



DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
Havre, Montana

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 1

FINANCIAL STATEMENTS:

 Statements of Financial Position 4

 Statements of Activities 6

 Statements of Functional Expenses 7

 Statements of Cash Flows 9

 Notes to the Financial Statements 11

SINGLE AUDIT SECTION

 Schedule of Expenditures of Federal Awards 21

 Notes to the Schedule of Expenditures of Federal Awards 24

 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* 25

 Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance 27

 Schedule of Findings and Questioned Costs 31

INDEPENDENT AUDITORS' REPORT

To the Governing Board of
District IV Human Resources Development Council
Havre, Montana

Opinion

We have audited the financial statements of District IV Human Resources Development Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of District IV Human Resources Development Council (the Council) as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of the Council for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on April 11, 2023.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2024 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council's internal control over financial reporting and compliance.

Carver Florek & James, CPAs

Carver Florek & James, CPA's
Missoula, Montana
February 9, 2024

FINANCIAL STATEMENTS

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 216,096	\$ 377,469
Restricted cash and cash equivalents	680,479	663,406
Grants receivable	133,904	174,771
Accounts receivable	37,101	51,169
Total current assets	1,067,580	1,266,815
PROPERTY PLANT AND EQUIPMENT		
Transportation equipment	545,076	569,657
Office furniture and equipment	262,394	262,394
Buildings	1,990,585	1,990,585
Land	143,916	143,916
Accumulated Depreciation	(2,014,522)	(1,877,781)
Total property plant and equipment	927,449	1,088,771
OTHER ASSETS		
Notes receivable	1,686,500	1,686,500
Interest receivable	286,742	246,792
Right-of-Use Asset	12,488	19,309
Other assets	600	250
Total other assets	1,986,330	1,952,851
Total assets	\$ 3,981,359	\$ 4,308,437

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
June 30, 2023 and 2022

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 76,028	\$ 321,732
Deferred revenue	409,517	409,517
Accrued payroll and benefits	30,819	31,613
Accrued vacation	87,466	92,607
Current portion of long-term debt	49,129	46,107
Current Portion of lease liability	8,112	7,698
Total current liabilities	661,071	909,274
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	1,053,640	1,103,375
Lease liability, net of current portion	4,376	11,611
	1,058,016	1,114,986
Total liabilities	1,719,087	2,024,260
NET ASSETS		
Without donor restrictions	2,262,272	2,284,177
Total net assets without donor restrictions	2,262,272	2,284,177
Total liabilities and net assets	\$ 3,981,359	\$ 4,308,437

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023	2022
REVENUES, GAINS AND OTHER SUPPORT		
Grants	\$ 3,322,133	\$ 3,310,757
Investment revenue	3,045	259
Fees	189,777	151,172
Contributions	90,084	63,312
Other revenue	518,385	461,775
Total revenue, gains and other support	4,123,424	3,987,275
 EXPENSES		
Program Activities		
Head Start	2,172,540	2,295,944
Community and family services	641,797	610,270
Energy and weatherization	284,792	246,011
Housing	498,730	462,974
Total program expenses	3,597,859	3,615,199
Supporting Activities		
Management and General	547,470	556,974
Total expenses	4,145,329	4,172,173
 Loss on disposal of assets	-	1,466
Total expenses and losses	4,145,329	4,173,639
 Change in net assets	(21,905)	(186,364)
 Net assets without donor restrictions, beginning of year	2,284,177	2,470,541
 Net assets without donor restrictions, end of year	\$ 2,262,272	\$ 2,284,177

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Head Start	Community and Family Services	Energy and Weatherization	Housing Services	Total Program	Management and General	Totals
Salaries	\$ 1,406,154	\$ 397,315	\$ 78,159	\$ 95,202	\$ 1,976,830	\$ 280,929	\$ 2,257,759
Payroll taxes	160,685	43,727	8,681	10,683	223,776	28,515	252,291
Employee benefits	73,422	21,276	7,415	10,492	112,605	25,801	138,406
Contracted services	9,960	22,456	4,932	38,160	75,508	13,027	88,535
Depreciation	-	-	-	-	-	161,322	161,322
Insurance	19,038	6,068	863	11,114	37,083	8,047	45,130
Interest	-	-	-	52,272	52,272	-	52,272
Legal and accounting	957	3,437	6,258	4,103	14,755	13,226	27,981
Maintenance and repairs	30,482	21,863	-	36,796	89,141	-	89,141
Meals	62,574	12,834	-	-	75,408	-	75,408
Other costs	6,761	17,852	24,990	33,429	83,032	(20)	83,012
Rent and space	8,400	-	1,455	4,556	14,411	2,038	16,449
Supplies	228,823	31,993	5,983	13,490	280,289	11,205	291,494
Support services	39,426	21,479	136,371	58,069	255,345	(1,018)	254,327
Telephone and utilities	33,548	23,240	1,211	82,459	140,458	1,224	141,682
Training	80,022	2,509	28	3,040	85,599	1,198	86,797
Transportation	6,020	-	-	-	6,020	-	6,020
Travel	6,268	15,748	8,446	44,865	75,327	1,976	77,303
Totals	<u>\$ 2,172,540</u>	<u>\$ 641,797</u>	<u>\$ 284,792</u>	<u>\$ 498,730</u>	<u>\$ 3,597,859</u>	<u>\$ 547,470</u>	<u>\$ 4,145,329</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Head Start	Community and Family Services	Energy and Weatherization	Housing Services	Total Program	Management and General	Totals
Salaries	\$ 1,361,586	\$ 352,597	\$ 102,221	\$ 97,640	\$ 1,914,044	\$ 271,880	\$ 2,185,924
Payroll taxes	206,364	48,411	14,787	12,921	282,483	31,609	314,092
Employee benefits	81,580	33,551	10,664	12,247	138,042	22,861	160,903
Contracted services	7,454	22,233	28,137	16,051	73,875	32,530	106,405
Depreciation	-	-	-	-	-	171,325	171,325
Insurance	23,577	12,224	1,182	11,835	48,818	-	48,818
Interest	-	14,211	-	17,410	31,621	-	31,621
Legal and accounting	-	4,256	30	2,809	7,095	-	7,095
Maintenance and repairs	71,822	19,598	-	34,081	125,501	-	125,501
Materials	-	881	16,622	-	17,503	-	17,503
Meals	54,147	8,891	-	-	63,038	-	63,038
Other costs	27,504	12,319	(2,586)	41,980	79,217	6,751	85,968
Rent and space	8,400	(61,558)	5,901	28,669	(18,588)	9,309	(9,279)
Suppliers	277,188	29,793	5,583	15,551	328,115	5,440	333,555
Support services	23,304	(5,826)	53,308	127,934	198,720	(191)	198,529
Telephone and utilities	55,076	87,876	356	16,309	159,617	1,543	161,160
Training	31,152	13,473	(195)	8,303	52,733	-	52,733
Transportation	5,939	-	-	-	5,939	-	5,939
Travel	60,851	17,340	10,001	19,234	107,426	3,917	111,343
Totals	\$ 2,295,944	\$ 610,270	\$ 246,011	\$ 462,974	\$ 3,615,199	\$ 556,974	\$ 4,172,173

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 3,363,000	\$ 3,827,053
Cash received from contributions	90,084	63,312
Cash received from fees and other sources	681,930	558,948
Cash paid to suppliers and employees	(4,183,374)	(3,884,431)
Cash received from interest	3,045	259
Cash paid for interest	<u>(52,272)</u>	<u>(31,621)</u>
Net cash flows from operating activities	<u>(97,587)</u>	<u>533,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of buildings and equipment	<u>-</u>	<u>(91,732)</u>
Net cash flows from investing activities	<u>-</u>	<u>(91,732)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	400,000
Repayments on long-term debt	<u>(46,713)</u>	<u>(36,384)</u>
Net cash flows from financing activities	<u>(46,713)</u>	<u>363,616</u>
 Net change in cash, cash equivalents, and restricted cash	 (144,300)	 805,404
 Cash and cash equivalents and restricted cash, beginning of year	 <u>1,040,875</u>	 <u>235,471</u>
 Cash and cash equivalents and restricted cash, end of year	 <u>\$ 896,575</u>	 <u>\$ 1,040,875</u>
 Reconciliation of cash to statement of financial position		
Cash and cash equivalents	\$ 216,096	\$ 377,469
Cash and cash equivalents -restricted	<u>680,479</u>	<u>663,406</u>
Total cash	<u>\$ 896,575</u>	<u>\$ 1,040,875</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 52,272</u>	<u>\$ 31,621</u>
 SCHEDULE OF NON CASH INVESTMENT ACTIVITIES		
Disposals of fully depreciated equipment	<u>\$ 24,581</u>	<u>\$ 19,650</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

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 to secure the opportunities needed for them to become self-sufficient.

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

- Head Start
- Community Services Block Grant
- Food Bank
- Skills Training
- Pathways
- Workforce Innovation and Opportunity Act (WIOA) Youth
- WIOA Basic Education and Literacy
- Child Care
- NWE Weatherization
- Weatherization
- Victim Services
- Low Income Energy Assistance Program
- Emergency Homeless and Shelter
- Veterans Helping Veterans
- Rural Development Community Center
- Rural Development Surrey Court

Basis of presentation

The Council's 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.

Cash and cash equivalents

For the purpose 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, 2023 and 2022, the Council's deposits were in excess of federally insured limits by \$950,189 and \$817,602, respectively.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Restricted cash and cash equivalents

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

Receivables

Receivables consist primarily of amounts due from grants and other revenue 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 collectable at June 30, 2023 and 2022. Accordingly, no allowance for doubtful accounts is considered necessary.

Property and equipment

Property and equipment are stated at cost at date of purchase, or fair market at date of donation. Management's policy is to capitalize property and equipment 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 which 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 activity.

The Council reports gifts of land, buildings, and other equipment as without donor restrictions 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 restricted support. 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.

Refundable grant advances

The Council records some designated grant receipts as deferred revenue until they have been expended for the purpose of the grant, at which the funds are recognized as revenue.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

Net asset classification

Net assets are classified as *without donor restrictions* in the absence of donor-imposed restrictions. This category includes net amounts that have been earned and expended according to donor and contract conditions and generally unrestricted activities. Net assets without donor restrictions are used to benefit programs at the discretion of the Governing Board, and for internal operations and administration. This also may include net assets that are restricted by the Governing Board of the Council.

Net assets are classified as *with donor restrictions* have donor-imposed restrictions have not been met. Such restrictions may be met by the passage of time or use for a specific purpose, or the assets may be expected to be maintained in perpetuity.

The Council reports gifts of cash and other assets as restricted support 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 statement of activities as net assets released from restrictions.

In-kind contributions

The Council receives gifts of food, clothing, and other consumable items for distribution in its food bank and shelter. These gifts in kind are not recorded as contributions on the statements of activities. During the years ended June 30, 2023 and 2022, the Council received approximately 186,000 and 103,000 pounds of food respectively.

Advertising and promotion costs

The Council expenses the cost of advertising and promotion as incurred. There were no advertising or promotion expenses during the years ended June 30, 2023 and 2022

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Functional allocation of expenses

The cost of providing various programs and other activities have been summarized on a functional basis on the statements 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.

Use of estimates

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

Income taxes

The Council is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in these financial statements as the Council believes it had no income unrelated to its exempt purposes in 2023 or 2022. With few exceptions, the Council's informational return (I.R.S. Form 990) is not subject to examination by tax authorities for years prior to 2020.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on change in net assets, net assets, or cash flows as previously reported.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

2. PROPERTY AND EQUIPMENT

Property and equipment transactions for the years ended December 31 are outlined as follows:

	2021	Additions	Deletions	2022
Transportation equipment	\$ 524,657	\$ 45,000	\$ -	\$ 569,657
Office furniture and equipment	247,612	34,432	(19,650)	262,394
Buildings	1,978,285	12,300	-	1,990,585
Land	143,916	-	-	143,916
Accumulated depreciation	(1,724,640)	(171,325)	18,184	(1,877,781)
Total	<u>\$ 1,169,830</u>	<u>(79,593)</u>	<u>(1,466)</u>	<u>\$ 1,088,771</u>
	2022	Additions	Deletions	2023
Transportation equipment	\$ 569,657	\$ -	\$ (24,581)	\$ 545,076
Office furniture and equipment	262,394	-	-	262,394
Buildings	1,990,585	-	-	1,990,585
Land	143,916	-	-	143,916
Accumulated depreciation	(1,877,781)	(161,322)	24,581	(2,014,522)
Total	<u>\$ 1,088,771</u>	<u>\$ (161,322)</u>	<u>\$ -</u>	<u>\$ 927,449</u>

3. OTHER REVENUE

Other revenue on the statements of activity consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Equipment revenue	\$ 21,638	\$ 6,235
Rental Revenue	219,577	235,403
Contingency revolving fund (CRF) revenue	133,925	124,067
Energy Share	32,878	5,195
Head Start childcare reimbursement	7,589	44,359
Victim Services rental revenue	7,200	5,831
Interest revenue	39,950	39,950
Non-federal funds, other miscellaneous	55,628	735
Total	<u>\$ 518,385</u>	<u>\$ 461,775</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

4. 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 which provides housing for low-income senior citizens. The Council has estimated the value of this investment at zero for both years ended June 30, 2023 and 2022.

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 which provides housing for low-income families with preference given to individuals with a disability. The Council has estimated the value of this investment at zero for both years ended June 30, 2023 and 2022.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

5. MORTGAGES PAYABLE

	2023	2022
Real estate mortgage payable to Independence Bank. Payable in monthly installments of \$2,427, including interest at 5.25%, balloon payment of \$286,635 due in September of 2025; secured by property.	\$ 312,931	\$ 325,180
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.	262,321	272,169
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 that reduces the monthly mortgage payment to \$528, which effectively lowers the interest rate to approximately 1% over the term of the loan. Matures August of 2031; secured by real estate.	138,849	152,133
Note payable to Independence Bank in monthly installments of \$2,751 including interest at 5.49%, balloon payment of \$339,555 due in June of 2027; secured by property.	388,668	400,000
	1,102,769	1,149,482
Less current portion	(49,129)	(46,107)
	\$ 1,053,640	\$ 1,103,375

Future maturities of long-term debt for the year ended June 30, 2023, are as follows:

<u>Year Ended June 30</u>		
2024	\$	49,129
2025		52,783
2026		328,317
2027		382,908
2028		35,730
Thereafter		253,902
Total	\$	1,102,769

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

6. 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 contribute. Eligible employees are those who are one year past their employment date. Total contributions made by the Council amounted to \$21,077 and \$23,971 for June 30, 2023 and 2022, 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.

7. CONTINGENT LIABILITIES

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, 2023 and 2022, the Council received approximately 81% and 83%, respectively, of its public support from such grants.

The Council is subject to periodic reviews from governmental agencies that could have an impact on funding sources and outstanding liabilities. The effects of any pending reviews have not been determined and are not reflected in the financial statements.

8. OPERATING LEASES

Effective July 1, 2022, the Council adopted ASC 842 Accounting for Leases. The Council classifies its leases as either operating or capitalized leases. Currently all leases are operating leases on fixed monthly payments. The Council has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The Head Start Program leases office and classroom space from Child Development, Inc. at a cost of \$8,400 per year. The lease expires in November 2024. In 2020, the Council leased a vehicle with a lease payment of \$438 per month. The vehicle lease expires in January 2023. As a result of the adopting of the new lease accounting guidance, the Council recognized right-of-use-assets and lease liabilities of \$12,488 and \$19,309 as of June 30, 2023 and 2022, respectively. Lease expense for the years ended June 30, 2023 and 2022 was approximately \$7,700 and \$14,000, respectively.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

8. OPERATING LEASES (Continued)

The future minimum lease payments under non-cancelable operating leases with terms greater than one year are as follows:

Fiscal Year	Amount
2024	\$ 8,400
2025	-
2026	-
2027	-
2028	-
Thereafter	-
Total	\$ 8,400

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures 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 table below presents financial assets available for general expenditures within one year at June 30, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 216,096	\$ 377,469
Accounts receivable	37,101	51,169
Financial assets available to meet general expenditures within one year	\$ 253,197	\$ 428,638

10. 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 unless defaulted. Interest may be charged after default, at the sole option of the Council, in the amount of 6% per annum.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

10. NOTES RECEIVABLE (CONTINUED)

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.

The Council has two outstanding notes receivable related to its housing program. 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, 2023 and 2022, 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 revenue for both of the years ended June 30, 2023 and 2022 was \$5,000. As of June 30, 2023 and 2022, Buffalo Court Partnership, LLC owed the Council \$55,574 and \$50,574, respectively, for accrued interest.

As of June 30, 2023 and 2022, 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 revenue for the years ended June 30, 2023 and 2022 was \$34,950. As of June 30, 2023 and 2022, Antelope Court Limited Partnership owed the Council \$231,168 and \$196,218, respectively, for accrued interest.

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

11. RELATED PARTY TRANSACTIONS

For the years ended June 30, 2023 and 2022, the Council received \$32,172 and \$31,091, respectively, in expense reimbursement and developer fees from Buffalo Court Limited Partnership. At June 30, 2023 and 2022, accrued developer fees receivable were \$19,926 and \$19,926, respectively. Payment is contingent on available cash as defined by the partnership agreement.

During the years ended June 30, 2023 and 2022, the Council received \$43,850 and \$40,574, respectively, in expense reimbursement and developer fees from Antelope Court Limited Partnership. At June 30, 2023 there were no accrued developer fees receivable and at June 30, 2022 accrued developer fees receivable were \$4,297. 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 10.

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 10.

The Council is reimbursed for two employees who manage and maintain these facilities. For the years ended June 30, 2023 and 2022, the total amounts reimbursed were \$58,298 and \$69,411, respectively.

12. SUBSEQUENT EVENTS

Since June 30, 2023 the Council has purchased several fixed assets totaling approximately \$138,000. None of these purchases were done through the issuance of debt.

The Council has evaluated events and transactions that occurred from the date of the financial statements through February 9, 2024, which is the date that the financial statements were available for issue.

SINGLE AUDIT SECTION

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

FEDERAL SOURCE PASS THROUGH SOURCE PROGRAM NAME	CFDA/ALN No.	Pass Through Number	Total Federal Expenditures	Passed through to Subrecipients
U.S Department of Housing and Urban Development				
<i>Pass-through Montana Dpet. Of Public Health and Human Services</i>				
COVID-ESGP- District 4	14.231	20.028.19002.0	\$ 2,363	\$ -
ESGP-Emergency Shelter Grant	14.231	21.028.510020	17,504	-
Total Department of Housing and Urban Development			<u>19,867</u>	<u>-</u>
Department of Agriculture				
<i>Montana Dept. of Health and Human Services</i>				
Child and Adult Care Food Program 21-22	10.558	Child and Adult Care Food Program 21-22	9,758	-
Child and Adult Care Food Program 22-23	10.558	Child and Adult Care Food Program 22-23	8,251	-
Total Child and Adult Care Food Program			<u>18,009</u>	<u>-</u>
SURREY COURT- Rural Development Loan	10.415	N/A	12,708	-
Total Rural Development Loan			<u>12,708</u>	<u>-</u>
Total Department of Agriculture			<u>30,717</u>	<u>-</u>
Department of Justice				
<i>Montana Board of Crime Control Crime Control</i>				
	16.575		68,520	
	16.588		3,878	
Total Department of Justice			<u>72,398</u>	
Department of the Treasury				
COVID-19 ARPA Rapid Retraining	21.027	N/A	1,836	
<i>Montana Dept. of Health and Human Services</i>				
Emergency Rental Assistance	21.023	23028170110	1,473	-
Total Department of the Treasury			<u>3,309</u>	<u>-</u>
Department of Labor				
<i>Montana Department of Labor</i>				
WIA/WIOA Cluster				
WORKFORCE INNOVATION & OPPORTUNITY ACT	17.259	DL119-024K-BDLI	85,076	-
WORKFORCE INNOVATION & OPPORTUNITY ACT	17.259	DL119-024K-B -CF	7,535	-
Total Department of Labor, WIOA Cluster			<u>92,611</u>	<u>-</u>

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

FEDERAL SOURCE PASS THROUGH SOURCE PROGRAM NAME	CFDA/ALN No.	Pass Through Number	Total Federal Expenditures	Passed through to Subrecipients
Department of Energy				
<i>Montana Dept. of Health and Human Services</i>				
Weatherization-DOE	81.042	21-028-30022-0	109	-
Total Department of Energy			109	-
Department of Health and Human Services				
<i>Montana Dept of Health & Human Services</i>				
Victim Services Family Violence Prevention	93.671	20220DMVL0013	32,431	-
COVID-19 Family Violence Prevention	93.671	20203DMVL0013	44,526	-
Total Family Preservation			76,957	-
Pathways WORC	93.558	22221130010	97,757	-
Total Pathways WORC			97,757	-
Low Income Energy Assistance-CRF	93.568	CRF2023	112,057	-
COVID 19- ARPA LIHEAP CRF	93.568	AAPACRF2022	46,019	-
Low Income Energy Assistance-Administration	93.568	21028190900	73,850	-
Liheap Admin, Outreach, Client Ed ARPA	93.568	21028190555	19,950	-
Total LIHEAP			251,876	-
COVID-19 Low Income Water Assitance	93.499	21028180505	9,077	-
Low Income Home Water Assistance	93.499	21028180500	9,178	-
Total Low Income Household Water Assistance Program			18,255	-
CSBG	93.569	2102810002	13,431	-
CSBG	93.569	22028100020	137,516	-
CSBG COVID-19	93.569	21028190410	56,581	-
Total CSBG			207,528	-
<i>Direct</i>				
HEAD START 22-23	93.600	08CH01127701	2,413,564	-
HEAD START 21-23 COVID 19	93.600	08CH01127701C3	53,192	-
Total Head Start			2,466,756	-
Total Department of Health and Human Services			3,119,129	-

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2023

FEDERAL SOURCE			Total	
<i>PASS THROUGH SOURCE</i>	CFDA/ALN	Pass Through	Federal	Passed through
PROGRAM NAME	No.	Number	Expenditures	to Subrecipients
Department of Education				
<i>Montana Office of Public Instruction</i>				
Adult Education and Family Literacy	84.002	62299525610BG	41,180	
Johnson O'Malley	84.060	n/a	<u>813</u>	
Total Department of Education			<u><u>41,993</u></u>	
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 3,380,133</u></u>	<u><u>\$ -</u></u>
 LOANS AND LOAN GURANTEES				
Department of Agriculture				
Direct Loan Guaranteed US Department of Agriculture	10.766		\$ 262,321	
Direct Loan Guaranteed US Department of Agriculture	10.415		\$ 138,974	

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
Havre, Montana

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) is presented on the accrual basis of accounting, which is the same basis of accounting used for financial reporting purposes. The Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of District IV, it is not intended to and does not present the financial position, changes in net assets, or cash flows of District IV.

PROGRAM DESCRIPTIONS

District IV is a not-for-profit corporation located in Havre, Montana. District IV is part of a national network of community agencies that were created by the federal government to combat poverty. District IV partners with various agencies to provide basic needs services within north eastern Montana.

INDIRECT COST RATE

District IV has not elected to use the 10 percent de minimis indirect cost rate method allowed under Uniform Guidance.



CARVER
FLOREK &
JAMES, CPA's

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Governing Board of
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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2024.

Internal Control over Financial Reporting

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

Carver Florek & James, CPAs

Carver Florek & James, CPA's
Missoula, Montana
February 9, 2024



CARVER
FLOREK &
JAMES, CPA's

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Governing Board of
District IV Human Resources Development Council
Havre, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited District IV Human Resources Development Council's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of District IV Human Resources Development Council's major federal programs for the year ended June 30, 2023. District IV Human Resources Development Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, District IV Human Resources Development Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to District IV Human Resources Development Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as 2023-001. Our opinion on each major federal program is not modified with respect to this matters. Government Auditing Standards requires the auditor to perform limited procedures on District IV Human Resources Development Council's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District IV Human Resources Development Council's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on District IV, Human Resource Development Council's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. District IV, Human Resource Development Council's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Carver Florek & James, CPAs

Carver Florek & James, CPA's
Missoula, Montana
February 9, 2024

DISTRICT IV HUMAN RESOURCES DEVELOPMENT COUNCIL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2023

Section I – Summary of Auditors’ Results:

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
---	------------

Internal control over financial reporting: Material weaknesses identified?	No
---	----

Significant deficiencies identified not considered to be material weaknesses?	No
---	----

Noncompliance material to the financial statements noted?	No
---	----

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
--	----

Significant deficiencies identified not considered to be material weaknesses?	Yes
---	-----

Type of auditor’s report issued on compliance for major programs:	Unmodified
---	------------

Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
--	----

Identification of Major Program:

U.S. Department of Health and Human Services		
Head Start	ALN 93.600	

The dollar threshold used to distinguish between Type A and Type B programs as described in the Uniform Guidance was \$750,000.

Auditee qualified as a low-risk auditee?	No
--	----

Section II – Financial Statement Findings - None Noted.

Section III – Federal Award Findings and Questioned Costs

2023 – 001 BASIS FOR DETERMINING FEDERAL AWARDS EXPENDED – SEFA EXPENDITURES

- Criteria: 2 CFR § 200.502 explains that the value of Federal awards expended under loan programs, the use of loan proceeds under loan and loan guarantee programs are to be reported on the Schedule of Federal Expenditures of Federal Awards.
- Condition: The Schedule of Federal Expenditures of Federal Awards did not appropriately present the USDA Loans.
- Cause: The Council should make sure that expenditures are appropriately characterized as loans or federal grant expenditures.
- Effect: Loans may not be correctly reported on the Schedule of Expenditures of Federal Awards.
- Questioned Cost: -0-.
- Recommendation: We recommend that the Schedule of Federal Expenditures of Federal Awards appropriately includes and measures loans and loan guarantees in accordance with 2 CFR § 200.502(b) and (c) of the Uniform Guidance.

Section IV – Summary Schedule of Prior Year Findings

2022-001 INTERNAL CONTROL OVER ALLOWABLE GRANT EXPENSES

Implemented

CORRECTIVE ACTION PLAN – FY 2023 AUDIT FINDING

2023 – 001 BASIS FOR DETERMINING FEDERAL AWARDS EXPENDED – SEFA EXPENDITURES

Finding: Department of Agriculture – Rural Development Loan was not recorded correctly on the SEFA Expenditures Report.

District 4 Human Resources Development Council Response:

The Council concurs with the finding and understands the importance of appropriately including and measuring loans and loan guarantees in accordance with 2 CFR § 200.502(b) and (c) of the Uniform Guidance. The oversight has been corrected and the loans have been accounted for correctly on the current SEFA. The Council will ensure the loans are correctly reported on the SEFA in the future.