

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





NATIONAL CENTER
FOR APPROPRIATE
TECHNOLOGY

**CONSOLIDATED FINANCIAL REPORT
AND SUPPLEMENTARY INFORMATION**

September 30, 2017 and 2016



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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, 2017 and 2016, and the related consolidated statements of activities and consolidated cash flows for the years then ended, 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, 2017 and 2016, 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.

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 12, 2018, 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.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
February 12, 2018

FINANCIAL STATEMENTS

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,680,655	\$ 2,024,756
Receivables	588,990	433,569
Prepaid expenses	<u>73,421</u>	<u>39,503</u>
Total current assets	<u>3,343,066</u>	<u>2,497,828</u>
PROPERTY AND EQUIPMENT, NET	<u>404,420</u>	<u>454,490</u>
OTHER ASSETS		
Deposits and other	<u>71,681</u>	<u>63,185</u>
Total assets	<u>\$ 3,819,167</u>	<u>\$ 3,015,503</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 144,934	\$ 47,261
Accrued expenses	605,249	486,496
Current portion of long-term debt	10,423	9,902
Deferred revenue	<u>1,175,169</u>	<u>665,703</u>
Total current liabilities	<u>1,935,775</u>	<u>1,209,362</u>
LONG TERM LIABILITIES		
Long-term debt, net of current portion	<u>11,775</u>	<u>22,249</u>
Total liabilities	<u>1,947,550</u>	<u>1,231,611</u>
NET ASSETS		
Unrestricted	<u>1,871,617</u>	<u>1,783,892</u>
Total liabilities and net assets	<u>\$ 3,819,167</u>	<u>\$ 3,015,503</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED REVENUE AND SUPPORT		
Grants and contracts	\$ 5,775,379	\$ 4,961,516
Contributions	24,137	21,126
Investment income	<u>4,891</u>	<u>3,345</u>
Total revenue and support	<u>5,804,407</u>	<u>4,985,987</u>
PROGRAM EXPENSES		
Labor and fringe benefits	2,713,185	2,535,759
Allocated direct costs	980,569	915,970
Travel and other direct costs	634,419	622,580
Subcontracts and equipment	<u>835,931</u>	<u>412,959</u>
Total program expenses	<u>5,164,104</u>	<u>4,487,268</u>
ADMINISTRATIVE AND SUPPORTING EXPENSES		
General and administrative	585,280	516,366
Fundraising	<u>4,423</u>	<u>6,219</u>
Total administrative and supporting expenses	<u>589,703</u>	<u>522,585</u>
OTHER INCOME (EXPENSE)		
Other income	<u>37,125</u>	<u>41,796</u>
Total other income	<u>37,125</u>	<u>41,796</u>
CHANGE IN NET ASSETS		
	87,725	17,930
Net assets, beginning of year	<u>1,783,892</u>	<u>1,765,962</u>
Net assets, end of year	<u>\$ 1,871,617</u>	<u>\$ 1,783,892</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 87,725	\$ 17,930
Adjustment to reconcile change in net assets to cash flows from operating activities:		
Depreciation	50,070	49,209
Changes in assets and liabilities		
Receivables	(155,421)	102,524
Prepaid expenses	(33,918)	(4,624)
Deposits and other assets	(8,496)	(25,015)
Accounts payable	97,673	(39,439)
Accrued expenses	118,753	5,941
Deferred revenue	<u>509,466</u>	<u>573,475</u>
Net cash flows from operating activities	<u>665,852</u>	<u>680,001</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>-</u>	<u>(202,790)</u>
Net cash flows from investing activities	<u>-</u>	<u>(202,790)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(9,953)</u>	<u>(9,443)</u>
Net cash flows from financing activities	<u>(9,953)</u>	<u>(9,443)</u>
Net change in cash and cash equivalents	655,899	467,768
Cash and cash equivalents - beginning of year	<u>2,024,756</u>	<u>1,556,988</u>
Cash and cash equivalents - end of year	<u>\$ 2,680,655</u>	<u>\$ 2,024,756</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 1,377</u>	<u>\$ 2,003</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, 2017 and 2016

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.

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.

For the years ended September 30, 2017 and 2016, 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.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$2,431,625 and \$1,280,805 at September 30, 2017 and 2016, 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, 2017 and 2016, NCAT also has uninsured balances of \$-0- and \$393,745, respectively.

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, 2017 and 2016. 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.

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 expended 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.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Temporarily restricted contributions that are received and released from restrictions in the same year are classified as unrestricted.

Deferred Revenue

Deferred revenue represents amounts received, but not earned, on work in process at September 30, 2017 and 2016.

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.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted net assets consist of investments and amounts that are available for use in carrying out the mission of NCAT, and include expendable resources that have been designated for special use by NCAT.

Temporarily restricted net assets represent those amounts, which are donor restricted for specific purposes. When a donor restriction expires (i.e. when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. NCAT does not have any temporarily restricted net assets at September 30, 2017 and 2016.

Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds that mandate that the original principal be invested in perpetuity. NCAT does not have any permanently restricted net assets at September 30, 2017 and 2016.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements to conform to 2017 presentation. The reclassifications had no effect on the change in net assets or on total net assets as previously reported.

Subsequent Events

Management has evaluated subsequent events through February 12, 2018, the date which the financial statements were available for issuance.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 30,456	\$ 30,456
Buildings and improvements*	750,388	591,388
Furniture and fixtures	250,122	250,122
Office equipment	160,301	160,301
Computer equipment	125,071	125,071
Software	46,690	46,690
Vehicles	52,900	52,900
Asset Under Construction	-	159,000
Less accumulated depreciation	<u>(1,011,508)</u>	<u>(961,438)</u>
	<u>\$ 404,420</u>	<u>\$ 454,490</u>

*During 2017 NCAT placed in service the Solar Array amounting to \$159,000.

Depreciation expense was \$50,070 and \$49,209 for the years ended September 30, 2017 and 2016, respectively.

Property and equipment purchased with federal funding is expensed if the grant indicates the title is to be held by the grantor. Such property and equipment used by NCAT is not included in the statements of financial position and totaled approximately \$154,000 and \$173,000 for the years ended September 30, 2017 and 2016, respectively.

NOTE 4. CONCENTRATIONS

During 2017 and 2016, NCAT derived approximately 68% and 75%, respectively, of its revenue from contracts with various federal governmental agencies. Additionally, 76% and 69%, respectively, of its accounts receivable relate to contracts with the federal government. A significant variation in the level of this support, if this were to occur, would have a material effect on NCAT's programs and activities.

NCAT's largest single contract, the USDA ATTRA project, received \$2.75 and \$2.5 million during each of the years 2017 and 2016.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

NOTE 5. RECEIVABLES

Receivables consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Billed receivables	\$ 562,574	\$ 367,272
Other miscellaneous receivables	<u>26,416</u>	<u>66,297</u>
	<u>\$ 588,990</u>	<u>\$ 433,569</u>

NOTE 6. 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 did not receive contributed professional services during the years ended September 30, 2017 and 2016.

NOTE 7. ACCRUED EXPENSES

Accrued expenses consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Accrued payroll taxes and withholding	\$ 2,902	\$ 4,935
Accrued wages	137,031	115,159
Accrued vacation	142,179	144,690
Profit sharing plan	255,970	195,820
Other	<u>67,167</u>	<u>25,892</u>
	<u>\$ 605,249</u>	<u>\$ 486,496</u>

NOTE 8. LINE OF CREDIT

At September 30, 2017, 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 2017 or 2016. The line of credit expires March 31, 2018.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

NOTE 9. 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:

2018	\$	54,597
2019		43,957
2020		32,268
2021		29,397
2022		<u>29,833</u>
	\$	<u>190,052</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, 2017 and 2016, NCAT's total facility rental expense was \$81,646 and \$92,610, 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, 2017 and 2016, equipment rental expense was \$9,303 and \$8,149, respectively.

NOTE 10. INCOME TAXES

Income taxes for NCAT consist of a provision of \$-0- and \$-0- for the years ended September 30, 2017 and 2016, respectively. There were no accrued expenses of income tax liability at September 30, 2017 and 2016, respectively.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

NOTE 11. NOTES PAYABLE

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

	<u>2017</u>	<u>2016</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.	\$ 22,198	\$ 32,151
Less current portion	<u>(10,423)</u>	<u>(9,902)</u>
Total	<u>\$ 11,775</u>	<u>\$ 22,249</u>

The future scheduled maturities of long-term debt are as follows:

2018	\$	10,423
2019		10,941
2020		<u>834</u>
		<u>\$ 22,198</u>

Interest expense was \$1,307 and \$2,003 for the years ended September 30, 2017 and 2016, respectively.

NOTE 12. 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.

NCAT approves discretionary contributions to the profit sharing plan on a calendar year basis. At September 30, 2017 and 2016, respectively, \$255,970 and \$195,820 of employer contributions were expensed in the accompanying consolidated financial statements.

NOTE 13. 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, 2017 and 2016

NOTE 14. INDIRECT COST RATES AND FUNCTIONAL ALLOCATION OF COSTS

NCAT's actual allocated cost rates for the fiscal years ended September 30, 2017 and 2016 are as follows:

Cost Pool:	<u>2017</u>	<u>2016</u>
Directly allocated fringe - regular employees	44.00%	44.00%
Allocated direct costs	36.00%	36.00%
Indirect general and administrative (G&A)	10.00%	9.95%

The subsidiary does not use an indirect cost rate. NCAT has an approved provisional rate of 10% for G&A, however in 2016 NCAT billed based on an actual incurred rate of 9.95%.

NOTE 15. 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, 2017 and 2016 royalty fees received amounted to \$-0-.

NOTE 16. RELATED PARTY TRANSACTIONS

Members of the board of directors of NCAT made contributions in the amount of \$5,850 and \$5,300 for the years ended September 30, 2017 and 2016, 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 expires 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 \$87,110 and line of credit was \$128,000 at September 30, 2017 and 2016, respectively.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2017 and 2016

NOTE 17. 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. There were no contributions for the years ended September 30, 2017 or 2016.

SINGLE AUDIT SECTION

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2017

Federal Source					
Pass-through Source		Grantor		Federal	Passed
Program Title		Contract	CFDA	Funds	Through to
Type of Assistance		Number	Number	Expended	Subrecipients
U.S. DEPARTMENT OF AGRICULTURE					
Agricultural Research Service					
Develop Strategies to Improve Poultry		58-6226-2-060	10.001	\$ 13,282	\$ -
Use of Natural Strategies to Alleviate Enteric Pathogens in Organic Poultry		59-6020-7-001	10.001	<u>361</u>	<u>-</u>
Subtotal by CFDA Number				<u>13,643</u>	<u>-</u>
Rural Business - Cooperative Service					
Appropriate Technology Transfer for Rural Areas (ATTRA)		RBS-16-08	10.782	1,331,908	-
Appropriate Technology Transfer for Rural Areas (ATTRA)		RBS-17-06	10.782	<u>990,529</u>	<u>-</u>
Subtotal by CFDA Number				<u>2,322,437</u>	<u>-</u>
Lake County MMFEC Farm Safety Videos		NA	10.771	22,156	-
University of Texas Subtropical Organic Ag Research		2013-51106-20970(01)	10.303	12,877	-
FSA Workshops		FA-MS-6-030	10.056	50,020	-
Food and Nutrition Service					
Farm to School		CN-F2S-SS-MT-16	10.575	50,598	-
National Institute of Food and Agriculture					
Is Organic Farming Risky		2014-51300-22224	10.307	144,368	-
Cultivating Success with Veteran Farmers in Kentucky and West Virginia		59-2501-15-026	10.443	46,031	-
Agricultural Marketing Service					
Building Farmers Markets in Montana		16MPPMT0013	10.168	41,249	-
Rural Business - Cooperative Service					
OASCR - Hispanic Farmers		68-7442-17-008	10.902	63,243	-
OASCR - Hispanic Farmers		68-9104-16-517	10.902	<u>9,147</u>	<u>-</u>
Subtotal by CFDA Number				<u>72,390</u>	<u>-</u>
Rural Business - Cooperative Service					
Environmental Quality Incentives Program		2016-002	10.912	5,418	-
Environmental Quality Incentives Program		69-3A75-17-281	10.912	<u>1,413</u>	<u>-</u>
Subtotal by CFDA Number				<u>6,831</u>	<u>-</u>
Risk Management Agency					
Risk Management for Specialty Crop and Livestock		15-IE-53102-033	10.460	9,506	-
Risk Management for Specialty Crop and Livestock		RM16RMEPP522CC048	10.460	<u>46,794</u>	<u>-</u>
Subtotal by CFDA Number				<u>56,300</u>	<u>-</u>
Specialty Crop Block Grant		17SC003112	10.170	53,349	-
Sustainable Agriculture Research and Education					
Passed through University of Georgia		RD309-129/S000753	10.215	72,751	-
National Institute of Food and Agriculture					
Passed through Utah State University		150893-00001-225	10.215	25,904	-
Passed through Montana and Utah State University		G134-16-W5491	10.215	3,312	-
Passed through National Institute of Food and Agriculture		NA	10.215	1,816	-
Passed through Utah State University		2016-38640-25383	10.215	<u>3,979</u>	<u>-</u>
Subtotal by CFDA Number				<u>107,762</u>	<u>-</u>

See Notes to Schedule.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended September 30, 2017

Federal Source	Pass-through Source	Grantor	CFDA	Federal	Passed
Program Title	Contract	Number	Number	Funds	Through to
Type of Assistance	Number	Number	Number	Expended	Subrecipients
Urban Farming in the United States					
Passed through Syracuse University	28361-04254-S03		10.310	5,601	-
CUFIC Workshops	FA-MT-6-037		10.311	3,104	-
Passed through University of Texas Rio Grande Valley	2015-70017-23956		10.311	30,843	-
National Institute of Food and Agriculture					
Passed through University of Arkansas	UA AES 91132-01		10.311	74,872	-
Passed through University of California	00008695		10.311	71,979	-
Beginning Farmers Training	2016-70017-25344		10.311	47,583	-
Building Farm Foundations and Planning for Success	2016-70017-25350		10.311	10,003	-
Subtotal by CFDA Number				<u>238,384</u>	<u>-</u>
Sustainable Agriculture Research and Education					
National Institute of Food and Agriculture					
Passed through University of Arkansas	2015-49200-24228		10.500	3,666	-
Passed through Washington State University	2015-49200-24227		10.500	34,133	-
SRMEC	21666-18		10.500	31,008	-
Subtotal by CFDA Number				<u>68,807</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>3,312,803</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
LIHEAP Clearinghouse	HHSP233201550019A		93.568	169,915	-
LIHEAP Clearinghouse	HHSP233201550019A		93.568	169,120	-
Subtotal by CFDA Number				<u>339,035</u>	<u>-</u>
Farmer's Market SNAP					
Passed through State Department of Health & Human services	N/A		93.945	13,417	-
Subtotal by CFDA Number				<u>13,417</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>352,452</u>	<u>-</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
MT State AmeriCorps	GOV14-2995T-3		94.006	169,362	-
Subtotal by CFDA Number				<u>169,362</u>	<u>-</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				<u>169,362</u>	<u>-</u>
ENVIRONMENTAL PROTECTION AGENCY					
Passed through Montana Department of Environmental Quality					
Technical Assistance on Resource Efficiency and Renewable Energy	517014		66.708	95,641	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY				<u>95,641</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 3,930,258</u>	<u>\$ -</u>

See Notes to Schedule.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of NCAT under programs of the federal government for the year ended September 30, 2017. 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 SEFA 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 in Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 \$162,397 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, 2017, 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 12, 2018.

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.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
February 12, 2018

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, 2017. 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, 2017.

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.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
February 12, 2018

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2017

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>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Appropriate Technology Transfer for Rural Areas (ATTRA)	10.782
Beginning Farmer and Rancher Development Program	10.311

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as low-risk auditee?	Yes
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SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS

The audit report for the year ended September 30, 2017, reported no findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - STATUS OF CORRECTIVE ACTION ON PRIOR FINDINGS

None.

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, 2017 and have issued our report thereon dated February 12, 2018.

We have also audited the accompanying Schedule of Determination of Indirect Cost Rates of NCAT for the year ended September 30, 2017, 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, 2017, 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.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana

February 12, 2018

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
 SCHEDULE OF DETERMINATION OF INDIRECT COST RATES
 Year Ended September 30, 2017

Fiscal Year	Cost Pool	Provisional Rate	Audit Adjustments	Final Rate
2017	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, 2017

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, 2017

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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