



CENTRAL MONTANA HEAD START, INC.

AUDITED FINANCIAL STATEMENTS
May 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Central Montana Head Start, Inc.
Lewistown, Montana

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of Central Montana Head Start, Inc., a nonprofit organization, which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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 Central Montana Head Start, Inc. as of May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Central Montana Head Start, 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 Central Montana Head Start, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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.
- 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 Central Montana Head Start, 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the 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 October 16, 2024 on our consideration of Central Montana Head Start, 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 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 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 Central Montana Head Start, Inc.'s internal control over financial reporting and compliance.

Carver Florek & James, CPAs

Carver Florek & James CPA's
Missoula, Montana
October 16, 2024

FINANCIAL STATEMENTS

CENTRAL MONTANA HEAD START, INC.
STATEMENTS OF FINANCIAL POSITION
As of May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 113,586	\$ 104,045
Investment in Certificate of Deposit	-	5,020
Grants Receivable	61,271	69,335
Accounts Receivable	4,622	66
Prepays	-	7,326
Total current assets	<u>179,479</u>	<u>185,792</u>
Property, Plant, and Equipment		
Furniture and Equipment	234,488	247,789
Vehicles	153,075	102,677
Building	3,555,758	3,549,258
Land	65,327	50,675
Accumulated Depreciation	<u>(1,505,030)</u>	<u>(1,354,168)</u>
Total Property Plant and Equipment	<u>2,503,618</u>	<u>2,596,231</u>
Total Assets	<u><u>\$ 2,683,097</u></u>	<u><u>\$ 2,782,023</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 6,554	\$ 16,515
Wages and Payroll Taxes Payable	44,657	56,342
Compensated Absences	<u>56,601</u>	<u>53,722</u>
Total Current Liabilities	<u>107,812</u>	<u>126,579</u>
NET ASSETS		
Without Donor Restrictions	2,558,867	2,639,373
With Donor Restrictions	<u>16,418</u>	<u>16,071</u>
Total Net Assets	<u>2,575,285</u>	<u>2,655,444</u>
Total Liabilities and Net Assets	<u><u>\$ 2,683,097</u></u>	<u><u>\$ 2,782,023</u></u>

The accompanying notes are an integral part of these financial statements.

CENTRAL MONTANA HEAD START, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES:		
Grant Revenue	\$ 1,499,762	\$ 1,419,533
In-kind Contributions	52,321	117,602
Contributions	824	304
Other Income	2,713	5,968
Interest	117	19
Gain (Loss) on Disposal	-	9,292
Net Assets Released from Restrictions	<u>5,580</u>	<u>6,782</u>
Total Revenues	<u>1,561,317</u>	<u>1,559,500</u>
EXPENSES:		
Program Services		
Administrative	215,505	217,530
Program Support	1,387,959	1,389,473
Direct Services	<u>38,359</u>	<u>44,252</u>
Total Expenses	<u>1,641,823</u>	<u>1,651,255</u>
Change in net assets without donor restrictions	\$ (80,506)	\$ (91,755)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	\$ 70	\$ 896
Other Income	857	-
Grant Revenue	5,000	5,000
Net Assets Released from Restrictions	<u>(5,580)</u>	<u>(6,782)</u>
Change in net assets with donor restrictions	<u>347</u>	<u>(886)</u>
Total change in net assets	<u>(80,159)</u>	<u>(92,641)</u>
NET ASSETS, Beginning of Fiscal Year		
Without Donor Restrictions	2,639,373	2,731,128
With Donor Restrictions	<u>16,071</u>	<u>16,957</u>
Total Net Assets, Beginning of Year	2,655,444	2,748,085
NET ASSETS, End of Year		
Without Donor Restrictions	2,558,867	2,639,373
With Donor Restrictions	<u>16,418</u>	<u>16,071</u>
Total Net Assets, End of Year	<u><u>\$ 2,575,285</u></u>	<u><u>\$ 2,655,444</u></u>

The accompanying notes are an integral part of these financial statements.

CENTRAL MONTANA HEAD START, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2024

	<u>ADMIN- ISTRATION</u>	<u>PROGRAM SUPPORT</u>	<u>DIRECT SERVICES</u>	<u>TOTAL</u>
Salaries	\$ 151,513	\$ 795,830	\$ -	\$ 947,343
Fringe Benefits	28,075	184,090	-	212,165
Office and Instructional Supplies	1,110	32,561	4,123	37,794
Nutritional Supplies	-	-	34,236	34,236
Contractual	15,500	13,045	-	28,545
Occupancy	1,280	77,832	-	79,112
Computer Equipment/Support	6,205	26,512	-	32,717
Professional Contributed Services	-	52,321	-	52,321
Training	1,105	8,072	-	9,177
Depreciation	4,447	165,539	-	169,986
Travel and Mileage	5,365	18,960	-	24,325
Other	905	13,197	-	14,102
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>215,505</u>	\$ <u>1,387,959</u>	\$ <u>38,359</u>	\$ <u>1,641,823</u>
	13.2%	84.5%	2.3%	100.0%

The accompanying notes are an integral part of these financial statements.

CENTRAL MONTANA HEAD START, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2023

	<u>ADMIN- ISTRATION</u>	<u>PROGRAM SUPPORT</u>	<u>DIRECT SERVICES</u>	<u>TOTAL</u>
Salaries	\$ 154,301	\$ 736,560	\$ -	\$ 890,861
Fringe Benefits	28,494	159,370	-	187,864
Office and Instructional Supplies	1,378	36,419	4,740	42,537
Nutritional Supplies	-	-	39,512	39,512
Contractual	14,400	14,680	-	29,080
Occupancy	1,341	82,654	-	83,995
Computer Equipment/Support	7,020	28,779	-	35,799
Mortgage Interest	26	486	-	512
Professional Contributed Services	-	117,602	-	117,602
Training	280	6,969	-	7,249
Depreciation	4,118	177,154	-	181,272
Travel and Mileage	5,105	18,976	-	24,081
Other	<u>1,067</u>	<u>9,824</u>	<u>-</u>	<u>10,891</u>
Total	\$ <u>217,530</u>	\$ <u>1,389,473</u>	\$ <u>44,252</u>	\$ <u>1,651,255</u>
	13.2%	84.1%	2.7%	100.0%

The accompanying notes are an integral part of these financial statements.

CENTRAL MONTANA HEAD START, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Grantors	\$ 1,512,826	\$ 1,463,172
Received From Contributions	1,751	2,096
Received from Interest	5,137	-
Miscellaneous Receipts	(1,843)	5,081
Paid to Employees	(1,168,314)	(1,060,346)
Paid to Vendors	(262,643)	(271,321)
Paid for Interest	<u>-</u>	<u>(572)</u>
Net Cash Flows From Operating Activities	<u>86,914</u>	<u>138,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Paid for Vehicles	(50,398)	(24,999)
Paid for Furniture and Fixtures	(5,823)	(32,939)
Paid for Building Improvements	(6,500)	(53,055)
Paid for Land Improvements	(14,652)	(21,800)
Received for Vehicles	<u>-</u>	<u>12,000</u>
Net Cash Flows to Investing Activities	<u>(77,373)</u>	<u>(120,793)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid for Loan Principal Payments	<u>-</u>	<u>(26,075)</u>
Net Cash Flows to Financing Activities	<u>-</u>	<u>(26,075)</u>
NET CHANGE IN CASH EQUIVALENTS	9,541	(8,758)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>104,045</u>	<u>112,803</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 113,586</u></u>	<u><u>\$ 104,045</u></u>

The accompanying notes are an integral part of these financial statements.

CENTRAL MONTANA HEAD START, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Total Net Assets	\$ (80,159)	\$ (92,641)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Items Not Affecting Cash:		
CD Interest Reinvested	5,020	(20)
Gain/Loss on Disposal	-	(9,292)
Depreciation	169,986	181,272
Changes in Statement of Financial Position Accounts		
(Increase) Decrease In:		
Receivables	3,508	38,649
Prepays	7,326	5,196
(Decrease) Increase In:		
Accounts Payable	(9,961)	(3,373)
Payroll Taxes Payable	(11,685)	20,168
Interest Payable	-	(60)
Compensated Absences	<u>2,879</u>	<u>(1,789)</u>
Net Cash Flows From Operating Activities	\$ <u><u>86,914</u></u>	\$ <u><u>138,110</u></u>

The accompanying notes are an integral part of these financial statements.

CENTRAL MONTANA HEAD START, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended May 31, 2024 and 2023

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Central Montana Head Start, Inc. (CMHS) is a not-for-profit organization under Internal Revenue Code Section 501(c)(3). CMHS is located in Lewistown, Montana, where it administers the Head Start program and the Child and Adult Care Food Program (CACFP). The purpose of CMHS is to develop, administer, and assist programs for the educational, social, health, nutritional, and psychological needs of low-income children and their families.

Basis of Accounting

The financial statements of CMHS have been prepared on the accrual basis of accounting 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

CMHS considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

From time to time, certain bank accounts that are subject to Federal Deposit Insurance Corporation (FDIC) coverage exceed their insured limits. As of May 31, 2024 and 2023, there were no balances that exceeded the FDIC coverage amounts.

Investment in Certificate of Deposit

CMHS held a 12-month Certificate of Deposit with an interest rate of 2.0% at May 31, 2023 that is reported at its principal balance plus interest, which approximates fair market value. The Certificate matured on March 22, 2024 and the organization chose not to renew it.

Fixed Assets

CMHS capitalizes equipment, vehicles, and buildings having a purchase price of at least \$5,000 and an expected life greater than one year. In accordance with grant reporting requirements, CMHS records such purchases as expenses. For financial statement purposes, assets are capitalized and depreciated on the straight-line basis over estimated lives of five to forty years.

CENTRAL MONTANA HEAD START, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended May 31, 2024 and 2023

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

Compensated Absences

CMHS charges the Head Start program for vacation and sick leave earned by employees. These monies are deposited into the Leave Accrual Fund. When an employee uses this leave benefit, the leave time is charged against the Leave Accrual Fund. At May 31, 2024 and 2023, the liability for accrued vacation leave was \$38,988 and \$38,560, respectively.

Eligible employees are paid 25% of their accrued sick leave at termination; CMHS therefore accrues a liability in the amount of 25% of the sick leave earned by employees and the remaining 75% is expensed when paid. As of May 31, 2024 and 2023, the liability for sick leave was \$17,613 and \$15,162, respectively.

Categories of Net Assets

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

Without donor restrictions in the absence of donor-imposed restrictions. This category includes those revenues and expenses associated with generally unrestricted activities and with CMHSs primary exempt functions. This also may include net assets that are restricted by the governing board of CMHS.

With donor restrictions have donor-imposed restrictions that 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.

As of May 31, 2024 and 2023, CMHS had \$16,418 and \$16,071 in net assets with donor restrictions, respectively.

Revenue Recognition

Grant Income — Financial records are maintained primarily on the accrual basis of accounting. Revenues are recognized when an expense associated with a grant is recognized. Expenses are recognized when incurred.

Contributed Support — CMHS 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. Restricted contributions whose restrictions have been fulfilled in the current year are reported as without donor restrictions.

CENTRAL MONTANA HEAD START, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended May 31, 2024 and 2023

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

Revenue Recognition (continued)

Contributed Services, Materials, and Space — Substantial contributions from volunteers and organizations provide assistance to CMHS for specific programs. Donated goods and services that create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recognized in the financial statements as contributed services revenues and expenses. Contributed goods are valued at their estimated fair market value at the date of contribution.

Donated services for the years ended May 31, 2024 and 2023, were valued at \$52,321 and \$117,602, respectively, and are included in the financial statements. An additional \$432,634 and \$381,183 in volunteer services for the years ended May 31, 2024 and 2023, respectively, that does not meet the above definition is not recorded in the financial statements of CMHS, but is reported to the grantor as a condition of the grant.

Expense Classification

Expenses for individual programs are accounted for according to the following functions:

Administrative — Expenses which allow CMHS to operate and provide services to clients but are not directly attributed to client services.

Program Support — Expenses that are directly associated with program activities, such as instruction, training expenses, and other related costs.

Direct Services — Expenses that are either directly paid for goods or services for clients or are directly associated with client assistance, such as medical and dental services for Head Start children.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which affect the reported assets, liabilities, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

CENTRAL MONTANA HEAD START, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended May 31, 2024 and 2023

1. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Income Tax Status

CMHS is exempt from income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. This code enables CMHS to accept donations that qualify as charitable contributions to the donor. CMHS's increase in net assets is generally not subject to income taxes. However, income from certain activities not directly related to CMHS's tax-exempt purpose is subject to taxation as unrelated business income. Provisions for income taxes have not been recorded in the financial statements as management does not believe there was any unrelated business income in 2024 and 2023.

With few exceptions, CMHS is no longer subject to examination for tax years prior to 2021.

2. RECEIVABLES

Accounts Receivable represents the amounts owed to CMHS for contract services, non-federal grants, and reimbursements. All amounts are considered fully collectible; therefore, no provision for losses is included in these financial statements.

Grants receivable represents the balance of earned grant funds not received in cash. Head Start allows drawdowns of cash which provide operating capital for program operations.

3. PROPERTY, EQUIPMENT, AND CONSTRUCTION IN PROGRESS

Changes in Property and Equipment are as follows:

	Furniture and Fixtures	Vehicles	Buildings	Land
Balance June 1, 2022	\$ 214,850	\$ 90,678	\$ 3,496,203	\$ 28,875
Additions	32,939	24,999	53,055	21,800
Deletions	-	(13,000)	-	-
Balance May 31, 2023	247,789	102,677	3,549,258	50,675
Additions	5,823	50,398	6,500	14,652
Deletions	(19,124)	-	-	-
Balance May 31, 2024	\$ <u>234,488</u>	\$ <u>153,075</u>	\$ <u>3,555,758</u>	\$ <u>65,327</u>

CENTRAL MONTANA HEAD START, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended May 31, 2024 and 2023

3. PROPERTY, EQUIPMENT, AND CONSTRUCTION IN PROGRESS, Continued

Changes in Accumulated Depreciation are as follows:

	Furniture and Fixtures	Vehicles	Buildings	Total
Balance June 1, 2022	\$ 98,534	\$ 56,672	\$ 1,027,982	\$ 1,183,188
Additions	28,418	15,176	137,678	181,272
Deletions	-	(10,292)	-	(10,292)
Balance May 31, 2023	126,952	61,556	1,165,660	1,354,168
Additions	31,252	17,721	121,013	169,986
Deletions	(19,124)	-	-	(19,124)
Balance May 31, 2024	\$ 139,080	\$ 79,277	\$ 1,286,673	\$ 1,505,030

Depreciation expense totaled \$169,986 and \$181,272 for the years ended May 31, 2024 and 2023, respectively.

4. EMPLOYEE BENEFITS

CMHS has established a SIMPLE IRA plan, which matches dollar for dollar any employee elective deferrals up to 3% of wages earned during the year. Employees may waive the right to participate in the plan. Plan participants choose how the funds are invested. For the years ended May 31, 2024 and 2023, CMHS contributed \$16,170 and \$11,244, respectively, to the plan.

5. RISK MANAGEMENT

CMHS faces a number of risks including; (1) loss or damage to property, (2) general liability, (3) employee medical insurance, (4) professional liability and (5) directors' and officers' liability. Commercial insurance policies are purchased for loss or damage resulting from these risks.

6. CONCENTRATION OF RISK

CMHS has a concentration of risk related to grant revenue sources. The organization received approximately 92% and 87% of its total grant revenue from its Head Start grant in 2024 and 2023, respectively. CMHS annually submits an application for approval for funding for the following fiscal year. CMHS's grant was approved for the 2024-2025 fiscal year.

CENTRAL MONTANA HEAD START, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended May 31, 2024 and 2023

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following for the years ended:

	Direct Client Services	Car Seats	Meals for Backpacks	Land	Total
Balance June 1, 2022	\$ 2,889	\$ 3,302	\$ 6,597	\$ 4,169	\$ 16,957
Additions	876	20	5,000	-	5,896
Released	<u>(25)</u>	<u>(1,862)</u>	<u>(4,201)</u>	<u>(694)</u>	<u>(6,782)</u>
Balance May 31, 2023	3,740	1,460	7,396	3,475	16,071
Additions	857	70	5,000	-	5,927
Released	<u>(61)</u>	<u>(748)</u>	<u>(4,077)</u>	<u>(694)</u>	<u>(5,580)</u>
Balance May 31, 2024	<u><u>\$ 4,536</u></u>	<u><u>\$ 782</u></u>	<u><u>\$ 8,319</u></u>	<u><u>\$ 2,781</u></u>	<u><u>\$ 16,418</u></u>

On July 10, 1998, the Office of Management of the Federal Department of Education transferred to CMHS a parcel of land with an estimated fair market value of \$20,825. CMHS applied for a public benefit allowance which provides that CMHS will earn 1/30 of the value of the land each year for a period of thirty years. The value of the land was recorded as with donor restrictions; each year \$694 is released from restriction and transferred to net assets without donor restrictions.

8. ENDOWMENT

CMHS holds a beneficial interest in donations and was named the beneficiary for public donations to an endowment held by the Central Montana Foundation (Foundation). The endowment is designed to hold contributions, with funds generated by its earnings to be used exclusively for the ongoing expenses, programs, and activities of CMHS; the original principal of the endowment cannot be spent.

Variance power and legal ownership has been granted to the Foundation, which has final decision-making authority. All contributors agree to abide by the policies, procedures, terms, and conditions of the Foundation. Contributors agree not to use the tax identification number of the Foundation for their own borrowing purposes. The Foundation's normal procedure is to add capital gains distributions to principal and reallocate earnings at fiscal year-end. If the balance of the endowment falls below \$1,000, or there is no activity on the account for twelve (12) consecutive months, the balance of the account may be transferred to the general fund of the Foundation.

The amount of the CMHS-funded endowment held by the Foundation was \$3,838 and \$3,356 as of May 31, 2024 and 2023, respectively. \$1,903 and \$1,702, respectively, was available to be distributed to CMHS. This endowment is considered the asset of the Central Montana Foundation and is not recorded in CMHS's financial statements.

CENTRAL MONTANA HEAD START, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended May 31, 2024 and 2023

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of May 31, 2024 and 2023 the following table shows the financial assets held by CMHS and the amount of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures.

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 113,586	\$ 104,045
Investment in Certificate of Deposit	-	5,020
Grants Receivable	61,271	69,335
Accounts Receivable	4,622	66
Less amounts with donor imposed restrictions	<u>(16,418)</u>	<u>(16,071)</u>
 Total financial assets available	 \$ <u>163,061</u>	 \$ <u>162,395</u>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2024, the date on which the financial statements were available for issue.

SINGLE AUDIT SECTION

CENTRAL MONTANA HEAD START, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended May 31, 2024

Federal Source <i>Pass-Through Source</i> Program Name	GRANT OR PASS-THROUGH NUMBER	GRANT TERM	FEDERAL ASSISTANCE LISTING NUMBER	FEDERAL EXPENDITURES
Department of Health and Human Services				
<i>Direct</i>				
Head Start				
Head Start 2023-2024	08CH011497-04-00	6/1/2023 to 5/31/2024	93.600	\$ 1,433,332
Non-Federal Share 2023-2024				484,955
Less Non-Federal Share				(484,955)
Total Department of Health and Human Services				<u>1,433,332</u>
Department of Agriculture				
<i>Montana Department of Public Health and Human Services</i>				
Child and Adult Food Program	1202CACFP119	N/A	10.558	<u>66,430</u>
Total Department of Agriculture				<u>66,430</u>
Total Federal Expenditures				\$ <u><u>1,499,762</u></u>

See accompanying notes and independent auditor's report.

CENTRAL MONTANA HEAD START, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended May 31, 2024

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Central Montana Head Start, Inc. (CMHS) under programs of the federal government for the year ended May 31, 2024. 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 of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selection portion of the operations of CMHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CMHS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

CMHS has elected not to use the 10 percent *de minimis* indirect cost rate allowed under Uniform Guidance.

4. FEDERAL FUNDS PROVIDED TO SUBRECIPIENTS

CMHS provided no federal funds to subrecipients during the audit period.

**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***

To the Board of Directors of
Central Montana Head Start, Inc.
Lewistown, 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 Central Montana Head Start, Inc. (CMHS), which comprise the statements of financial position as of May 31, 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated October 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CMHS's internal control over financial reporting (internal control) as a basis for designing 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 CMHS's internal control. Accordingly, we do not express an opinion on the effectiveness of CMHS'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 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 CMHS's financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CMHS'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
October 16, 2024

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

To the Board of Directors of
Central Montana Head Start, Inc.
Lewistown, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Central Montana Head Start, Inc.'s (CMHS) 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 CMHS's major federal program for the year ended May 31, 2024. CMHS'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, CMHS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CMHS's major federal program for the year ended May 31, 2024.

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 Central Montana Head Start, 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 each major federal program. Our audit does not provide a legal determination of Central Montana Head Start, 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 Central Montana Head Start, 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 Central Montana Head Start, 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 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 Central Montana Head Start, Inc.'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 Central Montana Head Start, 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 Central Montana Head Start, 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 Central Montana Head Start, 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 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.

Carver Florek & James, CPA's

Carver Florek & James, CPA's
Missoula, Montana
October 16, 2024

CENTRAL MONTANA HEAD START, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended May 31, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial Statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major federal programs: Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Federal Programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start, Department of Health and Human Services

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?	Yes
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CENTRAL MONTANA HEAD START, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended May 31, 2024

SECTION II – SUMMARY SCHEDULE OF CURRENT YEAR FINDINGS

There were no findings in the current year.

SECTION III – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.