

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

**FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION**

YEARS ENDED JUNE 30, 2018 AND 2017

DHHR - Finance

MAR 26 2019

Date Received

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION
YEARS ENDED JUNE 30, 2018 AND 2017**

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Ware & Hall, PLLC

Certified Public Accountants

The River Tower, Suite 501, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

Daniel J. Ware, CPA
William L. Hall, CPA

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

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, 2018 and 2017, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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, 2018 and 2017, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 November 14, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of River Valley Child Development Services' 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.

Wane & Hall PLLC

Huntington, West Virginia
November 14, 2018

RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 627,006	\$ 1,088,374
Accounts receivable	82,560	97,008
Grants receivable	543,914	737,015
Other receivable	27,638	10,852
Other prepaid expenses	284,941	174,153
Other assets	1,450	1,450
Investments	604,245	529,088
Property and equipment, net	<u>711,908</u>	<u>622,192</u>
TOTAL ASSETS	\$ <u>2,883,662</u>	\$ <u>3,260,132</u>
LIABILITIES		
Accounts payable	\$ 252,537	\$ 197,034
Accrued and withheld payroll taxes	49,595	54,263
Accrued payroll and compensated absences	314,194	307,119
Deferred revenue	268,181	1,147,643
Other liabilities	<u>800</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>885,307</u>	<u>1,706,059</u>
NET ASSETS		
Unrestricted:		
Operating	881,754	519,562
Designated by Board for Training and Safety Program	351,548	359,174
Property and equipment	711,908	622,192
Temporarily restricted	<u>53,145</u>	<u>53,145</u>
TOTAL NET ASSETS	<u>1,998,355</u>	<u>1,554,073</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,883,662</u>	\$ <u>3,260,132</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			<u>Total</u>
	Unrestricted		Temporarily Restricted	
	<u>Operations</u>	<u>Fixed Assets</u>		
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Grant revenue	\$ 9,918,902	\$ -0-	\$ -0-	\$ 9,918,902
Tuition	107,105	-0-	-0-	107,105
Day care subsidies	10,788	-0-	-0-	10,788
Part C/CFO	765,056	-0-	-0-	765,056
Fees	132,019	-0-	-0-	132,019
Investment income	38,387	-0-	-0-	38,387
Other	68,548	-0-	-0-	68,548
Net assets released from restrictions:				
Satisfaction of purpose restriction	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	<u>11,040,805</u>	<u>-0-</u>	<u>-0-</u>	<u>11,040,805</u>
EXPENSES				
Program services				
Child Development Programs	4,223,756	44,379	-0-	4,268,135
Child Care Resource and Referral	5,201,165	17,766	-0-	5,218,931
Family Day Care Food Program	<u>357,289</u>	<u>-0-</u>	<u>-0-</u>	<u>357,289</u>
TOTAL PROGRAM SERVICES	9,782,210	62,145	-0-	9,844,355
Supporting services				
Management and general	<u>742,113</u>	<u>10,055</u>	<u>-0-</u>	<u>752,168</u>
TOTAL EXPENSES	<u>10,524,323</u>	<u>72,200</u>	<u>-0-</u>	<u>10,596,523</u>
Change in net assets	516,482	(72,200)	-0-	444,282
NET ASSETS, BEGINNING OF YEAR	878,736	622,192	53,145	1,554,073
Transfer in (out)	<u>(161,916)</u>	<u>161,916</u>	<u>-0-</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	\$ <u>1,233,302</u>	\$ <u>711,908</u>	\$ <u>53,145</u>	\$ <u>1,998,355</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

2017

<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Total</u>
<u>Operations</u>	<u>Fixed Assets</u>		
\$ 8,176,999	\$ 66,529	\$ -0-	\$ 8,243,528
134,326	-0-	-0-	134,326
32,395	-0-	-0-	32,395
760,240	-0-	-0-	760,240
123,865	-0-	-0-	123,865
68,345	-0-	-0-	68,345
56,179	-0-	37,500	93,679
<u>46,341</u>	<u>-0-</u>	<u>(46,341)</u>	<u>-0-</u>
<u>9,398,690</u>	<u>66,529</u>	<u>(8,841)</u>	<u>9,456,378</u>
4,237,625	41,501	-0-	4,279,126
4,014,848	11,834	-0-	4,026,682
<u>370,528</u>	<u>-0-</u>	<u>-0-</u>	<u>370,528</u>
8,623,001	53,335	-0-	8,676,336
<u>712,981</u>	<u>10,881</u>	<u>-0-</u>	<u>723,862</u>
<u>9,335,982</u>	<u>64,216</u>	<u>-0-</u>	<u>9,400,198</u>
62,708	2,313	(8,841)	56,180
833,071	602,836	61,986	1,497,893
<u>(17,043)</u>	<u>17,043</u>	<u>-0-</u>	<u>-0-</u>
\$ <u>878,736</u>	\$ <u>622,192</u>	\$ <u>53,145</u>	\$ <u>1,554,073</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 444,282	\$ 56,180
Adjustments to reconcile change in net assets to net cash (used in) provided by Operating activities:		
Depreciation	72,200	64,217
Unrealized loss (gain) on investments	12,003	(52,611)
Realized (gain) loss on sale of investments	(35,626)	(93)
(Increase) decrease in operating assets:		
Accounts receivable	14,448	(17,888)
Grants receivable	193,101	81,952
Other receivables	(16,786)	43,778
Other prepaid expenses	(110,788)	59,653
Increase (decrease) in operating liabilities:		
Accounts payable	55,503	(13,987)
Accrued and withheld payroll taxes	(4,668)	(12,140)
Accrued payroll and compensated absences	7,075	37,048
Deferred revenue	(879,462)	997,557
Other liabilities	<u>800</u>	<u>-0-</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(247,918)</u>	<u>1,243,666</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) in certificates of deposit	-0-	(19)
Purchase of property and equipment	(161,916)	(83,573)
Purchase of investments	(343,769)	(12,055)
Proceeds from sales and maturities of investments	<u>292,235</u>	<u>51,719</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(213,450)</u>	<u>(43,928)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	2,400,000	450,000
Principal Payments on line of credit	<u>(2,400,000)</u>	<u>(1,150,000)</u>
NET CASH (USED IN) FINANCING ACTIVITIES	<u>-0-</u>	<u>(700,000)</u>

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
(DECREASE) INCREASE IN CASH	\$ (461,368)	\$ 499,738
CASH AT BEGINNING OF YEAR	<u>1,088,374</u>	<u>588,636</u>
CASH AT END OF YEAR	\$ <u>627,006</u>	\$ <u>1,088,374</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ <u>30,545</u>	\$ <u>28,535</u>
Income taxes	\$ <u>-0-</u>	\$ <u>-0-</u>

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 (closed in October, 2016), 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, 2018 AND 2017

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.

INVESTMENTS

Investments consists primarily of government and agency securities, mortgage pools, certificates of deposit, bond mutual funds, common stock, and equity 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 dividend income, realized gains and losses, and capital appreciation (depreciation).

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost if purchased, or fair value if contributed to the Organization. Asset purchases greater than \$3,000 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, 2018 AND 2017**

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 2015.

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 \$39,362 and \$25,609 for 2018 and 2017, 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, 2018 and 2017 are comprised of the following:

	<u>2018</u>	<u>2017</u>
Cash	\$ 617,974	\$ 1,037,327
Short-term investments	<u>9,032</u>	<u>51,047</u>
Total	\$ <u>627,006</u>	\$ <u>1,088,374</u>

NOTE 3 - INVESTMENTS

Investments as of June 30, 2018 are summarized as follows:

	<u>2018</u>		
	<u>Book</u>	<u>Fair</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Value</u>	<u>Gain/(Loss)</u>
Fixed income:			
Government securities	\$ 23,466	\$ 23,631	\$ 165
Agency securities	40,421	40,224	(197)
Mortgage pools	2,562	2,444	(118)
Corporate bonds	129,098	126,377	(2,721)
Certificates of Deposit	25,425	25,388	(37)
Bond mutual funds	<u>17,546</u>	<u>18,501</u>	<u>955</u>
Total fixed income	<u>238,518</u>	<u>236,565</u>	<u>(1,953)</u>
Equities:			
Common stock	200,639	218,763	18,124
Mutual funds	<u>122,498</u>	<u>148,917</u>	<u>26,419</u>
Total Equities	<u>323,137</u>	<u>367,680</u>	<u>44,543</u>
Total	\$ <u>561,655</u>	\$ <u>604,245</u>	\$ <u>42,590</u>

RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 - INVESTMENTS (CONTINUED)

Investments as of June 30, 2017 are summarized as follows:

	<u>Book</u>	<u>2017</u>	
	<u>Value</u>	<u>Fair</u>	<u>Unrealized</u>
		<u>Value</u>	<u>Gain/(Loss)</u>
Fixed income:			
Government securities	\$ 23,466	\$ 23,893	\$ 427
Agency securities	51,916	49,568	(2,348)
Mortgage pools	3,687	3,516	(171)
Certificates of Deposit	5,425	5,425	-0-
Bond mutual funds	<u>21,265</u>	<u>22,392</u>	<u>1,127</u>
Total fixed income	105,759	104,794	(965)
Equities:			
Mutual funds	<u>368,736</u>	<u>424,294</u>	<u>55,558</u>
Total	\$ <u>474,495</u>	\$ <u>529,088</u>	\$ <u>54,593</u>

The following summarizes the investment income for the years ended June 30, 2018 and 2017 inclusive of income on cash, cash equivalents, and the investments described above:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 14,764	\$ 15,641
Realized gain (loss)	35,626	93
Unrealized gain (loss)	<u>(12,003)</u>	<u>52,611</u>
Net investment return	\$ <u>38,387</u>	\$ <u>68,345</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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 268,474	\$ 268,474
Buildings	1,138,955	1,138,955
Building improvements	395,665	268,306
Furniture and equipment	899,730	891,259
Vehicles	<u>62,663</u>	<u>56,271</u>
	2,765,487	2,623,265
Less: accumulated depreciation	<u>(2,053,579)</u>	<u>(2,001,073)</u>
Property and equipment, net	\$ <u>711,908</u>	\$ <u>622,192</u>

RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$72,200 and \$64,217, respectively.

NOTE 5 - LINE OF CREDIT

As of June 30, 2018 the Organization had \$1.0 million unused line of credit with JP Morgan Chase Bank to be drawn upon as needed with a variable interest rate based on the LIBOR rate.

Interest expense on the line of credit for the years ended June 30, 2018 and 2017 totaled \$30,545 and \$28,535, respectively.

NOTE 6 - OPERATING LEASES

The Organization leases office and storage space at various locations under operating leases expiring in various years through 2021. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2018 and 2017 amounted to \$728,428 and \$616,705, 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 2021. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2018 and 2017 amounted to \$73,046 and \$65,756, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2018 for each of the next three years and in the aggregate are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 49,068
2020	43,605
2021	<u>13,614</u>
Total minimum future rental payments	\$ <u>106,287</u>

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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, 2018 and 2017, the Organization's total payroll for all employees was \$4,518,865 and \$3,830,452, respectively, and the payroll was \$140,959 and \$154,847 for employees covered by the State of West Virginia Teachers Retirement Plan.

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, 2018 and 2017 were:

	<u>2018</u>	<u>2017</u>
Employees' Contribution (6%)	\$ 8,458	\$ 9,291
Employer's Contribution (15% or 7.5%)	<u>21,144</u>	<u>23,227</u>
Total Contribution	\$ <u>29,602</u>	\$ <u>32,518</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>	Actuarial Value of Plan Assets <u>(in thousands)</u>	Actuarial Accrued Liability <u>(in thousands)</u>	Funded <u>Ratio</u>
July 1, 2017	\$ 7,193,080	\$ 10,719,940	67.1%

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, 2018 AND 2017

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, 2018 and 2017 amounted to \$-0- and \$-0-, 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, 2018 and 2017 under this plan amounted to \$173,595 and \$143,664, 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, 2018 AND 2017**

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, 2018 and 2017. 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, 2018 and 2017, 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 \$1,075,833 and \$ 942,260 at the banking institution at June 30, 2018 and 2017, respectively.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
T.E.A.C.H. Program	\$ 33,027	\$ 33,027
Growing Hearts Program	4,414	4,414
Tuition Program	5,000	5,000
After School Program	<u>10,704</u>	<u>10,704</u>
Total temporarily restricted	\$ <u>53,145</u>	\$ <u>53,145</u>

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

Purpose restriction accomplished:

	<u>2018</u>	<u>2017</u>
Safety Program	\$ -0-	\$ 7,675
Playground	-0-	760
Friends	-0-	15,410
Anniversary	-0-	600
Growing Hearts Program	-0-	100
After School Program	<u>-0-</u>	<u>21,796</u>
Total restrictions released	\$ <u>-0-</u>	\$ <u>46,341</u>

RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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.

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, 2018 AND 2017

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
INVESTMENTS				
Fixed Income				
Government Securities	\$ 23,631	\$ 23,631	\$ -0-	\$ -0-
Agency Securities	40,224	40,224	-0-	-0-
Mortgage Pools	2,444	2,444	-0-	-0-
Corporate Bonds	126,377	126,377	-0-	-0-
Certificate of Deposit	25,388	25,388	-0-	-0-
Bond Mutual Funds	<u>18,501</u>	<u>18,501</u>	<u>-0-</u>	<u>-0-</u>
Total Fixed Income	<u>236,565</u>	<u>236,565</u>	<u>-0-</u>	<u>-0-</u>
Equities				
Common Stock	218,763	218,763	-0-	-0-
Mutual Funds	<u>148,917</u>	<u>148,917</u>	<u>-0-</u>	<u>-0-</u>
Total Equities	<u>367,680</u>	<u>367,680</u>	<u>-0-</u>	<u>-0-</u>
Total Investments	\$ <u>604,245</u>	\$ <u>604,245</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Fair values of assets measured on a recurring basis at June 30, 2017 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
INVESTMENTS				
Fixed Income				
Government Securities	\$ 23,893	\$ 23,893	\$ -0-	\$ -0-
Agency Securities	49,568	49,568	-0-	-0-
Mortgage Pools	3,516	3,516	-0-	-0-
Certificates of Deposit	5,425	5,425	-0-	-0-
Bond Mutual Funds	<u>22,392</u>	<u>22,392</u>	<u>-0-</u>	<u>-0-</u>
Total Fixed Income	<u>104,794</u>	<u>104,794</u>	<u>-0-</u>	<u>-0-</u>

RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2017 are as follows: (continued)

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equities				
Mutual Funds	\$ <u>424,294</u>	\$ <u>424,294</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Equities	<u>424,294</u>	<u>424,294</u>	<u>-0-</u>	<u>-0-</u>
 Total Investments	 \$ <u>529,088</u>	 \$ <u>529,088</u>	 \$ <u>-0-</u>	 \$ <u>-0-</u>

The Organization utilizes the services of an independent third parties (brokerage firms) 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, mortgage pools, certificates of deposit, bond mutual funds, common stock, and equity mutual funds and are included in Level 1.

NOTE 12 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2018 through November 14, 2018 (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. The following event occurred after June 30, 2018:

In August and September, 2018, the Organization drew down \$800,000 on its \$1,000,000 available line of credit with JP Morgan Chase Bank. On October 26, 2018, the entire \$800,000 was paid off.

ADDITIONAL INFORMATION

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity ID Number</u>	<u>Program Period</u>
FEDERAL AWARDS			
U. S. Department of Health and Human Services			
Pass through - State of West Virginia, West Virginia Department of Health and Human Resources			
Child Care Development Fund Cluster:			
Child Care Mandatory and Matching Funds	93.596	G180159	07/01/17 - 06/30/18
Child Care Mandatory and Matching Funds	93.596	G180186	07/01/17 - 06/30/18
Child Care Mandatory and Matching Funds	93.596	G180187	07/01/17 - 06/30/18
Child Care and Development Block Grant	93.575	G170154	07/01/16 - 09/30/17
Child Care and Development Block Grant	93.575	G180159	07/01/17 - 06/30/18
Child Care and Development Block Grant	93.575	G180186	07/01/17 - 06/30/18
Child Care and Development Block Grant	93.575	G180187	07/01/17 - 06/30/18
Child Care and Development Block Grant	93.575	G180291	07/01/17 - 06/30/18
Child Care Development Fund Cluster Subtotal			
Maternal, Infant, and Early Childhood			
Home Visitation Program	93.870	G180655	09/30/17 - 09/29/18
Head Start	93.600	G170154	07/01/16 - 09/30/17
Head Start	93.600	G180291	07/01/17 - 06/30/18
Substance Abuse and Mental Health Services	93.243	G180655	09/30/17 - 09/29/18
Total U.S. Department of Health and Human Services			
U.S. Department of Education			
Pass through - State of West Virginia, West Virginia Department of Health and Human Resources			
Special Education - Grants for Infants and Families	84.181	G180502	07/01/17 - 06/30/18
Pass through - State of West Virginia, West Virginia Department of Education			
Special Education - Preschool Grants	84.173	GRTAWD04021600005089	05/01/16 - 09/30/17
Special Education - Preschool Grants	84.173	GRTAWD04021700004453	04/01/17 - 09/30/18
Special Education - Preschool Grants	84.173	N/A	02/23/18 - 05/31/18
Special Education - Preschool Grants	84.173	N/A	02/23/18 - 05/31/18
Special Education - Preschool Grants	84.173	N/A	02/23/18 - 05/31/18
Special Education Technical Assistance and Dissemination	84.326	GRTAWD04021700004098	01/01/17 - 09/30/17
Special Education Technical Assistance and Dissemination	84.326	GRTAWD04021800002548	10/01/17 - 09/30/18
Total U.S. Department of Education			

Program or Award Amount	Expenditures	Expenditures to Subrecipients
\$ 598,786	\$ 598,786 1)	\$ -0-
539,543	539,543 1)	-0-
482,838	482,838 1)	-0-
1,833,882	380,462 2)	-0-
1,205,253	1,205,253 2)	-0-
1,032,093	1,032,093 2)	-0-
983,488	983,488 2)	-0-
2,225,424	<u>1,975,673</u> 2)	<u>-0-</u>
	7,198,136	-0-
150,000	112,500	-0-
8,000	1,660 3)	-0-
8,000	7,102 3)	-0-
300,000	<u>225,000</u>	<u>-0-</u>
	<u>7,544,398</u>	<u>-0-</u>
536,095	536,095	-0-
118,000	57,069 4)	-0-
118,000	69,787 4)	-0-
3,000	2,994 4)	-0-
2,998	2,901 4)	-0-
2,992	2,977 4)	-0-
8,000	8,000 5)	-0-
8,000	<u>4,094</u> 5)	<u>-0-</u>
	<u>683,917</u>	<u>-0-</u>

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity ID Number</u>	<u>Program Period</u>
FEDERAL AWARDS (CONTINUED)			
U.S Department of Agriculture			
Pass through - State of West Virginia, West Virginia Department of Education Child and Adult Care Food Program	10.558	N/A	07/01/17 - 06/30/18
Total U.S. Department of Agriculture			
U.S Department of Housing and Urban Development			
Pass through - The City of Huntington, West Virginia Community Development Block Grants/ Entitlement Grants	14.218	N/A	01/04/18 - 01/04/19
Total U.S. Department of Housing and Urban Development			
Total Expenditures of Federal Awards			

STATE AWARDS

West Virginia Department of Health and Human Resources			
WV Birth to Three Early Intervention System	N/A	G180289	07/01/17 - 06/30/18
WV Birth to Three Early Intervention System	N/A	G180290	07/01/17 - 06/30/18
Child Care Development	N/A	G180159	07/01/17 - 06/30/18
Child Care Development	N/A	G180186	07/01/17 - 06/30/18
Child Care Development	N/A	G180187	07/01/17 - 06/30/18
Child Care Development	N/A	G170154	07/01/16 - 09/30/17
Child Care Development	N/A	G180291	07/01/17 - 06/30/18

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

West Virginia Department of Education and the Arts			
Great Beginnings/Infant/Toddler Conference Stipends	N/A	2018-ECAC-01	09/01/17 - 12/31/17
Great Beginnings/Infant/Toddler Conference Stipends	N/A	2018-ECAC-02	09/01/17 - 12/31/17

**Total West Virginia Department of
Education and the Arts**

Total Expenditures of State Awards

Total Expenditures of Federal and State Awards

Combined Expenditures

1) CFDA No. 93.596	\$ 1,621,167
2) CFDA No. 93.575	5,576,969
3) CFDA No. 93.600	8,762
4) CFDA No. 84.173	135,728
5) CFDA No. 84.326	12,094

Program or Award Amount	Expenditures	Expenditures to Subrecipients
\$ 371,176	\$ <u>371,176</u>	\$ <u>-0-</u>
	<u>371,176</u>	<u>-0-</u>
35,211	<u>35,211</u>	<u>-0-</u>
	<u>35,211</u>	<u>-0-</u>
	<u>8,634,702</u>	<u>-0-</u>
149,000	149,000	-0-
155,000	155,000	-0-
245,284	245,284	-0-
503,878	503,878	-0-
197,788	197,788	-0-
2,000	415	-0-
2,000	<u>1,775</u>	<u>-0-</u>
	<u>1,253,140</u>	<u>-0-</u>
8,700	8,700	-0-
2,550	<u>2,550</u>	<u>-0-</u>
	<u>11,250</u>	<u>-0-</u>
	<u>1,264,390</u>	<u>-0-</u>
	\$ <u>9,899,092</u>	\$ <u>-0-</u>

RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal and State awards (the schedule) includes the federal award activity of River Valley Child Development Services under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of River Valley Child Development Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of River Valley Child Development Services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

River Valley Child Development Services has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017**

2018

	Program Services				Supporting Services	
	Child Development Programs	Child Care Resource and Referral	Family Day Care Program	Food	Total Program Services	Management and General
Salaries	\$ 1,444,603	\$ 2,605,222	\$ 44,816	\$ 4,094,641	\$ 424,224	\$ 4,518,865
Fringe benefits	283,890	856,771	6,215	1,146,876	125,451	1,272,327
Supplies	579,769	558,552	271	1,138,592	15,547	1,154,139
Telephone	58,432	32,875	381	91,688	13,283	104,971
Postage	17,912	47,705	553	66,170	3,004	69,174
Rent and occupancy	232,704	522,047	10,028	764,779	96,006	860,785
Printing and advertising	49,258	40,626	-0-	89,884	-0-	89,884
Travel, conference and training	433,378	329,032	1,998	764,408	15,060	779,468
Other professional services	596,778	44,325	2,737	643,840	33,077	676,917
Repairs, maintenance and custodial services	46,805	56,426	1,270	104,501	4,418	108,919
Food	93,633	91	-0-	93,724	-0-	93,724
Resource Materials	107,280	58,688	150	166,118	-0-	166,118
Interest	30,545	-0-	-0-	30,545	-0-	30,545
Property and other taxes	546	994	68	1,608	164	1,772
Family day care providers	-0-	-0-	288,570	288,570	-0-	288,570
Insurance	16,543	17,777	232	34,552	9,110	43,662
Donations	225,073	29,724	-0-	254,797	-0-	254,797
Miscellaneous	<u>6,607</u>	<u>310</u>	<u>-0-</u>	<u>6,917</u>	<u>2,769</u>	<u>9,686</u>
TOTAL EXPENSES BEFORE DEPRECIATION	4,223,756	5,201,165	357,289	9,782,210	742,113	10,524,323
Depreciation	<u>44,379</u>	<u>17,766</u>	<u>-0-</u>	<u>62,145</u>	<u>10,055</u>	<u>72,200</u>
TOTAL EXPENSES	<u>\$ 4,268,135</u>	<u>\$ 5,218,931</u>	<u>\$ 357,289</u>	<u>\$ 9,844,355</u>	<u>\$ 752,168</u>	<u>\$ 10,596,523</u>

2017

Program Services				Supporting Services	
Child Development Programs	Child Care Resource and Referral	Family Day Care Food Program	Total Program Services	Management and General	Total
\$ 1,435,294	\$ 1,958,249	\$ 42,996	\$ 3,436,539	\$ 393,913	\$ 3,830,452
420,485	580,335	13,288	1,014,108	127,527	1,141,635
297,477	578,393	1,102	876,972	13,034	890,006
50,799	27,925	1,087	79,811	11,854	91,665
12,707	22,842	657	36,206	2,605	38,811
221,889	452,082	11,641	685,612	93,726	779,338
34,815	23,991	-0-	58,806	545	59,351
530,195	211,068	2,189	743,452	10,506	753,958
673,543	16,939	1,549	692,031	40,392	732,423
31,618	43,065	1,417	76,100	6,738	82,838
115,489	123	-0-	115,612	-0-	115,612
94,265	53,989	357	148,611	-0-	148,611
28,535	-0-	-0-	28,535	-0-	28,535
23,627	3,999	85	27,711	3,182	30,893
-0-	-0-	293,785	293,785	-0-	293,785
19,043	13,402	220	32,665	2,661	35,326
226,998	28,396	-0-	255,394	-0-	255,394
<u>20,846</u>	<u>50</u>	<u>155</u>	<u>21,051</u>	<u>6,298</u>	<u>27,349</u>
4,237,625	4,014,848	370,528	8,623,001	712,981	9,335,982
<u>41,501</u>	<u>11,834</u>	<u>-0-</u>	<u>53,335</u>	<u>10,881</u>	<u>64,216</u>
\$ <u>4,279,126</u>	\$ <u>4,026,682</u>	\$ <u>370,528</u>	\$ <u>8,676,336</u>	\$ <u>723,862</u>	\$ <u>9,400,198</u>

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

Ware & Hall, PLLC
Certified Public Accountants

The River Tower, Suite 501, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

Daniel J. Ware, CPA
William L. Hall, CPA

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

**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, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2018.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

Ware & Hall PLLC

Huntington, West Virginia
November 14, 2018

DHHR - Finance

MAR 26 2019

Date Received

Ware & Hall, PLLC
Certified Public Accountants

The River Tower, Suite 501, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

Daniel J. Ware, CPA
William L. Hall, CPA

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

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

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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2018.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

River Valley Child Development Services' response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify one deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

River Valley Child Development Services' response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. River Valley Child Development Services' response was not subjected to the audit procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Wan & Hall PLLC

Huntington, West Virginia
November 14, 2018

DHHR - Finance

MAR 26 2019

Date Received

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

There were no prior year audit findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued - Unmodified

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 - Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 (a) of the Uniform Guidance	<u>✓</u> Yes	<u> </u> No
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Identification of Major Programs:

U.S. Department of Health and Human Services	<u>CFDA #</u>
Pass-through State of West Virginia,	
West Virginia Department of Health	
and Human Resources	
Child Care Development Fund Cluster:	
Child Care Mandatory and Matching Funds	93.596
Child Care and Development Block Grant	93.575

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee?	<u>✓</u> Yes	<u> </u> No
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**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

**U.S. Department of Health and Human Services
Pass-through State of West Virginia, West Virginia
Department of Health and Human Resources**

**2018-001 Child Care and Development
Block Grant - CFDA Number 93.575
Pass-through Entity ID Number G180291,
Grant Period 07/01/17 - 06/30/18**

Questioned
Costs

Condition: We noted errors in the various line items of the original Quarter 4 WVDHHR/BCF/OFA-Expenditure Report. The differences noted were: Personnel was understated by \$134,427, fringe benefits were overstated by \$161,551, quality standards were understated by \$58,628, and indirect costs were overstated by \$31,504.

Criteria: Section 200.302 - Financial Management of Part 200 - Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards requires that financial management systems of non-federal entities provide accurate, current, and complete disclosure of the financial results of each federal award or program.

Cause: Weaknesses exist in the Organization's internal controls over award/program financial reporting.

Effect: The total errors noted netted to \$-0-, therefore, the net effect on total expenditures was \$-0-. However, the various line items cited above were in error. Management has revised the Quarter 4 WVDHHR/BCF/OFA - Expenditure Report to correct the errors.

Recommendation: Strengthen review procedures over financial reporting to ensure that award/program expenditure reports are completed accurately.

Questioned Costs	\$	<u>-0-</u>
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View of responsible officials and planned corrective action: The Organization agrees with the finding and will strengthen review procedures over award/program expenditure reports to ensure they are completed accurately. See current year corrective action plan.

Total Questioned Costs U.S. Department of Health and Human Services	\$	<u>-0-</u>
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CORRECTIVE ACTION PLAN

Corrective Action Plan

Section III – Federal Awards Findings and Questioned Costs

2018-001 Child Care and Development Block Grant-CFDA #93.575, Pass-through Entity ID Number G180291, Grant Period 07/01/17-6/30/18.

River Valley will strengthen review procedures over award/program expenditure reports to ensure they are completed accurately. Marie Phillips, Director of Business and Finance, will be assigned responsibility for corrective action plan by 12/31/18.