



**Mountain States Group** Inc.  
*"international community resource development"*

AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
June 30, 2010 and 2009



**Mountain States Group** Inc.  
"international community resource development"

<u>Table of Contents for the Years Ending June 30, 2010 and 2009</u>	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statement of Functional Expenses	6-8
Notes to Financial Statements	9-20
<u>Supplemental Financial Information:</u>	
Schedule of Expenditures of Federal Awards and Notes	21-22
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>	23-24
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	25-26
Schedule of Findings and Questioned Costs	27-28



## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
**Mountain States Group, Inc.**  
Boise, Idaho

We have audited the accompanying statements of financial position of Mountain States Group, Inc. (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain States Group, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010, on our consideration of Mountain States Group, Inc.'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Mountain States Group, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Eide Bailly LLP*

Boise, Idaho  
October 19, 2010



**MOUNTAIN STATES GROUP, INC.  
STATEMENTS OF FINANCIAL POSITION**

<b>ASSETS</b>	<b><u>June 30, 2010</u></b>	<b><u>June 30, 2009</u></b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 487,523	\$ 641,211
Cash Held for Fiduciaries	228,097	138,021
Grants and Contracts Receivable	1,595,093	1,314,605
Accounts Receivable Other	100,904	79,168
Microenterprise Loan Receivable, Net	40,402	55,207
Prepaid Expenses	32,769	36,758
<b>Total Current Assets</b>	2,484,788	2,264,970
<b>PROPERTY AND EQUIPMENT</b>		
Land	221,433	151,193
Building and Improvements	1,196,919	1,170,150
Furniture, Fixtures, and Equipment	207,084	210,251
Less: Accumulated Depreciation	(685,890)	(637,548)
<b>Total Property and Equipment</b>	939,546	894,046
<b>LONG TERM ASSETS</b>		
Microenterprise Loan Receivable, Net	25,950	63,359
<b>TOTAL ASSETS</b>	<b>\$ 3,450,284</b>	<b>\$ 3,222,375</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 798,702	\$ 689,546
Accrued Wages and Benefits	524,316	506,487
Deferred Revenue	62,371	209,026
Due to Fiduciaries	228,097	138,021
Current Portion of Mortgage Payable	23,961	22,772
<b>Total Current Liabilities</b>	1,637,447	1,565,852
<b>LONG TERM LIABILITIES</b>		
Mortgage Payable, less current portion	448,732	472,693
<b>TOTAL LIABILITIES</b>	2,086,179	2,038,545
<b>NET ASSETS</b>		
Unrestricted	1,281,629	1,183,830
Temporarily Restricted	82,476	-
<b>Total Net Assets</b>	1,364,105	1,183,830
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,450,284</b>	<b>\$ 3,222,375</b>



**MOUNTAIN STATES GROUP, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Year Ended</u> <u>June 30, 2009</u>
<b><u>UNRESTRICTED REVENUES</u></b>		
Grants and Contracts	\$ 11,997,102	\$ 10,511,130
Fees for Service and Reimbursements	2,458,479	2,508,152
Contributions / In-kind / Donations	292,783	226,256
Dividends and Interest	12,549	18,950
Total Revenues	14,760,913	13,264,488
<b><u>UNRESTRICTED EXPENDITURES</u></b>		
Salaries	4,416,437	4,106,485
Benefits	901,790	865,370
Total Salaries & Benefits	5,318,227	4,971,855
Contracts and Consulting	3,021,538	2,425,814
Stipends / Scholarships / Assistance	2,127,532	1,923,355
Food Program Provider Payments	1,481,867	1,419,148
Indirect / Administrative Fees	917,369	848,141
Office Rental and Maintenance	346,258	313,260
Travel	330,490	293,544
Supplies	269,616	256,830
Meetings and Conferences	214,037	89,068
In-Kind / Match	116,561	120,472
Telephone and Utilities	107,759	91,748
Printing	71,078	83,102
Legal and Accounting	68,051	78,147
Staff and Volunteer Training	60,150	56,547
Depreciation and Amortization	51,509	50,233
Computer Supplies	35,011	19,713
Insurance	31,359	32,027
Property Taxes	25,781	23,928
Postage	25,607	27,147
Interest	24,743	23,779
Bad Debt Expense	16,688	45,520
Fundraising	1,883	1,809
Loss on Disposal of Assets	-	6,761
Income Tax Expense	-	3,621
Total Expenditures	14,663,114	13,205,569
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	97,799	58,919
<b><u>TEMPORARILY RESTRICTED REVENUES</u></b>		
Grants	82,476	-
<b>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	82,476	-
<b>INCREASE IN NET ASSETS</b>	180,275	58,919
<b>NET ASSETS, BEGINNING OF PERIOD</b>	1,183,830	1,124,911
<b>NET ASSETS, END OF PERIOD</b>	\$ 1,364,105	\$ 1,183,830



**MOUNTAIN STATES GROUP, INC.  
STATEMENTS OF CASH FLOWS**

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Changes in Net Assets</b>	\$ 180,275	\$ 58,919
<b>Adjustments to reconcile changes in net assets to net cash provided by Operating activities:</b>		
Depreciation and Amortization	51,509	50,233
Loan Fee Adjustment due to Refinance of Mortgage	-	6,631
<b>Changes in Assets and Liabilities</b>		
Grants and Contracts Receivable	(280,488)	60,064
Accounts Receivable Other	(21,736)	10,685
Prepaid Expenses	3,989	(11,258)
Accounts Payable	109,156	(47,892)
Accrued Wages & Benefits	17,829	28,044
Deferred Revenue	(146,655)	57,848
Due to Fiduciaries	90,076	38,482
<b>Net cash provided by Operating activities</b>	<u>3,955</u>	<u>251,756</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Furniture, Fixtures, & Equipment	-	(6,300)
Purchase of Land	(70,240)	-
Building Improvements	(26,769)	-
Microenterprise Lending	(28,822)	(131,478)
Microenterprise Cash Collection	81,036	135,822
<b>Net cash used by Investing activities</b>	<u>(44,795)</u>	<u>(1,956)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgage Payments	<u>(22,772)</u>	<u>(18,022)</u>
<b>Net cash used by Financing activities</b>	<u>(22,772)</u>	<u>(18,022)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(63,612)	231,778
<b>CASH, BEGINNING OF PERIOD</b>	<u>779,232</u>	<u>547,454</u>
<b>CASH, END OF PERIOD</b>	<u><u>\$ 715,620</u></u>	<u><u>\$ 779,232</u></u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash Paid for Interest	\$ 24,743	\$ 23,779
Cash Paid for Income Taxes	\$ -	\$ 3,621



**MOUNTAIN STATES GROUP, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2010**

<b>Expenditures</b>	<b>Mental Health</b>	<b>Public Health</b>	<b>Healthy Children &amp; Families</b>	<b>Refugee Services</b>
Salaries	\$ 900,013	\$ 61,186	\$ 1,149,199	\$ 967,734
Benefits	142,597	15,807	271,783	207,682
<b>Total Salaries and Benefits</b>	<b>1,042,610</b>	<b>76,993</b>	<b>1,420,982</b>	<b>1,175,416</b>
Contracts and Consulting	132,483	15,237	71,586	1,533,909
Stipends / Scholarships / Assistance	4,756	-	1,478	1,901,241
Food Program Provider Payments	-	-	1,481,867	-
Indirect / Administrative Fees	243,099	16,018	207,135	248,000
Office Rental and Maintenance	41,948	57	110,490	78,036
Travel	45,462	8,640	72,964	33,884
Supplies	13,526	1,069	80,625	63,819
Meetings and Conferences	107,364	32,953	7,228	18,411
In-Kind / Match	-	-	28,030	16,510
Telephone and Utilities	16,973	1,730	31,173	14,756
Printing	4,944	368	17,213	10,080
Legal and Accounting	79	-	1,667	3,974
Staff and Volunteer Training	2,293	189	41,424	7,900
Depreciation and Amortization	-	-	-	-
Computer Supplies	4,896	73	8,192	9,637
Insurance	-	-	1,212	3,603
Property Taxes	-	-	2,639	-
Postage	1,687	423	5,852	5,982
Interest	-	-	-	-
Bad Debt Expense	18,055	-	-	(1,367)
Fundraising	-	-	-	1,883
<b>Total Expenditures</b>	<b>\$ 1,680,175</b>	<b>\$ 153,750</b>	<b>\$ 3,591,757</b>	<b>\$ 5,125,674</b>



**MOUNTAIN STATES GROUP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**YEAR ENDED JUNE 30, 2010**

	<b>Rural Health</b>	<b>Healthy Aging</b>	<b>Total Program Services</b>
<b><u>Expenditures</u></b>			
Salaries	\$ 533,108	\$ 203,544	\$ 3,814,784
Benefits	115,605	48,647	802,121
Total Salaries and Benefits	648,713	252,191	4,616,905
Contracts and Consulting	1,141,783	104,456	2,999,454
Stipends / Scholarships / Assistance	6,264	213,793	2,127,532
Food Program Provider Payments	-	-	1,481,867
Indirect / Administrative Fees	166,118	36,999	917,369
Office Rental and Maintenance	21,620	8,620	260,771
Travel	141,200	7,902	310,052
Supplies	38,243	30,233	227,515
Meetings and Conferences	38,483	5,012	209,451
In-Kind / Match	-	72,021	116,561
Telephone and Utilities	8,358	2,916	75,906
Printing	5,146	3,826	41,577
Legal and Accounting	25	493	6,238
Staff and Volunteer Training	245	1,301	53,352
Depreciation and Amortization	-	-	-
Computer Supplies	3,221	998	27,017
Insurance	-	5,110	9,925
Property Taxes	-	-	2,639
Postage	4,319	2,962	21,225
Interest	-	-	-
Bad Debt Expense	-	-	16,688
Fundraising	-	-	1,883
Total Expenditures	<u>\$ 2,223,738</u>	<u>\$ 748,833</u>	<u>\$ 13,523,927</u>



**MOUNTAIN STATES GROUP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**YEAR ENDED JUNE 30, 2010**

<b><u>Expenditures</u></b>	<b>Administration</b>	<b>Building &amp; Equipment</b>	<b>Total Expenses</b>
Salaries	\$ 601,653	\$ -	\$ 4,416,437
Benefits	99,669	-	901,790
Total Salaries and Benefits	701,322	-	5,318,227
Contracts and Consulting	22,084	-	3,021,538
Stipends / Scholarships / Assistance	-	-	2,127,532
Food Program Provider Payments	-	-	1,481,867
Indirect / Administrative Fees	-	-	917,369
Office Rental and Maintenance	31,148	54,339	346,258
Travel	20,438	-	330,490
Supplies	42,101	-	269,616
Meetings and Conferences	4,586	-	214,037
In-Kind / Match	-	-	116,561
Telephone and Utilities	13,293	18,560	107,759
Printing	29,501	-	71,078
Legal and Accounting	61,813	-	68,051
Staff and Volunteer Training	6,798	-	60,150
Depreciation and Amortization	2,953	48,556	51,509
Computer Supplies	7,994	-	35,011
Insurance	21,434	-	31,359
Property Taxes	1,938	21,204	25,781
Postage	4,382	-	25,607
Interest	-	24,743	24,743
Bad Debt Expense	-	-	16,688
Fundraising	-	-	1,883
Total Expenditures	<u>\$ 971,785</u>	<u>\$ 167,402</u>	<u>\$ 14,663,114</u>



## Notes to Financial Statements June 30, 2010 and 2009

### **Note 1. ORGANIZATION AND PROGRAM SERVICES**

**Organization:** Mountain States Group, Inc. (MSG) is a 501(c)3 nonprofit corporation, incorporated under the laws of the State of Idaho for the purpose of improving the delivery, accessibility, and quality of health care and social services. Offices are located in Boise, Coeur d'Alene, Mountain Home, Nampa, Sandpoint and Weiser, Idaho and Jacksonville, Florida.

**Mission:** MSG works locally, nationally, and internationally to promote citizen and community leadership in improving health and human services; and provides high quality direct services for diverse populations. Our programs work toward the common mission of people shaping their own lives and sharing in their communities. MSG program areas include: Mental Health, Public Health, Healthy Children & Families, Refugee Services, Rural Health and Healthy Aging.

#### ***Mental Health:***

- ***Mental Health Services*** – Operates under Medicaid provider agreements on a fee-for-service basis, through the Idaho Department of Health and Welfare (IDH&W) for targeted case management, psychosocial rehabilitation (PSR), individual counseling and clinic services in Boise, Idaho, serving approximately 150 individuals with case management and PSR and approximately 260 individuals for clinic services per year.
- ***Office of Consumer Affairs and Family Affairs (OCFA)*** – Funded by the IDH&W encourages persons with a mental illness and their family members to have a voice in how Idaho's mental health services are provided. The OCFA assists consumers and family groups statewide in organizing and advocacy, and provides information on current service system issues and recovery-focused services.
- ***Idaho Peer Specialist Program*** – In August, 2008, OCFA received a contract from IDH&W to establish an Idaho Peer Specialist Training and Certification Program and to place Certified Peer Specialists within the state's Regional Mental Health Programs. Since inception, the project has trained 55 people in the Peer Specialist Training curriculum and Idaho now has 45 certified peer specialists.
- ***Idaho Partnership for Hispanic Mental Health*** – On August 1, 2009, MSG was awarded a grant through the National Institutes of Mental Health. This project's phase one planning included the completion of 238 individual quantitative interviews with Hispanic adults in Ada and Canyon County to determine their perceptions and beliefs about mental illness and behaviors regarding mental health treatment and 94 qualitative interviews as well as key informant interviews with southwest Idaho mental health service providers. The project's findings, supplemented by secondary data research, will be used to prioritize infrastructure development and capacity building actions to respond to Hispanics' mental health service needs. This phase will result in the development of an intervention grant that will be submitted for funding consideration.



- **Home Recovery Team Pilot Project** – On February 1, 2009, IDH&W issued a contract for MSG to provide Home Recovery Team services for IDH&W’s Region IV Mental Health Program. The concept of Home Recovery is to provide individualized treatment and support to adults with serious mental illness and/or who are in need of short-term intervention, allowing clients to remain in their homes. In spite of the success of this program, this contract’s funding ended April 30, 2010 due to IDH&W budget constraints.

#### **Public Health:**

- **Idaho HIV Community Planning Coordination** – Funded through IDH&W to assist in planning the state’s HIV/AIDS care and prevention services that include convening a statewide planning group; compiling applicable information for decision making and preparing Idaho’s plans for HIV/AIDS care and prevention services to assist the state in securing federal funding.
- **Idaho Statewide Quality Management Committee** – Works with IDH&W’s Family Planning, STD and HIV Programs, and the Idaho Advisory Council on HIV/AIDS to develop and continually improve a quality continuum of care statewide that meets the identified needs of people living with HIV and AIDS.
- **Boise Women’s Prison Project** – Reaches incarcerated women who are at-risk for HIV infection. Through group sessions, incarcerated women learn about HIV infection, how to reduce risky behaviors and gain confidence in keeping themselves safe from contracting HIV or other sexually transmitted diseases. Since this program’s inception in 2002, nearly 2,000 incarcerated women were served. This contract ended December 31, 2009.

#### **Healthy Children & Families:**

- **Mountain States Early Head Start (MSEHS)** – Continues to provide comprehensive health, social and educational services for infants, toddlers, and their families through family-centered and community-based efforts in Kootenai and Bonner Counties in north Idaho through grants from the U.S. Department of Health and Human Services (USDHHS) and TANF, passed through from the Idaho Head Start Association. Funded to serve a minimum of 119 children, services include home visits, parent/child educational playgroups and classes such as CPR, money management, cooking and child discipline. MSEHS also provides assistance in linking families to needed community resources in areas of preventative health care, dental exams, immunizations, nutrition education and developmental screenings. Some highlights of successes are measured with parents completing GED courses, enrolling in college or becoming a first time home buyer. MSEHS was awarded an American Recovery and Reinvestment Act of 2009 (ARRA) grant for staff cost of living adjustments and quality improvement funds. This one-time funding project period is July 1, 2009 to September 30, 2010.
- **Mountain States Early Head Start Expansion** – On November 1, 2009, USDHHS awarded an American Recovery and Reinvestment Act of 2009 grant to expand the MSEHS program in northern Idaho. The expansion will serve 40 additional children in the Early Head Start program, 10 in Hope/Clark Fork area and 30 in the Lakeland

area of northern Idaho. This expansion grant includes a provision for a new building (see Temporarily Restricted Net Assets note) in Rathdrum, Idaho. Services to children and families began on a staggered basis, beginning in August, 2010. Full enrollment is planned for October, 2010 and the building is scheduled for completion in December, 2010.

- **Nutrition Works** – Provides reimbursement to Idaho family child care homes and centers to help provide nutritious meals to low-income children and assists the homes and centers in offering quality child care. Funded through the U.S. Department of Agriculture as a pass through from the State of Idaho's Child and Adult Care Food Program. The program supports sponsored child care programs that each month feed over 3,800 children well-balanced, healthy meals and snacks, playing an important role in combating rising obesity rates in our country. The program also provides nutrition training opportunities for child care providers to help children develop early healthy eating habits.
- **Idaho KIDS COUNT** – Compiles data and research that informs policy change to improve the lives of vulnerable children and their families, funded by the Annie E. Casey Foundation. During the past year, the program updated all 61 indicators of Idaho Kids Count database and uploaded to Kids Net; provided workshops on using Kids Count data for organizations that serve children; generated policy briefs around proposed early learning program standards for Idaho as well as a continued focus on "small faces in a big recession" project.
- **Healthy Tomorrows: Starting Points for Idaho Youth** – A USDHHS grant that continues outreach efforts for health coverage to low income children and youth by targeting community events in rural counties, strategic media and school outreach and the continued involvement of school nurses in 15 rural school districts. The "Back to School Outreach Campaign" will bolster efforts in reaching the 13 to 19 year old uninsured rural youth. This grant ends March 1, 2011. This project was supplemented with a Cover Idaho Kids Partnership Plus grant from The Regence Foundation in 2009 under their "building healthier communities" program.
- **Children's Health Insurance Program Reauthorization Act Outreach and Enrollment Grant (CHIPRA)** – Funded through USDHHS's Center for Medicare & Medicaid Services for a two year project period (September 30, 2009 to September 29, 2011) to enroll and retain eligible children in the Medicaid and the Children's Health Insurance (CHIP) Programs in six rural Idaho counties. Since inception, the program enrolled 157 uninsured children and youth and re-enrolled 32 children/teens and conducted 52 community outreach and enrollment events.
- **Idaho Voices for children Policy Institute Project "Building Advocacy Capacity for School Readiness in Idaho"** – Funded by the Paul G. Allen Foundation to improve the educational and social readiness of young children entering elementary school. Idaho Voices for Children (IVC) partners with Idaho Kids Count and the Idaho Department of Education. This grant ended October 31, 2009.

### **Refugee Services:**

- **Idaho Office for Refugees (IOR)** – Is responsible for administration of the State of Idaho's refugee resettlement program, overseeing the resettlement of 1,017 new refugees in Idaho during the fiscal year from 20 different countries, primarily from Bhutan, Iraq, Burma, the Congo and Afghanistan. IOR receives USDHHS funds from the Office of Refugee Resettlement (ORR). IOR supports interim financial assistance, English language training, employment services, case management and social adjustment services to assist refugees to become self-supporting and integrate into the U.S.
  - **Refugee Savings Program** – Funded through ORR, this program encourages self-sufficiency through education, training and saving and provides a match of participant savings on a one to one basis. Since inception, 145 refugee households and individuals have enrolled to save for home purchase, small business startups, and vehicles when needed for employment or post-secondary education/training.
  - **Refugee Agricultural Partnership Program** – Funded through ORR to increase agricultural opportunities for low income refugee families in southwest Idaho by locating land for gardens to practice commercial growing; to establish model market gardens; and to assist beginning farmers to locate land for purchase or lease for small farm operations. In 2010, eight community garden and small farm sites offered opportunities for over 100 refugee families to grow produce for home consumption and sale at local markets, grocery stores and restaurants.
- **Agency for New Americans (ANA)** – Provided initial reception and placement services to 260 refugees in the Boise area during the fiscal year from 11 countries, primarily the Congo, Iraq, Afghanistan, Burma and Bhutan. ANA provides case management, employment, tutoring, immigration, ethnic community building and volunteer services to new arrivals and more established refugee clients. ANA has diversified funding through: U.S. Department of State, Bureau for Population, Refugees and Migration, through a Cooperative Agreement with Episcopal Migration Ministries (EMM), State of Idaho, direct grants from ORR and as a subrecipient from IOR. ANA maintains a Board of Immigration Appeals accreditation for its Immigration Program.
- **English Language Center (ELC)** – Funded through IOR, ELC uses classroom and computer lab settings to conduct English language instruction for newly arrived refugees and English classes for refugees 60 years and older to help meet the cultural and linguistic need of older refugees.
- **Microenterprise Lending and Technical Assistance (META)** – Provides consulting, business plan training and microloans to refugees and other entrepreneurs in starting or expanding a small business. META is substantially funded through ORR with some support coming from local financial institutions. This past year, META has 26 new clients with 11 loan originations and 6 businesses launched. Several other businesses were assisted with META's Core Fore training or other technical assistance services.

### **Rural Health:**

- **Idaho Area Health Education Center (AHEC)** – Promotes careers in health care in underserved areas of Idaho by participating in health related conferences, providing training and learning opportunities for health care professionals and students and maintaining a website with health care professional training, education and employment opportunities. AHEC is a member of a partnership between the University of Washington, School of Medicine Area Health Education Center Program and the states of Washington, Wyoming, Alaska, Montana and Idaho (WWAMI) to provide access to publicly supported medical education.
- **Rural Hospital Performance Improvement Project (RHPI)** – Improves the financial, operational and clinical performance of rural hospitals in an 8-state region of the Mississippi Delta. RHPI is funded through the USDHHS Health Resources and Services Administration and works in collaboration with the Delta state's rural communities and state rural health care organizations. Since the project's inception in 2001, 368 performance improvement activities have been supported, including 252 on-site consultations and 117 feedback assessments. Performance improvement activities include financial and operational assessments, strategic planning, revenue cycle process improvement projects, lean process planning, master site plans, customer services and community engagement.
- **Idaho Partnership for Hispanic Health** – Funded through the National Institutes of Health, this study is working with the rural southwest Idaho Hispanic community to reduce the risk and prevalence of metabolic syndrome using a promotore-centered pilot intervention in Weiser, Idaho. In May, 2010, the service area expanded to include Mountain Home, Idaho. The five-year intervention phase of this grant, which began July 1, 2008, includes weekly group classes and in-home visits to participants to improve eating habits and increase physical activity. Project partners include the University of Washington, Weiser Memorial Hospital and Idaho Commission on Hispanic Affairs.

### **Healthy Aging:**

- **Foster Grandparents of Treasure Valley (FGP)** – A federally funded intergenerational mentorship program through the Corporation for National and Community Service (CNCS). FGP is funded for up to 67 limited income seniors who are placed into volunteer positions at non-profit educational centers for children who need extra attention, nurturing or help with academics. Last year FGP volunteers provided over 70,000 volunteer hours.
- **Retired and Senior Volunteer Program (RSVP)** – Serves ten counties in southwestern Idaho providing persons 55 years and older opportunities to address critical community needs and enhance their lives through volunteer service. Primarily supported with federal funds through CNCS, RSVP obtains approximately 30 percent of its funding from a variety of community sources. During this fiscal year 981 volunteers provided 236,457 volunteer hours to their service communities.
- **Senior Companion Program (SCP)** – Effective January 1, 2010, CNCS granted MSG a nonfederal Senior Companion Program grant, which allows the federal benefits and opportunities of an SCP program while using other funding sources to



operate. SCP partners low-income senior volunteers with homebound elderly people in frail physical and/or mental health, most of whom live alone.

- **Services to Elderly Refugees** – Funded through IOR, this program links refugees 60 years and older to mainstream senior services and promotes development of capacity within local aging networks to meet the cultural and linguistic need of older refugees, including supporting two refugees in the Senior Companion Program.
- **Friends in Action (FIA)** – On March 1, 2010, Friends in Action, Inc. contributed its net assets to MSG and became a program of MSG, dissolving its separate Idaho Corporation. FIA is a collaborative organization dedicated to sustaining quality of life, dignity, and independence for older persons and their families through education and volunteerism in programs such as Powerful Tool for Caregivers: a class for family caregivers and Living Well in Idaho courses. FIA also supports Senior Companions who provide respite for family caregivers.

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

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents include all monies in banks and highly liquid investments including daily maturing commercial paper. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities. Cash and cash equivalents reconciled with the Statements of Cash Flows as of June 30 is as follows:

	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$487,523	\$641,211
Cash Held for Fiduciaries (see Due to Fiduciaries below)	<u>228,097</u>	<u>138,021</u>
Cash and Cash Equivalents per Statement of Cash Flows	<u>\$715,620</u>	<u>\$779,232</u>

MSG had bank balances at a single financial institution of \$593,979, of which \$343,979 exceeds the \$250,000 FDIC insured limit.

***Property and Equipment***

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or at approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of 5 years for equipment, 30 years for buildings and 5 to 10 years for building improvements. Routine building and equipment maintenance is expensed as incurred. When property or equipment is retired or otherwise disposed of, the net book value is removed and the net gain or loss is included in determination of the change in net assets. Funding services may



have a reversionary interest in certain equipment as well as the determination of use of any proceeds from sale of these assets (see Temporarily Restricted Net Assets note for additional information).

Depreciation expense was \$51,509 and \$49,824 for the years ended June 30, 2010 and 2009, respectively.

### ***Due to Fiduciaries***

MSG acts as fiduciary or trustee that results in holding cash and cash equivalents in separate bank accounts on behalf of clients. These services include:

- Organizational representative payee for the Social Security Administration for mental health services clients to help ensure a more stable living environment by directing social security benefits towards basic needs of the beneficiary.
- Trustee and financial advisor, receiving, investing and expending funds for the benefit of designated Armed Forces veterans in accordance with sponsoring agency.
- Administrator for a parallel savings account for the federally-funded Refugee Savings Program, which provides for a 1 to 1 match of federal dollars for refugees participating in this program.

### ***Grants, Contracts, Revenues and Receivables***

Support received under grants and contracts is treated as an exchange transaction. Exchange transactions are reciprocal transfers in which each party receives and sacrifices something of approximately equal value. For grants and contracts, revenue is recognized to the extent of related costs incurred. Grants and contracts receivable are all due in less than one year.

MSG provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. It considers the need for allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends and other information. Except for the loan losses and allowance specific to the Microenterprise Loans, described below, MSG has experienced no credit losses on grants and contracts during 2010 or 2009 and the allowance for doubtful accounts for grants and contracts receivables is zero as of June 30, 2010 and 2009.

### ***Microenterprise Lending Transactions***

Under a grant from ORR, the Microenterprise Lending and Technical Assistance program (META) issues microenterprise loans to refugees interested in starting or expanding a small business. The refugee population, due to lack of credit history, has difficulty obtaining traditional financing. META bridges the gap for these individuals to start or expand businesses, develop a credit history and continue to learn about business practices in the United States. Individual loans range from \$500 to a maximum of \$15,000 for terms ranging from six months to three years. MSG has the intent and ability to hold and administer these loans for the foreseeable future. Loans are stated at the unpaid principal balances.



Interest on loans, generally charged at 3 percent over Prime, is recognized as interest income over the term of the loan, calculated using the simple-interest method on principal amounts outstanding. Upon maturity or default, all sums due bear interest at 18% per annum until paid in full or as long as the default continues. Defaults are determined on a case-by-case basis considering excessive missed payments or failure to meet other loan obligations, as defined in each borrower's loan agreements. Loans are written off on a case-by-case basis, when all other means of collection over time have not resulted in payments and it is unlikely that any subsequent payments will be made. A small program participant / loan fee is collected and recognized as fee income in the period received.

Management determines the need for collateral on a case-by-case basis, depending on the loan amount, borrower's business history and personal references. Approximately 93 percent of the Microenterprise Loan receivable balance, at June 30, 2010 and 2009, is collateralized by borrowers' business related vehicles and equipment. To determine the collateralized balance, MSG uses the lower of the ending loan receivable balance at June 30 or the fair value of the collateral. Fair value of collateral is based on Kelly Blue Book for vehicles or purchase price of applicable business assets. MSG files a lien on the vehicle's title and holds the title until the loan is paid in full or files a UCC1 lien with the State of Idaho for business equipment.

The need for an allowance for loan loss is evaluated on a regular basis by management considering the collectibility of loans in light of historical collection experience, estimated value of underlying collateral, circumstances of payment delays or shortfalls and any adverse situations that may affect the borrowers' ability to repay. Based on these factors, management concluded a 13 percent allowance was the best estimate of outstanding loans potentially unrecoverable, based on considerations including the portion of loan balances not fully covered by collateral, the loans in default status at June 30<sup>th</sup> and the payment histories of existing borrowers. Any subsequent recovery will offset the allowance.

At June 30, 2010 and 2009, the loan receivable balances that were past due 90 days or more were \$2,613 and \$3,435, respectively.

The Microenterprise Loan Receivable balance for the years ending June 30, are as follows:

	<u>2010</u>	<u>2009</u>
Microenterprise Loan Receivables, current	\$ 50,317	\$ 74,962
<b>Less:</b> Allowance for Doubtful Accounts	<u>(9,915)</u>	<u>(19,755)</u>
Net Microenterprise Loan Receivable, current	40,402	55,207
Microenterprise Loan Receivables, long term	<u>25,950</u>	<u>63,359</u>
<b>Total:</b> Microenterprise Loan Receivables	<u>\$ 66,352</u>	<u>\$118,566</u>



**Advertising and Public Relation Costs:**

Public relation and non-direct response advertising costs are expensed as incurred. MSG does not participate in direct-response advertising.

**Income Taxes:**

MSG is exempt from any federal or state income tax under Internal Revenue Code Section 501(c)(3).

MSG had adopted the provisions of FASB Accounting Standards Codification Topic ASC 740 (previously Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), on July 1, 2009. The implementation of this standard had no impact on the financial statements. As of both the date of adoption, and as of June 30, 2010, the unrecognized tax benefit accrual was zero.

MSG will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. MSG is no longer subject to Federal tax examinations by tax authorities for years before 2007 and state examinations for years before 2007.

**Subsequent Events:**

MSG has evaluated subsequent events through October 19, 2010, the date which financial statements were available to be issued.

**Note 3. IN-KIND CONTRIBUTIONS AND CONTRIBUTED SERVICES**

Contributions received are measured at fair value and recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Programs recognized in-kind contributions for items supporting each program’s services for the years ending June 30, as follows:

	<u>2010</u>	<u>2009</u>
• Friends in Action – supplies	\$ 28,869	\$ -
• MSEHS – supplies, rent and services	28,030	26,716
• RSVP – supplies, rent, recognition and travel	26,052	27,243
• Foster Grandparents – supplies, rent, and physicals	16,750	23,495
• ANA – silent auction goods and services	12,593	7,350
• English Language Center – rent, services	3,300	5,210
• RAPP / Community Gardens of Boise – supplies	617	3,392
• Senior Companion Program – physicals	350	-
• Idaho Voices for Children – travel, supplies and services	-	27,066
Total In-Kind Contributions	\$116,561	\$120,472

In the regular course of business, MSG acts as an agent for and on behalf of donors by accepting assets and transferring those assets to the specified beneficiary. These assets generally consist of food and used household items, furniture and vehicles intended directly for refugee clients and meals that are provided directly to RSVP or FGP volunteers while



they are volunteering at schools. When acting as an agent, MSG does not record these items as contributions in the statement of activities and changes in net assets or as an asset or liability in the statement of financial position, in accordance with FASB Accounting Standards Codification Topic ASC 958 (previously Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*).

MSG receives donated services from a variety of unpaid volunteers assisting programs or providing volunteer services in the community. No amounts have been recognized in the statement of activities because the criteria for recognition of such volunteer effort under FASB Accounting Standards Codification Topic ASC 958 (previously Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*) have not been satisfied. The estimated fair value of services provided for the years ending June 30, by unpaid volunteers for MSG programs are as follows:

<u>Unpaid Volunteers for Programs:</u>	<u>2010</u>	<u>2009</u>
• Retired Senior Volunteer Program	\$ 4,930,128	\$ 3,845,941
• Mountain States Early Head Start	\$ 445,277	\$ 345,966
• Agency for New Americans	\$ 41,818	\$ 29,102
• Friends in Action	\$ 36,128	\$ -
• English Language Center	\$ 18,056	\$ 16,889
• RAPP / Global Gardens	\$ -	\$ 2,531

**Note 4. MORTGAGE PAYABLE**

On May 1, 2009, MSG refinanced its mortgage secured by a deed of trust on the property located at 1607 W. Jefferson Street, Boise, Idaho. The mortgage is initially amortized over 180 months. Principal and interest is payable in monthly installments of \$3,960, due by the 10<sup>th</sup> of each month. Interest on the unpaid balance is compounded at 5.03 percent at June 30, 2010 and 2009. On May 10, 2012, and on May 10<sup>th</sup> every three years thereafter, the interest rate will be adjusted by 2.05% plus the bank's borrowing rate and other market adjustments. The periodic payments of principal and interest shall also be adjusted to fully amortize the remaining principal balance at the new applicable interest rate over the remaining amortization period. Payment in full is due on the maturity date of May 10, 2019. Maturities are as follows:

2011	\$ 23,961
2012	25,151
2013	26,525
2014	27,910
2015	29,367
Thereafter	<u>339,779</u>
Total	<u>\$472,693</u>



MSG incurred a loan fee of \$4,003 to secure this mortgage. This fee was expensed as incurred. MSG's previous loan fees of \$15,055 were being amortized over the life of that loan. MSG incurred a loss of \$6,631 due to the mortgage refinance and write-off of the prepaid loan fees when the previous loan was paid in full on May 1, 2009.

**Note 5. LINE OF CREDIT**

On April 15, 2010, MSG renewed a \$500,000 revolving line of credit with US Bank secured by the property located at 1607 W. Jefferson St, Boise, Idaho. The facility bears interest at an annual rate of prime plus 0.25 percent, but no less than 4 percent. At June 30, 2010, the interest rate was 4 percent. The facility requires a current ratio of 1 to 1 and a fixed charge coverage ratio of at least 1.15 to 1. At June 30, 2010, MSG was in compliance with the covenants. Interest is payable monthly, with the final interest payment due and payable on February 15, 2011. The line of credit balance is zero at both June 30, 2010 and 2009.

**Note 6. OPERATING LEASE ARRANGEMENTS**

MSG leases, under operating leases, buildings and office equipment located in Boise, Coeur d'Alene, Mountain Home, Sandpoint and Weiser, Idaho. The building lease terms for MSEHS centers are \$1 per year for 25 years ending February 10, 2023 for Coeur d'Alene and \$4,313 per month for 20 years ending August 17, 2018 for Sandpoint. The Coeur d'Alene lease automatically renews for another 25 years as long as MSG receives MSEHS funding. The Sandpoint lease payment was adjusted January 2008 and at 5 year intervals thereafter. The maximum amount of adjustment is equal to the percentage change in the Consumer Price Index.

The building leases for the Idaho Partnership for Hispanic Health project in Weiser extends through March 31, 2011 for \$440 per month and in Mountain Home for \$583 per month through May 3, 2011. Both of these leases are negotiated and renewed annually, dependent upon continued funding for this program.

The building lease term for the English Language Center in Boise is monthly base rent of \$2,317 plus triple net and utilities. This lease expires September 30, 2010, but contains an annual renewal option which MSG intends to exercise.

Equipment under operating leases include five copy machines and a postage meter in Boise and two copy machines and a postage meter in Coeur d'Alene and Sandpoint, Idaho. Minimum lease payments under operating leases for buildings and equipment are as follows:

<u>Year ending June 30,</u>	<u>Operating Lease:</u>
2011	\$ 96,930
2012	80,399
2013	73,939
2014	56,933
2015	52,918
Thereafter	<u>163,904</u>
Total minimum lease payments	<u>\$525,023</u>



Rent expense for buildings, equipment and the allocation of rent expense to programs for the MSG-owned building for the year ended June 30, 2010 and 2009 was \$279,932 and \$250,577, respectively.

**Note 7. TEMPORARILY RESTRICTED REVENUE AND NET ASSETS**

On November 1, 2009, MSEHS received an ARRA Expansion grant to serve 40 additional children in northern Idaho. This award includes the provision for a new building in Rathdrum, Idaho. In April, 2010, land was purchased for \$70,240 and \$12,236 of expenditures were incurred and capitalized towards the building through June 30, 2010 resulting in temporarily restricted revenue and net assets of \$82,476. The building is scheduled for completion December, 2010. According to federal regulation 45 CFR 1309.21, the federal government maintains an interest in all real property acquired with grant funds; therefore the cost of the land and building will be reflected as temporarily restricted net assets. The building will be depreciated in accordance with MSG policy and temporarily restricted revenue will be released accordingly.

**Note 8. PENSION PLAN**

MSG’s defined contribution 403(b) plan covers substantially all employees after one year of employment. MSG matches employee contributions two-to-one up to 5 percent of salary deferral for eligible employees. Employer contributions to the plan during the years ending June 30, 2010 and 2009 were \$259,090 and \$237,016, respectively. Employees are immediately vested in employer contributions.

All employees, at their discretion, may participate in MSG’s tax-deferred annuity 403(b) plan that allows for elective contributions per IRS Code Section 415. MSG does not match employee contributions in this plan.

**Note 9. CONCENTRATION OF REVENUE**

MSG had concentrations of revenue from certain agencies, including direct and pass-through grants and contracts and fee-for-services, for the years ending June 30, as follows:

<u>Source:</u>	<u>2010</u> (in millions)	<u>2009</u> (in millions)
U.S. Department of Health & Human Services	\$8.75	\$7.49
U.S. Department of Agriculture	\$1.74	\$1.66
Idaho Department of Health & Welfare – Medicaid Services	\$1.04	\$1.15

**Note 10. CONTINGENCIES**

A portion of MSG revenue is from government grants and contracts, which are subject to audit by the federal government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.



**Mountain States Group** Inc.  
*"international community resource development"*

SUPPLEMENTAL FINANCIAL INFORMATION  
June 30, 2010



**MOUNTAIN STATES GROUP, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 Year Ended June 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Grant/Award or Pass Through Agency Number	Federal Expenditures
<b>U.S. Department of Health and Human Services:</b>			
<b>Direct Programs:</b>			
Wilson Fish Demonstration Cooperative Agreement	93.583	90RW0022/03, 04	\$ 2,309,138
Delta States Rural Hospital Performance Improvement	N/A	HSH250200736006C	1,447,765
Mountain States Early Head Start	93.600	10CH0178/02	1,409,622
Wilson Fish Demonstration Cooperative Agreement	93.566	G-08WFID0120 and G-09	823,059
National Center on Minority Health and Health Disparities, Community-Based Participatory Research	93.307	5-R24 MD001711/05, 06	482,750
Refugee Targeted Assistance	93.584	G-07A1IDRRTA and G-08	301,223
Refugee Supplemental Employment Grant	93.576	90RU0163/01	246,293
Individual Development Account Program	93.576	90ZI0068/02, 03	216,250
Refugee Microenterprise Development	93.576	90RG0062/04 & 90RG0083/01	185,207
Refugee School Impact	93.576	90ZE0092/04 and /05	180,409
Refugee Targeted Assistance - Discretionary	93.576	90RT0123/03 and /04	176,817
Services to Older Refugees	93.576	90RL0137/02 and 03	157,586
Idaho Partnership for Hispanic Mental Health	93.701	5R21MH085792-02	148,151
Refugee Agricultural Partnership Program	93.576	90ZR0004/02, 03	110,561
Mountain States Early Head Start - ARRA Expansion	93.709	10SA0178/02	104,987
Children's Health Insurance Program Reauthorization Act Outreach and Enrollment	93.767	1Z0CMS030519/01	85,090
Mountain States Early Head Start - 2009 ARRA COLA / Quality Improvement	93.708	10SE0178/01	61,778
Healthy Tomorrows for Children	93.110	H17MC06710/04, 05	46,802
<b>Pass Through Programs Through:</b>			
Episcopal Migration Ministries (EMM) - Match Grant	93.567	90RV0053/01and /02	91,238
Idaho Head Start Association - TANF	93.558	11-20107	65,237
University of Washington - Idaho Area Health Education Center	93.824	575344 & 670081	60,833
EMM - Medical Case Management	93.576	90RP0062/01	29,427
IRC - Preferred Communities	93.576	90RE0081/03	6,003
EMM - Emergency Medical Assistance	93.576	90ZC0022	436
<b>Total Department of Health and Human Services</b>			<b><u>8,746,662</u></b>
<b>U.S. Department of Agriculture:</b>			
<b>Pass Through Programs Through:</b>			
Idaho State Dept of Education - Child & Adult Care Food Program	10.558	4864	<b><u>1,738,183</u></b>
<b>Corporation for National Service:</b>			
<b>Direct Programs:</b>			
Foster Grandparents	94.011	09SFPID002	297,360
Retired Senior Volunteer Program	94.002	09SRPID003	141,666
<b>Total Corporation for National Service</b>			<b><u>439,026</u></b>
<b>U.S. Department of State:</b>			
<b>Pass Through Programs Through:</b>			
EMM - Cooperative Agreement	19.510	SPRMCO 08 CA003, PRMCO 09 CA005	340,451
EMM - Refugee Emergency Housing Assistance	19.510	SPRMCO 09 CA086	17,652
<b>Total Department of State</b>			<b><u>358,103</u></b>
<b>Total Federal Assistance</b>			<b><u>\$ 11,281,974</u></b>



**Notes to the Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010**

**Note A. SIGNIFICANT ACCOUNTING POLICIES**

All federal program receipts of Mountain States Group, Inc. (MSG) are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit. The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 Compliance Supplement. Compliance testing requirements, as described in the Compliance Supplement, were performed for MSG's major federal programs for the year ended June 30, 2010.

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

**Note B. MAJOR PROGRAMS**

The following programs have been identified as major programs for the year ended June 30, 2010:

**CFDA Number:**

**93.600, 93.708 and 93.709**

- Early Head Start Program

**10.558**

- Child and Adult Care Food Program – Nutrition Works

**19.510**

- Refugee Reception and Placement Cooperative Agreement

**93.566**

- Wilson Fish Demonstration Cooperative Agreement

**93.701**

- Idaho Partnership for Hispanic Mental Health

**94.011**

- Foster Grandparent Program

**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***

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To the Board of Directors  
**Mountain States Group, Inc.**  
Boise, Idaho

We have audited the financial statements of Mountain States Group, Inc. (a nonprofit organization) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 19, 2010. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mountain States Group, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mountain States Group, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mountain States Group, Inc.'s 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 19, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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To the Board of Directors  
**Mountain States Group, Inc.**  
Boise, Idaho

Compliance

We have audited Mountain States Group, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Mountain States Group, Inc.'s major federal programs for the year ended June 30, 2010. Mountain States Group, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mountain States Group, Inc.'s management. Our responsibility is to express an opinion on Mountain States Group, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Mountain States Group, Inc.'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. Our audit does not provide a legal determination of Mountain States Group, Inc.'s compliance with those requirements.

In our opinion, Mountain States Group, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

## Internal Control Over Compliance

Management of Mountain States Group, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mountain States Group, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Mountain States Group, Inc.'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Mountain States Group, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Mountain States Group, Inc.'s responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
October 19, 2010

MOUNTAIN STATES GROUP, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year ended June 30, 2010

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Material weakness identified No  
 Significant deficiencies None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified No  
 Significant deficiencies None reported

Type of auditors' report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) Yes

Identification of major programs:

<u>CFDA number</u>	<u>Name of Federal Program</u>
93.600, 93.708 and 93.709	Early Head Start Program
10.588	Child and Adult Care Food Program – Nutrition Works
19.510	Refugee Reception and Placement Cooperative Agreement
93.566	Wilson Fish Demonstration Cooperative Agreement
93.701	Idaho Partnership for Hispanic Mental Health
94.011	Foster Grandparent Program

Dollar threshold used to distinguish between Type A and Type B programs \$338,459

Auditee qualified as low-risk auditee Yes

**Section II - Financial Statement Findings**

None

### **Section III - Federal Award Findings and Questioned Costs**

2010-1

CFDA #19.510, Refugee Reception and Placement Cooperative Agreement

U.S. Department of State

Pass Through Program: Episcopal Migration Ministries (EMM)

#### **Criteria:**

Beginning October 1, 2009, the Refugee Reception and Placement Cooperative Agreement, CFDA #19.510, required payments to or on behalf of refugees to be expended within 90 days after arrival. This requirement was new under the October 1, 2009 agreement. Prior to this date, any unexpended per capita funds designated for payment to or on behalf of refugees could be used beyond the 90-day period; however, such funds were to be expended no later than three (3) months following the end of the fiscal year (fiscal year end was September 30, 2009; three month following was December 31, 2009).

#### **Condition:**

We identified two (2) cases where individuals arrived after October 1, 2009 and funds were spent beyond the 90-day period. In addition, we identified two (2) cases where individuals arrived prior to October 1, 2009, but spending was not complete within three (3) months following the end of the grant year. In these cases, spending continued into January 2010.

#### **Questioned costs:**

We selected a sample of 40 individuals and reviewed the date of arrival and the date funds were completely spent to test whether funds were spent within the allowed time period. Using the amount of funds expended outside of the requirements as our error, we extrapolated the error against the sample population (279 individuals) to obtain an error rate. This rate was then applied against the population and we calculated estimated questioned costs of \$10,484.

#### **Effect:**

Per capita funds have not been timely disbursed in accordance with program requirements.

#### **Cause:**

Mountain States Group, Inc. had implemented a review process of per capita spending to ensure all per capita funds were spent on each case; however, this review process was not updated when the new 90-day requirement was added.

#### **Recommendation:**

We recommend management and those charged with governance implement a system that would allow for spending deadlines on per capita funds to be met.

#### **Management's response:**

Management has modified its existing monitoring report to track spending by case number by adding the new 90-day liquidation deadline to ensure funds are spent within the required time period. Management and program staff will review 90-day reports on a monthly basis to ensure spending deadlines on per capita funds are met.