



**RUDD & COMPANY** PLLC  
*certified public accountants | business consultants*

## **BEAR RIVER HEAD START, INC.**

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

**January 31, 2015 and 2014**

*giving direction to your future*

**BEAR RIVER HEAD START, INC.**  
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**January 31, 2015 and 2014**

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RUDD&COMPANY<sup>INC.</sup>

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## 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, 2015 and 2014, 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, 2015 and 2014, 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***

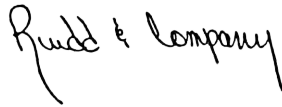
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented 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, were prepared for purposes of additional analysis using another framework of accounting as prescribed in the grant agreement, and are 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 8, 2015, 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.

A handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive, flowing style.

Rexburg, Idaho  
May 8, 2015

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

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	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 43,154	\$ 19,576
Certificate-of-deposit	19,573	19,446
Grants receivable	<u>706,344</u>	<u>675,269</u>
Total current assets	<u>769,071</u>	<u>714,291</u>
Other assets:		
Deposits	2,919	2,919
Equipment, net	<u>309,562</u>	<u>235,244</u>
Total other assets	<u>312,481</u>	<u>238,163</u>
Total assets	<u><u>\$ 1,081,552</u></u>	<u><u>\$ 952,454</u></u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 144,997	\$ 103,223
Salaries payable	230,328	207,139
Accrued payroll taxes and benefits	35,478	17,661
Retirement payable	<u>313,268</u>	<u>339,429</u>
Total current liabilities	<u>724,071</u>	<u>667,452</u>
Net assets:		
Unrestricted	<u>357,481</u>	<u>285,002</u>
Total liabilities and net assets	<u><u>\$ 1,081,552</u></u>	<u><u>\$ 952,454</u></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>2015</u>	<u>2014</u>
<u>Changes in unrestricted net assets</u>		
Unrestricted revenues:		
Contracts and grants	\$ 5,232,474	\$ 4,890,030
In-kind contributions	784,640	482,906
Other	<u>5,516</u>	<u>5,737</u>
Total unrestricted revenues and support	<u>6,022,630</u>	<u>5,378,673</u>
Program related expenses:		
Program services	5,491,976	4,933,333
Administration expenses	<u>458,175</u>	<u>420,070</u>
Total program related expenses	<u>5,950,151</u>	<u>5,353,403</u>
Increase (decrease) in unrestricted net assets	<u>72,479</u>	<u>25,270</u>
Increase (decrease) in net assets	<u>72,479</u>	<u>25,270</u>
Net assets - beginning of year	<u>285,002</u>	<u>259,732</u>
Net assets - end of year	<u><u>\$ 357,481</u></u>	<u><u>\$ 285,002</u></u>

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, 2015**

	Program Services						
	Utah Head Start	Idaho Head Start	Early Head Start	Idaho TANF	Other grants/ Corporate Funds	Administration	2015 Total
Salaries	\$ 1,278,175	\$ 331,513	\$ 915,546	\$ 55,112	\$ 11,551	\$ 229,025	\$ 2,820,922
Employee benefits	480,154	119,152	367,417	19,794	5,592	87,030	1,079,139
Total personnel	1,758,329	450,665	1,282,963	74,906	17,143	316,055	3,900,061
Supplies and maintenance	154,082	29,238	106,485	7,820	9,097	37,821	344,543
Rent and utilities	483,835	97,924	177,722	1,316	150	29,446	790,393
Nutrition	111,402	42,752	22,599	-	-	-	176,753
Training	32,182	4,792	42,718	309	20	8,494	88,515
In-area travel	38,224	19,099	31,609	2,785	-	-	91,717
Professional services	234,808	138,634	12,831	-	50	52,491	438,814
Health	18,251	3,931	6,405	-	33	-	28,620
Parents	8,810	2,371	2,777	-	763	-	14,721
Depreciation	14,932	4,875	6,703	914	-	3,047	30,471
Insurance	17,063	4,254	6,690	683	100	10,821	39,611
Policy council	3,544	900	1,357	131	-	-	5,932
Total expenses	<u>\$ 2,875,462</u>	<u>\$ 799,435</u>	<u>\$ 1,700,859</u>	<u>\$ 88,864</u>	<u>\$ 27,356</u>	<u>\$ 458,175</u>	<u>\$ 5,950,151</u>

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, 2014**

	Program Services						
	Utah Head Start	Idaho Head Start	Early Head Start	Idaho TANF	Other grants/ Corporate Funds	Administration	2014 Total
Salaries	\$ 1,113,860	\$ 333,033	\$ 882,590	\$ 50,495	\$ 11,403	\$ 213,090	\$ 2,604,471
Employee benefits	497,099	177,625	341,044	17,728	3,535	91,629	1,128,660
Total personnel	1,610,959	510,658	1,223,634	68,223	14,938	304,719	3,733,131
Supplies and maintenance	132,616	20,107	71,801	11,108	5,996	33,056	274,684
Rent and utilities	358,700	30,621	169,392	485	250	30,048	589,496
Nutrition	97,413	38,219	21,793	-	-	-	157,425
Training	37,442	4,922	40,942	5,301	100		88,707
In-area travel	39,855	23,555	31,407	103	-	1,343	96,263
Professional services	190,859	51,846	5,199	14	100	36,088	284,106
Health	21,468	6,132	8,971	301	80	-	36,952
Parents	9,718	1,269	1,798	210	777	-	13,772
Depreciation	11,709	4,844	9,398	463	-	2,935	29,349
Insurance	17,977	6,283	7,677	1,021	132	11,881	44,971
Policy council	2,602	784	1,029	132	-	-	4,547
Total expenses	<u>\$ 2,531,318</u>	<u>\$ 699,240</u>	<u>\$ 1,593,041</u>	<u>\$ 87,361</u>	<u>\$ 22,373</u>	<u>\$ 420,070</u>	<u>\$ 5,353,403</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>2015</u>	<u>2014</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 72,479	\$ 25,270
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	30,471	29,349
Loss on disposal of property	-	1,286
Gain on certificate-of-deposit	(127)	(126)
Increase (decrease) in:		
Grants receivable	(31,075)	(43,783)
Accounts payable	41,774	52,854
Salaries payable	23,189	(3,950)
Accrued payroll taxes and benefits	17,817	(23,881)
Retirement payable	<u>(26,161)</u>	<u>8,835</u>
Net cash provided by operating activities	<u>128,367</u>	<u>45,854</u>
<u>Cash flows from investing activities:</u>		
Purchase of equipment	<u>(104,789)</u>	<u>(53,754)</u>
Net cash used in investing activities	<u>(104,789)</u>	<u>(53,754)</u>
Net increase (decrease) in cash	23,578	(7,900)
Cash and cash equivalents, beginning of year	<u>19,576</u>	<u>27,476</u>
Cash and cash equivalents, end of year	<u><u>\$ 43,154</u></u>	<u><u>\$ 19,576</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

**BEAR RIVER HEAD START, INC.**  
**Notes to the Financial Statements**  
**January 31, 2015 and 2014**

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**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, 2015 and 2014**

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**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, 2015 and 2014**

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**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, 2015 and 2014**

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**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 2015 and 2014, BRHS recognized \$784,640 and \$482,906, 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 2015 and 2014, BRHS received approximately 86,000 and 98,000 hours of donated services by volunteers with an estimated fair value of \$1,159,743 and \$1,329,145, 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, 2015 and 2014**

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

Income Taxes (continued)

The federal income tax returns of the Organization for 2014, 2013, and 2012 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, 2015 and 2014, 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 8, 2015, which is the date the financial statements were available to be issued.

**Note 2 – Certificate-of-Deposit**

At January 31, 2015 and 2014, BRHS owned a certificate-of-deposit bearing interest at .45% and .65%, respectively. Fair value for the certificate-of-deposit approximates cost. The certificate matures on January 29, 2017.

**BEAR RIVER HEAD START, INC.**  
**Notes to the Financial Statements**  
**January 31, 2015 and 2014**

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**Note 3 – Grants Receivable**

At January 31, 2015 and 2014, grants receivable, which are unsecured but considered fully collectible, consisted of the following:

	<u>2015</u>	<u>2014</u>
U.S. Department of Agriculture	\$ 20,010	\$ 30,660
U.S. Department of Health and Human Services	651,900	617,637
Idaho Head Start Association	34,167	26,780
Other grant receivables	<u>267</u>	<u>192</u>
Total	<u>\$ 706,344</u>	<u>\$ 675,269</u>

**Note 4 – Equipment**

At January 31, 2015 and 2014, equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 23,784	\$ 23,784
Portable classroom	503,823	478,242
Building	205,396	205,396
Equipment	247,008	222,431
Vehicles	<u>174,502</u>	<u>180,619</u>
Total equipment	1,154,513	1,110,472
Less accumulated depreciation	<u>(844,951)</u>	<u>(875,228)</u>
Equipment, net	<u>\$ 309,562</u>	<u>\$ 235,244</u>

Included in the assets above are \$174,696 and \$156,237 net property and equipment at January 31, 2015 and 2014, 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, 2015.



**BEAR RIVER HEAD START, INC.**  
**Notes to the Financial Statements**  
**January 31, 2015 and 2014**

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**Note 5 – Donated Professional Services and Materials**

BRHS received donated professional services and materials as follows during the years ended January 31, 2015 and 2014:

	<u>Utah</u> <u>Head Start</u>	<u>Idaho</u> <u>Head Start</u>	<u>Early</u> <u>Head Start</u>	<u>Administrative</u>	<u>Total</u>
January 31, 2015					
Professional services	\$ 171,621	\$ 141,365	\$ 1,697	\$ 4,900	\$ 319,583
Mileage	2,770	2,519	1,601	197	7,087
Supplies	9,270	1,034	5,510	-	15,814
Rent	248,973	89,569	103,614	-	442,156
	<u>\$432,634</u>	<u>\$234,487</u>	<u>\$112,422</u>	<u>\$ 5,097</u>	<u>\$784,640</u>
January 31, 2014					
Professional services	\$ 149,367	\$ 51,029	\$ 1,155	\$ -	\$ 201,551
Mileage	3,802	2,444	2,573	-	8,819
Supplies	21,777	5,334	5,837	-	32,948
Rent	121,797	21,554	96,237	-	239,588
	<u>\$296,743</u>	<u>\$ 80,361</u>	<u>\$105,802</u>	<u>\$ -</u>	<u>\$482,906</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 2015 and 2014 were \$313,268 and \$339,429, respectively.

**BEAR RIVER HEAD START, INC.**  
**Notes to the Financial Statements**  
**January 31, 2015 and 2014**

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**Note 7 – Operating Leases**

BRHS maintains multiple lease agreements for office and classroom space in Utah and Idaho. All leases expire by 2020. Rent expense for fiscal years 2015 and 2014 was \$272,255 and \$277,555, respectively.

Future minimum rental payments under the non-cancelable operating leases (excluding the utility charge) for each of the next four years are listed below.

<u>Year Ending</u> <u>January 31,</u>	<u>Amount</u>
2016	\$ 313,037
2017	319,063
2018	322,067
2019	325,167
2020	<u>218,601</u>
Total	<u>\$ 1,497,935</u>

## **Supplementary Information**

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

	2015	2014
Support:		
Contracts and grants	\$ 5,232,474	\$ 4,890,030
In-kind contributions	1,944,383	1,812,051
Other income	-	2,500
Total support	<u>7,176,857</u>	<u>6,704,581</u>
Expenses:		
Program services:		
Utah Head Start	3,468,229	3,179,087
Idaho Head Start	978,819	835,765
Early Head Start	2,144,024	2,162,501
Idaho TANF	99,329	86,898
Other grants	20,001	20,001
Total program services	6,710,402	6,284,252
Administrative expenses	<u>466,455</u>	<u>420,329</u>
Total expenses	<u>7,176,857</u>	<u>6,704,581</u>
Change in net assets	<u>-</u>	<u>-</u>
Reconciliation to GAAP basis:		
Corporate interest income	128	127
Corporate income	5,388	4,397
Corporate expenses	(7,355)	(2,372)
Non-GAAP in-kind contributions	(1,159,743)	(1,329,145)
Non-GAAP in-kind costs	1,159,743	1,329,145
Equipment	104,789	53,754
Loss on disposal of equipment	-	(1,287)
Depreciation	<u>(30,471)</u>	<u>(29,349)</u>
Total reconciling items	<u>72,479</u>	<u>25,270</u>
Increase (decrease) in net assets	<u>\$ 72,479</u>	<u>\$ 25,270</u>



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**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, 2015 and 2014, 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 8, 2015.

**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.

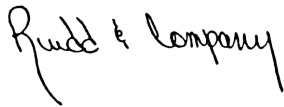
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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  
May 8, 2015



RUDD&COMPANY<sup>SM</sup>

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

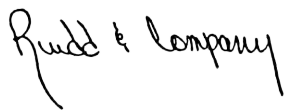
## Report on Internal Control Over Compliance

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Rexburg, Idaho  
May 8, 2015



**BEAR RIVER HEAD START, INC.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended January 31, 2015**

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:				
2014 - 2015 Head Start	93.600	08CH1056	\$ 4,913,260	\$ 4,913,260
Passed through the Idaho Head Start Association:				
Temporary Assistance for Needy Families	93.558	15-201401	101,072	49,347
	93.558	16-201501	101,072	<u>63,637</u>
Total Department of Health and Human Services				<u>5,026,244</u>
<u>U.S. Dept. of Agriculture</u>				
Passed through Utah State Office of Education				
Child Care Food Program	10.558	F-1	140,550	140,550
Passed through the Idaho State Department of Education Child Nutrition Section				
Child Care Food Program	10.558	4853	45,680	<u>45,680</u>
Total Department of Agriculture				<u>186,230</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>\$ 5,232,474</u>

See Independent Auditors' Report.

**BEAR RIVER HEAD START, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended January 31, 2015**

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**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) Circular A-133, 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 OMB Circular A-133. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

**CFDA Numbers**

OMB Circular A-133 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**

OMB Circular A-133 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.

**BEAR RIVER HEAD START, INC.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended January 31, 2015**

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**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 Circular A-133?	No

**BEAR RIVER HEAD START, INC.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended January 31, 2015**

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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.600	2014-2015 Head Start
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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 OMB Circular A-133**

No matters were noted.

**BEAR RIVER HEAD START, INC.**  
**Schedule of Prior Audit Findings and Questioned Costs**  
**For the Year Ended January 31, 2015**

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**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 *OMB Circular A-133***

No matters were noted.