>
Total program expenses	3,999,895	3,688,371
Management and general	<u>560,380</u>	<u>546,591</u>
Total expenses	<u>4,560,275</u>	<u>4,234,962</u>
Change in net assets	442,416	(23,004)
Net assets without donor restrictions, beginning of year	<u>2,160,181</u>	<u>2,183,185</u>
Net assets without donor restrictions, end of year	<u>\$ 2,602,597</u>	<u>\$ 2,160,181</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, 2021

	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	Residential Services	Veterans Helping Veterans	Rural Development Community Center	Rural Development Surrey Court	Management and General	Totals
Salaries	\$ 1,356,742	\$ 93,960	\$ 46,818	\$ -	\$ 46,819	\$ 45,352	\$ 53,630	\$ -	\$ 2,298	\$ 20,172	\$ 86,206	\$ 45,183	\$ 14,997	\$ 242,330	\$ -	\$ 8,143	\$ 1,063	\$ 260,770	\$ 2,324,483
Payroll taxes	182,798	11,946	6,668	18	6,176	6,292	6,460	-	394	3,188	14,178	7,848	1,600	20,876	-	1,404	145	29,711	299,702
Employee benefits	78,172	10,161	717	-	6,296	1,123	5,841	-	346	2,114	4,743	3,251	161	20,015	-	1,556	198	23,364	158,058
Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,912)	-	-	4,912	-	-
Contracted services	14,026	1,531	2,881	-	6,580	13,770	1,810	-	15,398	53,234	6,161	814	1,600	75,655	-	3,290	-	29,133	225,883
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	184,679	184,679
Insurance	22,381	2,058	1,001	-	722	637	348	-	326	158	5,449	974	1,782	3,475	-	4,285	2,550	-	46,146
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	16,393	-	12,989	-	-	29,382
Legal and accounting	153	485	366	21	312	402	413	2	-	(1,000)	965	-	-	2,868	-	523	155	1	5,666
Maintenance and repairs	17,065	-	7,466	-	-	-	-	-	-	-	1,603	-	144	43,437	-	18,115	3,498	-	91,328
Materials	-	-	-	-	-	-	-	-	372	26,295	-	-	-	1,000	-	-	-	-	27,667
Meals	45,616	-	24,685	-	-	-	-	-	-	-	280	-	-	-	-	-	-	-	70,581
Other costs	50,555	3,157	2,217	110	-	-	2	-	80	12,485	408	8,698	-	28,605	-	3,653	33,266	13,926	157,162
Rent and space	8,400	4,800	-	-	-	8,769	4,035	-	-	2,107	13,040	600	5,459	5,000	-	(88,836)	-	10,125	(26,501)
Supplies	254,131	11,144	14,923	5,604	2,076	4,309	5,694	-	-	3,368	11,996	2,103	1,477	15,713	-	5,665	60	5,929	344,192
Support services	5,926	715	375	197	(5,406)	-	3,766	-	-	15,075	25,807	172,116	147,195	8,324	-	767	543	(324)	375,076
Telephone and utilities	52,363	1,000	8,183	-	943	478	489	-	-	217	12,376	36	1,064	11,904	-	60,971	2,134	1,649	153,807
Training	150	1,360	23	-	-	830	1,663	-	-	2,446	544	195	-	3,093	-	-	484	-	10,788
Transportation	5,130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,130
Travel	40,949	1,723	2,623	6	5,008	5,989	1,801	-	-	2,413	3,131	1,071	1,809	8,883	-	196	27	1,417	77,046
<b>Totals</b>	<b>\$ 2,134,557</b>	<b>\$ 144,040</b>	<b>\$ 118,946</b>	<b>\$ 5,956</b>	<b>\$ 69,526</b>	<b>\$ 87,951</b>	<b>\$ 85,952</b>	<b>\$ 9,956</b>	<b>\$ 19,214</b>	<b>\$ 142,272</b>	<b>\$ 186,887</b>	<b>\$ 242,889</b>	<b>\$ 177,288</b>	<b>\$ 502,659</b>	<b>\$ -</b>	<b>\$ 32,721</b>	<b>\$ 49,035</b>	<b>\$ 560,380</b>	<b>\$ 4,560,275</b>

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, 2020

	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	Residential Services	Veterans Helping Veterans	Rural Development Community Center	Rural Development Surrey Court	Management and General	Totals
Salaries	\$ 1,285,376	\$ 86,441	\$ 20,893	\$ 11	\$ 46,425	\$ 61,915	\$ 61,176	\$ -	\$ 1,999	\$ 66,644	\$ 107,366	\$ 61,243	\$ 5,605	\$ 177,827	\$ -	\$ 11,458	\$ -	\$ 291,856	\$ 2,286,235
Payroll taxes	187,879	10,241	3,041	1	6,322	8,454	7,819	-	246	9,052	15,887	9,223	985	18,530	-	1,889	-	33,345	312,914
Employee benefits	78,674	9,084	224	-	6,775	4,201	5,783	-	255	8,819	656	6,390	76	14,665	-	2,216	-	23,609	161,427
Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,228)	-	-	5,228	-	-
Contracted services	8,122	1,770	1,106	-	1,701	1,760	1,113	-	67,211	108,977	4,914	1,275	425	7,336	-	3,401	-	32,380	241,491
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123,011	123,011
Insurance	19,740	337	814	-	596	510	1,446	-	565	2,168	4,511	643	5	6,743	5	7,573	3,055	-	48,711
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	3,770	-	11,351	-	-	15,121
Legal and accounting	19	729	350	9	396	480	317	1	-	1,001	988	1,010	77	3,059	-	542	125	-	9,103
Maintenance and repairs	40,181	122	537	-	-	-	-	-	-	-	1,817	-	1,965	53,590	-	11,083	13,337	-	122,632
Materials	-	-	-	-	-	-	-	-	17,413	42,978	-	-	-	-	704	-	-	-	61,095
Meals	94,938	187	-	-	-	-	-	-	-	-	291	-	546	-	-	-	-	-	95,962
Other costs	1,955	1,699	765	2	(2)	-	699	-	(2)	215	6,345	3,483	(2)	16,614	-	4,153	25,945	14,389	76,258
Rent and space	8,400	2,110	-	-	-	8,056	4,417	-	-	-	12,504	4,032	24,777	7,834	-	(97,593)	-	12,146	(13,317)
Supplies	151,647	2,585	7,404	4,015	2,552	2,445	1,788	617	376	2,097	14,633	5,475	2,763	19,304	-	8,044	118	8,551	234,414
Support services	4,945	677	3,480	6	(2,736)	113	856	-	-	6,000	27,320	154,632	(11,965)	16,403	-	213	1,209	(90)	201,063
Telephone and utilities	52,144	919	8,407	-	694	395	790	-	202	-	9,887	126	4,006	4,656	-	55,486	1,906	2,043	141,661
Training	479	1,429	27	-	404	837	593	-	200	1,627	1,155	354	14	1,152	-	-	-	-	8,271
Transportation	6,045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,045
Travel	41,398	9,446	1,823	37	6,606	7,913	1,769	-	30	13,613	6,438	1,638	309	6,494	-	-	-	5,351	102,865
<b>Totals</b>	<b>\$ 1,981,942</b>	<b>\$ 127,776</b>	<b>\$ 48,871</b>	<b>\$ 4,081</b>	<b>\$ 69,733</b>	<b>\$ 97,079</b>	<b>\$ 88,566</b>	<b>\$ 618</b>	<b>\$ 88,495</b>	<b>\$ 263,191</b>	<b>\$ 214,712</b>	<b>\$ 249,524</b>	<b>\$ 29,586</b>	<b>\$ 352,749</b>	<b>\$ 709</b>	<b>\$ 19,816</b>	<b>\$ 50,923</b>	<b>\$ 546,591</b>	<b>\$ 4,234,962</b>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grants	\$ 3,944,890	\$ 3,492,797
Cash received from contributions	288,520	76,381
Cash received from fees and other sources	691,019	637,515
Cash paid to suppliers and employees	(4,375,787)	(4,127,759)
Interest revenue	221	638
Interest expenses	<u>(29,382)</u>	<u>(15,121)</u>
Net cash flows from operating activities	<u>519,481</u>	<u>64,451</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(406,862)</u>	<u>(187,149)</u>
Net cash flows from investing activities	<u>(406,862)</u>	<u>(187,149)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	-	210,000
Repayments on long-term debt	<u>111,666</u>	<u>(17,311)</u>
Net cash flows from financing activities	<u>111,666</u>	<u>192,689</u>
Net change in cash and cash equivalents	224,285	69,991
Cash and cash equivalents and restricted cash, beginning of year	<u>371,186</u>	<u>301,195</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 595,471</u>	<u>\$ 371,186</u>
<b>Reconciliation to Statements of Financial Position</b>		
Cash and cash equivalents	\$ 88,117	\$ 285,246
Cash and cash equivalents - restricted	<u>147,354</u>	<u>85,940</u>
	<u>\$ 235,471</u>	<u>\$ 371,186</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 29,382</u>	<u>\$ 15,121</u>
<b>SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES</b>		
Disposals of fully depreciated property and equipment	<u>\$ 114,238</u>	<u>\$ 115,971</u>

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

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The District IV Human Resources Development Council (the Council or HRDC) was organized to better focus all available local, state, private, and federal resources on 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
- Pathways
- WIA Youth
- NWE Weatherization
- Weatherization
- Domestic Violence
- Low Income Energy Assistance Program
- Emergency Homeless and Shelter
- Section 8 and Buildings
- Veterans Helping Veterans
- Rural Development Community Center
- Rural Development Surrey Court

The Council receives a significant portion of its revenue from grants from government agencies; thus, the Council is subject to possible cutbacks due to changes in funding priorities. During the years ended June 30, 2021 and 2020, the Council received approximately 80% and 82%, respectively, of its gross public support from such grants.

**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, 2021 and 2020

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements**

On July 1, 2019, the Center adopted the following Accounting Standards Updates (ASU):

- ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* including the subsequent revisions (collectively referred to as *Topic 606*). This accounting standard was issued to clarify the principles of recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). The Council adopted Topic 606 using the modified retrospective method. Implementation of the standard did not have a material effect on the Council's methodology for the recognition of revenue, nor required any adjustment of activity reported in a prior period.
- ASU 2018-08, *Not-for-Profit Entities (Topic 605) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides guidance on (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU has been applied retrospectively to all periods presented. Implementation of the standard had no effect on the Council's existing revenue recognition policies, nor required any adjustment of activity reported in a prior period.
- On January 1, 2019, the Foundation adopted FASB ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*. The objective of the update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. 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. There were no board designated net assets as of and for the years ended June 30, 2021 and 2020.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021 and 2020

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Net Assets (Continued)**

*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, 2021 and 2020.

**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.

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.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021 and 2020

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2021 and 2020. 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 such 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.

**Reclassifications**

Certain reclassifications have been made to the June 30, 2020 financial statements to conform to the June 30, 2021 presentation. Such reclassifications had no effect on previously reported amounts.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2021 and 2020

**NOTE 2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure include only those without donor or certain grant restrictions, excluding 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 on the statement of activities.

The following financial assets are expected to be available to support the Council in the years ending June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 88,117	\$ 285,246
Accounts receivable	<u>37,268</u>	<u>54,735</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 125,385</u>	<u>\$ 339,981</u>

As of June 30, 2021 and 2020, the Council has working capital of \$293,549 and \$281,128 and 19 and 32 days cash on hand, respectively. 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.

**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, 2021 and 2020, the Council's deposits were in excess of federally insured limits by \$43,671 and \$226,221, respectively.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2021 and 2020

**NOTE 4. LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment are stated at cost or fair value at date of purchase or donation, respectively. Management's policy is to capitalize 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. 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, 2021 and 2020 are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Transportation equipment	\$ 481,671	\$ 66,364	\$ (23,379)	\$ 524,656
Office furniture and equipment	224,603	110,071	(86,979)	247,695
Buildings	1,433,158	549,008	(3,880)	1,978,286
Land	102,035	41,419	-	143,454
	<u>2,241,467</u>	<u>766,862</u>	<u>(114,238)</u>	<u>2,894,091</u>
Accumulated depreciation	<u>(1,653,820)</u>	<u>(184,679)</u>	<u>114,238</u>	<u>(1,724,261)</u>
Total	<u>\$ 587,647</u>	<u>\$ 582,183</u>	<u>\$ -</u>	<u>\$ 1,169,830</u>

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Transportation equipment	\$ 424,777	\$ 172,865	\$ (115,971)	\$ 481,671
Office furniture and equipment	237,389	14,284	(27,070)	224,603
Buildings	1,433,158	-	-	1,433,158
Land	102,035	-	-	102,035
	<u>2,197,359</u>	<u>187,149</u>	<u>(143,041)</u>	<u>2,241,467</u>
Accumulated depreciation	<u>(1,673,850)</u>	<u>(123,011)</u>	<u>143,041</u>	<u>(1,653,820)</u>
Total	<u>\$ 523,509</u>	<u>\$ 64,138</u>	<u>\$ -</u>	<u>\$ 587,647</u>



DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021 and 2020

**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 1<sup>st</sup> 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.

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 Limited Partnership (Buffalo Court), consisting of twenty units, was completed in 2012. Antelope Court Limited Partnership (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, 2021 and 2020, the Council had a note receivable with Buffalo Court 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, 2021 and 2020, was \$5,000. As of June 30, 2021 and 2020, Buffalo Court Partnership, LLC owed the Council \$45,574 and \$40,574, respectively, for accrued interest.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2021 and 2020

**NOTE 5. NOTES RECEIVABLE (CONTINUED)**

As of June 30, 2021 and 2020, the Council had a note receivable with Antelope Court 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, 2021 and 2020 was \$34,950. As of June 30, 2021 and 2020, Antelope Court Limited Partnership owed the Council \$161,268 and \$126,318, respectively, for accrued interest.

**NOTE 6. OTHER REVENUE**

Other revenue on the statements of activities for the years ended June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Equipment and building rent	\$ 292,892	\$ 173,597
Section 8 revenue	97,373	110,533
Contingency revolving fund (CRF) revenue	137,773	132,672
Energy share	3,698	2,599
Head Start childcare reimbursement	32,435	30,836
Domestic violence rental revenue	4,200	5,400
NWE rental revenue	-	4,112
Interest revenue	39,950	39,950
Non-federal funds, other miscellaneous	-	6,267
	<u>\$ 608,321</u>	<u>\$ 505,966</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2021 and 2020

**NOTE 7. LONG-TERM DEBT**

	<u>2021</u>	<u>2020</u>
<b>Mortgages Payable</b>		
Real estate mortgage payable to Independence Bank Payable in monthly installments of \$2,427 including interest at 5.25%, maturing October 2025; secured by property.	\$ 336,889	\$ -
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.	\$ 281,525	\$ 290,416
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.	167,452	173,784
Payroll Protection Program (PPP) loan through Independence Bank, due in monthly installments, beginning November 2020 of \$11,815 including interest at 1%, matures April 2022; loan is unsecured. Forgiven in December 2020.	-	210,000
	<u>785,866</u>	<u>674,200</u>
Less current portion	<u>(31,642)</u>	<u>(48,339)</u>
	<u>\$ 754,224</u>	<u>\$ 625,861</u>

Future maturities of long-term debt for the year ended June 30, 2021, are as follows:

2022	\$ 31,642
2023	32,850
2024	34,074
2025	35,447
2026	308,596
Thereafter	<u>343,257</u>
Total	<u>\$ 785,866</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021 and 2020

**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 \$28,895 and \$29,722 for June 30, 2021 and 2020, 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 2024. In 2020, the Council leased a vehicle with a lease payment of \$438 per month. The vehicle lease expires in January 2023. 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, 2021 and 2020 was approximately \$17,000 and \$15,000, respectively.

The future minimum lease payments for the year ended June 30, 2021, are as follows:

2022	\$ 13,657
2023	11,467
2024	<u>3,500</u>
Total	<u>\$ 28,624</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, 2021 and 2020.

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, 2021 and 2020.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021 and 2020

**NOTE 11. RELATED PARTY TRANSACTIONS**

For the years ended June 30, 2021 and 2020, the Council received \$27,907 and \$27,974 respectively, in expense reimbursement and developer fees from Buffalo Court Limited Partnership. At June 30, 2021 and 2020, accrued developer fees receivable were \$22,179 and \$22,767, respectively. Payment is contingent on available cash as defined by the partnership agreement.

During the years ended June 30, 2021 and 2020, the Council received \$42,288 and \$47,699, respectively, in expense reimbursement and developer fees from Antelope Court Limited Partnership. At June 30, 2021 and 2020, accrued developer fees receivable were \$4,297 and \$7,100, respectively. 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, 2021 and 2020, total amounts reimbursed were \$66,804 and \$75,673, respectively.

**NOTE 12. RISKS AND UNCERTAINTIES**

The COVID-19 outbreak in the United States has caused business disruption to the Council. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the financial impact of the disruption. At this time, the Council cannot reasonably estimate the financial impact of COVID-19 on its overall operations. The effects of COVID-19 on the Council's ability to continue as a going concern have not been determined as of the reporting date.

SUPPLEMENTARY INFORMATION

**DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2021**

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	08CH01127701	\$ 1,216,120	\$ -
Head Start	93.600	08CH1034/06	1,315,805	
COVID-19 Head Start	93.600	08CH01127701C3	53,790	
COVID-19 Head Start	93.600	08HE00018101C5	391	
COVID-19 Head Start	93.600	08HE00018101C6	10,977	-
Total CFDA 93.600			<u>2,597,083</u>	<u>-</u>
Pass-through Montana Dept. of Public Health and Human Services				
Community Services Block Grant	93.569	20-028-10002-0	95,501	-
COVID-19 Community Services Block Grant	93.569	20-028-190421.0	36,589	
Community Services Block Grant	93.569	21.028.10002.0	39,987	-
Total CFDA 93.569			<u>172,077</u>	<u>-</u>
Low Income Energy Assistance-CRF	93.568	CRF2020	34,399	-
Low Income Energy Assistance-CRF	93.568	CRF2021	108,516	-
Low Income Energy Assistance - Administration	93.568	20-028-13002-0	19,831	-
Low Income Energy Assistance - Administration	93.568	21-028-13002-0	39,736	-
Weatherization-LIEAP	93.568	19-028-16002-0	58,423	-
Weatherization-LIEAP	93.568	20-028-16002-0	10,281	-
COVID-19 Low Income Energy Assistance	93.568	20-028-19062-0	12,963	-
Total CFDA 93.568			<u>284,149</u>	<u>-</u>
State Domestic Abuse	93.671	2020DMVL0013	47,563	
COVID-19 State Domestic Abuse	93.671	20-203-DMVL-0013	3,075	-
Total CFDA 93.671			<u>50,638</u>	<u>-</u>
Pathways WoRC	93.558	21-022-28012-0	88,619	-
Total CFDA 93.558			<u>88,619</u>	<u>-</u>
Subtotal for Pass-through Montana Dept. of Health and Human Services			<u>595,483</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>3,192,566</u>	<u>-</u>
<u>U.S Department of Labor</u>				
Pass-through Montana Dept. of Labor				
WIA Youth	17.259	DL119-024K-BDLI	88,265	-
WIA Youth - Carry over	17.259	DL119-024K-B-CF	5,844	-
Total CFDA 17.259			<u>94,109</u>	<u>-</u>
Total U.S. Department of Labor			<u>94,109</u>	<u>-</u>
<u>U.S Department of Housing and Urban Development</u>				
Pass-through Montana Dept. of Public Health and Human Services				
COVID-19 Emergency Shelter Grant - District 1	14.231	20-028-19011-0	21,263	-
COVID-19 Emergency Shelter Grant - District 4	14.231	20-026-19002-0	157,195	-
Emergency Shelter Grant	14.231	19-028-51002-0	2,645	-
Total CFDA 14.231			<u>181,103</u>	<u>-</u>
Housing Counseling Assistance Program	14.169	HUD2016-2018	2,167	-
Total CFDA 14.169			<u>2,167</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>183,270</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, 2021

Federal Source/ Pass-through Source/ Program Title	Federal CFDA Number	Award Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S Department of Treasury</u>				
COVID-19 Foodbank Cares Assistance	21.019	N/A	50,000	-
COVID-19 Social Services Nonprofit Cares	21.019	N/A	150,000	-
Total CFDA 21.019			200,000	-
COVID-19 Emergency Housing App Assistance	21.023	N/A	637	-
COVID 19- Emergency Rental App Assistance	21.023	N/A	8,217	-
Total CFDA 21.019			8,854	-
Total U.S. Department of Treasury			208,854	-
<u>U.S Department of Energy</u>				
Pass-through Montana Dept. of Public Health and Human Services				
Weatherization - DOE	81.042	19-028-30022-0	37,000	-
Weatherization - DOE - Fort Belknap	81.042	19-028-30036-0	16,953	-
Weatherization - DOE - Rocky Boy	81.042	19-028-30037-0	23,977	-
Total CFDA 81.042			77,930	-
Total U.S. Department of Energy			77,930	-
<u>U.S Department of Education</u>				
Pass-through Montana Office of Public Instruction				
Adult Education and Family Literacy	84.002	62299525610BG - Fed	50,788	-
Adult Education and Family Literacy	84.002	62299525610BG - State	25,903	-
Total CFDA 84.002			76,691	-
Total U.S. Department of Education			76,691	-
<u>U.S. Department of Agriculture</u>				
Pass-through Montana Dept. of Public Health and Human Services				
USDA Reimbursement	10.558	N/A	9,784	-
Total CFDA 10.558			9,784	-
Rural Development	10.415	N/A	14,639	-
Total CFDA 10.415			14,639	-
Total U.S. Department of Agriculture			24,423	-
<u>U.S Department of Justice</u>				
Pass-through Montana Board of Crime Control				
Crime Control	16.575	19-V01-92425	96,997	-
Total CFDA 16.575			96,997	-
Total U.S. Department of Justice			96,997	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,954,840	\$ -

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, 2021

**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, 2021. 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 minimis indirect cost rate allowed under Uniform Guidance.

**NOTE 4. MATCHING**

The Council provided cash and in-kind matches in the year ended June 30, 2021, for federal awards as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided as Match</u>
Head Start	93.600	\$ 349,931
Crime Control	16.575	28,370
State Domestic Violence	93.671	11,891
Adult Basic Education	84.002	11,592

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, 2021, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2022.

### **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  
January 11, 2022

## 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 program for the year ended June 30, 2021. 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 the Council'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 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 program. However, our audit does not provide a legal determination of the Council's compliance.

### **Opinion on the Major Federal Programs**

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 its major federal programs for the year ended June 30, 2021.

### **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 programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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  
January 11, 2022

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2021

**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
21.019	Coronavirus Relief Fund

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, 2021, reported no findings.

**Section III – Federal Award Findings and Questioned Costs**

The audit report for the year ended June 30, 2021, reported no findings.

**Section IV – Status of Corrective Action on Prior Findings**

The audit report for the year ended June 30, 2020, reported no findings.



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