



ACTION FOR EASTERN MONTANA  
FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

ACTION FOR EASTERN MONTANA  
Glendive, Montana

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CARVER  
FLOREK &  
JAMES, CPA's

CERTIFIED PUBLIC ACCOUNTANTS

Steven L. Carver, CPA  
Gordon H. James, CPA  
Jason K. Lund, CPA

Clinton T. Armstrong, CPA  
Keegan Witt, CPA  
Rebecca Balaich, CPA  
Alex Florek, CPA  
Kevin Cornia, CPA  
Dillon Bishop, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Action for Eastern Montana  
Glendive, Montana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Action for Eastern Montana (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Action for Eastern Montana as of December 31, 2019, 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.

***Other Matters***

The financial statements of Action for Eastern Montana for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on September 13, 2019.

***Other 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2020, on our consideration of Action for Eastern Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Action for Eastern Montana's internal control over financial reporting and compliance.

*Carver Florek & James, CPA's*

Carver, Florek & James, CPA's  
Missoula, Montana  
September 1, 2020

## **FINANCIAL STATEMENTS**

ACTION FOR EASTERN MONTANA  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 177,093	\$ 243,159
Restricted cash and cash equivalents	1,407,722	1,195,233
Grants receivable	398,173	173,615
Inventory	7,617	85,832
Prepaid expenses	462	3,727
Total current assets	<u>1,991,067</u>	<u>1,701,566</u>
PROPERTY PLANT AND EQUIPMENT		
Land, buildings, and equipment, net	<u>860,977</u>	<u>885,882</u>
Total assets	<u>\$ 2,852,044</u>	<u>\$ 2,587,448</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued payroll taxes and benefits	\$ 22,180	\$ 28,917
Accrued expenses	584,875	408,651
Accrued vacation	114,590	108,853
Refundable grant advances	440,919	270,834
Current portion of mortgage payable	19,867	18,906
Total current liabilities	<u>1,182,431</u>	<u>836,161</u>
LONG-TERM LIABILITIES		
Mortgage payable, net of current portion	<u>121,569</u>	<u>141,401</u>
Total liabilities	<u>1,304,000</u>	<u>977,562</u>
NET ASSETS		
Without donor restrictions	1,105,677	1,189,067
With donor restrictions	442,367	420,819
Total net assets	<u>1,548,044</u>	<u>1,609,886</u>
Total liabilities and net assets	<u>\$ 2,852,044</u>	<u>\$ 2,587,448</u>

ACTION FOR EASTERN MONTANA  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS AND OTHER SUPPORT		
Grant and contract revenue	\$ 5,080,053	\$ 4,668,040
Interest income	8,826	5,044
Professional in-kind contributions	312,286	223,774
Contributions	18,759	42,761
Gain (loss) on sale of buildings and equipment	1,100	(17,699)
Other income	<u>328,145</u>	<u>341,123</u>
Total revenue, gains and other support without donor restrictions	<u>5,749,169</u>	<u>5,263,043</u>
Net assets released from restrictions	<u>50,051</u>	<u>132,669</u>
Total revenue, gains, other support and reclassifications without donor restrictions	<u>5,799,220</u>	<u>5,395,712</u>
EXPENSES		
Program Activities		
Head Start	1,320,442	1,355,639
Community Services Block Grant	232,257	254,360
Employment and Training	242,080	194,333
Weatherization	807,839	743,351
Low Income Energy Assistance	260,996	258,854
Area I Agency on Aging	2,128,277	1,749,905
Section 8 Housing	119,641	160,820
Emergency Homeless and Shelter	3,938	4,717
Supporting Activities		
Management and General	<u>767,140</u>	<u>854,089</u>
Total expenses	<u>5,882,610</u>	<u>5,576,068</u>
Total change in net assets without donor restrictions	<u>(83,390)</u>	<u>(180,356)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	71,599	47,471
Net assets released from restrictions	<u>(50,051)</u>	<u>(132,669)</u>
Total change in net assets with donor restrictions	<u>21,548</u>	<u>(85,198)</u>
Change in net assets	(61,842)	(265,554)

ACTION FOR EASTERN MONTANA  
STATEMENTS OF ACTIVITIES (CONTINUED)  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
NET ASSETS AT BEGINNING OF YEAR		
Without donor restrictions	1,189,067	1,369,423
With donor restrictions	<u>420,819</u>	<u>506,017</u>
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>1,609,886</u>	<u>1,875,440</u>
NET ASSETS AT END OF YEAR		
Without donor restrictions	1,105,677	1,189,067
With donor restrictions	<u>442,367</u>	<u>420,819</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$ 1,548,044</u></u>	<u><u>\$ 1,609,886</u></u>



ACTION FOR EASTERN MONTANA  
STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2019

	Head Start	Community Services Block Grant	Employment and Training	Weatherization	Low Income Energy Assistance	Area I Agency on Aging	Housing	Emergency Homeless and Shelter	Management and General	Totals
Salaries	\$ 608,806	\$ 53,061	\$ 160,820	\$ 342,953	\$ 88,238	\$ 235,826	\$ 57,823	\$ 287	\$ 348,657	\$ 1,896,471
Payroll taxes	84,949	1,271	16,390	53,185	10,392	19,389	10,769	40	37,439	233,824
Employee benefits	78,355	884	11,494	72,576	16,072	32,912	22,458	11	66,115	300,877
Contracted services	7,581	-	9,800	20,580	64,888	11,349	9,796	-	3,564	127,558
Travel	5,625	12,749	11,818	37,551	3,277	55,118	3,959	-	15,792	145,889
Other costs	295,902	137,687	3,349	(337)	1,248	20,119	3,475	-	146,795	608,238
Rent and space	14,100	5,882	2,901	9,908	1,772	13,766	1,037	-	4,701	54,067
Supplies	53,165	7,080	3,642	16,086	13,637	10,897	4,149	-	8,253	116,909
Telephone and utilities	40,971	2,339	1,413	7,101	972	7,307	951	-	96	61,150
Training	16,802	375	-	-	-	-	-	-	350	17,527
Support services	3,059	-	14,886	79,643	19,769	1,101,927	-	3,600	3,102	1,225,986
Insurance	19,347	8,079	4,485	14,466	368	7,063	4,486	-	6,268	64,562
Transportation	1,217	(74)	-	16,280	517	-	-	-	8	17,948
Meals	71,350	1,372	-	-	-	600,159	-	-	10	672,891
Maintenance and repairs	16,263	340	-	5,407	-	-	-	-	839	22,849
Legal and accounting	-	1,212	1,082	6,066	483	12,445	738	-	5,880	27,906
Materials	2,950	-	-	126,374	39,363	-	-	-	944	169,631
Interest	-	-	-	-	-	-	-	-	7,365	7,365
Depreciation	-	-	-	-	-	-	-	-	110,962	110,962
Totals	<u>\$ 1,320,442</u>	<u>\$ 232,257</u>	<u>\$ 242,080</u>	<u>\$ 807,839</u>	<u>\$ 260,996</u>	<u>\$ 2,128,277</u>	<u>\$ 119,641</u>	<u>\$ 3,938</u>	<u>\$ 767,140</u>	<u>\$ 5,882,610</u>

ACTION FOR EASTERN MONTANA  
STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2018

	Head Start	Community Services Block Grant	Employment and Training	Weatherization	Low Income Energy Assistance	Area I Agency on Aging	Housing	Emergency Homeless and Shelter	Management and General	Totals
Salaries	\$ 631,289	\$ 135,471	\$ 132,442	\$ 263,368	\$ 83,462	\$ 235,819	\$ 100,407	\$ 279	\$ 412,926	\$ 1,995,463
Payroll taxes	87,645	11,132	12,919	41,333	13,775	19,910	10,994	38	59,852	257,598
Employee benefits	141,747	18,535	17,412	60,919	21,156	36,204	20,671	22	62,316	378,982
Contracted services	3,938	913	6,662	34,085	47,964	6,973	5,161	-	(1,895)	103,801
Travel	6,662	8,202	4,650	32,122	4,661	57,838	6,162	178	21,452	141,927
Other costs	215,736	51,974	3,383	11,923	4,667	24,597	3,712	-	157,927	473,919
Rent and space	12,550	5,926	2,926	11,334	1,870	13,463	1,614	-	5,725	55,408
Supplies	34,705	6,111	4,184	21,457	13,832	11,574	5,325	-	19,554	116,742
Telephone and utilities	37,243	4,378	1,974	7,046	969	6,511	1,495	-	377	59,993
Training	35,647	-	-	-	-	-	-	-	(75)	35,572
Support services	4,260	-	2,681	68,337	53,713	839,342	-	4,200	1,191	973,724
Insurance	19,064	6,995	4,149	11,637	802	7,752	4,148	-	4,717	59,264
Transportation	1,407	2,083	-	15,253	1,088	-	-	-	177	20,008
Meals	73,684	1,092	-	-	-	480,067	-	-	-	554,843
Maintenance and repairs	44,745	390	-	3,817	-	-	-	-	277	49,229
Legal and accounting	5,317	1,158	951	6,050	597	9,802	1,025	-	-	24,900
Materials	-	-	-	154,670	10,298	53	106	-	3,062	168,189
Interest	-	-	-	-	-	-	-	-	8,248	8,248
Depreciation	-	-	-	-	-	-	-	-	98,258	98,258
Totals	<u>\$ 1,355,639</u>	<u>\$ 254,360</u>	<u>\$ 194,333</u>	<u>\$ 743,351</u>	<u>\$ 258,854</u>	<u>\$ 1,749,905</u>	<u>\$ 160,820</u>	<u>\$ 4,717</u>	<u>\$ 854,089</u>	<u>\$ 5,576,068</u>

ACTION FOR EASTERN MONTANA  
STATEMENTS OF CASH FLOWS  
Year Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received From:		
Grants and contracts	\$ 5,025,580	\$ 4,736,925
Contributions	90,358	90,232
Other	328,145	341,123
Interest	8,826	5,044
Cash Paid To/For:		
Employees	(2,432,172)	(2,670,330)
Suppliers/vendors	(2,556,855)	(2,399,715)
Rent and space	(54,067)	(55,408)
Contracted services	(152,199)	(131,923)
Interest	(7,365)	(8,248)
Net Cash Flows from Operating Activities	<u>250,251</u>	<u>(92,300)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from sale of buildings and equipment	1,100	5,000
Purchase of buildings and equipment	<u>(86,057)</u>	<u>(43,547)</u>
Net cash flows from investing activities	<u>(84,957)</u>	<u>(38,547)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash payments on mortgage notes payable	<u>(18,871)</u>	<u>(17,962)</u>
Net cash flows from financing activities	<u>(18,871)</u>	<u>(17,962)</u>
Net change in cash and cash equivalents	146,423	(148,809)
Cash and cash equivalents, beginning of year	<u>1,438,392</u>	<u>1,587,201</u>
Cash and cash equivalents, end of year	\$ <u><u>1,584,815</u></u>	\$ <u><u>1,438,392</u></u>
<b>Reconciliation of cash to statement of financial position</b>		
Cash	\$ 177,093	\$ 243,159
Restricted cash	<u>1,407,722</u>	<u>1,195,233</u>
Total cash	<u><u>\$ 1,584,815</u></u>	<u><u>\$ 1,438,392</u></u>

ACTION FOR EASTERN MONTANA  
STATEMENTS OF CASH FLOWS  
Year Ended December 31, 2019 and 2018

RECONCILIATION OF CHANGE IN NET ASSETS TO NET  
CASH FLOWS FROM OPERATING ACTIVITIES

	<u>2019</u>	<u>2018</u>
Change in net assets	\$ (61,842)	\$ (265,554)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	110,962	98,258
Loss on sale of buildings and equipment	(1,100)	17,699
Change in operating assets and liabilities		
Grants receivable	(224,558)	(37,512)
Inventory	78,215	(55,186)
Prepaid expenses	3,265	(3,222)
Payroll taxes and benefits payable	(6,737)	(24,478)
Accrued expenses	176,224	86,070
Accrued vacation and sick leave	5,737	(13,809)
Refundable grant advances	170,085	105,434
Net cash flows from operating activities	\$ <u>250,251</u>	\$ <u>(92,300)</u>

ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of activities

Action for Eastern Montana (AEM) was organized to help the people of Eastern Montana to mobilize their resources to combat poverty by eliminating the underlying causes of poverty, by improving human performance, motivation and productivity, and by bettering the conditions under which people of Eastern Montana live, learn and work. The Board of Directors exercise oversight responsibility for all of the programs presented on the Statement of Activities.

AEM Montana receives a significant portion of its revenue from grants and contracts from government agencies; thus, AEM is subject to possible cutbacks due to changes in funding priorities. During the years ended December 31, 2019 and 2018, AEM received approximately 86% of its gross public support from such grants/contracts.

Basis of presentation

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

Cash and cash equivalents

Cash and cash equivalents consist of a non-federally funded insured repurchase agreement held by the Stockman Bank of Glendive, Montana. The deposits are fully collateralized with securities held by the pledging financial institution's trust department in AEM's name as of December 31, 2019 and 2018.

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

Restricted cash and cash equivalents

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

Grants receivable and allowance for doubtful accounts

Grant receivables are stated at unpaid balances, net of any allowance. At December 31, 2019 and 2018, management determined an allowance was not necessary based on a review of historical losses, specific grant receivable balances, and industry and economic conditions. No receivables were written off in 2019 or 2018.

ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

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

Property and equipment

Property and equipment are stated at cost at date of purchase, or fair market at date of donation. Management's policy is to capitalize property and equipment over \$5,000. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Major betterments are capitalized and depreciated. Maintenance and repairs which do not significantly improve or extend the life of the respective assets are expensed currently. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activity.

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

Refundable grant advances

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

Net asset classification

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

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

ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

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

Net asset classification (continued)

AEM reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions.

Revenue recognition

AEM recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as without or with donor restrictions depending upon the existence of donor restrictions.

Grant, contract, and other revenues are recognized when earned.

Contributed service revenue results when donated services create or enhance non-financial assets or when they require specialized skills provided by people possessing those skills that would typically be purchased if not provided by donation. Contributed goods are valued at their estimated fair value at the date of contribution. Professional services donated to AEM that are included in the financial statements as of December 31, 2019 and 2018 total \$312,286 and \$223,774, respectively.

Program activities

AEM maintains separate accounts for each fund; however, in the accompanying financial statements funds that have similar characteristics have been combined into activity groups. The primary activity groups and their related purposes are summarized as follows:

*Head Start* – Provides comprehensive services to eligible preschoolers and their families in Glendive, Glasgow, Malta, and Miles City, Montana. The purpose of the program is to develop, administer, and implement programs for the educational, social, health, nutritional, and psychological needs of children and their families. While eligibility is based on income guidelines, families that received certain benefits may be eligible. Ten percent of the slots can be filled with over income families.

ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

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

Program activities (continued)

*Community Services Block Grant* – AEM provides innovative and creative solutions to identified community needs. The goal is to build and sustain healthy communities through the development of community programs that educate and support families and individuals.

*Employment and Training* – The Workforce Innovation and Opportunity Act (WIOA) provides services to youth ages 14-21, if in-school, and ages 16-24, if out of school. The main purpose is to increase the focus on longer-term academic and occupational learning opportunities and provide long-term comprehensive service strategies.

*Weatherization* – Weatherization assistance is provided to households who qualify for Low Income Energy Assistance (LIEAP) benefits. Client homes are prioritized on a list according to income and energy burden/usage. Weatherization measures may include a furnace tune-up, caulking, weather stripping, insulation, storm windows, vent dampers, window quilts, and replacement of broken glass and repair of primary doors.

*Low Income Energy Assistance* – the LIEAP program is designed to help low-income families and individuals with a portion of their heating bills.

*Area I Agency on Aging* – Provides a variety of opportunities for persons age 60 and older and to their spouse regardless of age. Services under the Older Americans Act have no income guidelines. Some of the services provided by our local county Councils on Aging include: Transportation, Skilled Nurse, Personal Care, Homemaker, Health Promotion, Respite Care, Senior Centers, Legal Services, Congregate Meals, Home Delivered Meals and Outreach.

*Housing* – Provides assistance to low-income, handicapped, elderly and disabled persons with rental costs. Assistance is based on household income.

*Emergency Homeless and Shelter* – Helps homeless families and individuals who meet certain qualifications. To be eligible for financial assistance one must be currently homeless or have received an eviction notice resulting from a sudden or unexpected drop in income. This program was closed during 2019.

*Management and General* – Consists of funds that are used for administering AEM. The costs allow AEM to operate and provide services to clients that are not directly attributed to client services.



ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

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

Advertising and promotion costs

AEM expenses the cost of advertising and promotion as incurred. There were no advertising or promotion expenses during the years ended December 31, 2019 and 2018.

Use of estimates

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

Income taxes

AEM is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in these financial statements as AEM believes it had no income unrelated to its exempt purposes in 2019 or 2018. With few exceptions, AEM's informational return (I.R.S. Form 990) is not subject to examination by tax authorities for years prior to 2016.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets for 2018 are unchanged due to these reclassifications.

**2. ADOPTION OF NEW ACCOUNTING STANDARD**

During the audit period ended December 31, 2019, AEM adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Adoption of this standard does not change prior reported amounts for net assets or changes in net assets.

ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

**3. PROPERTY AND EQUIPMENT**

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

	2017	Additions	Deletions	2018
Machinery and equipment	\$ 160,227	\$ 11,163	\$ (7,650)	\$ 163,740
Vehicles	391,948	-	(18,000)	373,948
Land and buildings	1,744,680	32,384	(10,837)	1,766,227
Improvements	5,160	-	-	5,160
Accumulated depreciation	(1,338,723)	(98,258)	13,788	(1,423,193)
Total	<u>\$ 963,292</u>	<u>(54,711)</u>	<u>(22,699)</u>	<u>\$ 885,882</u>

  

	2018	Additions	Deletions	2019
Machinery and equipment	\$ 163,740	\$ 8,379	\$ -	\$ 172,119
Vehicles	373,948	64,178	(29,837)	408,289
Land and buildings	1,766,227	13,500	-	1,779,727
Improvements	5,160	-	-	5,160
Accumulated depreciation	(1,423,193)	(110,962)	29,837	(1,504,318)
Total	<u>\$ 885,882</u>	<u>\$ (24,905)</u>	<u>\$ -</u>	<u>\$ 860,977</u>

**4. OTHER INCOME**

Other income on the statements of activity consisted of the following for the years ended December 31:

	2019	2018
Energy Share Fuel Assistance payments	\$ 43,749	\$ 80,194
Miscellaneous income	284,396	260,929
Total	<u>\$ 328,145</u>	<u>\$ 341,123</u>

ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

**5. ANNUAL LEAVE**

Eligible part-time employees earn leave in proportion to the hours they work. Upon termination, employees who have completed at least 6 months of service may be paid for accrued annual leave up to a maximum of 240 hours. Annual leave payable as of December 31, 2019 and 2018 is \$114,590 and \$108,853, respectively.

**6. MORTGAGES PAYABLE**

	<u>2019</u>	<u>2018</u>
Real estate mortgage payable to Stockman Bank of Glendive, payable in monthly installments of \$1,073, including variable interest which was 5.00% on December 31, 2018, matures December 1, 2022; secured by real estate.	\$ 34,849	\$ 45,688
Real estate mortgage payable to Stockman Bank of Glendive, payable in monthly installments of \$670, including variable interest which was 5.34% on December 31, 2018, matures July 1, 2029; secured by real estate.	60,233	64,910
Real estate mortgage payable to USDA-RD Community Program, payable in monthly installments of \$442, including interest at 4.375%, matures June 18, 2044; secured by real estate.	46,354	49,709
	<u>\$ 141,436</u>	<u>\$ 160,307</u>

Future maturities of long-term debt for the year ended December 31, 2019, are as follows:

2020	\$ 19,867
2021	20,879
2022	20,837
2023	9,827
2024	10,324
Thereafter	59,702
Total	<u>\$ 141,436</u>

ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

**7. EMPLOYEE BENEFITS**

These benefits are primarily comprised of retirement plan contributions and group health insurance as described below:

AEM has a 401(k) pension plan. The agency provides a 2 for 1 matching contribution to employees up to a maximum of 4% during the years ending December 31, 2019 and 2018, for all eligible employees. Eligible employees are those who have one year of service, have worked at least 700 hours, and are at least 21 years of age.

AEM provides group health insurance to all permanent and seasonal employees who work at least 700 hours per year and 24 hours per week.

During the years ended December 31, 2019 and 2018, AEM paid \$300,877 and \$378,982 in employee benefits, respectively.

**8. CONTINGENT LIABILITIES**

From time to time, AEM is subject to litigation in the ordinary course of business. In the opinion of management, the outcome of these legal proceedings will not have a material effect on AEM's financial position or results of operations.

**9. NET ASSETS WITH DONOR RESTRICTIONS**

AEM has received contributions from various organizations and individuals donated for a specific program or future event. Changes in net assets with donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	Area Agency on Aging	Senior Companion Program	Makoshika Estates	Other Programs	Total
Balance, December 31, 2017	\$ 133,016	\$ 52,785	\$ 213,120	\$ 107,096	\$ 506,017
Contributions	4,047	27,496	-	15,928	47,471
Released from restrictions	(1,717)	(35,083)	(85,592)	(10,277)	(132,669)
Balance, December 31, 2018	<u>\$ 135,346</u>	<u>\$ 45,198</u>	<u>\$ 127,528</u>	<u>\$ 112,747</u>	<u>\$ 420,819</u>
	Area Agency on Aging	Senior Companion Program	Makoshika Estates	Other Programs	Total
Balance, December 31, 2018	\$ 135,346	\$ 45,198	\$ 127,528	\$ 112,747	\$ 420,819
Contributions	5,561	40,874	177	24,987	71,599
Released from restrictions	(54)	(33,103)	(1,240)	(15,654)	(50,051)
Balance, December 31, 2019	<u>\$ 140,853</u>	<u>\$ 52,969</u>	<u>\$ 126,465</u>	<u>\$ 122,080</u>	<u>\$ 442,367</u>

ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

**10. OPERATING LEASES**

AEM Montana has entered into contracts to lease office space in Glasgow, Montana and Sidney, Montana. These leases are automatically renewable every year. Total payments under the operating leases for the years ended December 31, 2019 and 2018 were \$18,801 and \$18,775, respectively. Future minimum lease payments due are \$26,760 for 2019.

**11. MINERAL RIGHTS**

For the years ended December 31, 2019 and 2018 AEM received \$166 and \$177, respectively, in royalty income from mineral rights donated to them in 1998. No value has been placed on these mineral rights as management considers the value to be immaterial to the financial statements.

**12. LIQUIDITY AND AVAILABILITY OF RESOURCES**

AEM receives contributions with donor restrictions. Because a donor's or grantor's restriction requires resources to be used in a particular manner or in a future period, AEM must maintain sufficient resources to meet those responsibilities. Thus, financial assets may not be available for general expenditure within one year.

AEM considers contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, and fundraising expenses to be paid in the subsequent year. Annual operations are defined as activities occurring during the AEM's fiscal year.

The table below presents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 177,093	\$ 243,159
Restricted cash and cash equivalents	1,407,722	1,195,233
Grants receivable	398,173	173,615
Total financial assets	<u>1,982,988</u>	<u>1,612,007</u>
Less amounts not available to be used within one year:		
Cash - restricted use	<u>(1,407,722)</u>	<u>(1,195,233)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 575,266</u>	<u>\$ 416,774</u>

ACTION FOR EASTERN MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

**13. SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic and on March 12, 2020 the state of Montana declared a state of emergency related to the pandemic. As of the date of issuance of the financial statements AEM has not seen adverse financial impacts from the COVID-19 pandemic. The future impact of the COVID-19 pandemic on AEM, cannot be reasonably estimated at this time.

AEM received a Paycheck Protection Program loan on May 1, 2020 for \$96,409. The loan carries interest at 1% and is forgivable under terms of the Small Business Administration if all employees are kept on the payroll for eight weeks and the proceeds are used for certain purposes. AEM expects to meet the conditions and the loan to be forgiven.

AEM has evaluated events and transactions that occurred from the date of the financial statements through September 1, 2020, which is the date that the financial statements were available for issue.

## **SINGLE AUDIT SECTION**

ACTION FOR EASTERN MONTANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2019

<b>FEDERAL SOURCE</b> <i>PASS THROUGH SOURCE</i> PROGRAM NAME	CFDA No.	Pass Through Number	Awards to Subrecipients	Total Federal Expenditures
<b>Department of Agriculture</b>				
<i>Montana Dept. of Health and Human Services</i>				
Child and Adult Care Food Program 18-19	10.558	Child and Adult Care Food Program 18-19	\$ -	\$ 34,415
Child and Adult Care Food Program 19-20	10.558	Child and Adult Care Food Program 19-20	-	71,735
Total Child and Adult Care Food Program			\$ -	\$ 106,150
Commodity Supplemental Food Program	10.565	19027210040	\$ -	\$ 16,505
Commodity Supplemental Food Program	10.565	20027210040	-	6,327
Total Commodity Supplemental Food Program			\$ -	\$ 22,832
<b>Total Department of Agriculture</b>			<u>\$ -</u>	<u>\$ 128,982</u>
<b>Dept. of Housing and Urban Development</b>				
<i>Montana Dept. of Health and Human Services</i>				
HUD Emerg Solutions	14.231	18028510010	\$ -	\$ 3,937
<b>Total Department of Housing and Urban Development</b>			<u>\$ -</u>	<u>\$ 3,937</u>
<b>Department of Labor</b>				
<i>Montana Department of Labor</i>				
WIA/WIOA Cluster				
WORKFORCE INNOVATION & OPPORTUNITY ACT	17.259	DLISFY13 WIAYOUTH01/02/03	\$ -	\$ 118,324
WORKFORCE INNOVATION & OPPORTUNITY ACT	17.259	DLISFY13 WIAYOUTH01/02/03	-	123,756
Total WIA/WIOA Cluster			\$ -	\$ 242,080
<b>Total Department of Labor</b>			<u>\$ -</u>	<u>\$ 242,080</u>
<b>Department of Energy</b>				
<i>Montana Dept. of Health and Human Services</i>				
Weatherization-DOE	81.042	18028300210	\$ -	\$ 112,716
Weatherization-DOE	81.042	19028300210	-	76,605
WZ-N Cheyenne	81.042	18028300340	-	22,696
WZ-N Cheyenne	81.042	19028300340	-	55,791
Weatherization-DOE Ft Peck	81.042	18028300330	-	19,477
Weatherization-DOE Ft Peck	81.042	19028300330	-	2,769
<b>Total Department of Energy</b>			<u>\$ -</u>	<u>\$ 290,054</u>



ACTION FOR EASTERN MONTANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2019

<b>FEDERAL SOURCE</b> <i>PASS THROUGH SOURCE</i> PROGRAM NAME	CFDA No.	Pass Through Number	Awards to Subrecipients	Total Federal Expenditures
<b>Department of Health and Human Services</b> <i>Montana Dept. of Health and Human Services</i>				
VII Ombudsman 627	93.042	16221000001	\$ -	\$ 12,290
VII Ombudsman 627	93.042	16221000001	-	47,854
Total VII Ombudsman 627			\$ -	\$ 60,144
Preventive Health IIIF IIID 624	93.043	16221000001	\$ 8,110	\$ 8,110
Preventive Health IIIF IIID 624	93.043	16221000001	19,786	19,786
Total Preventive Health IIIF IIID 624			\$ 27,896	\$ 27,896
Aging Cluster				
Supportive Services IIIB 621	93.044	16221000001	\$ 89,048	\$ 109,204
Supportive Services IIIB 621	93.044	16221000001	231,722	231,722
Nutrition IIIC1 IIIC2 622 & 623	93.045	16221000001	349,647	362,038
Nutrition IIIC1 IIIC2 622 & 623	93.045	16221000001	71,952	71,952
NSIP	93.053	16221000001	21,268	21,268
NSIP	93.053	16221000001	102,295	102,295
Total Aging Cluster			\$ 865,932	\$ 898,479
<b>Department of Health and Human Services</b> <i>Montana Dept. of Health and Human Services</i>				
NFCSP IIIE 629	93.052	16221000001	\$ 36,393	\$ 40,194
NFCSP IIIE 629	93.052	16221000001	110,654	112,214
Total NFCSP IIIE 629			\$ 147,047	\$ 152,408
SHIP	93.779	16221000001	\$ -	\$ 20,950
SHIP	93.779	16221000001	-	45,193
Total SHIP			\$ -	\$ 66,143
Weatherization-Lieap	93.568	18028160010	\$ -	\$ 279,150
Weatherization-Lieap	93.568	19028160010	-	54,118
Lieap CRF	93.568	18028130010	-	65,226
Lieap CRF	93.568	19028130010	-	59,726
Lieap Admin, Outreach, Client Ed	93.568	18028130010	-	83,170
Lieap Admin, Outreach, Client Ed	93.568	19028130010	-	65,882
Total LIEAP			\$ -	\$ 607,272

ACTION FOR EASTERN MONTANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2019

<b>FEDERAL SOURCE</b>				
<i>PASS THROUGH SOURCE</i>	CFDA	Pass Through	Awards to	Total
PROGRAM NAME	No.	Number	Subrecipients	Federal Expenditures
<b>Department of Health and Human Services</b>				
<i>Montana Dept. of Health and Human Services</i>				
CSBG	93.569	18028100010	\$ -	\$ 615
CSBG	93.569	19028100010	-	231,666
Total CSBG			\$ -	\$ 232,281
<i>Direct</i>				
HEAD START 17-18	93.600	08CH1106-04-00	\$ -	\$ 109,214
HEAD START 18-19	93.600	08CH1106-05-01	-	991,284
Total Head Start			\$ -	\$ 1,100,498
<b>Total Department of Health and Human Services</b>			<u>\$ 1,040,875</u>	<u>\$ 3,145,121</u>
<b>Corporation for National and Community Service</b>				
<i>Direct</i>				
Aging Block Grant (Senior Companion)	94.016	18SCPMT002	\$ -	\$ 105,300
Aging Block Grant (Senior Companion)	94.016	18SCPMT002	-	133,912
Total Senior Companion Cluster			\$ -	\$ 239,212
<i>Direct</i>				
Aging Block Grant (Senior Companion Choose Home)	94.017	18SDPMT001	\$ -	\$ 46,757
Aging Block Grant (Senior Companion Choose Home)	94.017	18SDPMT001	-	20,603
Total Senior Demonstration Program			\$ -	\$ 67,360
<b>Total Corporation for National and Community Service</b>			<u>\$ -</u>	<u>\$ 306,572</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u>\$ 1,040,875</u>	<u>\$ 4,116,746</u>

ACTION FOR EASTERN MONTANA  
Glendive, Montana

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2019

**BASIS OF PRESENTATION**

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

**PROGRAM DESCRIPTIONS**

AEM is a not-for-profit corporation located in Glendive, Montana. AEM is part of a national network of community action agencies that were created by the federal government to combat poverty. AEM partners with various agencies to provide basic needs services within eastern Montana. AEM receives a significant portion of its funding via various grants from the U.S. Department of Health and Human Services. The Head Start Program, CFDA 93.600 comprises the largest portion of funding and was one of two major federal programs for the year ended December 31, 2019.

**INDIRECT COST RATE**

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



CERTIFIED PUBLIC ACCOUNTANTS

Steven L. Carver, CPA  
Gordon H. James, CPA  
Jason K. Lund, CPA

Clinton T. Armstrong, CPA  
Keegan Witt, CPA  
Rebecca Balaich, CPA  
Alex Florek, CPA  
Kevin Cornia, CPA  
Dillon Bishop, CPA

**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 of  
Action for Eastern Montana  
Glendive, 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 Action for Eastern Montana (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 September 1, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Action for Eastern Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Action for Eastern Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Action for Eastern Montana's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Carver Florek & James, CPA's*

Carver, Florek & James, CPA's  
Missoula, Montana  
September 1, 2020



CARVER  
FLOREK &  
JAMES, CPA's

CERTIFIED PUBLIC ACCOUNTANTS

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**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  
Action for Eastern Montana  
Glendive, Montana

**Report on Compliance for Each Major Federal Program**

We have audited Action for Eastern Montana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Action for Eastern Montana's major federal programs for the year ended December 31, 2019. Action for Eastern Montana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Action for Eastern Montana's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Action for Eastern Montana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

2246 UNIVERSITY PARK BLVD. • LAYTON, UT 84041 • PHONE (801) 926-1177 • FAX (801) 926-1178

1135 STRAND AVENUE • MISSOULA, MT 59806-4325

33 WEST BRUNDAGE • SUITE 201 • SHERIDAN, WY 82801

MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

We believe that our audits provides a reasonable basis for our opinions on compliance for the major federal programs. However, our audits do not provide a legal determination of Action for Eastern Montana's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Action for Eastern Montana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-01. Our opinion on each major federal program is not modified with respect to these matters.

Action for Eastern Montana's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Action for Eastern Montana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Action for Eastern Montana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Action for Eastern Montana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Action for Eastern Montana's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001, which we consider to be a significant deficiency.

Action for Eastern Montana's response to the internal control over compliance findings identified in our audit is described in the accompanying Response to Findings and Corrective Actions Plans. Action for Eastern Montana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Carver Florek & James, CPA's*

Carver, Florek & James, CPA's  
Missoula, Montana  
September 1, 2020



ACTION FOR EASTERN MONTANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2019

**Section I – Summary of Auditors’ Results:**

*Financial Statements*

Type of auditor’s report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

*Federal Awards*

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs: Head Start	Unmodified
Aging Cluster	Unmodified
Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

*Identification of Major Program:*

U.S. Department of Health and Human Services	
Head Start	CFDA 93.600
Aging Cluster	CFDA 93.044, 93.045, 93.053

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

Auditee qualified as a low-risk auditee?	No
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## **Section II – Financial Statement Findings - None Noted.**

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

**Finding 2019-001 Department of Health and Human Services**

**CFDA #93.600**

**Head Start 08CH1106-04-00, 08CH1106-05-01**

**Match, Level of Effort, Earmarking**

**Significant Deficiency in Internal Control Over Compliance**

**Criteria:** Action for Eastern Montana must establish and maintain effective internal control over federal awards that provides reasonable assurance that Action for Eastern Montana is managing the federal awards in compliance with federal statutes, regulations and terms and conditions of the federal award.

**Condition:** During our review of non-federal match contributions, fourteen of sixty transactions showed no indication of review and approval. Contribution amounts for three of sixty transactions were incorrectly reported in the non-federal match software. It appears Action for Eastern Montana has made improvements over these reviews since receiving the prior year recommendation on this matter.

**Cause:** Lack of compliance with designed internal controls over non-federal match reporting allowed for incorrect reporting of non-federal match contribution amounts.

**Effect:** Lack of proper monitoring could result in noncompliance with the federal statutes, Regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Recommendation:** We recommend that adequate documentation be reviewed to support the amounts entered in the non-federal match reporting software.

### **Section IV – Summary Schedule of Prior Year Findings**

Audit Finding Reference: 2018-001 - Resolved

Audit Finding Reference: 2018-002 - Resolved

Audit Finding Reference: 2018-003 – Repeat Finding, see 2019-001

Audit Finding Reference: 2018-004 - Resolved

## **CONTACT INFORMATION**

P.O. Box 1309  
2030 North Merrill  
Glendive, MT 59330  
(406) 377-3564  
  
Fax  
(406) 377-3570  
  
Hearing Impaired  
(406) 377-3573

## **DEPARTMENTS**

- Strategic Development
- Weatherization
- Fuel Assistance
- Emergency Assistance
- Head Start
- Energy Share
- Employment & Training
- Housing Programs
- Area I Agency on Aging
- Senior Companion

September 8, 2020

Carver, Florek & James, CPA's  
PO Box 4325  
Missoula, MT 59801

Dear Mr. Witt,

The following is our 2019 findings and our response.

Section III: Federal Awards Findings  
Head Start CFDA #93.600 08CH1106-05-01

Finding 2019-001

**Criteria:** Action for Eastern Montana must establish and maintain effective internal control over federal awards that provides reasonable assurance that Action for Eastern Montana is managing the federal awards in compliance with federal statutes, regulations and terms and conditions of the federal award.

**Condition:** During our review of non-federal match contributions, fourteen of sixty transactions showed no indication of review and approval. Contribution amounts for three of sixty transactions were incorrectly reported in the non-federal match software. It appears Action for Eastern Montana has made improvements over these reviews since receiving the prior year recommendation on this matter.

**Cause:** Lack of compliance with designed internal controls over non-federal match reporting allowed for incorrect reporting of non-federal match contribution amounts.

**Effect:** Lack of proper monitoring could result in noncompliance with the federal statutes, Regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Recommendation:** We recommend that adequate documentation be reviewed to support the amounts entered in the non-federal match reporting software.

Action for Eastern Montana has already implemented changes.

Person Responsible for Corrective Action: Chief Executive Officer.

Sincerely,

A handwritten signature in black ink, appearing to read "Clint Wynne". The signature is fluid and cursive, with the first name "Clint" being more prominent than the last name "Wynne".

Clint Wynne  
Chief Executive Officer