

BEAR RIVER HEAD START, INC.

**Financial Statements
and
Independent Auditors' Report
with
Supplementary Information**

January 31, 2019 and 2018



BEAR RIVER HEAD START, INC.
Table of Contents
January 31, 2019 and 2018

Independent Auditors’ Report..... 1-3

Financial Statements

Statements of Financial Position..... 4

Statements of Activities 5

Statements of Functional Expenses 6-7

Statements of Cash Flows 8

Notes to the Financial Statements 9-16

Supplementary Information

Schedule of Activities – Grant Basis 17

Government Auditing Standards

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* 18-19

***Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements,
Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***

Independent Auditors’ Report on Compliance for Each Major Federal Program and
On Internal Control over Compliance Required by Uniform Guidance 20-21

Schedule of Expenditures of Federal Awards 22

Notes to Schedule of Expenditures of Federal Awards 23

Schedule of Findings and Questioned Costs 24-25

Schedule of Prior Audit Findings and Questioned Costs 26



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Bear River Head Start, Inc.
Logan, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Bear River Head Start, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 Auditors' 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 Bear River Head Start, Inc. as of January 31, 2019 and 2018, 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

Other Information

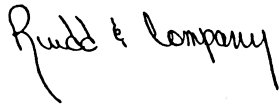
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. As disclosed in Note 1 to the financial statements, the Company prepares its financial statements using accounting principles generally accepted in the United States of America. The accompanying supplementary “Statements of Activities – Grant Basis”, is the responsibility of management, and was prepared for purposes of additional analysis using another framework of accounting as prescribed in the grant agreement, and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on the supplementary information. The accompanying supplementary information is not intended to present Bear River Head Start, Inc.’s financial position or results of operations.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, on our consideration of Bear River 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 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 Bear River Head Start, Inc.'s internal control over financial reporting and compliance.



Rexburg, Idaho
June 25, 2019

BEAR RIVER HEAD START, INC.**Statements of Financial Position****January 31,**

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 35,347	\$ 93,565
Certificate-of-deposit	19,928	19,839
Grants receivable	<u>819,468</u>	<u>861,261</u>
Total current assets	<u>874,743</u>	<u>974,665</u>
Other assets:		
Deposits and other assets	12,877	12,877
Equipment, net	<u>227,957</u>	<u>284,291</u>
Total other assets	<u>240,834</u>	<u>297,168</u>
Total assets	<u>\$ 1,115,577</u>	<u>\$ 1,271,833</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 252,402	\$ 317,051
Salaries payable	207,221	179,268
Accrued payroll taxes and benefits	81,330	77,263
Retirement payable	<u>282,898</u>	<u>356,448</u>
Total current liabilities	<u>823,851</u>	<u>930,030</u>
Net assets:		
Without donor restrictions	<u>291,726</u>	<u>341,803</u>
Total liabilities and net assets	<u>\$ 1,115,577</u>	<u>\$ 1,271,833</u>

The Accompanying Notes are an Integral Part of the Financial Statements

BEAR RIVER HEAD START, INC.**Statements of Activities****For the Years Ended January 31,**

<u>Changes in net assets without donor restrictions:</u>	<u>2019</u>	<u>2018</u>
Unrestricted revenues:		
Contracts and grants	\$ 7,347,725	\$ 7,250,851
In-kind contributions	431,123	532,891
Other	11,506	14,320
Total unrestricted revenues and support	<u>7,790,354</u>	<u>7,798,062</u>
Program related expenses:		
Program services	7,152,909	7,143,592
Administration expenses	687,522	639,747
Total program related expenses	<u>7,840,431</u>	<u>7,783,339</u>
Increase (decrease) in net assets without donor restrictions	<u>(50,077)</u>	<u>14,723</u>
Increase (decrease) in net assets	<u>(50,077)</u>	<u>14,723</u>
Net assets - beginning of year	<u>341,803</u>	<u>327,080</u>
Net assets - end of year	<u>\$ 291,726</u>	<u>\$ 341,803</u>

The Accompanying Notes are an Integral Part of the Financial Statements

BEAR RIVER HEAD START, INC.
Statement of Functional Expenses
For the Year Ended January 31, 2019

	Program Services					Administration	2019 Total
	Utah Head Start	ECP	Early Head Start	Idaho TANF	Other grants/ Corporate Funds		
Salaries	\$ 2,133,976	\$ 609,424	\$ 1,091,691	\$ 65,802	\$ 13,117	\$ 304,784	\$ 4,218,794
Employee benefits	615,270	97,568	397,571	15,997	4,197	94,483	1,225,086
Total personnel	<u>2,749,246</u>	<u>706,992</u>	<u>1,489,262</u>	<u>81,799</u>	<u>17,314</u>	<u>399,267</u>	<u>5,443,880</u>
Supplies and maintenance	266,063	122,644	159,712	43,468	3,627	101,234	696,748
Rent and utilities	534,507	133,818	200,366	-	-	81,573	950,264
Nutrition	195,629	38,114	33,366	-	-	-	267,109
Training	55,327	21,565	45,383	-	-	29,405	151,680
In-area travel	52,636	3,849	33,812	1,231	-	593	92,121
Professional services	17,623	9,062	8,991	2,613	-	55,807	94,096
Health	15,868	3,070	3,977	-	-	-	22,915
Parents	7,572	366	3,032	-	4,308	-	15,278
Depreciation and loss on disp.	34,276	5,273	12,128	1,055	-	3,602	56,334
Insurance	19,994	2,879	6,478	-	-	16,041	45,392
Policy council	3,132	446	1,036	-	-	-	4,614
Total expenses	\$ <u>3,951,873</u>	\$ <u>1,048,078</u>	\$ <u>1,997,543</u>	\$ <u>130,166</u>	\$ <u>25,249</u>	\$ <u>687,522</u>	\$ <u>7,840,431</u>

The Accompanying Notes are an Integral Part of the Financial Statements

BEAR RIVER HEAD START, INC.
Statement of Functional Expenses
For the Year Ended January 31, 2018

	Program Services						Administration	2018 Total
	Head Start	ECP	Early Head Start	Idaho TANF	Other grants/ Corporate Funds			
Salaries	\$ 1,829,473	\$ 550,343	\$ 1,027,817	\$ 40,465	\$ 12,987	\$ 301,571	\$ 3,762,656	
Employee benefits	623,232	87,064	390,608	8,815	4,156	96,503	1,210,378	
Total personnel	<u>2,452,705</u>	<u>637,407</u>	<u>1,418,425</u>	<u>49,280</u>	<u>17,143</u>	<u>398,074</u>	<u>4,973,034</u>	
Supplies and maintenance	484,076	224,808	89,020	15,668	7,031	84,600	905,203	
Rent and utilities	450,266	95,386	198,662	-	-	85,704	830,018	
Nutrition	192,342	26,664	28,432	-	-	-	247,438	
Training	82,311	54,189	74,668	-	-	2,471	213,639	
In-area travel	48,700	5,658	35,620	882	-	1,268	92,128	
Professional services	181,340	108,806	10,903	404	-	48,417	349,870	
Health	20,184	8,994	11,378	-	-	-	40,556	
Parents	10,577	1,133	3,669	-	3,622	-	19,001	
Depreciation and loss on disp.	38,789	5,877	12,930	1,175	-	3,468	62,239	
Insurance	18,619	4,719	6,426	-	-	15,745	45,509	
Policy council	3,131	498	1,075	-	-	-	4,704	
Total expenses	\$ <u>3,983,040</u>	\$ <u>1,174,139</u>	\$ <u>1,891,208</u>	\$ <u>67,409</u>	\$ <u>27,796</u>	\$ <u>639,747</u>	\$ <u>7,783,339</u>	

The Accompanying Notes are an Integral Part of the Financial Statements

BEAR RIVER HEAD START, INC.**Statements of Cash Flows****For the Years Ended January 31,**

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ (50,077)	\$ 14,723
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	53,953	58,771
Loss on disposal of property	2,381	3,468
Gain on certificate-of-deposit	(89)	(112)
Increase (decrease) in:		
Grants receivable	41,793	(240,476)
Deposits	-	(4,000)
Accounts payable	(64,649)	151,869
Salaries payable	27,953	(96,927)
Accrued payroll taxes and benefits	4,067	40,950
Retirement payable	<u>(73,550)</u>	<u>83,545</u>
Net cash (used in) provided by operating activities	<u>(58,218)</u>	<u>11,811</u>
<u>Cash flows from investing activities:</u>		
Purchase of equipment	<u>-</u>	<u>(70,438)</u>
Net cash used in investing activities	<u>-</u>	<u>(70,438)</u>
Net decrease in cash	(58,218)	(58,627)
Cash and cash equivalents, beginning of year	<u>93,565</u>	<u>152,192</u>
Cash and cash equivalents, end of year	<u>\$ 35,347</u>	<u>\$ 93,565</u>

The Accompanying Notes are an Integral Part of the Financial Statements

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2019 and 2018

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization

Bear River Head Start, Inc., (BRHS) is a non-profit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Further, it has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. The primary business activity of BRHS is to operate a Head Start program in Northern Utah and in Southeastern Idaho. BRHS is substantially funded by federal grants, receives a limited amount of State and local grants, and operates with only a minimal amount of corporate funds.

The program objectives of BRHS are to provide comprehensive health, education, nutrition, social and other services primarily to economically disadvantaged infants and preschool children and their families, and to involve parents in activities with their children so that the children will attain overall social competence. Parental participation in various decision making processes, related to the operations, is a key factor in the success of the program. Collaborative arrangements with other community agencies are actively established and are a second key factor in the success of the program, through which these objectives are met.

Additional objectives are to establish and operate any program which may improve the quality of life by reducing personal hardship, mobilizing personal resources, and combating community deterioration; to coordinate and integrate the efforts and resources of communities for remedying deficiencies and reducing impoverishment; to promote education and literacy, to improve employability, and to promote health through education and through integration with community resources; and to promote, where necessary, new solutions for those problems beyond resolution by existing resources.

Cash

For purposes of the statement of cash flows, cash includes only deposits with an original maturity of less than three months.

Grants Receivable

BRHS receivables arise primarily from reimbursable grants with government entities. A receivable is recognized, up to the grant amount, when allowable expenses are incurred. Based on past experience, an allowance for uncollectible amounts is not considered necessary.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2019 and 2018

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Contributions

Support that is restricted by contract or donor provisions is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support, if any, is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. BRHS reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

Property and Equipment

Equipment is stated at cost or, if acquired by gift, at the estimated fair market value at the date of gift. Equipment is defined as tangible personal property with an acquisition cost of \$5,000 or more per unit, a useful life of more than one year and BRHS has or expects to receive title to the asset. Other assets purchased with federal funds are expensed as purchased if BRHS determines that it is not probable that title to such assets will be transferred to BRHS.

Depreciation is provided over the estimated useful lives (five to thirty-nine years) of the equipment using the straight-line method. Upon disposition of an asset, its cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized.

Compensated Absences

Employees earn leave days each year based on length of service for use as vacation and personal leave. Vacation leave is earned after one year of full-time employment or on a pro-rata basis for part-time employment. Vacation leave is forfeited at the end of the fiscal year. Therefore, no accrual has been made for vacation leave. Personal leave accrues at one day per month until ten days are earned. Unused personal leave is paid out at the end of the fiscal year at one-half of the employee's daily rate. An accrual for the personal leave to be paid out is included in accrued salaries.

Adoption of New Accounting Standard

BRHS adopted the provisions of Accounting Standard Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The adoption does not change any prior reported numbers for net assets or changes in net assets, but rather an increase in disclosure and change of classification of net assets from three categories to two categories, those with donor imposed restrictions and those without donor imposed restrictions. The adoption also requires additional liquidity disclosures and reporting investment expenses net of investment income.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2019 and 2018

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that have not been earned and expended according to contract restriction and net amounts from generally unrestricted activities.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions.

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions whose restrictions are met in the reporting period are reported as contributions without donor restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2019 and 2018

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Donated Materials and Services

Donated materials and equipment, if any, are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated. During fiscal years 2019 and 2018, BRHS recognized \$431,123 and \$532,891, respectively, for professional services and donated goods.

BRHS receives a substantial amount of services donated by parents or other non-specialized volunteers in carrying out BRHS' programs. During fiscal years 2019 and 2018, BRHS received approximately 134,000 and 125,000 hours of donated services by volunteers with an estimated fair value of \$1,873,123 and \$1,676,578, respectively. No amounts have been reflected in the financial statements for these donated services. Federal matching requirements are satisfied through the donated services of volunteers.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis on the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

BRHS is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. BRHS is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, BRHS is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. BRHS has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

BRHS believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. BRHS would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2019 and 2018

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Income Taxes (continued)

The federal income tax returns of the Organization for 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

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. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the organization's deposits may not be recovered. The organization's policy is to keep all cash in federally insured bank institutions. On January 31, 2019 and 2018, BRHS had no demand deposits in excess of federally insured limits.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The organization's policy for all investments is authorized by the Board. The Organization currently holds one certificate-of-deposit.

Subsequent Events

Management has evaluated subsequent events through June 25, 2019, which is the date the financial statements were available to be issued.

Note 2 – Certificate-of-Deposit

At January 31, 2019 and 2018, BRHS owned a certificate-of-deposit bearing interest at 1.59% and 0.45%, respectively. Fair value for the certificate-of-deposit approximates cost. The certificate matures on January 29, 2021.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2019 and 2018

Note 3 – Grants Receivable

At January 31, 2019 and 2018, grants receivable, which are unsecured but considered fully collectible, consisted of the following:

	<u>2019</u>	<u>2018</u>
U.S. Department of Agriculture	\$ 31,789	\$ 28,235
U.S. Department of Health and Human Services	736,774	795,079
Idaho Head Start Association	39,664	35,557
Other grant receivables	<u>11,241</u>	<u>2,390</u>
Total	<u>\$ 819,468</u>	<u>\$ 861,261</u>

Note 4 – Equipment

At January 31, 2019 and 2018, equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 23,784	\$ 23,784
Portable classroom	337,761	394,035
Building	211,176	211,176
Equipment	242,800	247,800
Vehicles	<u>237,885</u>	<u>237,885</u>
Total equipment	1,053,406	1,114,680
Less accumulated depreciation	<u>(825,449)</u>	<u>(830,389)</u>
Equipment, net	<u>\$ 227,957</u>	<u>\$ 284,291</u>

Included in the assets above are \$135,679 and \$148,243 net property and equipment at January 31, 2019 and 2018, respectively, which had been purchased with federal funds and had fiduciary responsibility for those assets. These assets with fiduciary responsibility have restrictions that require BRHS to repay the federal agency if the assets are sold or the use is changed from its original intended purpose. There are no approved plans to dispose or change the use of these assets as of January 31, 2019.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2019 and 2018

Note 5 – Donated Professional Services and Materials

BRHS received donated professional services and materials as follows during the years ended January 31, 2019 and 2018:

January 31, 2019	Utah		Early		Total
	Head Start	ECP	Head Start	Administrative	
Professional services	\$ 3,760	\$ 1,620	\$ 221	\$ -	\$ 5,601
Mileage	4,069	596	2,653	-	7,318
Supplies	11,936	1,561	1,000	-	14,497
Rent	243,236	54,577	105,894	-	403,707
	<u>\$263,001</u>	<u>\$58,354</u>	<u>\$109,768</u>	<u>\$ -</u>	<u>\$431,123</u>

January 31, 2018	Utah		Early		Total
	Head Start	ECP	Head Start	Administrative	
Professional services	\$ 168,702	\$ -	\$ -	\$ -	\$ 168,702
Mileage	6,261	345	2,564	-	9,170
Supplies	24,253	1,654	7,175	-	33,082
Rent	169,572	26,621	125,744	-	321,937
	<u>\$368,788</u>	<u>\$28,620</u>	<u>\$135,483</u>	<u>\$ -</u>	<u>\$532,891</u>

Note 6 – Defined Contribution Plan

BRHS participates in a 403(b) retirement plan. Employees are immediately eligible to participate in the plan. The contributions are deposited into individual accounts. Each employee's individual account is available for withdrawal in its entirety at termination or death. The plan does not require matching funds from BRHS and BRHS has not made any matching contributions to the plan. BRHS also participates in a Simplified Employee Pension Plan (SEP) that covers all employees who have reached the age of 18 and who had been an employee for 13 months of the immediately preceding 5 plan years. This plan allows BRHS to contribute up to 15% of the employees' salary on an annual basis, subject to Internal Revenue Service regulations. Contributions to the SEP plan for fiscal years 2019 and 2018 were \$282,898 and \$356,448, respectively.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2019 and 2018

Note 7 – Operating Leases

BRHS maintains multiple lease agreements for office and classroom space in Utah and Idaho. All leases expire by 2025. Rent expense for fiscal years 2019 and 2018 was \$399,191 and \$383,420, respectively.

Future minimum rental payments under the non-cancelable operating leases (excluding the utility charge) for the remaining years of the lease agreements are listed below.

Year Ending <u>January 31,</u>	<u>Amount</u>
2020	\$ 280,396
2021	281,186
2022	280,331
2023	219,404
2024	213,689
2025	<u>213,669</u>
Total	<u>\$ 1,488,675</u>

Note 8 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 35,347
Certificate-of-deposit	<u>19,928</u>
Total	<u>\$ 55,275</u>

BRHS is primarily supported by federal grants. As a part of the organization's liquidity management, management reviews its liquidity on a monthly basis with the board of directors.

Supplementary Information

BEAR RIVER HEAD START, INC.
Schedule of Activities – Grant Basis
For the Years Ended January 31,

	<u>2019</u>	<u>2018</u>
Support:		
Contracts and grants	\$ 7,347,725	\$ 7,250,851
In-kind contributions	<u>2,304,246</u>	<u>2,209,469</u>
Total support	<u>9,651,971</u>	<u>9,460,320</u>
Expenses:		
Program services:		
Head Start	4,956,710	4,879,535
ECP	1,327,948	1,344,785
Early Head Start	2,527,693	2,509,371
Idaho TANF	129,111	66,234
Other grants	<u>20,000</u>	<u>20,000</u>
Total program services	8,961,462	8,819,925
Administrative expenses	<u>690,509</u>	<u>640,395</u>
Total expenses	<u>9,651,971</u>	<u>9,460,320</u>
Change in net assets	<u>-</u>	<u>-</u>
Reconciliation to GAAP basis:		
Corporate interest income	89	114
Corporate income	11,417	14,206
Corporate expenses	(5,249)	(7,796)
Non-GAAP in-kind contributions	(1,873,123)	(1,676,578)
Non-GAAP in-kind costs	1,873,123	1,676,578
Equipment	-	70,438
Loss on disposal of equipment	(2,381)	(3,468)
Depreciation	<u>(53,953)</u>	<u>(58,771)</u>
Total reconciling items	<u>(50,077)</u>	<u>14,723</u>
Increase (decrease) in net assets	<u>\$ (50,077)</u>	<u>\$ 14,723</u>

See Independent Auditors Report



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
Bear River Head Start, Inc.
Logan, Utah

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 Bear River Head Start, Inc. (a nonprofit organization), which comprise the statements of financial position as of January 31, 2019 and 2018, 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 June 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bear River Head Start, Inc.'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 Bear River Head Start, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bear River Head Start, Inc.'s internal control.

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

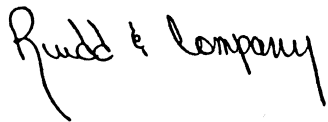
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Rudd & Company".

Rexburg, Idaho
June 25, 2019



RUDD & COMPANYSM

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
Bear River Head Start, Inc.
Logan, Utah

Report on Compliance for Each Major Federal Program

We have audited Bear River Head Start, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bear River Head Start, Inc.'s major federal programs for the year ended January 31, 2019. Bear River Head Start, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bear River Head Start, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Bear River Head Start, Inc. 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 January 31, 2019.

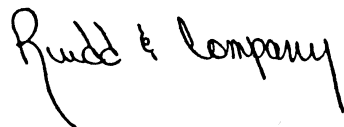
Report on Internal Control Over Compliance

Management of Bear River Head Start, Inc. 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 Bear River Head Start, Inc.'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 each 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 Bear River Head Start, Inc.'s internal control over compliance.

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

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

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



Rexburg, Idaho
June 25, 2019

BEAR RIVER HEAD START, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Award/ Contract Number	Award	Disbursements/ Expenses
<u>U.S. Dept. of Health and Human Services (HHS)</u>				
Direct Programs:				
2018 - 2019 Head Start	93.600	08CH1056/05	\$ 5,895,770	\$ 5,895,770
2017- 2018 ECP	93.600	08HP0011/03	950,235	514,621
2018-2019 ECP	93.600	08HP0011/04	962,358	494,030
Passed through the Idaho Head Start Association:				
Temporary Assistance for Needy Families	93.558	20-201901	134,888	74,467
	93.558	19-201801	134,888	<u>68,322</u>
Total Department of Health and Human Services				<u>7,047,210</u>
<u>U.S. Dept. of Agriculture</u>				
Passed through Utah State Office of Education				
Child Care Food Program	10.558	F-1	245,701	245,701
Passed through the Idaho State Department of Education Child Nutrition Section				
Child Care Food Program	10.558	45-01	34,814	<u>34,814</u>
Total Department of Agriculture				<u>280,515</u>
<u>U.S. Dept. of Education</u>				
Passed through Utah State Office of Education; Passed through Cache County School District				
Title IA LEA grants	84.010A		20,000	<u>20,000</u>
Total Federal Awards				<u>\$ 7,347,725</u>

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards.

BEAR RIVER HEAD START, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2019

Note A – Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the basic financial statements. The Schedule is required by the U.S. Office of Management and Budget (OMB) Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations.

Note B – Significant Accounting Policies

Basis of Accounting

The information in the Schedule is presented in accordance with Uniform Guidance. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

CFDA Numbers

Uniform Guidance requires the Schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five digit program identification number (CFDA number).

Major Programs

Uniform Guidance establishes a risk-based approach to determining which federal programs are major programs. The federal award tested as a major program was with the CFDA number of 93.600.

Matching Costs

The Schedule does not include matching expenditures.

Indirect Cost Rate

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

BEAR RIVER HEAD START, INC.
Schedule of Findings and Questioned Costs
For the Year Ended January 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?	No

BEAR RIVER HEAD START, INC.
Schedule of Findings and Questioned Costs
For the Year Ended January 31, 2019

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.600	2018-2019 Head Start
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Findings Related to the Financial Statements Required to be Reported in
Accordance with *Government Auditing Standards***

No matters were noted.

**Section III – Findings and Questioned Costs Related to Federal Awards Required to be
Reported in Accordance with *Uniform Guidance***

No matters were noted.

BEAR RIVER HEAD START, INC.
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended January 31, 2019

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards*

No matters were noted.

Section III – Findings and Questioned Costs Related to Federal Awards Required to be Reported in Accordance with *Uniform Guidance*

No matters were noted.