

BEAR RIVER HEAD START, INC.

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

January 31, 2021 and 2020



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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, 2021 and 2020, 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, 2021 and 2020, 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, 2021, 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.

Rudd & Company, PLLC

Rexburg, Idaho
May 21, 2021

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

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 5,922	\$ 44,273
Certificate-of-deposit	20,571	20,247
Grants receivable	<u>888,843</u>	<u>984,635</u>
Total current assets	<u>915,336</u>	<u>1,049,155</u>
Other assets:		
Deposits and other assets	14,263	13,877
Equipment, net	<u>466,360</u>	<u>380,838</u>
Total other assets	<u>480,623</u>	<u>394,715</u>
Total assets	<u>\$ 1,395,959</u>	<u>\$ 1,443,870</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 183,241	\$ 366,328
Salaries payable	265,569	246,697
Accrued payroll taxes and benefits	64,502	78,393
Retirement payable	<u>364,847</u>	<u>319,038</u>
Total current liabilities	<u>878,159</u>	<u>1,010,456</u>
Net assets:		
Without donor restrictions	<u>517,800</u>	<u>433,414</u>
Total liabilities and net assets	<u>\$ 1,395,959</u>	<u>\$ 1,443,870</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>2021</u>	<u>2020</u>
Unrestricted revenues:		
Contracts and grants	\$ 8,509,356	\$ 8,541,876
In-kind contributions	471,954	374,095
Other	1,989	1,794
Total unrestricted revenues and support	<u>8,983,299</u>	<u>8,917,765</u>
Program related expenses:		
Program services	8,069,115	8,091,197
Administration expenses	829,798	684,880
Total program related expenses	<u>8,898,913</u>	<u>8,776,077</u>
Increase in net assets without donor restrictions	<u>84,386</u>	<u>141,688</u>
Increase in net assets	<u>84,386</u>	<u>141,688</u>
Net assets - beginning of year	<u>433,414</u>	<u>291,726</u>
Net assets - end of year	<u>\$ 517,800</u>	<u>\$ 433,414</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, 2021

	Program Services					Administration	2021 Total
	Utah Head Start	ECP	Early Head Start	Idaho TANF	Other grants/ Corporate Funds		
Salaries	\$ 2,615,897	\$ 646,776	\$ 1,187,312	\$ 72,082	\$ -	\$ 385,946	\$ 4,908,013
Employee benefits	768,656	81,111	412,471	15,973	-	111,924	1,390,135
Total personnel	<u>3,384,553</u>	<u>727,887</u>	<u>1,599,783</u>	<u>88,055</u>	<u>-</u>	<u>497,870</u>	<u>6,298,148</u>
Supplies and maintenance	282,039	37,442	76,949	27,208	9	90,971	514,618
Rent and utilities	925,416	119,831	230,110	127	-	53,634	1,329,118
Nutrition	162,315	27,742	19,975	-	-	-	210,032
Training	45,250	18,349	61,963	27	-	73,660	199,249
In-area travel	37,981	2,165	16,985	1,036	-	647	58,814
Professional services	20,113	2,101	3,515	4,327	-	88,661	118,717
Health	13,374	1,720	6,550	-	-	-	21,644
Parents	8,190	269	2,966	-	2,116	-	13,541
Depreciation and loss on disp.	46,803	7,200	16,561	1,440	-	3,790	75,794
Insurance	26,121	3,589	8,073	389	-	20,565	58,737
Policy council	312	46	143	-	-	-	501
Total expenses	<u>\$ 4,952,467</u>	<u>\$ 948,341</u>	<u>\$ 2,043,573</u>	<u>\$ 122,609</u>	<u>\$ 2,125</u>	<u>\$ 829,798</u>	<u>\$ 8,898,913</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, 2020

	Program Services						2020 Total
	Utah Head Start	ECP	Early Head Start	Idaho TANF	Other grants/ Corporate Funds	Administration	
Salaries	\$ 2,324,677	\$ 659,501	\$ 1,184,035	\$ 89,988	\$ -	\$ 349,263	\$ 4,607,464
Employee benefits	681,284	90,851	402,540	20,913	-	94,301	1,289,889
Total personnel	<u>3,005,961</u>	<u>750,352</u>	<u>1,586,575</u>	<u>110,901</u>	<u>-</u>	<u>443,564</u>	<u>5,897,353</u>
Supplies and maintenance	797,302	24,604	114,666	52,457	7,469	77,950	1,074,448
Rent and utilities	633,855	126,741	155,276	309	-	36,806	952,987
Nutrition	215,217	43,524	34,012	-	-	-	292,753
Training	75,214	13,931	48,826	-	-	34,980	172,951
In-area travel	56,741	4,957	29,771	1,994	-	1,619	95,082
Professional services	19,721	2,314	5,251	4,596	-	70,718	102,600
Health	41,424	1,387	5,615	-	-	-	48,426
Parents	14,740	510	4,833	-	5,518	-	25,601
Depreciation and loss on disp.	37,164	5,717	13,150	1,143	-	3,011	60,185
Insurance	22,838	3,159	7,112	475	-	16,232	49,816
Policy council	2,611	387	877	-	-	-	3,875
Total expenses	<u>\$ 4,922,788</u>	<u>\$ 977,583</u>	<u>\$ 2,005,964</u>	<u>\$ 171,875</u>	<u>\$ 12,987</u>	<u>\$ 684,880</u>	<u>\$ 8,776,077</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>2021</u>	<u>2020</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 84,386	\$ 141,688
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	75,794	60,185
Gain on certificate-of-deposit	(324)	(319)
Increase (decrease) in:		
Grants receivable	95,792	(165,167)
Deposits	(386)	(1,000)
Accounts payable	(183,087)	113,926
Salaries payable	18,872	39,476
Accrued payroll taxes and benefits	(13,891)	(2,937)
Retirement payable	45,809	36,140
Net cash provided by operating activities	<u>122,965</u>	<u>221,992</u>
<u>Cash flows from investing activities:</u>		
Purchase of equipment	<u>(161,316)</u>	<u>(213,066)</u>
Net cash used in investing activities	<u>(161,316)</u>	<u>(213,066)</u>
Net increase (decrease) in cash and cash equivalents	(38,351)	8,926
Cash and cash equivalents, beginning of year	<u>44,273</u>	<u>35,347</u>
Cash and cash equivalents, end of year	<u>\$ 5,922</u>	<u>\$ 44,273</u>

The Accompanying Notes are an Integral Part of the Financial Statements

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2021 and 2020

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 and Cash Equivalents

BRHS considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

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, 2021 and 2020

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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2021 and 2020

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, 2021 and 2020

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 2021 and 2020, BRHS recognized \$471,954 and \$374,095, 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 2021 and 2020, BRHS received approximately 148,000 and 126,000 hours of donated services by volunteers with an estimated fair value of \$2,429,047 and \$1,768,595, 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, 2021 and 2020

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

Income Taxes (continued)

The federal income tax returns of the Organization for 2020, 2019, and 2018 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, 2021 and 2020, 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, 2021, which is the date the financial statements were available to be issued.

Note 2 – Certificate-of-Deposit

At January 31, 2021 and 2020, BRHS owned a certificate-of-deposit bearing interest at 0.35% and 0.21%, respectively. Fair value for the certificate-of-deposit approximates cost. The certificate matures on January 29, 2023.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2021 and 2020

Note 3 – Grants Receivable

At January 31, 2021 and 2020, grants receivable, which are unsecured but considered fully collectible, consisted of the following:

	<u>2021</u>	<u>2020</u>
U.S. Department of Agriculture	\$ 44,552	\$ 29,749
U.S. Department of Health and Human Services	778,576	901,199
Idaho Head Start Association	57,142	51,530
CARES	7,443	2,157
Other Grant Receivables	<u>1,130</u>	<u>-</u>
Total	<u>\$ 888,843</u>	<u>\$ 984,635</u>

Note 4 – Equipment

At January 31, 2021 and 2020, equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 23,784	\$ 23,784
Portable classroom	350,238	350,238
Building	211,176	211,176
Equipment	484,740	355,774
Vehicles	<u>337,238</u>	<u>318,818</u>
Total equipment	1,407,176	1,259,790
Less accumulated depreciation	<u>(940,816)</u>	<u>(878,952)</u>
Equipment, net	<u>\$ 466,360</u>	<u>\$ 380,838</u>

Included in the assets above are \$124,990 and \$135,948 net property and equipment at January 31, 2021 and 2020, 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, 2021.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2021 and 2020

Note 5 – Donated Professional Services and Materials

BRHS received donated professional services and materials as follows during the years ended January 31, 2021 and 2020:

	Utah Head		Early Head		
	Start	ECP	Start	Administrative	Total
January 31, 2021					
Professional services	\$ 9,965	\$ 1,093	\$ 2,691	\$ -	\$ 13,749
Mileage	1,807	367	445	-	2,619
Supplies	7,103	1,300	4,929	-	13,332
Rent	312,091	44,808	85,355	-	442,254
	<u>\$ 330,966</u>	<u>\$ 47,568</u>	<u>\$ 93,420</u>	<u>\$ -</u>	<u>\$ 471,954</u>
January 31, 2020					
Professional services	\$ 4,228	\$ 762	\$ 442	\$ -	\$ 5,432
Mileage	3,579	352	1,340	-	5,271
Supplies	21,496	-	1,984	-	23,480
Rent	217,305	44,504	78,103	-	339,912
	<u>\$ 246,608</u>	<u>\$ 45,618</u>	<u>\$ 81,869</u>	<u>\$ -</u>	<u>\$ 374,095</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 2021 and 2020 were \$364,847 and \$319,038, respectively.

BEAR RIVER HEAD START, INC.
Notes to the Financial Statements
January 31, 2021 and 2020

Note 7 – Operating Leases

BRHS maintains multiple lease agreements for office and classroom space in Utah and Idaho. All leases agreements expire by 2030. Rent expense for fiscal years 2021 and 2020 was \$740,908 and \$477,391, 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>
2022	\$ 751,311
2023	701,514
2024	660,532
2025	580,545
2026	375,064
2027	384,990
2028	393,637
2029	402,509
2030	<u>407,107</u>
Total	<u>\$4,657,210</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:

	<u>2021</u>	<u>2020</u>
Cash	\$5,922	\$44,273
Certificate-of-deposit	<u>20,571</u>	<u>20,247</u>
Total	<u>\$26,493</u>	<u>\$64,520</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>2021</u>	<u>2020</u>
Support:		
Contracts and grants	\$ 8,509,356	\$ 8,541,876
Program income	1,000	-
In-kind contributions	<u>2,901,001</u>	<u>2,142,690</u>
Total support	<u>11,411,357</u>	<u>10,684,566</u>
Expenses:		
Program services:		
Head Start	6,714,157	6,197,798
ECP	1,213,467	1,231,952
Early Head Start	2,517,458	2,401,432
Idaho TANF	121,169	170,732
Other grants	<u>-</u>	<u>-</u>
Total program services	10,566,251	10,001,914
Administrative expenses	<u>845,106</u>	<u>682,652</u>
Total expenses	<u>11,411,357</u>	<u>10,684,566</u>
Change in net assets	<u>-</u>	<u>-</u>
Reconciliation to GAAP basis:		
Corporate interest income	324	317
Corporate income	665	1,477
Corporate expenses	(2,125)	(12,987)
Non-GAAP in-kind contributions	(2,429,047)	(1,768,595)
Non-GAAP in-kind costs	2,429,047	1,768,595
Equipment	161,316	213,066
Loss on disposal of equipment	-	-
Depreciation	<u>(75,794)</u>	<u>(60,185)</u>
Total reconciling items	<u>84,386</u>	<u>141,688</u>
Increase in net assets	<u>\$ 84,386</u>	<u>\$ 141,688</u>

See Independent Auditors Report



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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, 2021 and 2020, 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 May 21, 2021.

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, PLLC

Rexburg, Idaho
May 21, 2021



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
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, 2021. 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 federal statutes, regulations, and terms and conditions 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, 2021.

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.

Rudd & Company, PLLC

Rexburg, Idaho
May 21, 2021

BEAR RIVER HEAD START, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2021

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:				
2020 - 2021 Head Start	93.600	08CH010808-02/04	\$ 7,026,520	\$ 7,026,520
2020 - 2021 Head Start COVID-19	93.600	08CH010808-02/04	430,616	175,700
2019- 2020 ECP	93.600	08HP000280/01	978,997	502,028
2020- 2021 ECP	93.600	08HP000280-02/02	1,033,131	452,717
2020- 2021 ECP COVID-19	93.600	08HP000280-02/02	49,213	12,043
Passed through the Idaho Head Start Association:				
Temporary Assistance for Needy Families	93.558	22-202101	134,888	95,621
	93.558	21-202001	166,016	<u>42,068</u>
Total Department of Health and Human Services				<u>8,306,697</u>
<u>U.S. Dept. of Agriculture</u>				
Passed through Utah State Office of Education				
Child Care Food Program	10.558	F-1	176,887	176,887
Passed through the Idaho State Department of Education Child Nutrition Section				
Child Care Food Program	10.558	45-01	25,772	<u>25,772</u>
Total Department of Agriculture				<u>202,659</u>
Total Federal Awards			\$	<u><u>8,509,356</u></u>

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

BEAR RIVER HEAD START, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2021

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, 2021

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, 2021

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.600	2020-2021 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, 2021

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.