



NATIONAL CENTER  
FOR APPROPRIATE  
TECHNOLOGY

**CONSOLIDATED FINANCIAL REPORT  
AND SUPPLEMENTARY INFORMATION**

**September 30, 2019 and 2018**



C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT .....	1 and 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities.....	4
Consolidated Statement of Functional Expenses – September 30, 2019 .....	5
Consolidated Statements of Cash Flows .....	6
Notes to Consolidated Financial Statements .....	7 through 17
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards .....	18 and 19
Notes to Schedule of Expenditures of Federal Awards.....	20
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	21 and 22
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	23 and 24
Schedule of Findings and Questioned Costs .....	25
INDIRECT COST AUDIT SECTION	
INDEPENDENT AUDITOR'S REPORT .....	26 and 27
Schedule of Determination of Indirect Cost Rates .....	28
Notes to Schedule of Determination of Indirect Cost Rates.....	29 and 30

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
National Center for Appropriate  
Technology, Inc. and Subsidiary  
Butte, Montana

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

We have audited the accompanying consolidated financial statements of the National Center for Appropriate Technology, Inc. (a nonprofit organization) and subsidiary (collectively NCAT), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities and consolidated cash flows for the years then ended and functional expenses for the year ended September 30, 2019, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Center for Appropriate Technology, Inc. and subsidiary as of September 30, 2019 and 2018, and the consolidated changes in its net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Effect of Adopting New Accounting Standard**

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) 2016-14, *Not-for-Profit (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended September 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is 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 additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2020, on our consideration of National Center for Appropriate Technology, Inc.'s internal control over consolidated 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 consolidated 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 National Center for Appropriate Technology, Inc.'s internal control over consolidated financial reporting and compliance.



Butte, Montana  
February 11, 2020

FINANCIAL STATEMENTS

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
As of September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,306,558	\$ 2,251,011
Certificate of deposit	100,360	-
Receivables	1,360,608	869,867
Prepaid expenses	<u>93,912</u>	<u>32,996</u>
Total current assets	<u>2,861,438</u>	<u>3,153,874</u>
PROPERTY AND EQUIPMENT, NET	<u>376,731</u>	<u>423,216</u>
<b>OTHER ASSETS</b>		
Deposits and other	<u>79,091</u>	<u>76,390</u>
Total assets	<u>\$ 3,317,260</u>	<u>\$ 3,653,480</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 228,260	\$ 359,165
Accrued expenses	732,910	642,411
Current portion of long-term debt	736	10,894
Deferred revenue	<u>253,344</u>	<u>675,574</u>
Total current liabilities	<u>1,215,250</u>	<u>1,688,044</u>
<b>LONG TERM LIABILITIES</b>		
Long-term debt, net of current portion	<u>-</u>	<u>834</u>
Total liabilities	<u>1,215,250</u>	<u>1,688,878</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	<u>2,102,010</u>	<u>1,964,602</u>
Total net assets without donor restrictions	<u>2,102,010</u>	<u>1,964,602</u>
Total liabilities and net assets	<u>\$ 3,317,260</u>	<u>\$ 3,653,480</u>

The Accompanying Notes are an integral part of these consolidated financial statements.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
Years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
UNRESTRICTED REVENUE AND SUPPORT		
Grants and contracts	\$ 6,798,992	\$ 6,375,372
Contributions	36,169	28,144
In-kind contributions	139,651	33,051
Investment income	<u>7,142</u>	<u>7,421</u>
Total revenue and support	<u>6,981,954</u>	<u>6,443,988</u>
PROGRAM EXPENSES		
Sustainable Agricultural Programs	4,882,781	4,489,187
Sustainable Energy Programs	<u>1,290,348</u>	<u>1,243,438</u>
Total program expenses	<u>6,173,129</u>	<u>5,732,625</u>
ADMINISTRATIVE AND SUPPORTING EXPENSES		
General and administrative	611,455	569,218
Fundraising	<u>3,137</u>	<u>7,036</u>
Total administrative and supporting expenses	<u>614,592</u>	<u>576,254</u>
Total expenses	<u>6,787,721</u>	<u>6,308,879</u>
OTHER INCOME (EXPENSE)		
Other expense	<u>(56,825)</u>	<u>(42,124)</u>
Total other expense	<u>(56,825)</u>	<u>(42,124)</u>
CHANGE IN NET ASSETS	137,408	92,985
Net assets without donor restrictions, beginning of year	<u>1,964,602</u>	<u>1,871,617</u>
Net assets without donor restrictions, end of year	<u>\$ 2,102,010</u>	<u>\$ 1,964,602</u>

The Accompanying Notes are an integral part of these consolidated financial statements.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year ended September 30, 2019

	Program Services			Supporting Services			Total Expenses
	Sustainable Agriculture Programs	Sustainable Energy Programs	Total Program Services	General & Administrative	Fundraising	Total Supporting Services	
Labor and fringe	\$ 3,046,840	\$ 784,646	\$ 3,831,486	\$ 528,638	\$ 1,198	\$ 529,836	\$ 4,361,322
Subcontracts	813,610	87,307	900,917	37,547	-	37,547	938,464
Materials and supplies	577,278	76,104	653,382	24,297	1,939	26,236	679,618
Stipends	-	241,819	241,819	-	-	-	241,819
Travel	225,118	35,870	260,988	20,973	-	20,973	281,961
Rent and utilities	180,738	45,184	225,922	-	-	-	225,922
Depreciation	39,197	9,799	48,996	-	-	-	48,996
Training	-	9,619	9,619	-	-	-	9,619
Total expenses	<u>\$ 4,882,781</u>	<u>\$ 1,290,348</u>	<u>\$ 6,173,129</u>	<u>\$ 611,455</u>	<u>\$ 3,137</u>	<u>\$ 614,592</u>	<u>\$ 6,787,721</u>

The Accompanying Notes are an integral part of these consolidated financial statements.



NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 137,408	\$ 92,985
Adjustment to reconcile change in net assets to cash flows from operating activities:		
Depreciation	48,996	50,057
Changes in assets and liabilities		
Receivables	(490,741)	(280,877)
Prepaid expenses	(60,916)	40,425
Deposits and other assets	(2,701)	(4,709)
Accounts payable	(130,905)	214,231
Accrued expenses	90,499	37,162
Deferred revenue	<u>(422,230)</u>	<u>(499,595)</u>
Net cash flows from operating activities	<u>(830,590)</u>	<u>(350,321)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,511)	(68,853)
Purchase of certificate of deposit	<u>(100,360)</u>	<u>-</u>
Net cash flows from investing activities	<u>(102,871)</u>	<u>(68,853)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	<u>(10,992)</u>	<u>(10,470)</u>
Net cash flows from financing activities	<u>(10,992)</u>	<u>(10,470)</u>
Net change in cash and cash equivalents	(944,453)	(429,644)
Cash and cash equivalents - beginning of year	<u>2,251,011</u>	<u>2,680,655</u>
Cash and cash equivalents - end of year	<u>\$ 1,306,558</u>	<u>\$ 2,251,011</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 332</u>	<u>\$ 859</u>

The Accompanying Notes are an integral part of these consolidated financial statements.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2019 and 2018

**NOTE 1. NATURE OF ORGANIZATION**

The National Center for Appropriate Technology, Inc. (NCAT) was organized on October 12, 1976, as a nonprofit corporation under the Montana Nonprofit Corporation Act. NCAT owns 100% of New Horizon Technologies, Inc. (subsidiary), a for-profit corporation.

The mission of NCAT and its subsidiary is to help people by championing small-scale, local, and sustainable solutions to reduce poverty, promote healthy communities, and protect natural resources.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

**New Accounting Pronouncement**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has elected not to restate 2018 for the functional expenses and liquidity disclosures. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which had no effect on the change in net assets or total assets previously reported.

**Consolidation Policy**

The consolidated financial statements include the accounts of NCAT and New Horizon Technologies, Inc., a 100% owned subsidiary (collectively referred to as NCAT). Significant transactions between the entities, including all intercompany balances, have been eliminated in consolidation.

**Revenue Recognition**

Revenue on cost-plus contracts is recognized when the right to bill exists. Current period revenue includes reimbursement of direct and indirect contract costs incurred in full or for partial performance of the contract. Other contracts in progress are accounted for by the percentage-of-completion method (revenues are recognized according to the ratio of costs incurred to estimated total contract costs) or by the pay-for-performance method (revenues are recognized in accordance with the performance contract), where applicable.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

For the years ended September 30, 2019 and 2018, federal government contracts are charged and billed for costs at government approved provisional rates. Some projects are adjusted at year-end to reflect actual costs incurred.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, NCAT considers all cash and investments with an original maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk**

NCAT maintains cash balances at various financial institutions. Deposit accounts at each institution are subject to insurance coverage up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). NCAT also maintains repurchase account balances at Glacier Bank totaling \$1,159,268 and \$2,016,528 at September 30, 2019 and 2018, respectively. These amounts are not insured by the FDIC, rather, they are protected under a master repurchase agreement in which there is collateral held by a third party. At September 30, 2019 and 2018, NCAT has no uninsured balances.

**Certificate of Deposit**

NCAT has one certificate of deposit (CD) at September 30, 2019. The current term is thirteen months maturing in July 2020, with an interest rate of 1.80%. The CD is stated at the principal balance. As of September 30, 2018, there were no CD's held by NCAT.

**Receivables**

Accounts receivable consist primarily of amounts due from grants and government contracts. The allowance method is used to determine uncollectible amounts. An allowance for uncollectible accounts receivable is provided based on management's estimate, including such factors as prior collection history. Management believes all accounts receivable are fully collectible at September 30, 2019 and 2018. Accordingly, no allowance for doubtful accounts is considered necessary.

**Prepaid Expenses**

Prepaid expenses include amounts paid to vendors for services to be received in future periods.

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Building and Improvements	40 years
Equipment	4–12 years
Vehicles	5 years
Furniture and Fixtures	3-15 years
Software	3 years

NCAT capitalizes property and equipment with a cost greater than \$5,000 and an estimated useful life of three years or more. Repairs and maintenance are expensed when incurred and betterments, which are expected to extend an asset's useful life, are capitalized.

NCAT records all gifts of long-lived assets as unrestricted unless the donor states time or purpose restrictions.

At the time property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation is adjusted, and any gain or loss on disposal is included in the statement of changes in net assets. Additionally, NCAT periodically reviews the carrying value of property and equipment and will recognize impairments when the expected future operating cash flow derived from such assets is less than their carrying value.

**Contributions**

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. Purpose or time restricted contributions that are received and released from restrictions in the same year are classified as net assets without donor restrictions.

**Deferred Revenue**

Deferred revenue represents amounts received, but not earned, on work in process at year end. Deferred revenues consist of private or federal grants and amount to \$253,344 and \$675,574 at September 30, 2019 and 2018, respectively.

**Compensated Absences**

Employees earn sick leave credits from the first full month of regular employment but must normally complete three months of regular employment before they are eligible to use any accrued credits. Regular full-time employees accumulate sick leave at the rate of nine days per year to a maximum of 480 hours. Sick leave is prorated for all employees with less than full-time status. Employees are not reimbursed for accumulated sick leave at termination. Sick leave is expensed as it is used.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences (Continued)**

Employees accrue vacation from the date of hire. Vacation is accrued based on years of service and is prorated for employees with less than full-time status. Full-time employees may accumulate a maximum of 240 hours of vacation time. Vacation hours are paid to terminated employees and is accrued and expensed on a bimonthly basis.

**Classification of Net Assets**

NCAT reports information regarding its financial position and activities according to two classes, as follows:

*Net Assets without Donor Restrictions* – Net assets available for use in carrying out the mission of the Organization, and include those expendable resources which have been designated for special use by the Organization. The Organization’s policy is to record program service contracts and grants as unrestricted when it is expected the grants and contracts will be expended in the same year.

*Net Assets with Donor Restrictions* – Net assets that are subject to donor or certain grantor imposed stipulations. Some donor or grant restrictions are temporary in nature such as those that will be met by passage of time or other events specified by the donor or grantor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that are sources 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. The Organization does not have any net assets with donor restrictions at September 30, 2019.

**Functional Expenses**

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on an organization wide indirect cost plan. Accordingly, expenses, such as, depreciation, utilities, and rent are based on direct labor charges and apportioned to each program based on the labor/fringe ratio as calculated by NCAT management. General and administrative costs are allocated based on NCAT’s indirect cost rate agreement.

**Income Taxes**

NCAT is generally exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. Interest income earned on advances to its subsidiary and personal property rents are subject to unrelated business income tax. NCAT is not a private foundation as classified by the Internal Revenue Service.

NCAT’s subsidiary, NHT, is a C-Corporation subject to federal and state income taxes.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

NHT accounts for income taxes in accordance with GAAP, which requires the use of the liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Income tax credits are accounted for by the flow-through method, which recognizes the credits as reductions of income tax expense in the year utilized.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

Management has evaluated subsequent events through February 11, 2020, the date which the financial statements were available for issuance.

**NOTE 3. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure include only those without donor restrictions, excluding board designated net assets or other restrictions limiting their use within one year of the statement of financial position date. General expenditures include those listed within the management and general classification of the statement of activities. The following financial assets are expected to be available to support NCAT in the year ending September 30, 2020:

Financial assets:	
Cash and cash equivalents	\$ 1,306,558
Certificate of deposit	100,360
Receivables	1,360,608
Less: grants receivable	(800,558)
Less: deferred revenue	<u>(253,344)</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u>\$ 1,713,624</u>

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)**

As of September 30, 2019, NCAT has working capital of \$1,646,188 and 70 days cash on hand. As part of NCAT's liquidity management plan, the Organization has a policy to structure its financial assets to be available for general expenditures, liabilities, and or obligations as they become due. Grants receivable are excluded from financial assets available for general expenditure as they are generally restricted for specific purposes. NCAT has a committed line of credit in the amount of \$200,000, of which \$200,000 can be drawn upon at September 30, 2019.

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 30,456	\$ 30,456
Buildings and improvements	757,363	757,363
Furniture and fixtures	250,122	250,122
Office equipment	160,301	160,301
Computer equipment	172,233	144,046
Software	46,690	46,690
Vehicles	70,128	70,128
Asset under construction	-	25,676
Less accumulated depreciation	<u>(1,110,562)</u>	<u>(1,061,566)</u>
	<u>\$ 376,731</u>	<u>\$ 423,216</u>

Depreciation expense was \$48,996 and \$50,057 for the years ended September 30, 2019 and 2018, respectively.

Equipment purchased with federal funding is expensed if the grant indicates the title is to be held by the grantor. The equipment used by NCAT is below the threshold for NCAT's capitalization policy and therefore not included in the statements of financial position. Such equipment totaled approximately \$139,000 and \$153,000 for the years ended September 30, 2019 and 2018, respectively.

**NOTE 5. CONCENTRATIONS**

During 2019 and 2018, NCAT derived approximately 69% and 70%, respectively, of its revenue from contracts with various federal governmental agencies. Additionally, 73% and 77%, respectively, of its accounts receivable relate to contracts with the federal government. However, management believes any risks associated with this concentration is mitigated due to the number of contracts spread across several federal agencies and departmental programs.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 6. RECEIVABLES**

Receivables consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Billed receivables	\$ 1,047,876	\$ 824,819
Other miscellaneous receivables	<u>312,732</u>	<u>45,048</u>
	<u>\$ 1,360,608</u>	<u>\$ 869,867</u>

**NOTE 7. CONTRIBUTED SERVICES**

NCAT records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. NCAT received contributed professional services of \$139,651 and \$33,051 during the years ended September 30, 2019 and 2018, respectively.

**NOTE 8. ACCRUED EXPENSES**

Accrued expenses consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Accrued payroll taxes and withholding	\$ 59,170	\$ 912
Accrued wages	126,706	127,637
Accrued vacation	174,543	161,667
Profit sharing plan	236,565	226,220
457B pension plan	135,025	118,141
Other	<u>901</u>	<u>7,834</u>
	<u>\$ 732,910</u>	<u>\$ 642,411</u>

**NOTE 9. LINE OF CREDIT**

At September 30, 2019, NCAT has an unused line of credit of \$200,000 with a variable annual interest rate with an initial rate of 5.0%. NCAT did not draw on this line of credit during 2019 or 2018. The line of credit expires March 31, 2021.



NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 10. LEASE COMMITMENTS**

NCAT leases facility space in the following cities:

- Fayetteville, Arkansas with monthly rent expense of \$2,300 per month, effective for five years beginning July 1, 2016 with a cost of living index increase each year;
- San Antonio, Texas with a monthly rent expense of \$1,106 per month, effective for five years beginning December 1, 2014;
- Davis, California with monthly rent expense of \$1,000 per month, effective month-to-month;
- Keene, New Hampshire with a monthly rent expense of \$1,100 per month, effective for three years beginning February 1, 2017;
- Jackson, Mississippi with monthly rent expense of \$991 per month, effective month-to-month.

The following is a schedule of future minimum lease payments for long-term agreements:

2020	\$	32,268
2021		29,397
2022		<u>29,833</u>
	\$	<u>91,498</u>

All of the office rental space leases are on an annual basis and are contingent on continued federal funding.

During the years ended September 30, 2019 and 2018, NCAT's total facility rental expense was \$80,722 and \$86,446, respectively.

NCAT also leases equipment under operating leases, with monthly rental expense amounting to \$775. The leases include an escape clause if federal funding is terminated.

During the years ended September 30, 2019 and 2018, equipment rental expense was \$22,571 and \$9,462, respectively.

**NOTE 11. INCOME TAXES**

Income taxes for NCAT consist of a provision of \$-0- for each of the years ended September 30, 2019 and 2018. There were no accrued expenses of income tax liability at September 30, 2019 and 2018.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 12. NOTES PAYABLE**

NCAT's obligation under notes payable consists of the following:

	<u>2019</u>	<u>2018</u>
Note payable to Glacier Bank, due in monthly installments of \$944, including interest at 5%; maturing on October 24, 2019; secured by all inventory, accounts receivable, equipment, and general intangibles.	\$ 736	\$ 11,728
Less current portion	<u>(736)</u>	<u>(10,894)</u>
Total	<u>\$ -</u>	<u>\$ 834</u>

Interest expense was \$332 and \$859 for the years ended September 30, 2019 and 2018, respectively.

**NOTE 13. PROFIT SHARING PLAN**

NCAT sponsors a 401(k) Profit Sharing Plan (the Plan) for eligible employees. The Plan permits employee salary reductions for employees who have attained age 21 and have completed at least three months of service.

Employer contributions are allowed for employees who have attained age 21 and have completed at least three months of service or 1000 hours of paid time. An employee must be employed on December 31 to be eligible for employer contribution. Effective January 1, 2018, NCAT established a match of 3% of salary deferred by eligible employees.

NCAT approves discretionary contributions to the profit sharing plan on a calendar year basis. At September 30, 2019 and 2018, respectively, \$297,959 and \$277,423 of employer contributions were expensed in the accompanying consolidated financial statements.

**NOTE 14. KEY EMPLOYEE LIFE INSURANCE**

NCAT is the owner and beneficiary of a term life insurance policy on a key employee. The face amount approximates \$333,000. The premium for the policy amounts to \$486 per month.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 15. INDIRECT COST RATES AND FUNCTIONAL ALLOCATION OF COSTS**

NCAT's actual allocated cost rates for the fiscal years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Cost Pool:		
Directly allocated fringe - regular employees	44.00%	44.00%
Allocated direct costs	36.00%	36.00%
Indirect general and administrative (G&A)	10.00%	10.00%

The subsidiary does not use an indirect cost rate.

**NOTE 16. ROYALTY AGREEMENT**

NCAT has entered into a royalty agreement with NHTES, LLC (LLC). NCAT agreed to authorize LLC the right to use the name "New Horizon Technologies Energy Services," the existing logo, and the EnerTel trademark, in consideration of payment of a royalty fee.

LLC agreed to pay NCAT a royalty fee equal to two (2%) percent of LLC's annual cash receipts in excess of \$1,200,000 in a calendar year, provided that the fee shall not exceed \$20,000 in any given year and shall not exceed \$110,000 in the aggregate. For the years ended September 30, 2019 and 2018 royalty fees received amounted to \$-0-.

**NOTE 17. RELATED PARTY TRANSACTIONS**

Members of the board of directors of NCAT made contributions in the amount of \$9,295 and \$6,260 for the years ended September 30, 2019 and 2018, respectively.

During 2016, NCAT loaned \$150,000 to New Horizons Technology, Inc. in a line of credit agreement for construction of a project. On October 1, 2016, the balance line of credit was converted to a long term note payable for \$89,500. The note bears an interest rate of 2.5% and matures in September 2041. The impact of the intercompany note payable has been eliminated in the accompanying financial statements. The outstanding balance of the note payable was \$80,700 and \$84,439 at September 30, 2019 and 2018, respectively.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2019 and 2018

**NOTE 18. DEFERRED COMPENSATION**

Effective October 2012, NCAT adopted a non-qualified deferred compensation agreement under Section 457(b) of the Internal Revenue Code. Contributions by NCAT are Board discretionary and are subject to IRS limits. The plan allows for eligible employees to defer a portion of their compensation. Such deferrals accumulate on a tax deferred basis until the employee withdraws the funds upon retirement, termination, or death. Participants are fully vested on contributions made. After 60 days of separation from service, benefits may be paid out in a lump sum or installment payments. Total contributions in 2019 and 2018 were \$18,885 and \$40,800, respectively.

SINGLE AUDIT SECTION

**NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2019**

Federal Source	Grantor	CFDA	Federal	Passed
Pass-through Source	Contract	Number	Funds	Through to
Program Title	Number	Number	Expended	Subrecipients
Type of Assistance				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Rural Business - Cooperative Service				
Appropriate Technology Transfer for Rural Areas (ATTRA)	RBS-18-02	10.782	\$ 1,602,458	\$ -
Appropriate Technology Transfer for Rural Areas (ATTRA)	RBS-19-01	10.782	<u>1,048,034</u>	<u>-</u>
<b>Subtotal by CFDA Number</b>			<u>2,650,492</u>	<u>-</u>
Farm and School Nutrition Service				
Farm to School	USDA-FNS-F2S-TC-2019-MT-01	10.531	125,566	-
Passed through Montana Department of Agriculture	18F2S001	10.575	<u>29,778</u>	<u>-</u>
<b>Subtotal by CFDA Number</b>			<u>155,344</u>	<u>-</u>
National Institute of Food and Agriculture				
Is Organic Farming Risky	2014-51300-22224	10.307	318,272	-
Agricultural Research Service				
Use of Natural Strategies to Alleviate Enteric Pathogens in Organic Poultry	59-6020-7-001	10.001	32,870	-
Nutrient Management Options for Specialty Crop Production for New Veteran Farmers	59-6020-9-001	10.001	<u>90</u>	<u>-</u>
<b>Subtotal by CFDA Number</b>			<u>32,960</u>	<u>-</u>
Agricultural Marketing Service				
Building Farmers Markets in Montana	16MPPMT0013	10.168	60,477	-
The Common Marker Texas	AM180100XXXXG109	10.172	51,749	-
Natural Resources Conservation Service				
Underserved Farmers & Ranchers	NR187442XXXXC052	10.902	40,000	-
Latino Farmers Conference	NR199104XXXXC002	10.902	10,000	-
OASCR - Hispanic Famers	68-9104-16-517	10.902	<u>1,250</u>	<u>-</u>
<b>Subtotal by CFDA Number</b>			<u>51,250</u>	<u>-</u>
Rural Business - Cooperative Service				
Environmental Quality Incentives Program	69-3A75-17-281	10.912	158,302	-
Risk Management Agency				
Passed through California Farm Link	NA	10.460	18,934	-
Passed through California Farm Link	NA	10.460	20,115	-
Passed through California Institute for Rural Studies	NA	10.46	<u>2,488</u>	<u>-</u>
<b>Subtotal by CFDA Number</b>			<u>41,537</u>	<u>-</u>
Specialty Crop Block Grant				
Specialty Crop Block Grant	17SC003112	10.170	28,928	-
Specialty Crop Block Grant	NA	10.170	1,509	-
Specialty Crop Block Grant	19SCG04708	10.170	<u>48,339</u>	<u>-</u>
<b>Subtotal by CFDA Number</b>			<u>78,776</u>	<u>-</u>
Sustainable Agriculture Research and Education				
National Institute of Food and Agriculture				
Passed through Montana and Utah State University	G202-19-W6663	10.215	7,996	-
Passed through Utah State University	200592-00001-360	10.215	25,696	-
Passed through Utah State University	150893-00001-225	10.215	42,296	-
Passed through Montana and Utah State University	G134-16-W5491	10.215	1,576	-
Passed through University of Arkansas	82275-02	10.215	18,547	-
Passed through University of Georgia	RD309-144/S001664	10.215	13,063	-
Passed through Tarelton State University	NA	10.215	16,704	-
Passed through Utah State University	200592-377	10.215	<u>18,184</u>	<u>-</u>
<b>Subtotal by CFDA Number</b>			<u>144,062</u>	<u>-</u>

See Notes to Schedule.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended September 30, 2019

Federal Source	Pass-through Source	Program Title	Type of Assistance	Grantor Contract Number	CFDA Number	Federal Funds Expended	Passed Through to Subrecipients	
		Urban Farming in the United States	Passed through Syracuse University	28361-04254-S03	10.310	45,801	-	
		Passed through University of California		A18-0690-S002	10.311	37,413	-	
		Passed through University of Texas Rio Grande Valley		2015-70017-23956	10.311	26,992	-	
		National Institute of Food and Agriculture	Passed through University of Arkansas	UA AES 91161-01	10.311	72,052	-	
		Passed through Alcorn State University		NA	10.311	14,581	-	
		Passed through Community Food & Ag Coalition (CFAC)		NA	10.311	1,641	-	
		Passed through Community Food & Ag Coalition (CFAC)		NA	10.311	498	-	
		Beginning Farmers Training		2016-70017-25344	10.311	102,365	-	
		Building Farm Foundations and Planning for Success		2016-70017-25350	10.311	124,794	-	
		<b>Subtotal by CFDA Number</b>				<u>380,336</u>	-	
		Sustainable Agriculture Research and Education	National Institute of Food and Agriculture	Passed through University of Arkansas	31000-20	10.500	22,943	-
		<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<u>4,192,301</u>	-	
		<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
		LIHEAP Clearinghouse		HHSP233201550019A	93.568	337,690	-	
		<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<u>337,690</u>	-	
		<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>						
		MT State AmeriCorps		DLISFY18CONOCS_57-1	94.006	254,052	-	
		<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				<u>254,052</u>	-	
		<b>ENVIRONMENTAL PROTECTION AGENCY</b>						
		Environmental Education Grant		01F54801	66.951	50,038	-	
		Environmental Education Grant		96881801	66.951	1,532	-	
		<b>Subtotal by CFDA Number</b>				<u>51,570</u>	-	
		Passed through Montana State University	Housing & Environmental Health Program	47100419002	66.708	11,645	-	
		<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>				<u>63,215</u>	-	
		<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u>\$ 4,847,258</u>	<u>\$ -</u>	

See Notes to Schedule.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
September 30, 2019

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of NCAT under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NCAT, it is not intended and does not present the financial position, change in net assets, or cash flows of NCAT.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting which is the method of accounting used for the consolidated financial statements. Such expenditures are recognized following, as applicable, either the cost principles of Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3. PROGRAM INCOME**

Program income in the amount of \$183,781 is included in the ATTRA federal expenditures (CFDA #10.350). ATTRA expenditures reported on the SEFA consist of allowable program expenses net of program income received.

**NOTE 4. INDIRECT COST RATE**

NCAT uses its negotiated indirect cost rate agreement and accordingly has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.



INDEPENDENT AUDITOR'S 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  
National Center for Appropriate  
Technology, Inc.  
Butte, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the National Center for Appropriate Technology, Inc. (a nonprofit organization) (NCAT) and subsidiary which comprise the consolidated statements of financial position as of September 30, 2019, and the related consolidated statements of activities, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 11, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered NCAT'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCAT's internal control. Accordingly, we do not express an opinion on the effectiveness of NCAT'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 NCAT's consolidated financial statements are free of 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 NCAT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCAT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Anderson Zurmuehlen & Co. P.C." in a cursive script.

Butte, Montana  
February 11, 2020

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

To the Board of Directors  
National Center for Appropriate  
Technology, Inc.  
Butte, Montana

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

We have audited the National Center for Appropriate Technology's (NCAT) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NCAT's major federal programs for the year ended September 30, 2019. NCAT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of NCAT'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 NCAT'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 NCAT's compliance.

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

In our opinion, NCAT 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 September 30, 2019.

### **Report on Internal Control Over Compliance**

Management of NCAT 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 NCAT's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on the 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 NCAT'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.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely based 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.



Butte, Montana  
February 11, 2020

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended September 30, 2019

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal Control over major programs:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

	<u>CFDA Number</u>
Appropriate Technology Transfer for Rural Areas (ATTRA)	10.782
Montana State AmeriCorps	94.006
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 FINANCIAL STATEMENTS**

The audit report for the year ended September 30, 2019, reported no findings.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

The audit disclosed no findings, which were required to be reported under the provisions of the Uniform Guidance.

**SECTION IV - STATUS OF CORRECTIVE ACTION ON PRIOR FINDINGS**

The audit for the year ended September 30, 2018, reported no findings.

INDIRECT COST AUDIT SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
National Center for Appropriate  
Technology, Inc.  
Butte, Montana

We have audited the consolidated financial statements of the National Center for Appropriate Technology, Inc. (NCAT) and Subsidiary for the years ended September 30, 2019 and have issued our report thereon dated February 11, 2020.

We have also audited the accompanying Schedule of Determination of Indirect Cost Rates of NCAT for the year ended September 30, 2019, and the related notes to the Schedule of Determination of Indirect Cost Rates (the Schedule).

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

Management is responsible for the preparation and fair presentation of the Schedule 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the applicable provisions of the Federal Acquisition Regulation (FAR), provision subparts 42.7 "Indirect Cost Rates" and 42.8 "Disallowance of Costs," and the terms and conditions of the contracts as criteria to evaluate costs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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 Schedule.

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 Schedule referred to above presents fairly, in all material respects, the indirect cost rates of NCAT's cost reimbursable contracts for the year ended September 30, 2019, in conformity with accounting practices prescribed by subparts 42.7 "Indirect Cost Rates" and 42.8 "Disallowance of Costs" of the Federal Acquisition Regulations (FAR).

This report is intended solely for the information and use of governance, management of NCAT, its oversight agencies and other grantors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Anderson Zurmuehlen & Co. P.C." in a cursive, slightly slanted script.

Butte, Montana  
February 11, 2020



NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
 SCHEDULE OF DETERMINATION OF INDIRECT COST RATES  
 Year Ended September 30, 2019

Fiscal Year	Cost Pool	Provisional Rate	Audit Adjustments	Final Rate
2019	Fringe	44.00%	-	44.00%
	Allocated Direct Costs	36.00%	-	36.00%
	Indirect General and Administrative (G&A)	10.00%	-	10.00%

The Notes to Schedule of Determination of Indirect Cost Rates are an integral part of this schedule.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
NOTES TO SCHEDULE OF DETERMINATION  
OF INDIRECT COST RATES  
September 30, 2019

**NOTE 1. ORGANIZATION**

The National Center for Appropriate Technology, Inc. (NCAT) was organized on October 12, 1976, as a nonprofit corporation under the Montana Nonprofit Corporation Act.

The purpose of NCAT is to help people by championing small-scale, local, and sustainable solutions to reduce poverty, promote healthy communities, and protect natural resources.

**NOTE 2. BASIS OF ACCOUNTING**

The Schedule of Determination of Indirect Cost Rates has been prepared on the accrual basis of accounting and accounting practices prescribed by subpart 42.7 "Indirect Cost Rates" and 42.8 "Disallowance of Costs" of the Federal Acquisition Regulations (FAR).

**NOTE 3. PROVISIONAL RATE STRUCTURE**

Contracts with the federal government are charged and billed for indirect costs utilizing an approved provisional rate structure. The difference between the approved provisional indirect rates and actual rates is an adjustment in subsequent rate negotiations.

**NOTE 4. DESCRIPTION OF ALLOCATIONS**

*Fringe:*

Pool: Includes all fringe labor (vacation, holiday, sick, etc.) and fringe non-labor (insurance, employment related taxes, pension, and other various benefits).

Base: Total labor (excluding fringe labor) including directly allocated labor, G&A labor, federally unallowed labor and direct project labor.

Fringe is allocated to all labor, except fringe labor. Fringe benefits are identified with salaries and wages and treated as direct costs, as appropriate.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.  
NOTES TO SCHEDULE OF DETERMINATION  
OF INDIRECT COST RATES (CONTINUED)  
September 30, 2019

**NOTE 4. DESCRIPTION OF ALLOCATIONS (CONTINUED)**

*Allocated Direct Costs:*

Pool: Includes all directly allocated labor (including allocated fringe) and all non-labor directly allocated expenses (rent, computers, utilities, phones, lights, receptionist, supplies and various facility expense).

Base: Total direct project labor (including allocated fringe).

Allocated direct costs are allocated to all direct project labor, including allocated fringe.

*Indirect G&A:*

Pool: Includes all G&A labor (including allocated fringe) and non-labor G&A expenses (accounting, payroll, management, auditing, board expense and various other general expenses).

Base: Total cost input including all direct, indirect and unallowable costs (labor, fringe, directly allocated costs and non-labor).

Indirect G&A is allocated to all direct project labor and direct project non-labor.

In accordance with 2 CFR 200.413 (e), "The costs of certain activities are not allowable as charges to Federal Awards. However, even though these costs are unallowable for purposes of computing charges to Federal awards, they nonetheless must be treated as direct costs for the purposes of determining indirect cost rates and be allocated their share of the organization's indirect costs if they represent activities which (1) include the salaries of personnel, (2) occupancy, space, and (3) benefit from the Organization's indirect costs."



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