

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

**Butte, Montana**

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY  
INFORMATION WITH INDEPENDENT AUDITORS' REPORTS

**September 30, 2023 and 2022**



K C O E  
I S O M

# National Center for Appropriate Technology, Inc. and Subsidiary

## TABLE OF CONTENTS

September 30, 2023 and 2022

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	<b><u>Page Number</u></b>
Independent Auditors' Report	1
 <b>FINANCIAL SECTION</b>	
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities	6
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10
 <b>SUPPLEMENTARY INFORMATION SECTION</b>	
Schedule of Expenditures of Federal Awards	23
Notes to the Schedule of Expenditures of Federal Awards	25
 <b>OTHER REPORTS SECTION</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	29
 <b>FINDINGS AND QUESTIONED COSTS SECTION</b>	
Schedule of Findings and Questioned Costs	33
 <b>OTHER SUPPLEMENTARY INFORMATION</b>	
Independent Auditors' Report	36
Schedule of Determination of Indirect Cost Rates	49
Notes to Schedule of Determination of Indirect Cost Rates	40

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## **INDEPENDENT AUDITORS' 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. and Subsidiary, a nonprofit organization (collectively NCAT or the Company), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, 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 NCAT as of September 30, 2023 and 2022, 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 (GAAP).

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' 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 GAAP, 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 AUDITORS' REPORT**

(Continued)

### ***Auditors' 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 auditors' 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 GAAS 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 audits.

## INDEPENDENT AUDITORS' 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 GAAS. 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 March 8, 2024, 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 8, 2024  
Butte, Montana

## **FINANCIAL SECTION**

**National Center for Appropriate Technology, Inc. and Subsidiary**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,616,822	\$ 1,880,543
Receivables	2,166,036	1,471,271
Prepaid expenses	99,333	30,095
<b>Total Current Assets</b>	<b>3,882,191</b>	<b>3,381,909</b>
<b>Property and Equipment - Net</b>	<b>633,512</b>	<b>707,868</b>
<b>Other Assets</b>		
Operating lease right-of use assets	145,034	-
Deposits and other	78,520	76,686
<b>Total Other Assets</b>	<b>223,554</b>	<b>76,686</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,739,257</b>	<b>\$ 4,166,463</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 567,338	\$ 241,207
Accrued expenses	701,979	779,007
Current portion of long-term debt	25,419	24,302
Deferred revenue	548,264	458,779
Current portion of operating leases	44,092	-
<b>Total Current Liabilities</b>	<b>1,887,092</b>	<b>1,503,295</b>
<b>Long-Term Liabilities</b>		
Long-term debt - net of current portion	19,816	45,225
Operating leases - net of current portion	100,942	-
<b>Total Long-Term Liabilities</b>	<b>120,758</b>	<b>45,225</b>
<b>Total Liabilities</b>	<b>2,007,850</b>	<b>1,548,520</b>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	2,561,998	2,460,898
With donor restrictions:		
Purpose and time restrictions	169,409	157,045
<b>Total Net Assets</b>	<b>2,731,407</b>	<b>2,617,943</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,739,257</b>	<b>\$ 4,166,463</b>

*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, 2023	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Net assets without donor restrictions:			
Contributions:			
Grant revenues	\$ 7,198,786	\$ -	\$ 7,198,786
Contributions	96,091	310,159	406,250
In-kind contributions	41,441	-	41,441
Contract revenues	1,185,017	-	1,185,017
Investment income	23,643	-	23,643
Other income	11,963	-	11,963
<b>Subtotal</b>	<b>8,556,941</b>	<b>310,159</b>	<b>8,867,100</b>
Net assets released from restrictions	297,795	(297,795)	-
<b>Total Revenue and Support</b>	<b>8,854,736</b>	<b>12,364</b>	<b>8,867,100</b>
<b>Expenses</b>			
Program services:			
Sustainable Agricultural Programs	6,426,905	-	6,426,905
Sustainable Energy Programs	1,467,934	-	1,467,934
<b>Total Program Services</b>	<b>7,894,839</b>	<b>-</b>	<b>7,894,839</b>
Supporting services:			
General and administrative	782,115	-	782,115
Fundraising	58,976	-	58,976
Unallowable	17,706	-	17,706
<b>Total Supporting Services</b>	<b>858,797</b>	<b>-</b>	<b>858,797</b>
<b>Total Expenses</b>	<b>8,753,636</b>	<b>-</b>	<b>8,753,636</b>
<b>Change in Net Assets</b>	<b>101,100</b>	<b>12,364</b>	<b>113,464</b>
<b>Net Assets - Beginning of Year</b>	<b>2,460,898</b>	<b>157,045</b>	<b>2,617,943</b>
<b>Net Assets - End of Year</b>	<b>\$ 2,561,998</b>	<b>\$ 169,409</b>	<b>\$ 2,731,407</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

# National Center for Appropriate Technology, Inc. and Subsidiary

## CONSOLIDATED STATEMENTS OF ACTIVITIES

(Continued)

Year Ended September 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
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	21,976	-	21,976
<b>Subtotal</b>	<b>7,962,771</b>	<b>215,000</b>	<b>8,177,771</b>
Net assets released from restrictions	97,955	(97,955)	-
<b>Total Revenue and Support</b>	<b>8,060,726</b>	<b>117,045</b>	<b>8,177,771</b>
<b>Expenses</b>			
Program services:			
Sustainable Agricultural Programs	6,024,978	-	6,024,978
Sustainable Energy Programs	1,280,136	-	1,280,136
<b>Total Program Services</b>	<b>7,305,114</b>	<b>-</b>	<b>7,305,114</b>
<b>Supporting Services</b>			
General and administrative	617,722	-	617,722
Fundraising	41,514	-	41,514
<b>Total Supporting Services</b>	<b>659,236</b>	<b>-</b>	<b>659,236</b>
<b>Total Expenses</b>	<b>7,964,350</b>	<b>-</b>	<b>7,964,350</b>
<b>Change in Net Assets</b>	<b>96,376</b>	<b>117,045</b>	<b>213,421</b>
<b>Net Assets - Beginning of Year</b>	<b>2,364,522</b>	<b>40,000</b>	<b>2,404,522</b>
<b>Net Assets - End of Year</b>	<b>\$ 2,460,898</b>	<b>\$ 157,045</b>	<b>\$ 2,617,943</b>

The accompanying notes are an integral part of these consolidated financial statements.

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

### CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2023	Program Services			Supporting Services				Total Expenses
	Sustainable Agriculture Programs	Sustainable Energy Programs	Total Program Services	General and Administrative	Fundraising	Unallowable	Total Supporting Services	
<b>Expenses</b>								
Labor and fringe	\$ 3,683,038	\$ 868,816	\$ 4,551,854	\$ 678,958	\$ 51,592	\$ -	\$ 730,550	\$ 5,282,404
Subcontracts	1,438,925	395,259	1,834,184	29,530	-	17,706	47,236	1,881,420
Materials and supplies	754,380	103,600	857,980	62,929	7,384	-	70,313	928,293
Rent and utilities	191,164	41,963	233,127	-	-	-	-	233,127
Travel	298,425	44,913	343,338	10,698	-	-	10,698	354,036
Depreciation	60,973	13,383	74,356	-	-	-	-	74,356
<b>Total Expenses</b>	<b>\$ 6,426,905</b>	<b>\$ 1,467,934</b>	<b>\$ 7,894,839</b>	<b>\$ 782,115</b>	<b>\$ 58,976</b>	<b>\$ 17,706</b>	<b>\$ 858,797</b>	<b>\$ 8,753,636</b>

Year Ended September 30, 2022	Program Services			Supporting Services				Total Expenses
	Sustainable Agriculture Programs	Sustainable Energy Programs	Total Program Services	General and Administrative	Fundraising	Unallowable	Total Supporting Services	
<b>Expenses</b>								
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	149,521	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	57,028	8,522	65,550	-	-	-	-	65,550
<b>Total Expenses</b>	<b>\$ 6,024,978</b>	<b>\$ 1,280,136</b>	<b>\$ 7,305,114</b>	<b>\$ 617,722</b>	<b>\$ 41,514</b>	<b>\$ -</b>	<b>\$ 659,236</b>	<b>\$ 7,964,350</b>

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	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 113,464	\$ 213,421
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	74,356	65,550
Amortization of operating right-of-use assets	42,341	-
Changes in assets and liabilities:		
Receivables	(694,765)	581,674
Prepaid expenses	(69,238)	(1,225)
Deposits and other	(1,834)	1,869
Accounts payable	326,131	14,890
Accrued expenses	(77,028)	122,608
Deferred revenue	89,485	(95,932)
Operating lease liability	(42,341)	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(239,429)</b>	<b>902,855</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(226,390)
Redemption of certificates of deposit	-	204,174
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>-</b>	<b>(22,216)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(24,292)	(23,246)
<b>Net Change in Cash and Cash Equivalents</b>	<b>(263,721)</b>	<b>857,393</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>1,880,543</b>	<b>1,023,150</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 1,616,822</b>	<b>\$ 1,880,543</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Right of use assets and liabilities recorded	\$ 187,375	\$ -
Interest paid	\$ 2,631	\$ 3,690

*The accompanying notes are an integral part of these consolidated financial statements.*

# National Center for Appropriate Technology, Inc. and Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The mission of National Center for Appropriate Technology, Inc. and NHT is to help people by championing small-scale, local, and sustainable solutions to reduce poverty, promote healthy communities, and protect natural resources.

**Principles of Consolidation** The consolidated financial statements include the accounts of National Center for Appropriate Technology, Inc. and NHT, a 100% owned subsidiary (collectively, referred to as NCAT). Significant transactions between the entities, including all intercompany balances, have been eliminated in consolidation.

**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 (FASB).

**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, 2023 and 2022, federal government contracts are charged and billed for costs at government approved provisional rates. Some projects are adjusted at year-end to reflect actual costs incurred.

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

**Concentration of Credit Risk** NCAT maintains cash balances at various financial institutions. Deposit accounts at each institution are subject to insurance coverage up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). NCAT also maintains repurchase account balances at Glacier Bank totaling \$1,175,935 and \$1,729,245 at September 30, 2023 and 2022, 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, 2023 and 2022, NCAT has no uninsured balances.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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**Receivables** Receivables 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 receivables are fully collectible at September 30, 2023 and 2022. 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.

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 activities. 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.

**Operating Lease Right-of-Use (ROU) Assets and Liabilities** The Company obtains the right to control the use of various assets under long-term agreements. The Company evaluates contracts to determine whether they include a lease, and uses the lessee non-lease component accounting policy election, for all asset classes, to account for the lease and non-lease components separately. Variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes, are recognized in operating expenses in the period in which the obligation for those payments were incurred. Leases are recognized on the balance sheets as ROU assets with a corresponding lease liability.

**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.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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**Deferred Revenue** Deferred revenue represents amounts received, but not earned, on work in process at year end. Deferred revenue consists of private or federal grants and amounts to \$548,264 and \$458,779 at September 30, 2023 and 2022, 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 NCAT, and include those expendable resources which have been designated for special use by NCAT. NCAT'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.

*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 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. NCAT had \$216,096 and \$157,045 of net assets with donor restrictions at September 30, 2023 and 2022, 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, expense 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 (IRS).

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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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.

**Change in Accounting Principles** In February 2016, FASB issued guidance Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

NCAT adopted the standard effective October 1, 2022, and recognized the measured leases existing at, or entered into after, October 1, 2022, through a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended September 30, 2022, are made under prior lease guidance in FASB ASC 840.

As a result of the adoption of the new lease accounting guidance, ROU assets and operating lease liabilities increased by \$187,375 effective October 1, 2022.

ROU assets represent NCAT's right to use an underlying asset for the lease term and lease liabilities represent NCAT's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of NCAT's leases do not provide an implicit rate, NCAT used its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. NCAT's lease terms may include options to extend or terminate the lease when it is reasonably certain that NCAT will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

NCAT's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Evaluation of Subsequent Events** Management has evaluated subsequent events through March 8, 2024, the date which the financial statements were available to be issued.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures 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 general and administrative classification of the consolidated statements of activities.

The following financial assets are expected to be available to support NCAT:

September 30, 2023

<b>Financial Assets</b>	
Cash and cash equivalents	\$ 1,616,822
Receivables	2,166,036
Grants receivable	(1,947,042)
Deferred revenue	(548,264)
<hr/>	
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 1,287,552</b>

As of September 30, 2023 and 2022, NCAT has working capital of \$1,995,099 and \$1,878,614, respectively, and 68 and 86 days cash on hand, respectively. As part of NCAT's liquidity management plan, NCAT has a policy to structure its financial assets to be available for general expenditures, liabilities, and/or obligations as they become due. Grants receivable and deferred revenue are excluded from financial assets available for general expenditures as they are generally restricted for specific purposes.

## 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

September 30	2023	2022
Land	\$ 30,456	\$ 30,456
Buildings and improvements	1,086,873	1,086,873
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
Accumulated depreciation	(1,300,151)	(1,225,795)
<b>Totals</b>	<b>\$ 633,512</b>	<b>\$ 707,868</b>

Depreciation expense was \$74,356 and \$65,550 for the years ended September 30, 2023 and 2022, respectively.

# National Center for Appropriate Technology, Inc. and Subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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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 \$126,836 and \$129,364 for the years ended September 30, 2023 and 2022, respectively.

### 4. CONCENTRATIONS

During 2023 and 2022, NCAT derived approximately 79% and 84%, respectively, of its revenue from grants with various federal governmental agencies. Additionally, 90% and 79%, respectively, of its receivables 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.

### 5. RECEIVABLES

Receivables consist of the following:

September 30	2023		2022	
Billed receivables	\$	1,767,217	\$	1,424,806
Other receivables		398,819		46,465
<b>Totals</b>	\$	<b>2,166,036</b>	\$	<b>1,471,271</b>

### 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 received contributed rent and professional services of \$41,441 and \$532,541 during the years ended September 30, 2023 and 2022, respectively.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

September 30	2023	2022
<b>Rent</b>		
Utilized for 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	\$ -	\$ 512,911
<b>Professional Services</b>		
Utilized for 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	41,441	19,630
<b>Totals</b>	\$ 41,441	\$ 532,541

#### 7. ACCRUED EXPENSES

Accrued expenses consist of the following:

September 30	2023	2022
Accrued payroll taxes and withholding	\$ 71,030	\$ 75,239
Accrued wages	135,120	176,855
Accrued vacation	227,384	216,277
Profit sharing plan	268,445	309,755
Other	-	881
<b>Totals</b>	\$ 701,979	\$ 779,007

#### 8. LINE OF CREDIT

At September 30, 2022, 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 2023 or 2022. The line of credit expired March 31, 2023. NCAT is currently negotiating a new line of credit.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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#### 9. LEASE COMMITMENTS

NCAT leases office space under lease agreements with durations less than 12 months, and has elected to use the short-term lease exemption, which allows for the expense to be recognized on a straight-line basis over the lease term. NCAT leases facility space in the following cities:

- Berea, Kentucky with rent expense of \$400 per month, 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 \$1,335 per month, effective month-to-month; and
- Jackson, Mississippi with rent expense of \$1,025 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, 2023 and 2022, NCAT's total facility rental expense was \$44,342 and \$88,514, respectively for month-to-month leases.

#### Operating Leases

NCAT leases real property and equipment for use in operations under operating lease agreements.

NCAT's lease expense was as follows:

September 30		2023		2022
Operating leases	\$	49,000	\$	-
Short-term leases		44,342		88,514
<b>Total Lease Expense</b>	\$	<b>93,342</b>	\$	<b>88,514</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The aggregate minimum annual lease payments under operating and finance lease arrangements and discount factors used in calculating minimum lease payments on ROU assets, are as follows:

Years Ending September 30	Operating Leases	Total
2024	\$ 49,000	\$ 49,000
2025	49,000	49,000
2026	41,677	41,677
2027	14,781	14,781
2028	-	-
Thereafter	-	-
<b>Subtotal</b>	<b>154,458</b>	<b>154,458</b>
Amount representing interest	(9,424)	(9,424)
<b>Present Value of Minimum Lease Payments</b>	<b>145,034</b>	<b>\$ 145,034</b>
Current maturities of leases	(44,092)	
<b>Leases - Net of Current Maturities</b>	<b>\$ 100,942</b>	
Weighted-average remaining lease term:		
Operating leases		3.25 years
Weighted-average discount rate:		
Operating leases		4.00%

## 10. 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, 2023 and 2022. There were no deferred tax assets or liabilities and no accrued expenses of income tax liability at September 30, 2023 and 2022.

## 11. LONG-TERM DEBT

NCAT's long-term debt consists of the following:

September 30	2023	2022
Note payable to Glacier Bank, due in monthly installments of \$2,245, including interest at 4.5% through June 2025; unsecured.	\$ 45,235	69,527
Current portion	(25,419)	(24,302)
<b>Totals</b>	<b>\$ 19,816</b>	<b>\$ 45,225</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Interest expense was \$2,582 and \$3,690 for the years ended September 30, 2023 and 2022, respectively.

Aggregate maturities for the next five years are as follows:

Years Ending September 30	
2024	\$ 25,419
2025	19,816
2026	-
2027	-
2028	-
<b>Total</b>	<b>\$ 45,235</b>

## 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor-imposed time or purpose restrictions activities consist of:

	October 1, 2022	Revenue	Released From Restrictions	September 30, 2023
Climate actions solutions that enhance local and low-income initiatives in rural and distressed places	\$ 40,000	\$ -	\$ (40,000)	\$ -
Biochar lobbying	40,280	130,000	(126,721)	43,559
Agri-solar	23,890	15,000	(29,649)	9,241
Grow Montana	52,875	165,159	(101,425)	116,609
<b>Total</b>	<b>\$ 157,045</b>	<b>\$ 310,159</b>	<b>\$ (297,795)</b>	<b>\$ 169,409</b>

During 2023, a total of \$297,795 of donor-restricted net assets were released as they were expended for their purpose restrictions.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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#### 13. PROFIT SHARING PLAN

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

Employer contributions are allowed for employees who have attained age 21 and have completed at least three months of service or 1,000 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, 2023 and 2022, \$353,943 and \$381,005, respectively, of employer contributions were expensed in the accompanying consolidated financial statements.

#### 14. INDIRECT COST RATES AND FUNCTIONAL ALLOCATION OF COSTS

NCAT's actual allocated cost rates are as follows:

September 30	2023	2022
<b>Cost Pool</b>		
Directly allocated fringe - regular employees	44.00%	44.00%
Allocated overhead direct costs	35.69%	33.50%
Indirect general and administrative (G&A)	9.93%	9.07%

The subsidiary does not use an indirect cost rate.

#### 15. RELATED-PARTY TRANSACTIONS

Members of the Board of Directors of NCAT made contributions in the amount of \$14,245 and \$5,850 for the years ended September 30, 2023 and 2022, respectively.

#### 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, 2023 and 2022, royalty fees received amounted to \$-0-.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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#### **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 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 as contributions are 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, 2023 and 2022.

#### **18. DISSOLUTION OF NHT**

During 2023, the Board of Directors dissolved NHT, Inc. and distributed the assets to its sole owner, the National Center for Appropriate Technology, Inc.

**SUPPLEMENTARY INFORMATION SECTION**

# National Center for Appropriate Technology, Inc.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2023

Federal Source/Pass-Through Source Program Title/Type of Assistance	Award Number	AL Number	Federal Funds Expended	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Rural Business - Cooperative Service</b>				
Appropriate Technology Transfer for Rural Areas (ATTRA)	RD-RB-COOP-2-XX	10.782	\$ 1,769,549	\$ -
Appropriate Technology Transfer for Rural Areas (ATTRA)	RD-RB-COOP-23-XX	10.782	975,006	-
<b>Subtotal by AL Number</b>			2,744,555	-
<b>Farm and School Nutrition Service</b>				
Farm to School	USDA-FNS-F2S-TC-2019-MT-01	10.531	214,284	-
<b>Farm and School Nutrition Service</b>				
Passed through Montana Department of Agriculture	FNS-F2S-IMPL-2022-MT-2	10.575	28,128	-
AMS FMPP Sustainable Farmer's Market Success	AM200100XXXG111	10.175	128,597	-
<b>Natural Resources Conservation Service</b>				
NRCS Soil for Water	NR203A750001C025	10.902	315,078	-
Investing in Underserved Farmers	NR223A750003C036	10.902	201,039	-
Piney Woods School Demo Farm	NA	10.902	34,128	-
<b>Subtotal by AL Number</b>			550,245	-
<b>Natural Resources Conservation Service</b>				
CIG Subtropical Soil Health Initiative	NR213A750013G034-02	10.912	13,192	-
Passed through University of Texas Rio Grande Valley		10.912	35,966	-
Passed through Piikani Lodge		10.912	48,763	-
<b>Subtotal by AL Number</b>			97,921	-
<b>Risk Management Agency</b>				
Up Land Farm Project	N/A	10.460	27,460	-
MTDA Plant Seeds for Success	21SC07003	10.170	44,623	-
Training Project		10.170	9,857	-
Healthcare Without Harm		10.170	12,959	-
Specialty Crop Block Grant		10.170	45,276	-
Center for Land Based Learning	AM22SCBPCA1133	10.170	2,562	-
<b>Subtotal by AL Number</b>			115,277	-
<b>Sustainable Agriculture Research and Education</b>				
<b>National Institute of Food and Agriculture</b>				
Passed through University of Georgia	SUB00002653	10.215	337,180	-
Passed through Department of Agriculture	SUB00002302	10.215	20,381	-
Passed through Montana State University	G182-21-W7903	10.215	39,911	-
Passed through University of Georgia	SUB00002607	10.215	6,096	-
Passed through Department of Agriculture	SUB00002935	10.215	51,153	-
Passed through University of Georgia	SUB00003092	10.215	75,740	-
Passed through University of Georgia	SUB00003160	10.215	175	-
RAFI Disaster Assistance	NA	10.215	4,810	-
<b>Subtotal by AL Number</b>			\$ 535,446	\$ -

See the accompanying notes to the schedule of expenditures of federal awards

# National Center for Appropriate Technology, Inc.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2023

(Continued)

Federal Source/Pass-Through Source Program Title/Type of Assistance	Award Number	AL Number	Federal Funds Expended	Passed Through to Subrecipients
<b>Community Food Projects</b>				
Mississippi Food Justice Fellowship	2018-33800-28394	10.225	\$ 78,869	\$ -
Supporting a Vibrant Organic Sector	F1476-01	10.307	16,444	-
Communicate Food and Ariculre Coalition	NA	10.311	1,435	-
Passed through University of Kentucky	3200004384-22-114	10.311	5,349	-
Passed through Appalachian State University	A21-0030-S004	10.311	25,214	-
Passed through University of California	A23-1561-S002		30,314	-
<b>National Institute of Food and Agriculture</b>				
NIFA Preparing for Resilient Future	2021-70033-35698	10.311	179,997	-
Passed through Alcorn State University	NA	10.311	9,133	-
<b>Subtotal by AL Number</b>			251,442	-
<b>Community Food and Ag Coalition</b>				
<b>Food Insecurity Nutrition Incentive Grants Program</b>				
Double SNAP Project	NA	10.331	5,195	-
USDA NIFA AgVets Project	2020-77028-32877	10.334	123,177	-
<b>Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers</b>				
Armed to Farm-Connecting Veterans	AO192501X443G016	10.443	380,663	-
Plant it Forward	AO222501X443G038	10.443	12,464	-
<b>Subtotal by AL Number</b>			393,127	-
<b>Sustainable Agriculture Research and Education</b>				
<b>National Institute of Food and Agriculture</b>				
Passed through University of Arkansas	GR016206	10.500	31,670	-
<b>Subtotal by AL Number</b>			31,670	-
<b>Agriculture and Food Research Initiative</b>				
Passed through Montana State University	G286-22-W9452	10.310	9,703	-
Texas Agroforestry	20-DG-11132540-035	10.664	12,066	-
<b>National Organic Program</b>				
Florida Organic growers		10.163	4,355	-
<b>Natural Resources Conservation Service</b>				
Community Farms	NR233A750005G041	10.935	4,125	-
Climate Smart	NR233A750004G021	10.937	625,067	407,683
Farmer's for Soil Health	2004.23.079280	10.937	1,532	-
Building Soil, Building Equity		10.937	82,907	-
<b>Subtotal by AL Number</b>			709,506	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			6,081,592	407,683
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through APPRISE	75N92021P0034	93.568	488,774	-
<b>NORTHERN BORDER REGIONAL COMMISSION</b>				
Vital Communities Project	NA	90.601	722	-
<b>ENVIRONMENTAL PROTECTION AGENCY</b>				
Environmental Education Grant	96881801	66.951	15,303	-
<b>U.S. DEPARTMENT OF ENERGY</b>				
Department of Energy Agrisolar Project	DE-EE0009372	81.087	588,517	-
<b>U.S. DEPARTMENT OF VETERAN AFFAIRS</b>				
Armed to Farm	N/A	64.000	23,879	-
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			\$ 7,198,787	\$ 407,683

See the accompanying notes to the schedule of expenditures of federal awards

# **National Center for Appropriate Technology, Inc.**

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

September 30, 2023

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### **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the National Center for Appropriate Technology, Inc. (NCAT-NP), under programs of the federal government for the year ended September 30, 2023. 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-NP, it is not intended and does not present the financial position, change in net assets, or cash flows of NCAT-NP.

### **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, or the cost principles of Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

### **3. PROGRAM INCOME**

Program income in the amount of \$221,425 nets with related expenditures, therefore decreasing the amount of Appropriate Technology Transfer for Rural Areas (ATTRA) federal expenditures (CFDA #10.350). ATTRA expenditures reported on the Schedule consist of allowable program expenses net of program income received.

### **4. INDIRECT COST RATE**

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

## **OTHER REPORTS SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) 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. and Subsidiary, a nonprofit organization (collectively, referred to as NCAT) which comprise the consolidated statement of financial position as of September 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated .

***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 NCAT's consolidated 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 AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(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 8, 2024  
Butte, Montana



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

To the Board of Directors  
National Center for Appropriate Technology, Inc. and Subsidiary  
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, Inc.'s (NCAT-NP), a nonprofit organization, 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-NP's major federal programs for the year ended September 30, 2023. NCAT-NP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, NCAT-NP 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, 2023.

#### ***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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NCAT-NP 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-NP'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-NP's federal programs.

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

(Continued)

***Auditors' 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-NP'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 GAAS, *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-NP'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-NP'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-NP'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 AUDITORS' 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 Isom, LLP*

March 8, 2024  
Butte, Montana

## **FINDINGS AND QUESTIONED COSTS SECTION**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended September 30, 2023

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**SECTION I**

**SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Is any noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' 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:	
Appropriate Technology Transfer for Rural Areas (ATTRA)	10.782
Sustainable Agriculture Research and Education	10.937
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended September 30, 2023

(Continued)

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**SECTION II**

**FINANCIAL STATEMENTS FINDINGS**

None.

**SECTION III**

**FEDERAL AWARDS AUDIT FINDINGS**

None.

**SECTION IV**

**STATUS OF CORRECTIVE ACTION ON PRIOR FINDINGS**

None.

**OTHER SUPPLEMENTARY INFORMATION SECTION**



## **INDEPENDENT AUDITORS' 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**

#### ***Opinion***

We have audited the consolidated financial statements of the National Center for Appropriate Technology, Inc. and Subsidiary, a nonprofit organization (collectively, referred to as NCAT) for the year ended September 30, 2023, and have issued our report thereon dated.

We have also audited the accompanying schedule of determination of indirect cost rates of the National Center for Appropriate Technology, Inc. (NCAT-NP) for the year ended September 30, 2023, 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-NP's cost reimbursable contracts for the year ended September 30, 2023, 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 (GAAS); the applicable provisions of 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NCAT-NP 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 1 to the Schedule, which describes the basis of accounting. The Schedule was prepared by NCAT-NP on the basis of accounting prescribed by Part 42 of 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 (GAAP). Our opinion is not modified with respect to this matter.

## **INDEPENDENT AUDITORS' 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 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.

### ***Auditors' 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 auditors' 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 GAAS 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 GAAS 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 dis-closures 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-NP'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 AUDITORS' REPORT**

(Continued)

***Restriction on Use***

This report is intended solely for the information and use of governance, management of NCAT-NP, 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 8, 2024  
Butte, Montana

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

**SCHEDULE OF DETERMINATION OF INDIRECT COST RATES**

Year Ended September 30, 2023

<b>Fiscal Year</b>	<b>Cost Pool</b>	<b>Provisional Rate</b>	<b>Audit Adjustments</b>	<b>Actual Rate</b>
2023	Fringe	44.00%	\$ -	44.00%
	Allocated Overhead Direct Costs	36.00%	\$ -	35.69%
	Indirect General and Administrative (G&A)	9.35%	\$ -	9.93%

*See the accompanying notes to the other supplementary information.*

# National Center for Appropriate Technology, Inc.

## NOTES TO THE SCHEDULE OF DETERMINATION OF INDIRECT COST RATES

September 30, 2023

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### 1. ORGANIZATION

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

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

### 2. BASIS OF ACCOUNTING

The accompanying Schedule of Determination of Indirect Cost Rates (the Schedule) includes the activity of NCAT-NP for the year ended September 30, 2023. The Schedule 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).

### 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.

### 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 Overhead 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 overhead direct costs are allocated to all direct project labor, including allocated fringe.

## National Center for Appropriate Technology, Inc.

### NOTES TO THE SCHEDULE OF DETERMINATION OF INDIRECT COST RATES

September 30, 2023

(Continued)

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#### **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."