

BEAR RIVER HEAD START, INC.

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

January 31, 2018 and 2017



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RUDD&COMPANY^{INC.}

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, 2018 and 2017, 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, 2018 and 2017, 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

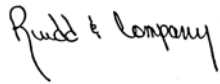
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 May 21, 2018, 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
May 21, 2018

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

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 93,565	\$ 152,192
Certificate-of-deposit	19,839	19,727
Grants receivable	<u>861,261</u>	<u>620,785</u>
Total current assets	<u>974,665</u>	<u>792,704</u>
Other assets:		
Deposits and other assets	12,877	8,877
Equipment, net	<u>284,291</u>	<u>276,092</u>
Total other assets	<u>297,168</u>	<u>284,969</u>
Total assets	<u>\$ 1,271,833</u>	<u>\$ 1,077,673</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 317,051	\$ 165,182
Salaries payable	179,268	276,195
Accrued payroll taxes and benefits	77,263	36,313
Retirement payable	<u>356,448</u>	<u>272,903</u>
Total current liabilities	<u>930,030</u>	<u>750,593</u>
Net assets:		
Unrestricted	<u>341,803</u>	<u>327,080</u>
Total liabilities and net assets	<u>\$ 1,271,833</u>	<u>\$ 1,077,673</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 unrestricted net assets</u>	2018	2017
Unrestricted revenues:		
Contracts and grants	\$ 7,250,851	\$ 6,386,351
In-kind contributions	532,891	695,276
Other	14,320	8,291
Total unrestricted revenues and support	7,798,062	7,089,918
Program related expenses:		
Program services	7,143,592	6,507,856
Administration expenses	639,747	588,574
Total program related expenses	7,783,339	7,096,430
Increase (decrease) in unrestricted net assets	14,723	(6,512)
Increase (decrease) in net assets	14,723	(6,512)
Net assets - beginning of year	327,080	333,592
Net assets - end of year	\$ 341,803	\$ 327,080

The Accompanying Notes are an Integral Part of the Financial Statements

BEAR RIVER HEAD START, INC.
Statement of Functional Expenses
For the Years 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>

(continued)

The Accompanying Notes are an Integral Part of the Financial Statements

BEAR RIVER HEAD START, INC.
Statement of Functional Expenses
For the Years Ended January 31, 2017

	Program Services					Administration	2017 Total
	Utah Head Start	ECP	Early Head Start	Idaho TANF	Other grants/ Corporate Funds		
Salaries	\$ 1,683,425	\$ 282,452	\$ 966,118	\$ 49,990	\$ 12,753	\$ 304,070	\$ 3,298,808
Employee benefits	588,273	74,704	350,395	12,716	4,081	103,383	1,133,552
Total personnel	<u>2,271,698</u>	<u>357,156</u>	<u>1,316,513</u>	<u>62,706</u>	<u>16,834</u>	<u>407,453</u>	<u>4,432,360</u>
Supplies and maintenance	193,502	102,804	94,523	8,968	6,230	66,941	472,968
Rent and utilities	562,232	65,655	220,082	10,457	-	40,157	898,583
Nutrition	163,980	-	23,761	-	-	-	187,741
Training	39,816	19,727	48,597	365	-	6,797	115,302
In-area travel	54,435	5,104	29,926	-	-	-	89,465
Professional services	247,888	423,651	13,325	-	-	48,655	733,519
Health	37,650	7,627	9,502	-	-	-	54,779
Parents	10,663	800	3,349	-	1,168	-	15,980
Depreciation	20,654	3,465	19,300	613	-	3,732	47,764
Insurance	18,475	3,511	5,740	733	-	14,839	43,298
Policy council	3,195	531	945	-	-	-	4,671
Total expenses	<u>\$ 3,624,188</u>	<u>\$ 990,031</u>	<u>\$ 1,785,563</u>	<u>\$ 83,842</u>	<u>\$ 24,232</u>	<u>\$ 588,574</u>	<u>\$ 7,096,430</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>2018</u>	<u>2017</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 14,723	\$ (6,512)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	58,771	47,764
Loss on disposal of property	3,468	-
Gain on certificate-of-deposit	(112)	(66)
Increase (decrease) in:		
Grants receivable	(240,476)	144,459
Deposits	(4,000)	(2,800)
Accounts payable	151,869	(58,226)
Salaries payable	(96,927)	13,016
Accrued payroll taxes and benefits	40,950	(737)
Retirement payable	83,545	23,958
Net cash provided by operating activities	<u>11,811</u>	<u>160,856</u>
<u>Cash flows from investing activities:</u>		
Purchase of equipment	<u>(70,438)</u>	<u>(37,194)</u>
Net cash used in investing activities	<u>(70,438)</u>	<u>(37,194)</u>
Net increase (decrease) in cash	(58,627)	123,662
Cash and cash equivalents, beginning of year	<u>152,192</u>	<u>28,530</u>
Cash and cash equivalents, end of year	<u>\$ 93,565</u>	<u>\$ 152,192</u>

The Accompanying Notes are an Integral Part of the Financial Statements

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2018 and 2017

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, 2018 and 2017

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 unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other restricted support, if any, is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. BRHS reports contributions restricted by donors as increases in unrestricted net assets 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.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2018 and 2017

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:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of BRHS and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by BRHS's Board of Directors.

BRHS reports contributions as temporarily restricted support if they are received with donor stipulations and 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of BRHS. The restrictions stipulate that resources be maintained permanently but permit BRHS to expend the income generated in accordance with the provisions of the agreements.

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, 2018 and 2017

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 2018 and 2017, BRHS recognized \$532,891 and \$695,276, 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 2018 and 2017, BRHS received approximately 125,000 and 130,000 hours of donated services by volunteers with an estimated fair value of \$1,676,578 and \$1,749,125, 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, 2018 and 2017

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

Income Taxes (continued)

The federal income tax returns of the Organization for 2017, 2016, and 2015 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, 2018 and 2017, 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 May 21, 2018, which is the date the financial statements were available to be issued.

Note 2 – Certificate-of-Deposit

At January 31, 2018 and 2017, BRHS owned a certificate-of-deposit bearing interest at .45% for both years. Fair value for the certificate-of-deposit approximates cost. The certificate matures on January 29, 2019.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2018 and 2017

Note 3 – Grants Receivable

At January 31, 2018 and 2017, grants receivable, which are unsecured but considered fully collectible, consisted of the following:

	<u>2018</u>	<u>2017</u>
U.S. Department of Agriculture	\$ 28,235	\$ 48,822
U.S. Department of Health and Human Services	795,079	539,022
Idaho Head Start Association	35,557	32,192
Other grant receivables	<u>2,390</u>	<u>749</u>
Total	<u>\$ 861,261</u>	<u>\$ 620,785</u>

Note 4 – Equipment

At January 31, 2018 and 2017, equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 23,784	\$ 23,784
Portable classroom	394,035	503,823
Building	211,176	211,176
Equipment	247,800	279,886
Vehicles	<u>237,885</u>	<u>174,502</u>
Total equipment	1,114,680	1,193,171
Less accumulated depreciation	<u>(830,389)</u>	<u>(917,079)</u>
Equipment, net	<u>\$ 284,291</u>	<u>\$ 276,092</u>

Included in the assets above are \$148,243 and \$157,493 net property and equipment at January 31, 2018 and 2017, 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, 2018.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2018 and 2017

Note 5 – Donated Professional Services and Materials

BRHS received donated professional services and materials as follows during the years ended January 31, 2018 and 2017:

	Utah Head Start	ECP	Early Head Start	Administrative	Total
January 31, 2018					
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>
January 31, 2017					
Professional services	\$ 200,278	\$ 748	\$ 1,486	\$ -	\$ 202,512
Mileage	5,504	304	1,860	-	7,668
Supplies	14,793	3,809	4,225	-	22,827
Rent	308,787	29,229	124,244	-	462,260
Childcare	9	-	-	-	9
	<u>\$ 529,371</u>	<u>\$ 34,090</u>	<u>\$ 131,815</u>	<u>\$ -</u>	<u>\$ 695,276</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 2018 and 2017 were \$356,448 and \$272,903, respectively.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2018 and 2017

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 2018 and 2017 was \$383,420 and \$328,566, 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.

<u>Year Ending</u> <u>January 31,</u>	<u>Amount</u>
2019	\$ 384,936
2020	280,396
2021	281,186
2022	280,331
2023	219,404
2024	213,689
2025	<u>213,669</u>
Total	<u>\$ 1,873,631</u>

Supplementary Information

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

	2018	2017
Support:		
Contracts and grants	\$ 7,250,851	\$ 6,386,351
In-kind contributions	2,209,469	2,444,401
Total support	<u>9,460,320</u>	<u>8,830,752</u>
Expenses:		
Program services:		
Head Start	4,879,535	4,600,315
ECP	1,344,785	1,137,379
Early Head Start	2,509,371	2,359,590
Idaho TANF	66,234	83,229
Other grants	20,000	50,303
Total program services	8,819,925	8,230,816
Administrative expenses	640,395	599,936
Total expenses	<u>9,460,320</u>	<u>8,830,752</u>
Change in net assets	<u>-</u>	<u>-</u>
Reconciliation to GAAP basis:		
Corporate interest income	114	63
Corporate income	14,206	8,228
Corporate expenses	(7,796)	(4,233)
Non-GAAP in-kind contributions	(1,676,578)	(1,749,125)
Non-GAAP in-kind costs	1,676,578	1,749,125
Temporarily restricted expenses	-	-
Equipment	70,438	37,194
Loss on disposal of equipment	(3,468)	-
Depreciation	(58,771)	(47,764)
Total reconciling items	<u>14,723</u>	<u>(6,512)</u>
Increase (decrease) in net assets	<u>\$ 14,723</u>	<u>\$ (6,512)</u>

See Independent Auditors Report



RUDD & COMPANY^{INC.}

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, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2018.

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.

Rudd & Company

Rexburg, Idaho
May 21, 2018



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, 2018. 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, 2018.

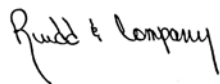
Report on Internal Control Over Compliance

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
May 21, 2018

BEAR RIVER HEAD START, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2018

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:				
2017 - 2018 Head Start	93.600	08CH1056/04	\$ 5,689,226	\$ 5,673,226
2017- 2018 ECP	93.600	08HP0011/03	950,235	435,614
2016- 2017 ECP	93.600	08HP0011/02	1,131,648	782,401
Passed through the Idaho Head Start Association:				
Temporary Assistance for Needy Families	93.558	17-201401	101,072	18,756
	93.558	19-201801	134,888	<u>66,566</u>
Total Department of Health and Human Services				<u>6,976,563</u>
<u>U.S. Dept. of Agriculture</u>				
Passed through Utah State Office of Education				
Child Care Food Program	10.558	F-1	210,626	210,626
Passed through the Idaho State Department of Education Child Nutrition Section				
Child Care Food Program	10.558	45-01	43,662	<u>43,662</u>
Total Department of Agriculture				<u>254,288</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>\$ 7,250,851</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, 2018

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, 2018

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, 2018**

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.600	2017-2018 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 Audit Findings and Questioned Costs
For the Year Ended January 31, 2018

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.