

**RIVER VALLEY CHILD  
DEVELOPMENT SERVICES  
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS WITH  
ADDITIONAL INFORMATION**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**DHHR - Finance**

**MAR 15 2016**

**Date Received**

**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
FINANCIAL STATEMENTS WITH  
ADDITIONAL INFORMATION  
YEARS ENDED JUNE 30, 2015 AND 2014**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
River Valley Child Development Services  
Huntington, West Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of River Valley Child Development Services (a non-profit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 *Governmental 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of River Valley Child Development Services as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of state awards, as presented in the schedule of expenditures of federal and state awards and schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as presented in the schedule of expenditures of federal and state awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purposes of additional analysis and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 October 16, 2015, on our consideration of River Valley Child Development Services' 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 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 River Valley Child Development Services' internal control over financial reporting and compliance.

*Ware & Hall PLLC*

Huntington, West Virginia  
October 16, 2015

DHHR - Finance

MAR 15 2016

Date Received



**RIVER VALLEY CHILD DEVELOPMENT SERVICES**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 60,226	\$ 698,474
Certificate of deposit	5,404	5,363
Accounts receivable	80,694	21,300
Grants receivable	810,961	349,592
Other receivable	6,538	9,132
Inventory	645	1,626
Other prepaid expenses	175,578	152,218
Other assets	1,450	1,450
Investments	537,043	531,160
Property and equipment, net	<u>578,825</u>	<u>632,509</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,257,364</u></b>	<b>\$ <u>2,402,824</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 191,699	\$ 350,803
Accrued and withheld payroll taxes	48,572	58,630
Accrued payroll and compensated absences	236,853	216,429
Deferred revenue	<u>160,502</u>	<u>98,027</u>
<b>TOTAL LIABILITIES</b>	<b><u>637,626</u></b>	<b><u>723,889</u></b>
<b>NET ASSETS</b>		
Unrestricted:		
Operating	514,782	541,251
Designated by Board for Training	472,147	471,629
Property and equipment	578,825	632,509
Temporarily restricted	<u>53,984</u>	<u>33,546</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,619,738</u></b>	<b><u>1,678,935</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>2,257,364</u></b>	<b>\$ <u>2,402,824</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015			
	Unrestricted		Temporarily Restricted	Total
	<u>Operations</u>	<u>Fixed Assets</u>		
<b>SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>				
Grant revenue	\$ 6,752,874	\$ -0-	\$ -0-	\$ 6,752,874
Tuition	291,604	-0-	-0-	291,604
Day care subsidies	122,619	-0-	-0-	122,619
Part C/CFO	678,436	-0-	-0-	678,436
Fees	152,451	-0-	-0-	152,451
Investment income (loss)	13,371	-0-	-0-	13,371
Retirement plan forfeitures	22,612	-0-	-0-	22,612
Other	8,566	-0-	23,389	31,955
Net assets released from restrictions:				
Satisfaction of purpose restriction	<u>2,951</u>	<u>-0-</u>	<u>(2,951)</u>	<u>-0-</u>
<b>TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>	<u>8,045,484</u>	<u>-0-</u>	<u>20,438</u>	<u>8,065,922</u>
<b>EXPENSES</b>				
Program services				
Child Development Programs	3,719,165	63,147	-0-	3,782,312
Child Care Resource and Referral	3,357,703	13,126	-0-	3,370,829
Family Day Care Food Program	<u>372,643</u>	<u>-0-</u>	<u>-0-</u>	<u>372,643</u>
<b>TOTAL PROGRAM SERVICES</b>	7,449,511	76,273	-0-	7,525,784
Supporting services				
Management and general	<u>589,807</u>	<u>9,528</u>	<u>-0-</u>	<u>599,335</u>
<b>TOTAL EXPENSES</b>	<u>8,039,318</u>	<u>85,801</u>	<u>-0-</u>	<u>8,125,119</u>
Change in net assets	6,166	(85,801)	20,438	(59,197)
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,012,880	632,509	33,546	1,678,935
Transfer in (out)	<u>(32,117)</u>	<u>32,117</u>	<u>-0-</u>	<u>-0-</u>
<b>NET ASSETS, END OF YEAR</b>	\$ <u>986,929</u>	\$ <u>578,825</u>	\$ <u>53,984</u>	\$ <u>1,619,738</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

2014

<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Total</u>
<u>Operations</u>	<u>Fixed Assets</u>		
\$ 7,056,918	\$ -0-	\$ -0-	\$ 7,056,918
305,809	-0-	-0-	305,809
128,018	-0-	-0-	128,018
717,584	-0-	-0-	717,584
171,698	-0-	-0-	171,698
26,706	-0-	-0-	26,706
25,075	-0-	-0-	25,075
36,697	-0-	-0-	36,697
<u>735</u>	<u>-0-</u>	<u>(735)</u>	<u>-0-</u>
<u>8,469,240</u>	<u>-0-</u>	<u>(735)</u>	<u>8,468,505</u>
3,935,234	69,192	-0-	4,004,426
3,425,324	47,754	-0-	3,473,078
<u>353,672</u>	<u>-0-</u>	<u>-0-</u>	<u>353,672</u>
7,714,230	116,946	-0-	7,831,176
<u>606,620</u>	<u>11,638</u>	<u>-0-</u>	<u>618,258</u>
<u>8,320,850</u>	<u>128,584</u>	<u>-0-</u>	<u>8,449,434</u>
148,390	(128,584)	(735)	19,071
1,069,741	555,842	34,281	1,659,864
<u>(205,251)</u>	<u>205,251</u>	<u>-0-</u>	<u>-0-</u>
\$ <u>1,012,880</u>	\$ <u>632,509</u>	\$ <u>33,546</u>	\$ <u>1,678,935</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (59,197)	\$ 19,071
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	85,801	128,584
Unrealized loss (gain) on investments	8,347	(38,308)
Realized loss on sale of investments	1,213	22,705
Bad debts	-0-	1,024
(Increase) decrease in operating assets:		
Accounts receivable	(59,394)	47,918
Grants receivable	(461,369)	(190,601)
Other receivables	2,594	9,336
Inventory	981	(258)
Other prepaid expenses	(23,360)	4,417
Increase (decrease) in operating liabilities:		
Accounts payable	(159,104)	44,653
Accrued and withheld payroll taxes	(10,058)	(1,084)
Accrued payroll and compensated absences	20,424	11,129
Deferred revenue	<u>62,475</u>	<u>(84,633)</u>
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u>(590,647)</u>	<u>(26,047)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (increase) in certificates of deposit	(41)	(3)
Purchase of property and equipment	(32,117)	(205,251)
Purchase of investments	(17,698)	(407,379)
Proceeds from sales and maturities of investments	<u>2,255</u>	<u>379,957</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>(47,601)</u>	<u>(232,676)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



RIVER VALLEY CHILD DEVELOPMENT SERVICES  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
(DECREASE) IN CASH	\$ (638,248)	(258,723)
CASH AT BEGINNING OF YEAR	<u>698,474</u>	<u>957,197</u>
CASH AT END OF YEAR	\$ <u>60,226</u>	\$ <u>698,474</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	\$ <u>14,355</u>	\$ <u>589</u>
Income taxes	\$ <u>-0-</u>	\$ <u>-0-</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**DESCRIPTION OF ORGANIZATION**

River Valley Child Development Services is a nonprofit corporation incorporated in the State of West Virginia. The Organization administers three (3) major programs in the area of child development in the tri-state area.

Child Development Programs: This project consists of several smaller projects including two (2) Regional Administrative Units for the West Virginia Birth to Three Program (formerly Early Intervention), one (1) child care center, four (4) after-school programs, the Apprenticeship for Child Development Services program, and the Early Education Training Connections and Resources (TCR). These projects were funded primarily by various grants from the West Virginia Department of Education, West Virginia Department of Health and Human Resources, tuition from parents, day care subsidies, fees, and administration contracts for services provided to other local nonprofit agencies.

Child Care Resource and Referral: River Valley Child Development Services serves Region II, III and IV. This project provides a resource and referral service to parents who need child care, technical assistance to providers of child care, and provides the brokering of state assisted payments to providers for families who meet eligibility requirements. This project is funded entirely by grants from the Department of Health and Human Resources, Social Services Division.

Family Day Care Food Program: This program provides reimbursement for meals served to children by providers of in home child care. River Valley Family Day Care receives funds for payment of these reimbursements as well as an administrative fee for administering and monitoring the program. This project is funded by the USDA Food Reimbursement Program.

**BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**SUPPORT AND REVENUE**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants received by the Organization which are restricted for specific purposes are reported as revenue when qualifying expenses have been incurred. Grant funds received in advance of incurring qualifying expenses are recorded as deferred revenue.

Other revenue is recognized when the services have been provided.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ESTIMATES**

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

**ACCOUNTS RECEIVABLE**

Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectibility. Once it is determined by management that the account will not be collectible, it is charged off as bad debts.

**INVENTORY**

Inventory is stated at the lower of cost, determined by the first-in, first-out method, or market.

**INVESTMENTS**

Investments consists primarily of government and agency securities and mutual funds. Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in unrestricted net assets. The total investment return consists of interest and divided income, realized gains and losses, and capital appreciation (depreciation), net of related investment expenses.

**PROPERTY AND EQUIPMENT**

Property and equipment is stated at cost. Asset purchases greater than \$5,000 and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Property and equipment acquired by River Valley Child Development Services is considered to be owned by River Valley Child Development Services. However, funding sources may maintain a reversionary interest in the property and equipment purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

**DEPRECIATION**

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method. The useful lives of property and equipment for purposes of computing depreciation are:

Buildings	20 years
Building improvements	13 to 15 years
Furniture and equipment	2 to 10 years
Vehicles	5 years

**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**INCOME TAXES**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes the Organization is no longer subject to income tax examinations for years prior to 2012.

**CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

**ADVERTISING COSTS**

Advertising costs totaling \$54,057 and \$42,593 for 2015 and 2014, respectively, are charged to operations when incurred.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Cash	\$ 55,291	\$ 696,758
Short-term investments	<u>4,935</u>	<u>1,716</u>
Total	\$ <u>60,226</u>	\$ <u>698,474</u>

**NOTE 3 - INVESTMENTS**

Investments as of June 30, 2015 are summarized as follows:

	<u>2015</u>		
	<u>Book Value</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Fixed income:			
Government and agency securities	\$ 153,008	\$ 150,161	\$ (2,847)
Equities:			
Mutual funds	323,768	342,536	18,768
Other			
ALPS Trust ETF	<u>48,980</u>	<u>44,346</u>	<u>(4,634)</u>
Total	\$ <u>525,756</u>	\$ <u>537,043</u>	\$ <u>11,287</u>

**RIVER VALLEY CHILD DEVELOPMENT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 3 - INVESTMENTS (CONTINUED)**

Investments as of June 30, 2014 are summarized as follows:

	<u>Book</u>	<u>2014</u>	
	<u>Value</u>	<u>Fair</u>	<u>Unrealized</u>
		<u>Value</u>	<u>Gain/(Loss)</u>
Fixed income:			
Government and agency securities	\$ 155,465	\$ 153,175	\$ (2,290)
Equities:			
Mutual funds	306,070	323,835	17,765
Other			
ALPS Trust ETF	<u>49,990</u>	<u>54,150</u>	<u>4,160</u>
Total	\$ <u>511,525</u>	\$ <u>531,160</u>	\$ <u>19,635</u>

The following summarizes the investment income for the years ended June 30, 2015 and 2014 inclusive of income on cash, cash equivalents, and the investments described above:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 22,931	\$ 11,103
Realized (loss)	(1,213)	(22,705)
Unrealized gain (loss)	<u>(8,347)</u>	<u>38,308</u>
Net investment return	\$ <u>13,371</u>	\$ <u>26,706</u>

Gain or loss on sale of investments is determined by utilizing the average cost method.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 268,474	\$ 268,474
Buildings	1,138,955	1,138,955
Building improvements	194,914	192,481
Furniture and equipment	761,059	756,733
Vehicles	<u>56,271</u>	<u>56,271</u>
	2,419,673	2,412,914
Less: accumulated depreciation	<u>(1,840,848)</u>	<u>(1,780,405)</u>
Property and equipment, net	\$ <u>578,825</u>	\$ <u>632,509</u>



**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation expense for the years ended June 30, 2015 and 2014 totaled \$85,801 and \$128,584, respectively.

**NOTE 5 - NOTES PAYABLE**

As of June 30, 2015 and 2014, the Organization had a \$1.0 million unused line of credit with a local bank to be drawn upon as needed with a variable interest rate based on the LIBOR rate.

Interest expense on notes payable for the years ended June 30, 2015 and 2014 totaled \$14,355 and \$589, respectively.

**NOTE 6 - OPERATING LEASES**

The Organization leases office and storage space at various locations under operating leases expiring in various years through 2019. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2015 and 2014 amounted to \$562,476 and \$534,836, respectively.

Certain operating leases provide for renewal options for periods of one to ten years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

The Organization also leases copiers and other equipment under operating leases expiring in various years through 2018. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2015 and 2014 amounted to \$58,553 and \$61,805, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2015 for each of the next four years and in the aggregate are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2016	\$ 377,858
2017	350,532
2018	335,076
2019	<u>167,949</u>
Total minimum future rental payments	<u>\$ 1,231,415</u>

**NOTE 7 - RETIREMENT PLANS**

The Organization participates in the State of West Virginia Teachers Retirement Plan. This is a statewide, cost-sharing, multi-employer plan which consists of two components: the Teachers' Defined Benefit Retirement System and the Teachers' Defined Contribution Retirement System. For the years ended June 30, 2015 and 2014, the Organization's total payroll for all employees was \$3,367,813 and \$3,384,913, respectively, and the payroll was \$144,068 and \$142,229 for employees covered by the State of West Virginia Teachers Retirement Plan.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

The Teachers' Defined Benefit Retirement System covers employees hired prior to July 1, 1991. Under this plan, the participants contribute 6% of their salary and the Organization contributes 15% of the participants' salary. In addition, as of July 1, 2008, members of the Defined Contribution Plan who elected to transfer to the Defined Benefit Plan as prescribed by HB101 passed during the 2008 legislative session were able to transfer from the Teachers' Defined Contribution Retirement System to the Teachers' Defined Benefit Retirement System. Under this plan, the participants contribute 6% of their salary and the Organization contributes 7.5% of the participants' salary. Total payments reflected in the Organization's accounting records for the Defined Benefit Plans for the years ended June 30, 2015 and 2014 were:

	<u>2015</u>	<u>2014</u>
Employees' Contribution (6%)	\$ 8,644	\$ 8,534
Employer's Contribution (15% or 7.5%)	21,610	21,334
Total Contribution	\$ <u>30,254</u>	\$ <u>29,868</u>

The Teachers' Defined Contribution Retirement System covered employees hired after July 1, 1991 and before July 1, 2005. Employees covered under the Teachers' Defined Benefit Retirement System could freeze their benefits in that plan and become a participant of this plan. Participants with less than five years of service in the old Defined Benefit Plan could change to this plan and transfer the funds that were deposited in the old plan to this plan. Under this plan, the participants contribute 4.5% of their salary and the Organization contributes 7.5% of the participants' salary. The Organization has not had an employee participation in the Teacher's Defined Contribution Retirement System since August, 2012.

Historical trend information relating to the accumulation of assets and the unfunded liability of the plans is available from the Consolidated Public Retirement Board. Following is select information related to the State of West Virginia Teacher's Retirement System (Defined Benefit Retirement System):

<u>Date</u>	<u>Actuarial Value of Plan Assets</u> <u>(in thousands)</u>	<u>Actuarial Accrued Liability</u> <u>(in thousands)</u>	<u>Funded</u> <u>Ratio</u>
July 1, 2014	\$ 6,682,090	\$ 10,098,690	66.2%

River Valley Child Development Services's contributions to the plan are less than 5% of total plan contributions per the plan's most recently available annual report.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

When a member of the Teacher's Defined Contribution Plan leaves employment for a period longer than thirty days, the non-vested portion of the employer's contributions are placed in a suspension account within the plan and held for a five year period. If the member is not rehired by a participating employer of the Teacher's Defined Contribution Plan within that five year period, those non-vested contributions shall become forfeited by the member back to the originating employer. Forfeited funds are available only for reducing future employer's contributions to the Teacher's Defined Contribution Plan so long as there are participating employees in the Plan. In August 2012, all remaining employees participating in the West Virginia Teacher's Defined Contribution Retirement System left the Organization's employment, therefore the Organization fully withdrew from the Teacher's Defined Contribution Plan and received \$1.073 million resulting from the prepaid retirement credit for contribution forfeitures. Total forfeitures during fiscal years ended June 30, 2015 and 2014 amounted to \$22,612 and \$25,075, respectively.

Effective July 1, 2005, new employees participate in the TIAA-CREF retirement plan. This is a 403(b) defined contribution plan. Participants in the Teachers Defined Contribution Plan had the option of remaining in that plan, or moving to the TIAA-CREF plan. All vested portions of their individual accounts rolled over to TIAA-CREF. If still employed by River Valley Child Development Services five years after the rollover, upon receipt of the unvested portions of the individual accounts from the TDC suspension account, these allocations will be deposited to the individual TIAA-CREF accounts.

Under the new TIA-CREF plan, participants contribute a minimum of 3% and a maximum of 10% of their salary. River Valley Child Development Services matches the employee contribution 1:1 up to a maximum of 6%.

Retirement expense for the fiscal year ended June 30, 2015 and 2014 under this plan amounted to \$127,275 and \$124,230, respectively. River Valley Child Development Services' contributions to the plan are less than 5% of total plan contributions per the plan's most recently available annual report.

**NOTE 8 - CONCENTRATION OF CREDIT RISK**

River Valley Child Development Services is a non-profit organization that provides child development services, child care resource and referral services, and family day care food reimbursements in Huntington, West Virginia and the surrounding areas. The Organization provides these services which are reimbursed by various third parties as well as the recipients of such services without requiring collateral. Accounts receivable have been adjusted for all known bad debts and an allowance is not considered necessary.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 8 - CONCENTRATION OF CREDIT RISK (CONTINUED)**

The revenue earned under River Valley Child Development Services' contracts with U.S. Department of Health and Human Services account for a majority of the revenues of River Valley Child Development Services for the years ended June 30, 2015 and 2014. A significant reduction in the revenues granted under future contracts could have a significant impact on River Valley Child Development Services' program services.

The Organization maintains cash balances at a local banking institution. As of June 30, 2015 and 2014, all accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had bank balances in excess of the FDIC coverage of \$-0- and \$568,318 at the banking institution at June 30, 2015 and 2014, respectively.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
T.E.A.C.H. Program	\$ 33,027	\$ 33,546
Safety Program	8,000	-0-
Playground	<u>12,957</u>	<u>-0-</u>
Total temporarily restricted	\$ <u>53,984</u>	\$ <u>33,546</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

	<u>2015</u>	<u>2014</u>
T.E.A.C.H. Program	\$ 518	\$ 735
Playground	<u>2,433</u>	<u>-0-</u>
Total restrictions released	\$ <u>2,951</u>	\$ <u>735</u>

**NOTE 10 - CONTINGENCIES**

The Organization's programs are generally funded by federal, state, and local sources. Federal and state grants received for specific purposes are subject to audit or review by grantor agencies. Such audits and reviews could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although management believes such amounts, if any, would be immaterial.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 11 - FAIR VALUE MEASUREMENTS**

The Organization determines the fair values of its financial instruments based on the fair value hierarchy established by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification which specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. The three levels of the fair value hierarchy based on these two types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in an active market for identical assets and liabilities at the measurement date.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The hierarchy requires the use of observable market data when available. When determining fair value measurements, the Organization utilizes active and observable market prices for identical assets and liabilities whenever possible and classifies such items as Level 1. When identical assets and liabilities are not traded in active markets, the Organization utilizes market observable data for similar assets and liabilities in an active market, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market and classifies such items as Level 2. When observable data is not available, the Organization uses alternative valuation techniques using unobservable inputs to determine a fair value and classifies such items as Level 3. Items valued using such internally generated valuation techniques are based on the lowest level of input that is significant to the valuation.



RIVER VALLEY CHILD DEVELOPMENT SERVICES  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015 AND 2014

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>INVESTMENTS</b>				
Fixed Income				
Government and Agency Securities	\$ <u>150,161</u>	\$ <u>150,161</u>	\$ -0-	\$ -0-
Total Fixed Income	<u>150,161</u>	<u>150,161</u>	-0-	-0-
Equities				
Mutual Funds	<u>342,536</u>	<u>342,536</u>	-0-	-0-
Total Equities	<u>342,536</u>	<u>342,536</u>	-0-	-0-
Other				
ALPS Trust ETF	<u>44,346</u>	<u>44,346</u>	-0-	-0-
Total Other	<u>44,346</u>	<u>44,346</u>	-0-	-0-
Total Investments	\$ <u>537,043</u>	\$ <u>537,043</u>	\$ -0-	\$ -0-

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

<b>INVESTMENTS</b>				
Fixed Income				
Government and Agency Securities	\$ <u>153,175</u>	\$ <u>153,175</u>	\$ -0-	\$ -0-
Total Fixed Income	<u>153,175</u>	<u>153,175</u>	-0-	-0-
Equities				
Mutual Funds	<u>323,835</u>	<u>323,835</u>	-0-	-0-
Total Equities	<u>323,835</u>	<u>323,835</u>	-0-	-0-
Other				
ALPS Trust ETF	<u>54,150</u>	<u>54,150</u>	-0-	-0-
Total Other	<u>54,150</u>	<u>54,150</u>	-0-	-0-
Total Investments	\$ <u>531,160</u>	\$ <u>531,160</u>	\$ -0-	\$ -0-

**RIVER VALLEY CHILD DEVELOPMENT SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)**

The Organization utilizes the services of an independent third party (brokerage firm) to value their instruments on a recurring basis. The following describes the valuation methodologies used to measure financial instruments at fair value on a recurring basis.

**Investments**

The Organization uses quoted market prices in an active market. These instruments consists of government and agency securities, mutual funds, and ALPS Trust ETF and are included in Level 1.

**NOTE 12 - SUBSEQUENT EVENTS**

Management has reviewed events occurring subsequent to June 30, 2015 through October 16, 2015 (the date the financial statements were available to be issued) for possible adjustments to, or disclosure in, the accompanying financial statements as required by the Subsequent Events Topic of the FASB Accounting Standards Codification.

**ADDITIONAL INFORMATION**

**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity ID Number	Program Period
<b>FEDERAL AWARDS</b>			
<b>Department of Health and Human Services</b>			
<b>Pass through - State of West Virginia, West Virginia Department of Health and Human Resources</b>			
Child Care Development Fund Cluster:			
Child Care Mandatory and Matching Funds	93.596	G150011	07/01/14 - 06/30/15
Child Care Mandatory and Matching Funds	93.596	G150012	07/01/14 - 06/30/15
Child Care Mandatory and Matching Funds	93.596	G150013	07/01/14 - 06/30/15
Child Care and Development Block Grant	93.575	G 150011	07/01/14 - 06/30/15
Child Care and Development Block Grant	93.575	G 150012	07/01/14 - 06/30/15
Child Care and Development Block Grant	93.575	G 150013	07/01/14 - 06/30/15
Child Care and Development Block Grant	93.575	G 150174	07/01/14 - 09/30/15
Child Care Development Fund Cluster Subtotal			
ACA-Maternal, Infant, and Early Childhood Home Visitation Program	93.505	G140467	07/01/13 - 06/30/14
ACA-Maternal, Infant, and Early Childhood Home Visitation Program	93.505	G150341	07/01/14 - 06/30/15
Head Start	93.600	G150174	07/01/14 - 06/30/15
Substance Abuse and Mental Health Services	93.243	G150341	07/01/14 - 06/30/15
Maternal and Child Health Federal Consolidated Program	93.110	G150341	07/01/14 - 06/30/15
Preventive Health and Health Services Block Grant	93.758	G150174	07/01/14 - 06/30/15
<b>Total Department of Health and Human Services</b>			
<b>Department of Education</b>			
<b>Pass through - State of West Virginia, West Virginia Department of Health and Human Resources</b>			
Special Education - Grants for Infants and Families	84.181	G140443	07/01/13 - 07/31/14
Special Education - Grants for Infants and Families	84.181	G150340	08/01/14 - 06/30/15
<b>Pass through - State of West Virginia, West Virginia Department of Education</b>			
Special Education - Preschool Grants	84.173	C394560	06/01/13 - 09/30/14
Special Education - Preschool Grants	84.173	C00408962	06/01/14 - 09/30/15
<b>Total Department of Education</b>			

Program or Award <u>Amount</u>	<u>Expenditures</u>	
\$ 279,422	\$ 277,675	1)
338,013	311,001	1)
325,639	315,427	1)
726,127	721,588	2)
872,096	802,402	2)
841,269	814,886	2)
1,480,417	<u>1,380,321</u>	2)
	4,623,300	
364,796	3,078	3)
230,000	168,826	3)
8,000	7,459	
122,940	90,241	
20,000	14,680	
35,000	<u>32,634</u>	
	<u>4,940,218</u>	
528,084	47,576	4)
538,084	449,979	4)
118,000	16,476	5)
118,000	<u>99,972</u>	5)
	<u>614,003</u>	



RIVER VALLEY CHILD DEVELOPMENT SERVICES  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity ID Number	Program Period
<b>FEDERAL AWARDS(CONTINUED)</b>			
<b>Department of Agriculture</b>			
Pass through - State of West Virginia, West Virginia Department of Education Child and Adult Care Food Program	10.558	N/A	07/01/14 - 06/30/15
<b>Total Department of Agriculture</b>			
<b>Total Federal Awards</b>			

**STATE AWARDS**

<b>West Virginia Department of Health and Human Resources</b>			
WV Birth to Three Early Intervention System	N/A	G150334	07/01/14 - 06/30/15
WV Birth to Three Early Intervention System	N/A	G150335	07/01/14 - 06/30/15
Child Care Development	N/A	G150011	07/01/14 - 06/30/15
Child Care Development	N/A	G150012	07/01/14 - 06/30/15
Child Care Development	N/A	G150013	07/01/14 - 06/30/15
Child Care Development	N/A	G150174	07/01/14 - 09/30/15
Quality Tier Grant	N/A	N/A	02/15/15 - 06/30/15

**Total West Virginia Department of  
Health and Human Resources**

<b>West Virginia Head Start Collaboration Office</b>			
Distance Learning Coordinator	N/A	2014-HSSCO-04	08/01/14 - 06/30/15

**Total West Virginia Head Start  
Collaboration Office**

**Total State Awards**

**Total Federal and State Awards**

Combined Expenditures

1) CFDA No. 93.596	\$ 904,103
2) CFDA No. 93.575	3,719,197
3) CFDA No. 93.505	171,904
4) CFDA No. 84.181	497,555
5) CFDA No. 84.173	116,448

Program or  
Award  
Amount

Expenditures

\$ 410,616

\$ 410,616

410,616

5,964,837

149,000

115,515

155,000

137,039

148,208

147,281

179,285

164,957

172,721

167,304

2,000

1,865

7,237

6,995

740,956

5,000

5,000

5,000

745,956

\$ 6,710,793

**RIVER VALLEY CHILD DEVELOPMENT SERVICES**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2015**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of River Valley Child Development Services and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
SCHEDULES OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2015 AND 2014**

2015

	Program Services				Supporting Services	
	Child Development Programs	Child Care Resource and Referral	Family Day Care Program	Food Program Services	Management and General	Total
Salaries	\$ 1,348,132	\$ 1,660,756	\$ 35,568	\$ 3,044,456	\$ 323,357	\$ 3,367,813
Fringe benefits	398,220	561,205	18,895	978,320	90,103	1,068,423
Supplies	261,980	343,098	3,126	608,204	11,120	619,324
Telephone	37,396	24,037	1,511	62,944	10,859	73,803
Postage	34,940	37,631	2,792	75,363	2,934	78,297
Rent and occupancy	161,088	428,719	11,985	601,792	85,488	687,280
Printing and advertising	41,208	47,860	-0-	89,068	284	89,352
Travel, conference and training	369,379	102,680	2,488	474,547	10,889	485,436
Other professional services	513,176	9,919	1,301	524,396	38,328	562,724
Repairs, maintenance and custodial services	53,458	37,424	1,122	92,004	3,628	95,632
Food	82,759	115	-0-	82,874	373	83,247
Resource Materials	25,403	16,280	100	41,783	-0-	41,783
Interest	14,355	-0-	-0-	14,355	-0-	14,355
Property and other taxes	18,614	1,604	224	20,442	9,166	29,608
Family day care providers	-0-	-0-	293,232	293,232	-0-	293,232
Insurance	11,564	13,652	299	25,515	2,810	28,325
Donations	337,843	72,723	-0-	410,566	-0-	410,566
Bad debts	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	9,650	-0-	-0-	9,650	468	10,118
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>3,719,165</b>	<b>3,357,703</b>	<b>372,643</b>	<b>7,449,511</b>	<b>589,807</b>	<b>8,039,318</b>
Depreciation	63,147	13,126	-0-	76,273	9,528	85,801
<b>TOTAL EXPENSES</b>	<b>\$ 3,782,312</b>	<b>\$ 3,370,829</b>	<b>\$ 372,643</b>	<b>\$ 7,525,784</b>	<b>\$ 599,335</b>	<b>\$ 8,125,119</b>

2014

Program Services				Supporting Services	
Child Development Programs	Child Care Resource and Referral	Family Day Care Food Program	Total Program Services	Management and General	Total
\$ 1,349,246	\$ 1,657,834	\$ 38,992	\$ 3,046,072	\$ 338,841	\$ 3,384,913
402,099	548,116	12,228	962,443	96,567	1,059,010
277,362	347,094	2,973	627,429	12,195	639,624
34,147	24,725	1,478	60,350	7,960	68,310
38,351	38,223	2,891	79,465	2,248	81,713
170,071	393,184	11,691	574,946	83,359	658,305
39,223	40,314	-0-	79,537	740	80,277
336,116	145,711	2,350	484,177	7,533	491,710
540,637	45,923	322	586,882	40,185	627,067
48,325	39,494	574	88,393	5,522	93,915
75,598	343	-0-	75,941	-0-	75,941
33,207	21,063	85	54,355	-0-	54,355
589	-0-	-0-	589	-0-	589
17,808	1,103	117	19,028	8,554	27,582
-0-	-0-	279,589	279,589	-0-	279,589
14,122	15,804	372	30,298	1,970	32,268
550,885	106,383	-0-	657,268	-0-	657,268
1,024	-0-	-0-	1,024	-0-	1,024
<u>6,424</u>	<u>10</u>	<u>10</u>	<u>6,444</u>	<u>946</u>	<u>7,390</u>
3,935,234	3,425,324	353,672	7,714,230	606,620	8,320,850
<u>69,192</u>	<u>47,754</u>	<u>-0-</u>	<u>116,946</u>	<u>11,638</u>	<u>128,584</u>
\$ <u>4,004,426</u>	\$ <u>3,473,078</u>	\$ <u>353,672</u>	\$ <u>7,831,176</u>	\$ <u>618,258</u>	\$ <u>8,449,434</u>

**INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE  
AND ON INTERNAL CONTROL**



# Ware & Hall, PLLC

Certified Public Accountants

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## 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*

Board of Directors  
River Valley Child Development Services  
Huntington, West Virginia

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 financial statements of River Valley Child Development Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered River Valley Child Development Services' 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of River Valley Child Development Services' internal control. Accordingly, we do not express an opinion on the effectiveness of River Valley Child Development Services' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether River Valley Child Development Services' 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*.

River Valley Child Development Services' Response to the Finding

River Valley Child Development Services' response to the finding identified in our audit is described in the accompanying corrective action plan. River Valley Child Development Services' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wane & Hall PLLC*

Huntington, West Virginia  
October 16, 2015

DHHR - Finance

MAR 15 2016

Date Received

# Ware & Hall, PLLC

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
River Valley Child Development Services  
Huntington, West Virginia

### Report on Compliance for Each Major Federal Program

We have audited River Valley Child Development Services' 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 River Valley Child Development Services' major federal programs for the year ended June 30, 2015. River Valley Child Development Services' 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 laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of River Valley Child Development Services' 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 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 River Valley Child Development Services' compliance with those requirements and performing such other procedures as we consider 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 River Valley Child Development Services' compliance.

### Opinion on Each Major Federal Program

In our opinion, River Valley Child Development Services 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 June 30, 2015.



Report on Internal Control Over Compliance

Management of River Valley Child Development Services 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 River Valley Child Development Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 River Valley Child Development Services' 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Huntington, West Virginia  
October 16, 2015

*Ware & Hall PLLC*

DHHR - Finance

MAR 15 2016

Date Received

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**RIVER VALLEY CHILD DEVELOPMENT SERVICES  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015**

There were no prior year audit findings related to federal awards.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

RIVER VALLEY CHILD DEVELOPMENT SERVICES  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued - Unqualified

Internal Control Over Financial Reporting:

• Material weakness(es) identified?	<u>✓</u> Yes	<u>—</u> No
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>—</u> Yes	<u>✓</u> None Reported
Noncompliance material to the financial statements?	<u>—</u> Yes	<u>✓</u> No

FEDERAL AWARDS

Internal Control Over Major Programs:

• Material weakness(es) identified?	<u>—</u> Yes	<u>✓</u> No
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>—</u> Yes	<u>✓</u> None Reported

Type of Auditor's Report Issued on Compliance for Major Programs - Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u>—</u> Yes	<u>✓</u> No
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Identification of Major Programs:

<b>Department of Health and Human Services</b>	<b><u>CFDA #</u></b>
<b>Pass-through State of West Virginia,</b>	
<b>West Virginia Department of Health</b>	
<b>and Human Resources</b>	
Child Care Development Fund Cluster:	
Child Care Mandatory and Matching Funds	93.596
Child Care and Development Block Grant	93.575
 <b>Department of Education</b>	
<b>Pass-through State of West Virginia,</b>	
<b>West Virginia Department of Education</b>	
Special Education-Preschool Grants	84.173

RIVER VALLEY CHILD DEVELOPMENT SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**SECTION I - SUMMARY OF AUDITOR'S RESULTS (CONTINUED)**

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

✓  
Yes

        
No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

2015-001 - Recording Nonroutine Transactions

Condition: Three audit adjusting entries were required to be made to the Organization's accounting records to correct errors in recording nonroutine transactions. The following nonroutine transactions were required to be corrected: market value adjustment on investments, insurance proceeds and related roof replacement, and prepaid/accrued workers' compensation.

Criteria: One of the objectives of an internal control system is to provide management with reasonable assurance that transactions are recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause: Weaknesses existed in the review procedures over the recording of these nonroutine transactions.

Effect: Assets were overstated by \$62,504, liabilities were overstated by \$10,595, and the change in net assets was overstated by \$51,909. The necessary adjusting journal entries were made during the audit to correct the errors.

Recommendation: Strengthen review procedures over recording nonroutine transactions.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None

**CORRECTIVE ACTION PLAN**



## RIVER VALLEY CHILD DEVELOPMENT SERVICES

*A leader in providing high quality early childhood care and education services for children, families and communities.*

Ware and Hall, PLLC  
The River Tower, Suite 601  
1108 3<sup>rd</sup> Ave  
PO Box 819  
Huntington, WV 25712-0819

### Corrective Action Plan for: 2015-001 Recording Nonroutine Transactions

Nonroutine transactions and year end journals will be completed two weeks prior to the audit in order to allow time for review. The review will include a final comparison of the account balance to the available statement. In the case of unfamiliar transactions, research and advice will be sought prior to the entry of the transaction.