

**National Center for Appropriate Technology, Inc.
and Subsidiary**

Butte, Montana

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION WITH INDEPENDENT AUDITOR'S REPORT

September 30, 2022 and 2021



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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 Audit of the Consolidated Financial Statements

Opinion

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of National Center for Appropriate Technology, Inc. and Subsidiary as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NCAT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NCAT's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NCAT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NCAT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Supplementary 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of determination of indirect cost rates, are presented for purposes of additional analysis and are 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 schedules of expenditures of federal awards and determination of indirect cost rates are 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 9, 2023 on our consideration of NCAT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NCAT's 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 NCAT's internal control over financial reporting and compliance.

KCoe Isom, LLP

March 13, 2023
Butte, Montana

CONSOLIDATED FINANCIAL SECTION

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,880,543	\$ 1,023,150
Certificates of deposit	-	204,174
Receivables	1,471,271	2,052,945
Prepaid expenses	<u>30,095</u>	<u>28,870</u>
Total current assets	<u>3,381,909</u>	<u>3,309,139</u>
PROPERTY AND EQUIPMENT, NET	<u>707,868</u>	<u>547,028</u>
OTHER ASSETS		
Deposits and other	<u>76,686</u>	<u>78,555</u>
Total assets	<u>\$ 4,166,463</u>	<u>\$ 3,934,722</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 241,207	\$ 226,317
Accrued expenses	779,007	656,399
Current portion of long-term debt	24,302	23,237
Deferred revenue	<u>458,779</u>	<u>554,711</u>
Total current liabilities	<u>1,503,295</u>	<u>1,460,664</u>
LONG TERM LIABILITIES		
Long-term debt, net of current portion	<u>45,225</u>	<u>69,536</u>
Total liabilities	<u>1,548,520</u>	<u>1,530,200</u>
NET ASSETS		
Without donor restrictions		
Undesignated	<u>2,460,898</u>	<u>2,364,522</u>
Total net assets without donor restrictions	<u>2,460,898</u>	<u>2,364,522</u>
With donor restrictions		
Purpose and time restrictions	<u>157,045</u>	<u>40,000</u>
Total net assets with donor restrictions	<u>157,045</u>	<u>40,000</u>
Total net assets	<u>2,617,943</u>	<u>2,404,522</u>
Total liabilities and net assets	<u>\$ 4,166,463</u>	<u>\$ 3,934,722</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
Year ended September 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Contributions:			
Grant revenues	\$ 6,243,602	\$ -	\$ 6,243,602
Contributions	62,733	215,000	277,733
In-kind contributions	532,541	-	532,541
Contract revenues	1,100,024	-	1,100,024
Investment income	1,895	-	1,895
Other income	<u>21,976</u>	<u>-</u>	<u>21,976</u>
Revenue and support	7,962,771	215,000	8,177,771
Net assets released from restrictions	<u>97,955</u>	<u>(97,955)</u>	<u>-</u>
Total revenue and support	<u>8,060,726</u>	<u>117,045</u>	<u>8,177,771</u>
EXPENSES			
PROGRAM SERVICES			
Sustainable Agricultural Programs	6,024,978	-	6,024,978
Sustainable Energy Programs	<u>1,280,136</u>	<u>-</u>	<u>1,280,136</u>
Total program services	<u>7,305,114</u>	<u>-</u>	<u>7,305,114</u>
SUPPORTING SERVICES			
General and administrative	617,722	-	617,722
Fundraising	<u>41,514</u>	<u>-</u>	<u>41,514</u>
Total supporting services	<u>659,236</u>	<u>-</u>	<u>659,236</u>
Total expenses	<u>7,964,350</u>	<u>-</u>	<u>7,964,350</u>
Change in net assets	96,376	117,045	213,421
Net assets, beginning of year	<u>2,364,522</u>	<u>40,000</u>	<u>2,404,522</u>
Net assets, end of year	<u>\$ 2,460,898</u>	<u>\$ 157,045</u>	<u>\$ 2,617,943</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
Year ended September 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Contributions:			
Grant revenues	\$ 5,203,123	\$ -	\$ 5,203,123
Contributions	33,045	40,000	73,045
In-kind contributions	241,245	-	241,245
Contract revenues	972,232	-	972,232
Investment income	1,712	-	1,712
Other income	<u>68,853</u>	<u>-</u>	<u>68,853</u>
Revenue and support	6,520,210	40,000	6,560,210
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,520,210</u>	<u>40,000</u>	<u>6,560,210</u>
EXPENSES			
PROGRAM SERVICES			
Sustainable Agricultural Programs	5,134,492	-	5,134,492
Sustainable Energy Programs	<u>755,529</u>	<u>-</u>	<u>755,529</u>
Total program services	<u>5,890,021</u>	<u>-</u>	<u>5,890,021</u>
SUPPORTING SERVICES			
General and administrative	529,105	-	529,105
Fundraising	<u>10,307</u>	<u>-</u>	<u>10,307</u>
Total supporting services	<u>539,412</u>	<u>-</u>	<u>539,412</u>
Total expenses	<u>6,429,433</u>	<u>-</u>	<u>6,429,433</u>
Change in net assets	90,777	40,000	130,777
Net assets, beginning of year	<u>2,273,745</u>	<u>-</u>	<u>2,273,745</u>
Net assets, end of year	<u>\$ 2,364,522</u>	<u>\$ 40,000</u>	<u>\$ 2,404,522</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, 2022

	Program Services			Supporting Services			Total Expenses
	Sustainable Agriculture Programs	Sustainable Energy Programs	Total Program Services	General & Administrative	Fundraising	Total Supporting Services	
Labor and fringe	\$ 3,417,170	\$ 819,314	\$ 4,236,484	\$ 573,906	\$ 35,136	\$ 609,042	\$ 4,845,526
Subcontracts	1,050,218	215,915	1,266,133	26,875	-	26,875	1,293,008
Materials and supplies	1,078,331	149,522	1,227,852	11,500	6,378	17,878	1,245,730
Rent and utilities	179,976	42,217	222,193	-	-	-	222,193
Travel	242,255	44,647	286,902	5,441	-	5,441	292,343
Depreciation	<u>57,028</u>	<u>8,521</u>	<u>65,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,550</u>
Total expenses	<u>\$ 6,024,978</u>	<u>\$ 1,280,136</u>	<u>\$ 7,305,114</u>	<u>\$ 617,722</u>	<u>\$ 41,514</u>	<u>\$ 659,236</u>	<u>\$ 7,964,350</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, 2021

	Program Services			Supporting Services			Total Expenses
	Sustainable Agriculture Programs	Sustainable Energy Programs	Total Program Services	General & Administrative	Fundraising	Total Supporting Services	
Labor and fringe	\$ 3,193,307	\$ 518,250	\$ 3,711,557	\$ 493,745	\$ 7,498	\$ 501,243	\$ 4,212,800
Subcontracts	999,757	101,835	1,101,592	2,340	-	2,340	1,103,932
Materials and supplies	651,682	82,899	734,581	32,722	2,809	35,531	770,112
Rent and utilities	164,150	41,038	205,188	-	-	-	205,188
Travel	75,660	4,045	79,705	298	-	298	80,003
Depreciation	49,936	7,462	57,398	-	-	-	57,398
Total expenses	<u>\$ 5,134,492</u>	<u>\$ 755,529</u>	<u>\$ 5,890,021</u>	<u>\$ 529,105</u>	<u>\$ 10,307</u>	<u>\$ 539,412</u>	<u>\$ 6,429,433</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 213,421	\$ 130,777
Adjustment to reconcile change in net assets to cash flows from operating activities:		
Depreciation	65,550	57,398
Gain on sale of assets	-	(3,500)
Changes in assets and liabilities		
Receivables	581,674	(456,592)
Prepaid expenses	(1,225)	(6,468)
Deposits and other	1,869	(3,227)
Accounts payable	14,890	(69,784)
Accrued expenses	122,608	86,658
Deferred revenue	<u>(95,932)</u>	<u>273,895</u>
Net cash flows from operating activities	<u>902,855</u>	<u>9,157</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(226,390)	(83,392)
Proceeds from sale of assets	-	3,500
Redemption (purchases) of certificates of deposit	<u>204,174</u>	<u>(508)</u>
Net cash flows from investing activities	<u>(22,216)</u>	<u>(80,400)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	98,431
Payments on long-term debt	<u>(23,246)</u>	<u>(5,658)</u>
Net cash flows from financing activities	<u>(23,246)</u>	<u>92,773</u>
Net change in cash and cash equivalents	857,393	21,530
Cash and cash equivalents - beginning of year	<u>1,023,150</u>	<u>1,001,620</u>
Cash and cash equivalents - end of year	<u>\$ 1,880,543</u>	<u>\$ 1,023,150</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 3,690</u>	<u>\$ 2,840</u>

NONCASH INVESTING AND FINANCING ACTIVITIES

During 2021, NCAT disposed of \$16,700 of fully depreciated assets.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022 and 2021

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. (NHT) (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 Pronouncements

On July 1, 2021, the Foundation adopted the following Accounting Standards Update (ASU):

- ASU No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this new standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

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 as the performance obligation has been met. 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, 2022 and 2021, 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.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,729,245 and \$633,949 at September 30, 2022 and 2021, 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, 2022 and 2021, NCAT has no uninsured balances.

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, 2022 and 2021. 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 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.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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 consolidated 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 \$458,779 and \$554,711 at September 30, 2022 and 2021, 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.

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 net assets without donor restriction when it is expected the grants and contracts will be expended in the same year.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

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 the 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 had \$157,045 and \$40,000 of net assets with donor restrictions at September 30, 2022 and 2021, respectively.

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.

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.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through March 13, 2023, the date which the financial statements were available for issuance.

Reclassifications

Certain reclassifications have been made to the September 30, 2021 consolidated financial statements to conform to the September 30, 2022 presentation. Such reclassifications had no effect on the previously reported net assets or change in net assets.

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 consolidated statement of financial position date. General expenditures include those listed within the management and general classification of the consolidated statements of activities.

The following financial assets are expected to be available to support NCAT in the years ending September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,880,543	\$ 1,023,150
Certificates of deposit	-	204,174
Receivables	1,471,271	2,052,945
Less: grants receivable	(1,156,599)	(1,860,857)
Less: deferred revenue	<u>(458,779)</u>	<u>(554,711)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,736,436</u>	<u>\$ 864,701</u>

As of September 30, 2022 and 2021, NCAT has working capital of \$1,878,614 and \$1,848,475, respectively, and 86 and 58 days cash on hand, respectively. 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, 2022 and 2021.

**NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 30,456	\$ 30,456
Buildings and improvements	1,086,873	766,337
Furniture and fixtures	383,682	383,682
Office equipment	160,301	160,301
Computer equipment	172,233	172,233
Software	46,690	46,690
Vehicles	53,428	53,428
Asset under construction	-	94,146
Less accumulated depreciation	<u>(1,225,795)</u>	<u>(1,160,245)</u>
	<u>\$ 707,868</u>	<u>\$ 547,028</u>

Depreciation expense was \$65,550 and \$57,398 for the years ended September 30, 2022 and 2021, 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 consolidated statements of financial position. Such equipment totaled approximately \$129,364 and \$130,003 for the years ended September 30, 2022 and 2021, respectively.

NOTE 5. CONCENTRATIONS

During 2022 and 2021, NCAT derived approximately 84% of its revenue from grants with various federal governmental agencies. Additionally, 79% and 91%, respectively, of its accounts receivable relates to grants with the federal government. However, management believes any risks associated with this concentration is mitigated due to the number of grants spread across several federal agencies and departmental programs.

NOTE 6. RECEIVABLES

Receivables consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Billed receivables	\$ 1,424,806	\$ 2,007,250
Other receivables	<u>46,465</u>	<u>45,695</u>
	<u>\$ 1,471,271</u>	<u>\$ 2,052,945</u>

**NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021

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 rent and professional services of \$532,541 and \$241,245 during the years ended September 30, 2022 and 2021, respectively.

Description	2022	2021	Utilization in program / activities	Donor restrictions	Valuation technique and inputs
Rent	\$ 512,911	\$ 241,245	Program Support	No associated donor restrictions	Estimated value for land rental associated with specific programs based on comparable rental price in local real estate market
Professional Services	19,630	-	Various administrative and direct project support activities	No associated donor restrictions	Contributed services are values and are reported at the estimated fair market value in the financial statements based on the current rates for similar services
Total	<u>\$ 532,541</u>	<u>\$ 241,245</u>			

NOTE 8. ACCRUED EXPENSES

Accrued expenses consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Accrued payroll taxes and withholding	\$ 75,239	\$ 63,969
Accrued wages	176,855	145,287
Accrued vacation	216,277	188,729
Profit sharing plan	309,755	255,335
Other	<u>882</u>	<u>3,079</u>
	<u>\$ 779,007</u>	<u>\$ 656,399</u>

NOTE 9. LINE OF CREDIT

At September 30, 2022 and 2021, NCAT had an unused line of credit of \$200,000 with a variable annual interest rate, initially at 5.0%. NCAT did not draw on this line of credit during 2022 or 2021. The line of credit expires March 31, 2023.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021

NOTE 10. LEASE COMMITMENTS

NCAT leases facility space in the following cities:

- Fayetteville, Arkansas with rent expense of \$2,300 per month, effective for five years beginning July 1, 2016 with a cost of living index increase each year; currently effective month-to-month;
- San Antonio, Texas with rent expense of \$1,106 per month, effective month-to-month;
- Davis, California with rent expense of \$1,175 per month, effective month-to-month;
- Jackson, Mississippi with rent expense of \$1,090 per month, effective month-to-month.

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, 2022 and 2021, NCAT's total facility rental expense was \$52,241 and \$86,783, respectively.

NCAT also leases equipment under operating leases, with monthly rental expense amounting to \$945. The leases include an escape clause if federal funding is terminated.

During the years ended September 30, 2022 and 2021, equipment rental expense was \$36,273 and \$30,771, respectively.

NOTE 11. INCOME TAXES

NCAT did not incur any significant income tax expense or deferred tax expense or benefit for each of the years ended September 30, 2022 and 2021. There were no deferred tax assets or liabilities and no accrued expenses of income tax liability at September 30, 2022 and 2021.

NOTE 12. NOTES PAYABLE

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

	<u>2022</u>	<u>2021</u>
Note payable to Glacier Bank, due in monthly installments of \$2,245, including interest at 4.5% through June 2025; unsecured.	\$ 69,527	\$ 92,773
Less current portion	<u>(24,302)</u>	<u>(23,237)</u>
Total	<u>\$ 45,225</u>	<u>\$ 69,536</u>

Interest expense was \$3,690 and \$2,840 for the years ended September 30, 2022 and 2021, respectively.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021

NOTE 12. NOTES PAYABLE (CONTINUED)

Aggregate maturities for the next five years and thereafter are as follows:

2023	\$	24,302
2024		25,413
2025		<u>19,812</u>
	\$	<u>69,527</u>

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor-imposed time or purpose restrictions at September 30, 2022 consist of:

- \$40,000 restricted for the purpose of Climate Actions Solutions That Enhance Local and Low-income Initiatives in Rural and Distressed places
- \$75,000 for biochar lobbying activities of which \$34,720 was expended during 2022, leaving a balance of \$40,280 in donor restricted net assets
- \$100,000 restricted for the purpose of Grow Montana non-lobbying activities, of which \$47,125 was expended during 2022 having met purpose restrictions, with \$52,875 remaining in donor restricted balance
- \$40,000 for Agri-solar activities, of which \$16,110 was expended during 2022 having met the purpose restrictions, leaving \$23,890 in donor restricted net assets.

During 2022, a total of \$97,955 of donor restricted net assets were released as they were expended for their purpose restrictions.

NOTE 14. 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, 2022 and 2021, respectively, \$381,005 and \$317,667 of employer contributions were expensed in the accompanying consolidated financial statements.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2022 and 2021

NOTE 15. INDIRECT COST RATES AND FUNCTIONAL ALLOCATION OF COSTS

NCAT's actual allocated cost rates for the fiscal years ended September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Cost Pool:		
Directly allocated fringe - regular employees	44.00%	44.00%
Allocated direct costs	33.50%	36.00%
Indirect general and administrative (G&A)	9.07%	9.35%

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, 2022 and 2021 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 \$5,850 and \$51,750 for the years ended September 30, 2022 and 2021, respectively.

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 at the discretion of the Board of Directors 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 during the years ended September 30, 2022 and 2021.

SINGLE AUDIT SECTION

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2022

Federal Source					
Pass-through Source				Federal	Passed
Program Title	Award	AL	Funds	Expended	Through to
Type of Assistance	Number	Number			Subrecipients
U.S. DEPARTMENT OF AGRICULTURE					
Rural Business - Cooperative Service					
Appropriate Technology Transfer for Rural Areas (ATTRA)	RD-RB-COOP-21-XX	10.782	\$ 1,915,137		\$ -
Appropriate Technology Transfer for Rural Areas (ATTRA)	RD-RB-COOP-2-XX	10.782	<u>1,030,450</u>		<u>-</u>
Subtotal by AL Number			<u>2,945,587</u>		<u>-</u>
Farm and School Nutrition Service					
Farm to School	USDA-FNS-F2S-TC-2019-MT-01	10.531	<u>339,798</u>		<u>-</u>
Farm and School Nutrition Service					
Passed through Montana Department of Agriculture	FNS-F2S-IMPL-2022-MT-2	10.575	7,133		-
Passed through Montana Department of Agriculture	11019	10.575	<u>1,008</u>		<u>-</u>
Subtotal by AL Number			<u>8,141</u>		<u>-</u>
Agricultural Research Service					
National Ag Law Center Legal Rights	NA	10.001	14,769		-
National Ag Law Center Farm Foundations	NA	10.001	<u>13,695</u>		<u>-</u>
Subtotal by AL Number			<u>28,464</u>		<u>-</u>
Agricultural Marketing Service					
The Common Market Texas	AM180100XXXG109	10.172	<u>8,477</u>		<u>-</u>
AMS FMPP Sustainable Farmer's Market Success	AM200100XXXG111	10.175	<u>124,934</u>		<u>-</u>
Natural Resources Conservation Service					
Hispanic Farmers Conference	NR207442XXXXCO74	10.902	6,554		-
Investing in Underserved Farmers	NR223A750003C036	10.902	40,255		-
NRCS Soil for Water	NR203A750001C025	10.902	368,701		-
Veteran Farmer Training	NA	10.902	22,358		-
Latino Farmers Conference	NR299104XXXXC013	10.902	<u>39,153</u>		<u>-</u>
Subtotal by AL Number			<u>477,021</u>		<u>-</u>
Natural Resources Conservation Service					
CIG Subtropical Soil Health Initiative	69-3A75-17-281	10.912	61,656		-
Passed through University of Texas Rio Grande Valley	NR213A750013G034-02	10.912	13,973		-
Passed through Piikani Lodge	NA	10.912	8,403		-
Passed through Ridge to Reefs	NA	10.912	<u>1,668</u>		<u>-</u>
Subtotal by AL Number			<u>85,700</u>		<u>-</u>
Risk Management Agency					
Passed through Up In Farms, LLC	RMA22CPT0012404	10.460	<u>2,245</u>		<u>-</u>
CLBL Develop Orchard Crops	NA	10.170	37,457		-
Healthcare Without Harm	NA	10.170	16,321		-
MTDA Plant Seeds for Success	21SC07003	10.170	65,359		-
Specialty Crop Block Grant	NA	10.170	4,465		-
Specialty Crop Block Grant	NA	10.170	<u>14,176</u>		<u>-</u>
Subtotal by AL Number			<u>137,778</u>		<u>-</u>

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended September 30, 2022

Federal Source				
Pass-through Source			Federal	Passed
Program Title	Award	AL	Funds	Through to
Type of Assistance	Number	Number	Expended	Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (CONTINUED)				
Sustainable Agriculture Research and Education				
National Institute of Food and Agriculture				
Passed through University of Georgia	SUB00002335	10.215	41,331	-
Passed through University of Georgia	SUB00002302	10.215	31,314	-
Passed through University of Georgia	SUB00002607	10.215	41,236	-
Passed through University of Georgia	SUB00002653	10.215	181,439	-
Passed through University of Georgia	SUB00002935	10.215	2,727	-
Passed through Montana State University	G359-20-W7502	10.215	10,753	-
Passed through Montana State University	G182-21-W7903	10.215	19,674	-
RAFI Disaster Assistance	NA	10.215	17,646	-
Passed through University of Texas-Arlington	SUB00002065	10.215	<u>20,770</u>	-
Subtotal by AL Number			<u>366,890</u>	-
Community Food Projects				
Mississippi Food Justice Fellowship	2018-33800-28394	10.225	<u>161,189</u>	-
Supporting a Vibrant Organic Sector	F1476-01	10.307	<u>14,394</u>	-
Passed through Community Food & Ag Coalition	NA	10.311	3,034	-
Passed through University of Kentucky	2021-70033-35706	10.311	3,884	-
Passed through Appalachian State University	A21-0030-S004	10.311	56,154	-
National Institute of Food and Agriculture				
NIFA Preparing for Resilient Future	2021-70033-35698	10.311	20,961	-
Passed through Alcorn State University	NA	10.311	<u>5,847</u>	-
Subtotal by AL Number			<u>89,880</u>	-
Community Food and Ag Coalition				
Food Insecurity Nutrition Incentive Grants Program				
Double SNAP Project	NA	10.331	<u>11,333</u>	-
USDA NIFA AgVets Project	2020-77028-32877	10.334	<u>81,993</u>	-
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers				
Armed to Farm-Connecting Veterans	AO192501X443G016	10.443	<u>221,041</u>	-
Sustainable Agriculture Research and Education				
National Institute of Food and Agriculture				
Passed through Washington State University	2018-70027-28587	10.500	19,646	-
Passed through University of Arkansas	31018-05	10.500	<u>33,942</u>	-
Subtotal by AL Number			<u>53,588</u>	-
Agriculture and Food Research Initiative				
Passed through Montana State University	G286-22-W9452	10.31	<u>724</u>	-
Texas Agorforestry	20-DG-11132540-035	10.664	<u>24,290</u>	-
Rural Cooperative Development Grants				
Socially Disadvantaged Groups Grant	NA	10.871	<u>64,333</u>	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>5,247,800</u>	-

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended September 30, 2022

Federal Source				
Pass-through Source				
Program Title	Award	AL	Federal	Passed
Type of Assistance	Number	Number	Funds	Through to
			Expended	Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
LIHEAP NEAR	75ACF121P00024	93.568	8,008	
Passed through APPRISE	75N92021P0034	93.568	<u>450,543</u>	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>458,551</u>	-
NORTHERN BORDER REGIONAL COMMISSION				
Vital Communities Project	NA	90.601	<u>3,325</u>	-
TOTAL NORTHERN BORDER REGIONAL COMMISSION			<u>3,325</u>	-
ENVIRONMENTAL PROTECTION AGENCY				
Environmental Education Grant	96881801	66.951	<u>38,715</u>	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>38,715</u>	-
U.S. DEPARTMENT OF ENERGY				
Department of Energy Agrisolar Project	DE-EE0009372	81.087	<u>429,007</u>	-
TOTAL U.S. DEPARTMENT OF ENERGY			<u>429,007</u>	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 6,177,398</u>	<u>\$ -</u>

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2022

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, 2022. 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 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 \$221,425 nets with related expenditures, therefore decreasing the amount of 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 statement of financial position as of September 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 13, 2023.

Report on 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.

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*

(Continued)

Report on 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.

KCoe Jam, LLP

March 13, 2023
Butte, Montana



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

Opinion on 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, 2022. NCAT’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NCAT and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of NCAT’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to NCAT’s federal programs.

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

(Continued)

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on NCAT’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about NCAT’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding NCAT’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NCAT’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of NCAT’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

(Continued)

Report on 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KCoe Jam, LLP

March 13, 2023
Butte, Montana

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2022

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>AL Number</u>
Appropriate Technology Transfer for Rural Areas (ATTRA)	10.782
Sustainable Agriculture Research and Education	10.215

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, 2022, 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 for the year ended September 30, 2022.

SECTION IV - STATUS OF CORRECTIVE ACTION ON PRIOR FINDINGS

The audit for the year ended September 30, 2021, reported no findings.

INDIRECT COST AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Schedule of Determination of Indirect Cost Rates of NCAT

Opinion

We have audited the consolidated financial statements of the National Center for Appropriate Technology, Inc. (NCAT) and Subsidiary for the year ended September 30, 2022 and have issued our report thereon dated March 13, 2023.

We have also audited the accompanying Schedule of Determination of Indirect Cost Rates of NCAT for the year ended September 30, 2022, and the related notes to the Schedule of Determination of Indirect Cost Rates (the Schedule).

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, 2022, 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).

Basis for Opinion

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.

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NCAT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 to the Schedule, which describes the basis of accounting. The Schedule was prepared by the Company on the basis of accounting prescribed by Part 42 of the Federal Acquisition Regulation (FAR) and certain other federal and state regulations, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the basis of accounting practices prescribed by Part 42 of the FAR, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit 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 NCAT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Restriction on Use

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.

KCoe Jam, LLP

March 13, 2023
Butte, Montana

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
 SCHEDULE OF DETERMINATION OF INDIRECT COST RATES
 Year Ended September 30, 2022

Fiscal Year	Cost Pool	Provisional Rate	Audit Adjustments	Final Rate
2022	Fringe	44.00%	-	44.00%
	Allocated Direct Costs	33.50%	-	33.50%
	Indirect General and Administrative (G&A)	9.07%	-	9.07%

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
NOTES TO SCHEDULE OF DETERMINATION
OF INDIRECT COST RATES
September 30, 2022

NOTE 1. ORGANIZATION

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.

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.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
NOTES TO SCHEDULE OF DETERMINATION
OF INDIRECT COST RATES (CONTINUED)
September 30, 2022

NOTE 4. DESCRIPTION OF ALLOCATIONS (CONTINUED)

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."