MONTANA CONSERVATION CORPS

Financial Statements
with
Independent Auditors' Report

December 31, 2022

Montana Conservation Corps, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montana Conservation Corps, Inc.
Bozeman, MT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Montana Conservation Corps, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Conservation Corps, Inc. as of December 31, 2022, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Montana Conservation Corps, Inc. changed the manner in which it accounts for leases as of January 1, 2022. Our conclusion is not modified with respect to this matter.

Basis for Opinion

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

Responsibilities of Management for the Financial Statement

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2023, on our consideration of Montana Conservation Corps, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Montana Conservation Corps, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montana Conservation Corps, Inc. internal control over financial reporting and compliance.

Rudd & Company, PLLC

Bozeman, Montana
June 9, 2023

Montana Conservation Corps, Inc.
Statement of Financial Position
December 31, 2022

Assets	
Current Assets	
Cash and cash equivalents	$ 4,251,860
Grants receivable	275
Contracts receivable	420,493
Contributions receivable	7,628
Miscellaneous receivable	88,835
Prepaid expenses	19,206
Deposits	12,605
Total Current Assets	4,800,902
Property and Equipment	
Property and equipment, net	15,864
Operating Lease Right-of-Use Assets	
Vehicles, net	1,113,262
Office space, net	355,120
Total Operating Lease Right-of-Use Assets, net	1,468,382
Total Assets	$ 6,285,148
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 53,604
Rent payable	4,919
Accrued wages and benefits payable	77,545
Payroll taxes payable	29,547
Deferred revenue	68,284
Accrued compensated absences	218,495
Current portion of operating lease liabilities - vehicles	443,615
Current portion of operating lease liabilities - office space	202,533
Total Current Liabilities	1,098,542
Operating Lease Liabilities	
Vehicles	650,961
Office space	156,574
Total Operating Lease Liabilities, net of current portion	807,535
Total Liabilities	1,906,077
Net Assets	
Without donor restrictions	3,561,289
Without donor restrictions - board designated	600,000
With donor restrictions	217,782
Total Net Assets	4,379,071
Total Liabilities and Net Assets	$ 6,285,148

The accompanying notes are an integral part of the Financial Statements

Montana Conservation Corps, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grant revenues	$ 2,990,688	$ -	$ 2,990,688
Contract revenues	6,284,471	-	6,284,471
Contributions and private grants	587,608	166,668	754,276
Interest	678	-	678
Gain on sale of assets	84,910	-	84,910
Other	1,465	-	1,465
Total Revenues and Support	9,949,820	166,668	10,116,488
Satisfaction of Project Restrictions	139,098	(139,098)	-
Total Revenues, Support, and Satisfaction of Project Restrictions	10,088,918	27,570	10,116,488
Expenses			
Member support	4,210,959	-	4,210,959
Program support	4,215,585	-	4,215,585
Training and education	202,541	-	202,541
Administrative	767,850	-	767,850
Fundraising	65,285	-	65,285
Total Expenses	9,462,220	-	9,462,220
Change in Net Assets	626,698	27,570	654,268
Net Assets, Beginning of Year	3,534,591	190,212	3,724,803
Net Assets, End of Year	$ 4,161,289	$ 217,782	$ 4,379,071

Montana Conservation Corps, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Activities			Supporting Activities		
	Member Support	Program Support	Training and Education	Administration	Fundraising	Total
Advertising	$ -	$ 1,588	$ -	$ 644	$ -	$ 2,232
Audit and legal	-	-	-	13,848	-	13,848
Background checks	-	27,028	-	8	-	27,036
Bank fees	-	-	-	1,468	1,854	3,322
Contract labor	-	87,330	23,911	18,052	18,855	148,148
Depreciation	-	2,092	-	-	-	2,092
Dues and publications	-	-	-	9,019	411	9,430
Interest and miscellanous	-	2,012	-	-	-	2,012
Liability insurance	-	9,734	-	17,644	-	27,378
Member living allowance and benefits	4,193,459	6,227	-	-	-	4,199,686
Office expenses	-	28,557	-	6,416	2,155	37,128
Computer software licenses	-	20,630	-	39,306	5,291	65,227
Postage	-	3,778	-	904	293	4,975
Printing, copies, and fax	-	11,570	-	8,178	4,360	24,108
Project and safety supplies	-	145,561	-	20	-	145,581
Recognition and incentive	-	18,828	-	316	1,566	20,710
Recruitment	-	17,441	-	7,590	-	25,031
Rent and utilities	-	236,447	-	18,657	-	255,104
Staff wages and benefits	-	2,312,859	-	608,347	29,326	2,950,532
Telephone	-	31,755	-	7,084	-	38,839
Training	-	-	149,482	5,584	140	155,206
Travel	-	335,728	29,148	4,383	809	370,068
Uniforms	-	48,767	-	-	-	48,767
Vehicle operations	-	857,051	-	382	225	857,658
Youth crew awards	17,500	10,602	-	-	-	28,102
Total Expenses	$ 4,210,959	$ 4,215,585	$ 202,541	$ 767,850	$ 65,285	$ 9,462,220

The accompanying notes are an integral part of the Financial Statements

Montana Conservation Corps, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows From Operating Activities	
Cash received from:	
Grants	$ 2,995,456
Contracts	6,233,555
Contributions and private grants	665,147
Interest	678
Other	1,465
Cash paid to/for:	
Personnel	(2,917,599)
Member living allowances and benefits	(4,199,686)
Travel and training	(525,274)
Contract services	(1,048,607)
Suppliers and vendors	(296,067)
Other operating expenses	(458,224)
Interest	(2,012)
Net Cash Provided by Operating Activities	448,832
Cash Flows From Investing Activities	
Sale of property and equipment	84,910
Purchase of vehicle	(11,500)
Net Cash Provided by Investing Activities	73,410
Net Change in Cash and Cash Equivalents	522,242
Cash and Cash Equivalents, Beginning of Year	3,729,618
Cash and Cash Equivalents, End of Year	$ 4,251,860

The accompanying notes are an integral part of the Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

Montana Conservation Corps, Inc. (the Organization) is a nonprofit corporation organized under Internal Revenue Service Code Section 501(c)(3). The Organization is headquartered in Bozeman, Montana, and operates field offices in Bozeman, Helena, Kalispell, and Missoula, Montana. The Organization focuses on equipping young people with the skills and values to be engaged citizens who improve their communities and environment through crew-based and individual placement experiences enabled by partnerships with over 150 project sponsor agencies, which include federal, state, and local governments and community-based nonprofit organizations.

The Organization accomplishes these goals through teaching the rewards of service and instilling values through performing service projects, which have a lasting and beneficial impact on our natural environment and communities. Young men and women learn practical skills, develop positive attitudes for service and work, and become knowledgeable about the environment and their community. Meaningful and challenging service projects seek to give members skills to be versatile leaders and contributing team members; values for volunteer service, land stewardship, and civic engagement; improved employability through productive work habits; and practical work skills and self-confidence to succeed at challenging tasks.

The Organization operates both the AmeriCorps program for young adults age 17 and up for a term of three to nine months through either our crew model or individual placements with partner sites as Conservation Interns and Stewards. In addition, the Organization offers a two-week and a four-week-long Youth Service Expedition summer program for youth age 14 to 17 years of age and 8 to 10 week YCC experiences with federal partners. The Organization replicates these program models for partnerships with tribal nations that engage native youth in conservation service. The Organization conducts over 330 projects a year in Montana and surrounding states in the Northern Rockies. Projects include a variety of conservation work including trail work, historical restoration, biological research, habitat enhancement, fencing, watershed restoration, home weatherization, and community service projects.

The Organization operates the Big Sky Watershed Corps (BSWC), which is a partnership between the Montana Conservation Corps, the Soil and Water Conservation Districts of Montana, and the Montana Watershed Coordination Council, to activate community-based solutions for watershed health and protection. BSWC AmeriCorps members serve with local watershed-related groups throughout the state of Montana where they increase the capacity of host site organizations to lead community based, citizen-led watershed stewardship. Home-grown solutions to local watershed issues, on the ground watershed education and outreach, volunteer training, stream restoration projects and water monitoring initiatives make a measurable difference in local conservation efforts. BSWC AmeriCorps members gain practical professional experience in watershed stewardship while developing skills for project leadership, collaborative management, volunteer engagement, and the role of citizens in leading change in their communities.

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB).

Contributions, including unconditional promises to give, are recognized as revenues in the period earned. Unrestricted promises to give that are scheduled to be received after one year are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the cash is received and any purpose restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of contribution.

Sales and service revenues are recognized as revenue upon sale or as the services are provided.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Categories of Net Assets

The net assets of the Organization are reported in the following categories:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. The Board of Directors has voluntarily designated $600,000 of net assets without donor restrictions for operating reserves as of December 31, 2022. The general purpose of the operating reserve is to help ensure the long-term financial stability of the Organization and position it to respond to varying economic conditions, opportunities and changes affecting the Organization's financial position and the ability of the Organization to continuously carry out its mission.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Restricted contributions whose restrictions are met in the same reporting period are reflected as contributions without donor restrictions by the Organization. As of December 31, 2022, the Organization had $217,782, in net assets with donor restrictions. Net assets with donor restrictions may be subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no net assets required to be maintained permanently as of December 31, 2022.

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers highly liquid investments with original maturities of three months or less to be cash equivalents, unless donor imposed restrictions limit their use to long-term purposes. The Organization's bank accounts are insured by the FDIC up to $250,000. As of December 31, 2022, bank balances exceeded their insured limits by $3,151,986.

Grants, Contracts, and Contributions Receivable

Grants receivable represents the balance of earned grant funds not yet received in cash as of the statement of financial position date. Contracts receivable represents the amounts owed to the Organization for contract project services that have been earned but not yet received. The Organization recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as with or without donor restrictions depending upon the existence of donor stipulations. Donor restricted contributions, whose restrictions have been fulfilled in the current year, are reported as contributions without donor restrictions. Contributed service revenue results when donated services create or enhance nonfinancial assets or when specialized skills are provided by people possessing those skills and would typically be purchased if not provided by donation. Contributed goods are valued at their estimated fair value at the date of contribution. Management considers all contracts, grants, and contributions receivable to be fully collectable; therefore, no allowance for uncollectable accounts is presented.

Advertising Expenses

The Organization expenses advertising costs as they are incurred.

Property and Equipment

The Organization capitalizes property and equipment with an acquisition cost of $5,000 or greater with an expected life of at least three years. Purchased property and equipment are carried at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of gift. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted support. Straight-line depreciation is used to depreciate assets over estimated lives of three to ten years. Repair and maintenance costs are expensed as incurred.

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

Eligible employees may accumulate 1000 hours of sick leave and up to 25 days of vacation leave. Once the maximum has been reached, employees will not accrue additional sick or vacation hours until their accrued total is less than 1000 hours and 25 days. Regular employees working less than 40 hours and more than 20 hours a week will not accrue additional sick or vacation hours based upon a pro-rated share of the 1000 hours or 25 days. Upon termination, employees are paid at 100 percent of their unused vacation leave and 25 percent of their unused sick leave. As of December 31, 2022, the Organization's accrued compensated absences liability, was $218,495.

Program Services and Expense Classification

Separate accounts are maintained for each fund and expenses are directly coded to each function; however, in the accompanying financial statements, funds that have similar characteristics have been combined in program groups. The primary program groups and their related purposes are summarized as follows:

Member Support – includes costs of member living allowances, payroll taxes, and other benefits paid for members.

Program Support – includes direct staff costs, travel related costs, space costs, and those other direct costs which support Organization programs and projects.

Training and Education – includes costs of making participants project ready, increasing leadership skills and training of members for safety and use of tools in the outdoors.

Administration – includes costs that are used for administering the Organization and allow the Organization to operate and provide services to members that are not directly attributed to member services. Administrative expenses consist of the common costs associated with the general management of the Organization.

Fundraising – consists of costs incurred for providing supplies and staff support for special events and activities designed to create public awareness and support for community based projects and costs incurred in the pursuit of grant funding.

Functional Expenses Allocation Methodology

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office and occupancy and telephone, which are allocated on an employee count basis.

Timesheets are used as the basis for charging salaries and benefits to the functional categories and particular projects. All allowable direct costs are charged directly to functions and programs as incurred. Vehicle costs are charged to projects based on the number of project crew weeks. Vehicle costs are analyzed on an annual basis to determine a weekly cost for projects during the year.

1. Summary of Significant Accounting Policies (continued)

Functional Expenses Allocation Methodology (continued)

Costs not directly benefiting a particular project are generally allocated to program support and included in the Organization's federally negotiated indirect cost rate calculation.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and has been granted public charity status.

Use of Estimates

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

Adoption of New Accounting Standard

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's balance sheet but did not have a material impact on the income statement. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Company to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets and operating lease liabilities of $1,988,142.

Subsequent Events

The Organization evaluates subsequent events through the date the financial statements are available to be issued which is the date of the auditor's report.

2. Property and Equipment

As of December 31, 2022, property and equipment consisted of the following:

Furniture, fixtures, and equipment	$	31,397
Vehicles		11,500
Total property and equipment, cost		42,897
Accumulated Depreciation		(27,033)
Total property and equipment, net	$	15,864

Depreciation expense for the year ended December 31, 2022, amounted to $2,092.

3. Leases

The Organization leases office and storage space under various short and long-term leases, vehicles and equipment under various long-term lease agreements. The leases expire at various dates through July 12, 2027. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on defined increases in the lease agreement. Also, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

For office space leases, the Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate.

The lease payments used to determine the lease liability and right-of-use assets include residual value guarantees the Organization is probable of paying at the termination of the lease term.

The Organization 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 Organization elected to separate lease and non-lease components for leases.

3. Leases (continued)

The office space operating lease expenses are included in rent and utilities expense and vehicle operating lease expenses are included in vehicle operations expense on the statement of functional expenses.

Total lease costs for the year ended December 31, 2022 were as follows:

Operating lease expense	$	691,150
Short-term lease expense		38,644
Variable lease expense		79,131
Sublease income		(16,540)
Total	$	792,385

The following table summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	700,433
ROU assets obtained in exchange for new operating lease liabilities	$	148,236

The following summarizes the weighted-average remaining lease term and weight-average discount rate at December 31, 2022:

Weighted-average remaining lease term in years for operating leases	2.84
Weighted-average discount rate for operating leases	1.41%

Future minimum operating lease payments are as follows:

Year ended December 31,		
2023	$	661,308
2024		408,450
2025		286,272
2026		124,273
2027		-
Thereafter		-
Total undiscounted cash flows		1,480,303
Less: present value discount		(26,620)
Total operating lease liabilities	$	1,453,683

4. Retirement Plans

The Organization offers eligible employees the ability to participate in a 401(k) retirement plan after one year of service and after obtaining the age of 17. The Organization matches up to 5 percent of the employee's salary for contributions for retirement. Employees vest 25 percent per year in employer contributions and are fully vested in the fourth year. For the year ended December 31, 2022, the Organization contributed $79,528 to the retirement plan.

5. Line of Credit

The Organization has a line of credit from a financial institution which can be renewed annually and matures in September 2023. The line of credit is for a maximum of $750,000 with a variable interest rate at the prime rate plus 1 percent. Interest on the line of credit is payable monthly with all principal and interest due at maturity. As of December 31, 2022, the balance on the line of credit was $0.

6. Risk Management and Concentrations of Risks

The Organization faces a number of risks including (1) loss or damage to property; (2) general liability; (3) employee medical insurance; and (4) director's and officer's liability. Commercial insurance policies are purchased for loss or damage resulting from these risks.

The Organization has a concentration of risks relating to its revenue sources. The Organization received 22% of total revenue from the AmeriCorps grant for the year ended December 31, 2022. A substantial change in the AmeriCorps grant funding may have a substantial effect on the operations of the Organization

The Organization has a concentration of risks relating to its contracts receivable balance at December 31, 2022, as 70% of the balance is due from the United States Forest Service.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are revenues and contributions that are earmarked by the donor for a specific purpose, particular activities for which they must be used or when they must be used. Once the funds are obligated or expended, the net asset with donor restriction is released or reduced. Net assets with donor restrictions include memorial funds to recognize members, unexpended match for specific grant program purposes, donations for youth service expedition programs.

7. Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions as of December 31, 2022, consisted of the following:

Purpose Restrictions:	
Flathead Programming	$ 57,220
Youth Services Expeditions	60,000
Miscellaneous Programs	30,000
Piikuni Lands Corps	70,562
	$ 217,782

8. Liquidity and Availability of Resources

Financial assets available for general expenses (without donor or other restrictions limiting their use), within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 4,251,860
Grants receivable	275
Contracts receivable	420,493
Contributions receivable	7,628
Miscellaneous receivable	88,835
Total	4,769,091
Less net assets with donor restrictions	(217,782)
Total Financial Assets Available	$ 4,551,309

The Organization is primarily supported by grants, contracts, and contributions. As part of the Organization's liquidity management, management reviews its liquidity monthly with the finance committee of the board of directors. The Organization's cash balances historically have been sufficient to allow the Organization to satisfy its liquidity needs from November to May of each year. The Organization typically draws upon its $750,000 line of credit to help with liquidity during the summer months; however, the line of credit is paid in full each fall (see Note 5). See Note 1 for board designated amounts.

9. Subsequent Events

Future Funding

In May 2023, the Organization received a new notice of award for the third year of the latest AmeriCorps program grant cycle. This award's approved budget is $3,439,183 and has a budget period from January 1, 2024 to December 31, 2024.

Supplementary Information

Montana Conservation Corps, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Source/Pass-through Grantor/Program Title	Award Amount	Grant or Pass-Through Number	AL Number	Federal Expenditures
Corporation for National and Community Service				
Montana Governor's Office Serve Montana				
Big Sky Watershed Corps	906,400	19FXHTMT001 0001	94.006	$ 482,800
AmeriCorps	2,499,546	21EDDMT001	94.006	2,188,387
Disaster Response Cooperative Agreement	71,321	4673DR-FL-CNCS-03	94.020	50,788
Total Corporation for National and Community Service				2,721,975
National Fish and Wildlife Foundation				
Bureau of Land Management (FA.A067)				
Natural Resource Conservation Service (FC.R429)	75,885	2501.21.070924	10.902	52,577
Natural Resource Conservation Service (FC.R429)	57,489	2501.21.070924	10.924	57,489
Natural Resource Conservation Service (FC.R429)	96,581	2501.21.070924	10.931	37,712
Total National Fish and Wildlife Foundation				147,778
U. S. Department of Treasury				
Montana Governor's Office Serve Montana				
COVID19 Coronavirus State and Local Fiscal Recovery Funds	211,800	19FXHTMT001 0001	21.027	171,723
Total U. S. Department of Treasury				171,723
U. S. Department of Interior				
Bureau of Land Management				
Montana				
Billings Field Office	470,800	L21AC10163	15.243	209,500
Butte Field Office	167,100	L21AC10263	15.243	82,750
Malta Field Office	64,992	L21AC10257	15.243	35,932
Miles City Field Office	32,903	L21AC10243	15.243	17,700
Missoula Field Office	6,000	L21AC10159	15.243	6,000
South Dakota	71,500	L21AC10248	15.243	6,000
Wyoming				
Interns SUEC	36,000	L20AC00130	15.243	5,600
Buffalo Range Intern	18,000	L20AC00131	15.243	12,000
Newcastle	11,000	L21AC10202	15.243	11,000
Casper	11,000	L21AC10204	15.243	11,000
Cody	11,000	L21AC10205	15.243	11,000
Wind River Bighorn Basin	115,000	L22AC00135	15.243	115,000
Idaho	225,000	L22AC00045	15.243	42,000
Total Bureau of Land Management				565,482

Montana Conservation Corps, Inc.
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended December 31, 2022

Federal Source/Pass-through Grantor/Program Title	Award Amount	Grant or Pass-Through Number	AL Number	Federal Expenditures
Bureau of Reclamation				
Rapid City Office	130,000	R18AC00038	15.546	16,500
Upper Snake River Office	23,750	R19AC00011	15.546	6,000
Total Bureau of Reclamation				22,500
National Park Service				
Little Bighorn Battlefield National Monument	50,595	P18AC00427	15.931	14,795
Badlands NP/Fort Union/Knife River	115,000	P19AC00344	15.931	8,400
Big Hole National Historic Battlefield	65,327	P19AC00813	15.931	29,250
Yellowstone National Park	82,000	P20AC00659	15.931	12,600
Yellowstone National Park	90,702	P20AC00721	15.931	41,800
Yellowstone National Park	184,000	P21AC10826	15.931	96,000
Glacier National Park	96,000	P22AC00254	15.931	96,000
Glacier National Park	36,000	P22AC00379	15.931	36,000
Grand Teton National Park	86,500	P22AC00581	15.931	74,500
Yellowstone National Park	40,000	P22AC00701	15.931	40,000
Total National Park Service				449,345
U.S. Fish and Wildlife Service				
National Bison Range NWR	74,900	F20AC00381	15.676	24,000
CMR Sand Creek Salt Cedar Removal	12,000	F21AC01104	15.676	6,000
Bowdoin NWR	133,000	F21AC01404	15.676	48,000
CMR National Wildlife Refuge	12,000	F22AC02692	15.676	12,000
Total U.S. Fish and Wildlife Service				90,000
Total U.S. Department of Interior				1,127,327
Total Federal Expenditures				$ 4,168,803

See Independent Auditors' Report
The accompanying notes are an integral part of this schedule

1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Montana Conservation Corp, Inc. (the "Organization") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Cost Allocation

The Organization has elected not to use the 10% de minimis cost rate.

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

To the Board of Directors
Montana Conservation Corps, Inc.
Bozeman, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montana Conservation Corps, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Rudd & Company, PLLC

Bozeman, Montana
June 9, 2023

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

To the Board of Directors of
Montana Conservation Corps, Inc.
Bozeman, Montana

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Montana Conservation Corps, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Montana Conservation Corps, Inc.'s major federal program for the year ended December 31, 2022. Montana Conservation Corps, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Montana Conservation Corps, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Rudd & Company, PLLC

Bozeman, Montana
June 9, 2023

Montana Conservation Corps, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR section 200.516(a)?	No

Identification of major programs:

AL Number	Name of Federal Program
94.006	Ameri Corps and Big Sky Watershed Corps

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee?	Yes
Current Year Findings	None reported
Prior Audit Findings	None reported