



NATIONAL CENTER
FOR APPROPRIATE
TECHNOLOGY

**CONSOLIDATED FINANCIAL REPORT
AND SUPPLEMENTARY INFORMATION**

September 30, 2020 and 2019



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the National Center for Appropriate Technology, Inc. (a nonprofit organization) and subsidiary (collectively NCAT), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities and consolidated cash flows for the years then ended, consolidated statements of functional expenses, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Center for Appropriate Technology, Inc. and subsidiary as of September 30, 2020 and 2019, and the consolidated changes in its net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note 2, the NCAT adopted the Financial Accounting Standards Board's Accounting Standard Updates (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2016-01, *Financial Instruments (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities* as of and for the year ended September 30, 2020. Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; is presented for additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, on our consideration of National Center for Appropriate Technology, Inc.'s internal control over consolidated financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over consolidated financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Center for Appropriate Technology, Inc.'s internal control over consolidated financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
February 17, 2021

FINANCIAL STATEMENTS

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,001,620	\$ 1,306,558
Certificates of deposit	203,666	100,360
Receivables	1,596,353	1,360,608
Prepaid expenses	<u>22,402</u>	<u>93,912</u>
Total current assets	<u>2,824,041</u>	<u>2,861,438</u>
PROPERTY AND EQUIPMENT, NET	<u>521,034</u>	<u>376,731</u>
OTHER ASSETS		
Deposits and other	<u>75,328</u>	<u>79,091</u>
Total assets	<u>\$ 3,420,403</u>	<u>\$ 3,317,260</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 296,101	\$ 228,260
Accrued expenses	569,741	732,910
Current portion of long-term debt	-	736
Deferred revenue	<u>280,816</u>	<u>253,344</u>
Total current liabilities	<u>1,146,658</u>	<u>1,215,250</u>
Total liabilities	<u>1,146,658</u>	<u>1,215,250</u>
NET ASSETS		
Without donor restrictions		
Undesignated	<u>2,273,745</u>	<u>2,102,010</u>
Total net assets without donor restrictions	<u>2,273,745</u>	<u>2,102,010</u>
Total liabilities and net assets	<u>\$ 3,420,403</u>	<u>\$ 3,317,260</u>

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

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
Contributions:		
Grant revenues	\$ 4,777,232	\$ 5,041,199
Contributions	33,386	36,169
In-kind contributions	114,244	139,651
Contract revenues	1,376,574	1,757,793
Investment income	<u>4,464</u>	<u>7,142</u>
Total revenue and support	<u>6,305,900</u>	<u>6,981,954</u>
 PROGRAM SERVICES		
Sustainable Agricultural Programs	4,391,435	4,882,781
Sustainable Energy Programs	<u>1,204,940</u>	<u>1,290,348</u>
Total program services	<u>5,596,375</u>	<u>6,173,129</u>
 SUPPORTING SERVICES		
General and administrative	548,308	611,455
Fundraising	<u>4,246</u>	<u>3,137</u>
Total supporting services	<u>552,554</u>	<u>614,592</u>
 Total expenses	<u>6,148,929</u>	<u>6,787,721</u>
 OTHER INCOME (EXPENSE)		
Other income (expense)	<u>14,764</u>	<u>(56,825)</u>
Total other income (expense)	<u>14,764</u>	<u>(56,825)</u>
 CHANGE IN NET ASSETS	171,735	137,408
Net assets without donor restrictions, beginning of year	<u>2,102,010</u>	<u>1,964,602</u>
Net assets without donor restrictions, end of year	<u>\$ 2,273,745</u>	<u>\$ 2,102,010</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, 2020

	Program Services			Supporting Services		Total Supporting Services	Total Expenses
	Sustainable Agriculture Programs	Sustainable Energy Programs	Total Program Services	General & Administrative	Fundraising		
Labor and fringe	\$ 2,992,316	\$ 669,354	\$ 3,661,670	\$ 494,295	\$ 2,226	\$ 496,521	\$ 4,158,191
Subcontracts	655,980	96,306	752,286	2,159	-	2,159	754,445
Materials and supplies	439,374	74,950	514,324	47,514	2,020	49,534	563,858
Stipends	-	299,116	299,116	-	-	-	299,116
Rent and utilities	178,247	44,562	222,809	-	-	-	222,809
Travel	97,978	13,767	111,745	4,340	-	4,340	116,085
Depreciation	27,540	6,885	34,425	-	-	-	34,425
Total expenses	<u>\$ 4,391,435</u>	<u>\$ 1,204,940</u>	<u>\$ 5,596,375</u>	<u>\$ 548,308</u>	<u>\$ 4,246</u>	<u>\$ 552,554</u>	<u>\$ 6,148,929</u>

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

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

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

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

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 171,735	\$ 137,408
Adjustment to reconcile change in net assets to cash flows from operating activities:		
Depreciation	34,425	48,996
Changes in assets and liabilities		
Receivables	(235,745)	(490,741)
Prepaid expenses	71,510	(60,916)
Deposits and other	3,763	(2,701)
Accounts payable	67,841	(130,905)
Accrued expenses	(163,169)	90,499
Deferred revenue	<u>27,472</u>	<u>(422,230)</u>
Net cash flows from operating activities	<u>(22,168)</u>	<u>(830,590)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(178,728)	(2,511)
Purchase of certificates of deposit	<u>(103,306)</u>	<u>(100,360)</u>
Net cash flows from investing activities	<u>(282,034)</u>	<u>(102,871)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(736)</u>	<u>(10,992)</u>
Net cash flows from financing activities	<u>(736)</u>	<u>(10,992)</u>
Net change in cash and cash equivalents	(304,938)	(944,453)
Cash and cash equivalents - beginning of year	<u>1,306,558</u>	<u>2,251,011</u>
Cash and cash equivalents - end of year	<u>\$ 1,001,620</u>	<u>\$ 1,306,558</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 7</u>	<u>\$ 332</u>

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

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020 and 2019

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 October 1, 2019, NCAT adopted the following Accounting Standards Updates (ASU):

- ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* including the subsequent revisions (collectively referred to as *Topic 606*). This accounting standard was issued to clarify the principles of recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). NCAT adopted Topic 606 using the modified retrospective method. Implementation of the standard did not have a material effect on NCAT's methodology for the recognition of revenue.
- ASU 2018-08, *Not-for-Profit Entities (Topic 605) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides guidance on (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Implementation of the standard has no effect on NCAT's existing revenue recognition policies, nor required any adjustment of activity reported in the prior period.
- ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The main objective of this accounting standard was to enhance the reporting model for financial instruments and to provide users of the financial statements with more decision-useful information. The standard was implemented on a retrospective basis. Implementation of the standard had no effect on the NCAT's existing policies, nor required any adjustment of activity reported in a prior period.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, 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 \$749,549 and \$1,159,268 at September 30, 2020 and 2019, 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, 2020 and 2019, NCAT has no uninsured balances.

Certificates of Deposit

NCAT has two certificates of deposit (CDs) at September 30, 2020. The current term of the certificates is as follows: one twelve month certificate maturing in August 2021, with an interest rate of 1.80% and one thirteen month certificate maturing December 2020 with an interest rate of 1.75%. This certificate was subsequently renewed with a new maturity date of January 2022. The CDs are stated at the principal balance.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019. 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 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.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$280,816 and \$253,344 at September 30, 2020 and 2019, 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.

Net Assets with Donor Restrictions – Net assets that are subject to donor or certain grantor imposed stipulations. Some donor or grant restrictions are temporary in nature such as those that will be met by passage of time or other events specified by the donor or grantor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that are sources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both. The Organization does not have any net assets with donor restrictions at September 30, 2020 and 2019.

Functional Expenses

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

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

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

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

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

Estimates

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

Reclassifications

Certain reclassifications have been made to the September 20, 2019 financial statements to conform to the September 30, 2020 presentation. Such reclassifications had no effect on previously reported amounts.

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure include only those without donor restrictions, excluding board designated net assets or other restrictions limiting their use within one year of the statement of financial position date. General expenditures include those listed within the management and general classification of the consolidated statements of activities.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)

The following financial assets are expected to be available to support NCAT in the year ending September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,001,620	\$ 1,306,558
Certificates of deposit	203,666	100,360
Receivables	1,596,353	1,360,608
Less: grants receivable	(1,361,614)	(800,558)
Less: deferred revenue	<u>(280,816)</u>	<u>(253,344)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,159,209</u>	<u>\$ 1,713,624</u>

As of September 30, 2020 and 2019, NCAT has working capital of \$1,677,383 and \$1,646,188, respectively, and 59 and 70 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, 2020 and 2019.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 30,456	\$ 30,456
Buildings and improvements	598,363	757,363
Furniture and fixtures	383,682	250,122
Office equipment	160,301	160,301
Computer equipment	172,233	172,233
Software	46,690	46,690
Vehicles	70,128	70,128
Asset under construction	178,728	-
Less accumulated depreciation	<u>(1,119,547)</u>	<u>(1,110,562)</u>
	<u>\$ 521,034</u>	<u>\$ 376,731</u>

Depreciation expense was \$34,425 and \$48,996 for the years ended September 30, 2020 and 2019, respectively.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 4. PROPERTY AND EQUIPMENT (CONTINUED)

Equipment purchased with federal funding is expensed if the grant indicates the title is to be held by the grantor. The equipment used by NCAT is below the threshold for NCAT's capitalization policy and therefore not included in the statements of financial position. Such equipment totaled approximately \$132,000 and \$139,000 for the years ended September 30, 2020 and 2019, respectively.

NOTE 5. CONCENTRATIONS

During 2020 and 2019, NCAT derived approximately 76% and 69%, respectively, of its revenue from grants with various federal governmental agencies. Additionally, 85% and 73%, respectively, of its accounts receivable relate 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>2020</u>	<u>2019</u>
Billed receivables	\$ 710,729	\$ 1,047,876
Other receivables	<u>885,624</u>	<u>312,732</u>
	<u>\$ 1,596,353</u>	<u>\$ 1,360,608</u>

NOTE 7. CONTRIBUTED SERVICES

NCAT records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. NCAT received contributed professional services of \$114,244 and \$139,651 during the years ended September 30, 2020 and 2019, respectively.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 8. ACCRUED EXPENSES

Accrued expenses consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Accrued payroll taxes and withholding	\$ 60,213	\$ 59,170
Accrued wages	109,524	126,706
Accrued vacation	196,901	174,543
Profit sharing plan	197,715	236,565
457B pension plan	-	135,025
Other	<u>5,388</u>	<u>901</u>
	<u>\$ 569,741</u>	<u>\$ 732,910</u>

NOTE 9. LINE OF CREDIT

At September 30, 2020 and 2019, NCAT had an unused line of credit of \$200,000 with a variable annual interest rate with an initial rate of 5.0%. NCAT did not draw on this line of credit during 2020 or 2019. The line of credit expires March 31, 2021.

NOTE 10. LEASE COMMITMENTS

NCAT leases facility space in the following cities:

- Fayetteville, Arkansas with monthly rent expense of \$2,300 per month, effective for five years beginning July 1, 2016 with a cost of living index increase each year;
- San Antonio, Texas with a monthly rent expense of \$1,106 per month, effective month-to-month;
- Davis, California with monthly rent expense of \$1,175 per month, effective month-to-month;
- Keene, New Hampshire with a monthly rent expense of \$1,300 per month, effective for six years beginning February 1, 2017;
- Jackson, Mississippi with monthly rent expense of \$1,090 per month, effective month-to-month.

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

2021	\$ 37,569
2022	15,700
2023	<u>5,400</u>
	<u>\$ 58,669</u>

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 10. LEASE COMMITMENTS (CONTINUED)

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, 2020 and 2019, NCAT's total facility rental expense was \$87,752 and \$80,722, 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, 2020 and 2019, equipment rental expense was \$21,167 and \$22,571, respectively.

NOTE 11. INCOME TAXES

Income taxes for NCAT consist of a provision of \$-0- for each of the years ended September 30, 2020 and 2019. There were no accrued expenses of income tax liability at September 30, 2020 and 2019.

NOTE 12. NOTES PAYABLE

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

	<u>2020</u>	<u>2019</u>
Note payable to Glacier Bank, due in monthly installments of \$944, including interest at 5%; matured on October 24, 2019; secured by all inventory, accounts receivable, equipment, and general intangibles.	\$ -	\$ 736
Less current portion	<u>-</u>	<u>(736)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

Interest expense was \$7 and \$332 for the years ended September 30, 2020 and 2019, respectively.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 13. PROFIT SHARING PLAN

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

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

NCAT approves discretionary contributions to the profit sharing plan on a calendar year basis. At September 30, 2020 and 2019, respectively, \$264,953 and \$297,959 of employer contributions were expensed in the accompanying consolidated financial statements.

NOTE 14. INDIRECT COST RATES AND FUNCTIONAL ALLOCATION OF COSTS

NCAT's actual allocated cost rates for the fiscal years ended September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Cost Pool:		
Directly allocated fringe - regular employees	44.00%	44.00%
Allocated direct costs	36.00%	36.00%
Indirect general and administrative (G&A)	10.00%	10.00%

The subsidiary does not use an indirect cost rate.

NOTE 15. ROYALTY AGREEMENT

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

LLC agreed to pay NCAT a royalty fee equal to two (2%) percent of LLC's annual cash receipts in excess of \$1,200,000 in a calendar year, provided that the fee shall not exceed \$20,000 in any given year and shall not exceed \$110,000 in the aggregate. For the years ended September 30, 2020 and 2019 royalty fees received amounted to \$-0-.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 16. RELATED PARTY TRANSACTIONS

Members of the board of directors of NCAT made contributions in the amount of \$8,015 and \$9,295 for the years ended September 30, 2020 and 2019, respectively.

During 2016, NCAT loaned \$150,000 to NHT in a line of credit agreement for construction of a solar array project. On October 1, 2016, the line of credit was converted to a long term note payable for \$89,500. The note bears an interest rate of 2.5% and matures in September 2041. The outstanding balance of the note payable was \$77,893 and \$80,700 at September 30, 2020 and 2019, respectively. The note payable was paid in full to NCAT subsequent to year end. The impact of the intercompany note payable has been eliminated in the accompanying financial statements.

During 2020, the solar array was sold from NHT to NCAT at the net book value of \$133,560. The impact of the intercompany payable and receivable has been eliminated in the accompanying financial statements.

NOTE 17. DEFERRED COMPENSATION

Effective October 2012, NCAT adopted a non-qualified deferred compensation agreement under Section 457(b) of the Internal Revenue Code. Contributions by NCAT are Board discretionary and are subject to IRS limits. The plan allows for eligible employees to defer a portion of their compensation. Such deferrals accumulate on a tax deferred basis until the employee withdraws the funds upon retirement, termination, or death. Participants are fully vested on contributions made. After 60 days of separation from service, benefits may be paid out in a lump sum or installment payments. Total contributions in 2020 and 2019 were \$-0- and \$18,885, respectively.

NOTE 18. PAYCHECK PROTECTION PROGRAM (PPP) FUNDING

On April 18, 2020, NCAT received loan proceeds in the amount of \$56,900 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations in amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months following the end of the covered period.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
September 30, 2020 and 2019

NOTE 18. PAYCHECK PROTECTION PROGRAM (PPP) FUNDING (CONTINUED)

NCAT recognized the amount received as grant revenue as qualified expenses to entitlement of the funds were met. Application for forgiveness of the loan was made on January 21, 2021, with inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All documentation supporting program compliance has been made available for the financial statement audit. Management believes requirements have been met and the loan will be forgiven. However, if a portion of the loan must be repaid, the terms are such that NCAT has sufficient liquidity to repay the unforgiven portion.

NOTE 19. SUBSEQUENT EVENT

On October, 14, 2020, NCAT entered into a note payable agreement with a bank in the amount of \$100,000 for renovation of the back porch of the building in Butte, Montana. The note bears interest at 4.5% and matures October 2025.

Management has evaluated subsequent events through February 17, 2021, the date which the financial statements were available for issuance.

SINGLE AUDIT SECTION

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2020

Federal Source				
Pass-through Source				
Program Title	Award	Federal	Federal	Passed
Type of Assistance	Number	CFDA	Funds	Through to
		Number	Expended	Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Rural Business - Cooperative Service				
Appropriate Technology Transfer for Rural Areas (ATTRA)	RBS-19-01	10.782	\$ 1,666,230	\$ -
Appropriate Technology Transfer for Rural Areas (ATTRA)	RBS-20-03	10.782	<u>907,603</u>	<u>-</u>
Subtotal by CFDA Number			<u>2,573,833</u>	<u>-</u>
Farm and School Nutrition Service				
Farm to School	USDA-FNS-F2S-TC-2019-MT-01	10.531	485,292	-
Farm and School Nutrition Service				
Passed through Montana Department of Agriculture	11019	10.575	2,001	-
Passed through Montana Department of Agriculture	18F2S001	10.575	<u>33,707</u>	<u>-</u>
Subtotal by CFDA Number			<u>35,708</u>	<u>-</u>
Agricultural Research Service				
Use of Natural Strategies to Alleviate Enteric Pathogens in				
Organic Poultry	59-6020-7-001	10.001	18,652	-
Nutrient Management Options for Specialty Crop Production				
for New Veteran Farmers	59-6020-9-001	10.001	<u>219</u>	<u>-</u>
Subtotal by CFDA Number			<u>18,871</u>	<u>-</u>
Agricultural Marketing Service				
Building Farmers Markets in Montana	16MPPMT0013	10.168	52,059	-
The Common Market Texas	AM180100XXXXG109	10.172	42,407	-
Farmshare Austin Audits	NA	10.175	2,664	-
Natural Resources Conservation Service				
Hispanic Farmers Conference	NR207442XXXXC024	10.902	1,367	-
Hispanic Farmers Conference	NR207442XXXXC04	10.902	784	-
Latino Farmers Conference	NR199104XXXXC002	10.902	<u>14,947</u>	<u>-</u>
Subtotal by CFDA Number			<u>17,098</u>	<u>-</u>
Rural Business - Cooperative Service				
Environmental Quality Incentives Program	69-3A75-17-281	10.912	<u>186,317</u>	<u>-</u>
Conservation Stewardship Program				
NRCS Project at Piney Woods School	NR194423XXXX0058	10.924	<u>16,887</u>	<u>-</u>
Risk Management Agency				
Passed through California Institute for Risk Management				
Strategies	NA	10.460	<u>29,068</u>	<u>-</u>
CLBL Develop Orchard Crops	NA	10.170	8,269	-
Healthcare Without Harm	NA	10.170	1,568	-
Specialty Crop Block Grant	NA	10.170	85,577	-
Specialty Crop Block Grant	19SCG04708	10.170	<u>44,415</u>	<u>-</u>
Subtotal by CFDA Number			<u>139,829</u>	<u>-</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, 2020

Federal Source				
Pass-through Source				
Program Title	Award	Federal	Federal	Passed
Type of Assistance	Number	CFDA	Funds	Through to
		Number	Expended	Subrecipients
U.S. DEPARTMENT OF AGRICULTURE (CONTINUED)				
Sustainable Agriculture Research and Education				
National Institute of Food and Agriculture				
Passed through Montana and Utah State University	G202-19-W6663	10.215	17,195	-
Passed through Montana State University	G214-19-W7443	10.215	35,820	-
Passed through Utah State University	200592-00001-360	10.215	17,021	-
Passed through Utah State University	150893-00001-225	10.215	287	-
Passed through Montana State University	G359-20-W7502	10.215	4,978	-
Passed through University of Arkansas	82275-02	10.215	10,831	-
Passed through University of Georgia	RD309-144/S001664	10.215	29,816	-
Passed through Tarelton State University	NA	10.215	26,271	-
Passed through University of Texas-Arlington	SUB00002065	10.215	11,807	-
Passed through Utah State University	200592-377	10.215	23,609	-
Subtotal by CFDA Number			<u>177,635</u>	<u>-</u>
Community Food Projects				
Mississippi Food Justice Fellowship	2018-33800-28394	10.225	72,646	-
Passed through University of California	A18-0690-S002	10.311	36,128	-
Passed through University of Texas Rio Grande Valley	2018-70017-28536	10.311	24,741	-
National Institute of Food and Agriculture				
Passed through University of Arkansas	UA AES 91161-01	10.311	46,742	-
Passed through Alcorn State University	NA	10.311	1,987	-
Subtotal by CFDA Number			<u>109,598</u>	<u>-</u>
Community Food and Ag Coalition				
Food Insecurity Nutrition Incentive Grants Program				
Beginning Farmer and Rancher Development Program (BFRDP)	NA	10.331	4,039	-
SNAP Healthy Food-Montana	NA	10.331	6,678	-
Subtotal by CFDA Number			<u>10,717</u>	<u>-</u>
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers				
Armed to Farm-Connecting Veterans	AO192501X443G016	10.443	23,234	-
Sustainable Agriculture Research and Education				
National Institute of Food and Agriculture				
Passed through Washington State University	2018-70027-28587	10.500	2,335	-
Passed through University of Arkansas	31014-14	10.500	28,669	-
Subtotal by CFDA Number			<u>31,004</u>	<u>-</u>
Farm and Ranch Stress Assistance Network Competitive Grants Program				
Rural Cooperative Development Grants	NA	10.525	8,347	-
Farm to Schools Research	NA	10.771	947	-
Socially Disadvantaged Groups Grant	NA	10.871	3,066	-
Healthy Food Financing Initiative	NA	10.872	8,650	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>4,045,877</u>	<u>-</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, 2020

Federal Source				
Pass-through Source				
Program Title	Award	Federal	Federal	Passed
Type of Assistance	Number	CFDA	Funds	Through to
		Number	Expended	Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
LIHEAP Clearinghouse	HHSP233201550019A	93.568	325,088	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>325,088</u>	<u>-</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
MT State AmeriCorps	DLISFY18CONOCS_57-1	94.006	262,153	-
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>262,153</u>	<u>-</u>
ENVIRONMENTAL PROTECTION AGENCY				
Environmental Education Grant	01F54801	66.951	36,887	-
Environmental Education Grant	96881801	66.951	15,343	-
Subtotal by CFDA Number			<u>52,230</u>	<u>-</u>
Passed through Montana State University				
Housing & Environmental Health Program	47100419002	66.708	7,281	-
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>59,511</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 4,692,629</u>	<u>\$ -</u>

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

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2020

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, 2020. 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 \$214,245 is included in the ATTRA federal expenditures (CFDA #10.350). ATTRA expenditures reported on the SEFA consist of allowable program expenses net of program income received.

NOTE 4. INDIRECT COST RATE

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the National Center for Appropriate Technology, Inc. (a nonprofit organization) (NCAT) and subsidiary which comprise the consolidated statements of financial position as of September 30, 2020, and the related consolidated statements of activities, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered NCAT's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCAT's internal control. Accordingly, we do not express an opinion on the effectiveness of NCAT's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCAT's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NCAT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCAT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
February 17, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited the National Center for Appropriate Technology's (NCAT) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NCAT's major federal programs for the year ended September 30, 2020. NCAT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NCAT's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NCAT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NCAT's compliance.

Opinion on Each Major Federal Program

In our opinion, NCAT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of NCAT is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NCAT's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NCAT's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
February 17, 2021

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

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

Federal Awards:

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

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Appropriate Technology Transfer for Rural Areas (ATTRA)	10.782
Farm to School-Training and Curricula Grant	10.531
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, 2020, 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, 2020.

SECTION IV - STATUS OF CORRECTIVE ACTION ON PRIOR FINDINGS

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

INDIRECT COST AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of the National Center for Appropriate Technology, Inc. (NCAT) and Subsidiary for the year ended September 30, 2020 and have issued our report thereon dated February 17, 2021.

We have also audited the accompanying Schedule of Determination of Indirect Cost Rates of NCAT for the year ended September 30, 2020, and the related notes to the Schedule of Determination of Indirect Cost Rates (the Schedule).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the indirect cost rates of NCAT's cost reimbursable contracts for the year ended September 30, 2020, in conformity with accounting practices prescribed by subparts 42.7 "Indirect Cost Rates" and 42.8 "Disallowance of Costs" of the Federal Acquisition Regulations (FAR).

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

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
February 17, 2021

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
 SCHEDULE OF DETERMINATION OF INDIRECT COST RATES
 Year Ended September 30, 2020

Fiscal Year	Cost Pool	Provisional Rate	Audit Adjustments	Final Rate
2020	Fringe	44.00%	-	44.00%
	Allocated Direct Costs	36.00%	-	36.00%
	Indirect General and Administrative (G&A)	10.00%	-	10.00%

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

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
NOTES TO SCHEDULE OF DETERMINATION
OF INDIRECT COST RATES
September 30, 2020

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.

NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY, INC.
NOTES TO SCHEDULE OF DETERMINATION
OF INDIRECT COST RATES (CONTINUED)
September 30, 2020

NOTE 4. DESCRIPTION OF ALLOCATIONS (CONTINUED)

Allocated Direct Costs:

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

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

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

Indirect G&A:

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

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

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

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



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