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AUDIT REPORT AND FINANCIAL STATEMENTS

OF

RIVER VALLEY CHILD DEVELOPMENT SERVICES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

S&CO.

SOMERVILLE & COMPANY PLLC

CPAs & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the 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 nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, 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.

Auditors' 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 audit 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 opinions.

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, 2021 and 2020, 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by *West Virginia Code 12-4-14*, and is 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 the 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 March 28, 2022, 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.

Suttle & Stalnaker...

Huntington, West Virginia
March 28, 2022

RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS

		2021		2020
Current Assets				
Cash and cash equivalents	$	413,316	$	2,587,603
Accounts receivable		1,761		4,133
Grants receivable		4,811,163		512,944
Other receivable		96,504		165,643
Prepaid expenses		191,799		258,577
Other assets		12,051		12,285
Total Current Assets		5,526,594		3,541,185
Investments		761,371		632,445
Property and Equipment, net		686,680		728,533
Total Assets	$	6,974,645	$	4,902,163

LIABILITIES AND NET ASSETS

		2021		2020
Current Liabilities				
Bank overdraft	$	965,803	$	-
Line of credit		700,000		-
Accounts payable		1,204,226		457,853
Accrued and withheld payroll taxes		14,052		112,073
Accrued payroll and compensated absences		962,387		408,989
Refundable advances		763,694		1,609,813
Other liabilities		800		800
Total Current Liabilities		4,610,962		2,589,528
Net Assets				
Without donor restrictions		2,250,260		2,244,780
With donor restrictions		113,423		67,855
Total Net Assets		2,363,683		2,312,635
Total Liabilities and Net Assets	$	6,974,645	$	4,902,163

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

RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants and contributions	$ 1,179	$ 15,293,064	$ 15,294,243
Other program service fees	1,262,540	-	1,262,540
Investment income, net	147,311	-	147,311
Other income	307,383	-	307,383
Total Support	1,718,413	15,293,064	17,011,477
Net Assets Released From Restrictions	15,247,496	(15,247,496)	-
Total Increase	16,965,909	45,568	17,011,477
Expenses			
Program Services			
Resource and Referral	5,760,926	-	5,760,926
Training, Connections, and Resources	8,310,126	-	8,310,126
Birth to Three Program	962,649	-	962,649
Food Program	275,781	-	275,781
Child Development Programs	440,014	-	440,014
Total Program Services	15,749,496	-	15,749,496
Supporting Services			
Management and general	1,210,933	-	1,210,933
Total Expenses	16,960,429	-	16,960,429
Change in Net Assets	5,480	45,568	51,048
Net Assets at Beginning of Year	2,244,780	67,855	2,312,635
Net Assets at End of Year	$ 2,250,260	$ 113,423	$ 2,363,683

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

RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants and contributions	$ 10,978	$ 9,819,904	$ 9,830,882
Other program service fees	1,184,135	-	1,184,135
Investment income, net	5,383	-	5,383
Other income	26,853	-	26,853
Total Support	1,227,349	9,819,904	11,047,253
Net Assets Released From Restrictions	9,806,281	(9,806,281)	-
Total Increase	11,033,630	13,623	11,047,253
Expenses			
Program Services			
Resource and Referral	4,957,407	-	4,957,407
Training, Connections, and Resources	3,234,524	-	3,234,524
Birth to Three Program	833,892	-	833,892
Food Program	304,743	-	304,743
Child Development Programs	307,092	-	307,092
Total Program Services	9,637,658	-	9,637,658
Supporting Services			
Management and general	1,429,233	-	1,429,233
Total Expenses	11,066,891	-	11,066,891
Change in Net Assets	(33,261)	13,623	(19,638)
Net Assets at Beginning of Year	2,278,041	54,232	2,332,273
Net Assets at End of Year	$ 2,244,780	$ 67,855	$ 2,312,635

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

RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021

	Program Services						Supporting Services	
	Resource and Referral	Training, Connections, and Resources	Birth to Three Program	Food Program	Child Development Programs	Total Program Services	Management and General	Total June 30, 2021
Salaries and wages	$ 3,120,559	$ 1,072,086	$ 576,987	$ 53,500	$ 247,369	$ 5,070,501	$ 643,593	$ 5,714,094
Fringe benefits	998,512	298,967	173,082	6,170	53,171	1,529,902	133,254	1,663,156
Total Salaries and Related Expenses	4,119,071	1,371,053	750,069	59,670	300,540	6,600,403	776,847	7,377,250
Rent and occupancy	591,622	119,404	36,605	1,543	29,162	778,336	103,687	882,023
Grants and donations	484,941	5,918,944	-	209,894	-	6,613,779	-	6,613,779
Supplies and equipment	297,741	132,782	92,915	336	34,138	557,912	33,150	591,062
Diversion of assets	-	-	-	-	-	-	91,700	91,700
Professional services	4,445	435,714	108	150	2,463	442,880	108,574	551,454
Travel, conference, and training	20,297	60,077	4,644	169	1,373	86,560	1,826	88,386
Telephone, internet, and technology	48,804	191,750	33,252	3,526	9,063	286,395	35,745	322,140
Repairs, maintenance, and custodial	32,734	11,162	10,547	36	18,148	72,627	6,717	79,344
Printing and advertising	10,748	22,775	7,883	-	2,250	43,656	-	43,656
Insurance	20,977	7,683	6,608	285	7,934	43,487	3,837	47,324
Food	-	1,072	-	-	10,041	11,113	-	11,113
Postage	20,740	7,341	3,430	172	-	31,683	2,783	34,466
Resource materials	76,049	14,303	-	-	-	90,352	650	91,002
Property and other taxes	2,919	496	8,522	-	11,287	23,224	713	23,937
Interest	-	-	-	-	-	-	26,737	26,737
Miscellaneous	251	54	163	-	-	468	11,975	12,443
Uncollectible accounts	-	-	-	-	-	-	-	-
Total Expenses Before Depreciation	5,731,339	8,294,610	954,746	275,781	426,399	15,682,875	1,204,941	16,887,816
Depreciation	29,587	15,516	7,903	-	13,615	66,621	5,992	72,613
Total Expenses	$ 5,760,926	$ 8,310,126	$ 962,649	$ 275,781	$ 440,014	$ 15,749,496	$ 1,210,933	$ 16,960,429

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

RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Program Services						Supporting Services	
	Resource and Referral	Training, Connections, and Resources	Birth to Three Program	Food Program	Child Development Programs	Total Program Services	Management and General	Total June 30, 2020
Salaries and wages	$ 2,601,772	$ 1,207,323	$ 493,921	$ 45,031	$ 158,371	$ 4,506,418	$ 480,262	$ 4,986,680
Fringe benefits	868,477	324,807	148,242	6,111	32,944	1,380,581	116,023	1,496,604
Total Salaries and Related Expenses	3,470,249	1,532,130	642,163	51,142	191,315	5,886,999	596,285	6,483,284
Rent and occupancy	588,171	131,973	34,707	6,162	25,634	786,647	102,952	889,599
Grants and donations	118,743	504,527	-	238,783	-	862,053	-	862,053
Supplies and equipment	474,005	113,122	51,095	1,303	19,603	659,128	46,201	705,329
Diversion of assets	-	-	-	-	-	-	547,405	547,405
Professional services	11,777	438,262	3,485	2,703	2,875	459,102	60,154	519,256
Travel, conference, and training	108,181	265,048	43,956	1,018	6,426	424,629	8,117	432,746
Telephone, internet, and technology	24,773	109,105	26,847	2,615	10,552	173,892	28,927	202,819
Repairs, maintenance, and custodial	45,108	13,499	8,976	153	18,499	86,235	1,489	87,724
Printing and advertising	36,818	31,655	1,279	-	-	69,752	244	69,996
Insurance	27,772	13,543	4,872	481	2,066	48,734	5,205	53,939
Food	671	39,829	462	-	6,656	47,618	567	48,185
Postage	17,904	10,974	3,334	230	-	32,442	4,409	36,851
Resource materials	19,291	12,156	97	153	-	31,697	1,150	32,847
Property and other taxes	1,548	197	8,487	-	13,152	23,384	1,235	24,619
Interest	-	-	-	-	-	-	21,309	21,309
Miscellaneous	377	1,788	283	-	74	2,522	-	2,522
Uncollectible accounts	-	2,755	-	-	3,433	6,188	-	6,188
Total Expenses Before Depreciation	4,945,388	3,220,563	830,043	304,743	300,285	9,601,022	1,425,649	11,026,671
Depreciation	12,019	13,961	3,849	-	6,807	36,636	3,584	40,220
Total Expenses	$ 4,957,407	$ 3,234,524	$ 833,892	$ 304,743	$ 307,092	$ 9,637,658	$ 1,429,233	$ 11,066,891

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

RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in Net Assets	$ 51,048	$ (19,638)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	72,613	40,220
Unrealized (gain) loss on investments	(129,794)	11,535
Realized gain on sale of investments	(3,846)	(474)
Gain on sales of assets	(25,964)	-
Diversion of assets	91,700	547,405
Uncollectible accounts	-	6,188
(Increase) Decrease in assets		
Accounts receivable	(89,328)	(390,560)
Grants receivable	(4,298,219)	1,351,924
Other receivable	69,139	(149,438)
Prepaid expenses	66,778	(112,487)
Other assets	234	(10,835)
Increase (Decrease) in liabilities		
Accounts payable	746,373	(644,257)
Accrued and withheld payroll taxes	(98,021)	(31,362)
Accrued payroll and compensated absences	553,398	95,127
Deferred revenue	(846,119)	1,453,093
Other liabilities	-	(1,834)
Total adjustments	(3,891,056)	2,164,245
Net Cash Provided By (Used In) Operating Activities	(3,840,008)	2,144,607
Cash Flows From Investing Activities		
Purchase of property and equipment	(30,760)	(48,545)
Change in investments	4,714	(113,142)
Proceeds from sale of assets	25,964	-
Proceeds from sales and maturities of investments	-	105,594
Net Cash Used In Investing Activities	(82)	(56,093)
Cash Flows From Financing Activities		
Proceeds from line of credit	700,000	1,050,966
Principal payments on line of credit	-	(1,545,966)
Net Cash Provided By (Used In) Financing Activities	700,000	(495,000)
Net Increase in Cash and Cash Equivalents	(3,140,090)	1,593,514
Cash and Cash Equivalents at Beginning of Year	2,587,603	994,089
Cash and Cash Equivalents at End of Year	$ (552,487)	$ 2,587,603
Supplemental Information:		
Cash paid for interest	$ 26,737	$ 21,309

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

1. Organization and nature of operations:

River Valley Child Development Services (the Organization) is a nonprofit corporation incorporated in the State of West Virginia. The Organization administers five (5) major programs in the area of child development in the tri-state area.

Resource and Referral: Three childcare resource and referral programs that manage the childcare subsidy program in WV, link parents with childcare options, provide consumer information, offer technical assistance and training to childcare providers, and inform parents of other resources in their community. These programs are funded by grants from the WV Department of Health and Human Resources - Bureau for Children and Families.

Training, Connections, and Resources: A statewide program that provides professional development opportunities for the early care and education community through an extensive network of information, training and technical assistance, resources, and collaboration. This program is funded by grants from the WV Department of Health and Human Resources - Bureau for Children and Families/Division of Early Care and Education; Office of Maternal, Child and Family Health/WV Birth to Three and Home Visitation; WV Head Start State Collaboration Office; and the WV Department of Education/Office of Early Education.

Birth to Three Program (BTT): Two administrative units for the WV BTT early intervention system that are responsible for regional interagency activities, system point of entry functions, and maintenance of electronic and hard copy child and family records. These two administrative units are funded by fees for service and WV state funds.

Child Development Programs: Two after school programs that provide care for school aged children. These two programs are funded by tuition fees and childcare subsidy payments from the WV Department of Health and Human Resources.

One childcare center that provides specialized childcare services for children ranging in age from six weeks to two years. This program is funded by tuition fees, childcare subsidy payments from the WV Department of Health and Human Resources, and Temporary Assistance for Needy Families (TANF).

Food Program: A nutrition program that reimburses home based childcare providers for serving healthy meals and snacks that meet meal pattern requirements for children in their care. This program is funded through the WV Department of Education.

2. Summary of significant accounting policies:

A. Basis of presentation and accounting and financial statement presentation:

The financial statements of the Organization have been prepared on the accrual basis of accounting in which expenditures are recognized when incurred and revenue is recognized when earned, generally when allowable expenditures are made.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

2. Nature of operations and summary of significant accounting policies (Continued):

A. Basis of presentation and accounting and financial statement presentation (Continued):

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

B. Cash and cash equivalents:

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

C. Promises to give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are not restricted by the donor are reported as increases in net assets without donor restrictions. All donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided, when necessary, based on management's evaluation of potential uncollectible promises receivable at year end.

D. Accounts receivable:

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

E. Investments:

Investments consists primarily of government and agency securities, mortgage pools, corporate bonds, certificates of deposit, bond mutual funds, common stock, and equity mutual funds. Investments are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets without donor restrictions. The total investment return consists of interest and dividend income, realized gains and losses, and unrealized gains and losses, net of related investment expenses.

2. Nature of operations and summary of significant accounting policies (Continued):

F. 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 the Organization is considered to be owned by the Organization. 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.

G. Contributions and grants:

Contributions, including unconditional promises to give (pledges), are initially reported at fair value as revenues in the period received or pledged. Contributions with purpose and/or time restrictions are reported as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Contributions which are restricted by the donor are reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the contribution is recognized. Contributions subject to donor-imposed restrictions that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions.

Contributions are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right of release of promised assets exists. Conditional promises to give are not recognized as revenue until the performance barrier and the right of return or release has been overcome.

Contributions of assets other than cash are recorded at their estimated fair value.

H. 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:

	Range of Lives
Buildings	20 Years
Building improvements	13 - 15 Years
Furniture and equipment	2 - 10 Years
Vehicles	5 Years

I. 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 2018.

2. Nature of operations and summary of significant accounting policies (Continued):

J. Accounting for uncertain tax positions:

The Organization follows the provisions of Accounting Standards Codification (ASC) Topic 740, Income Taxes, relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. The Organization is liable for taxes to the extent of any unrelated business income as defined by IRS regulations. The Organization believes that it has not engaged in any unrelated business income as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of June 30, 2021 and 2020.

K. Advertising:

Advertising costs are charged to operations when incurred. For the years ended June 30, 2021 and 2020 advertising costs totaled $7,209 and $26,227.

L. Use of estimates:

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

M. Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses include administration (indirect costs), salaries, benefits, telephones, postage machine and copier leases and maintenance, rent and occupancy, liability insurance, and depreciation, as described below:

Expense	Method of Allocation
Management and general (indirect costs)	Percent of program salaries and benefits to total direct salaries and benefits
Direct salaries, wages, and fringe benefits	Time and effort
Telephone	Department usage (line counts)
Postage machine	Department/program usage
Copier leases and maintenance	Department/program usage
Rent and occupancy	Square footage
Liability insurance	Percent of number of program staff to total agency staff
Depreciation	Location of asset and use by function

2. Nature of operations and summary of significant accounting policies (Continued):

N. Adoption of accounting pronouncement:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers." This standard, along with its related amendments, requires organizations to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update is implemented by the Organization beginning on July 1, 2020. The adoption of this standard did not have a material effect on the Organization's financial statements. The Organization transitioned to ASU No. 2014-09 in accordance with the modified retrospective approach. The prior-year figures were not adjusted.

3. Cash and cash equivalents:

Cash and cash equivalents at June 30, 2021 and 2020 are comprised of the following:

	2021	2020
Cash	$ 305,898	$ 2,447,591
Short-term investments	107,418	140,012
Bank overdraft	(965,803)	-
Total	$ (552,487)	$ 2,587,603

4. Investments:

Investments as of June 30, 2021 are summarized as follows:

	Book Value	Fair Value	Unrealized Gain
Fixed income securities	$ 240,170	$ 246,183	$ 6,013
Equities	345,646	515,188	169,542
Total	$ 585,816	$ 761,371	$ 175,555

Investments as of June 30, 2020 are summarized as follows:

	Book Value	Fair Value	Unrealized Gain
Fixed income securities	$ 235,776	$ 244,221	$ 8,445
Equities	350,908	388,224	37,316
Total	$ 586,684	$ 632,445	$ 45,761

4. Investments (Continued):

The following summarizes the investment income for the years ended June 30, 2021 and 2020 inclusive of income on cash, cash equivalents, and the investments described above:

	2021	2020
Interest and dividends	$ 18,855	$ 22,762
Realized gain	3,846	474
Unrealized gain (loss)	129,794	(11,535)
Investment fees	(5,184)	(6,318)
Investment income, net	$ 147,311	$ 5,383

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

5. 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.

5. Fair value measurements (Continued):

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities	$ 246,183	$ 246,183	$ -	$ -
Equities	515,188	515,188	-	-
Total	$ 761,371	$ 761,371	$ -	$ -

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities	$ 244,221	$ 244,221	$ -	$ -
Equities	388,224	388,224	-	-
Total	$ 632,445	$ 632,445	$ -	$ -

The Organization utilizes the services of 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 consist of government and agency securities, mortgage pools, corporate bonds, certificates of deposit, bond mutual funds, common stock, and equity mutual funds and are included in Level 1.

6. Property and equipment, net:

Property and equipment at June 30, 2021 and 2020 consists of the following:

	2021	2020
Land	$ 268,474	$ 268,474
Buildings and building improvements	1,616,162	1,612,963
Furniture and equipment	375,921	958,018
Vehicles	89,057	99,670
	2,349,614	2,939,125
Less accumulated depreciation	(1,662,934)	(2,210,592)
	$ 686,680	$ 728,533

Depreciation expense amounted to $72,613 and $40,220 for the years ended June 30, 2021 and 2020.

7. Liquidity and availability of financial assets:

The following reflects the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statements of Financial Position date:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 413,316	$ 2,587,603
Accounts receivable	1,761	4,133
Grants receivable	4,811,163	512,944
Other receivable	96,504	165,643
Investments	761,371	632,445
Total Financial Assets	6,084,115	3,902,768
Less those unavailable for general expenditures within one year due to:		
Board designations	(240,725)	(225,828)
Donor restrictions	(113,423)	(67,855)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,729,967	$ 3,609,085

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, to manage liquidity, the Organization has available a $1,000,000 maximum line of credit with City National Bank to be drawn upon as needed to manage cash flows.

8. Note payable line of credit:

The Organization has a line of credit with City National Bank in the amount of $1,000,000, interest payable monthly at 4.75%, secured by accounts receivable, equipment, investments, and all financial assets, due October 19, 2022. The available line of credit at June 30, 2021 was $300,000.

Interest expense on the line of credit for the years ended June 30, 2021 and 2020 totaled $26,737 and $21,309.

9. Net assets without donor restrictions:

Net assets without donor restrictions are comprised of the following at June 30, 2021 and 2020:

	2021	2020
Board Designated:		
Safety Program	$ 6,635	$ 6,635
Celebrating Connections Program	85,125	87,810
Camp Gizmo Program	7,343	6,011
Stars Program	47,053	47,896
Provider Quarterly Program	340	340
T.E.A.C.H. Program	56,068	56,068
ACDS Program	21,924	10,081
Social Emotional Institute Program	16,237	10,987
Total Board Designated	240,725	225,828
Net invested in property and equipment	686,680	728,533
Undesignated	1,322,855	1,290,419
Total net assets without donor restrictions	$ 2,250,260	$ 2,244,780

10. Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purposes at June 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specific purpose:		
Child Development	$ 66,861	$ 39,385
Connect	2,000	2,000
Choices	44,562	26,470
Total net assets with donor restrictions	$ 113,423	$ 67,855

10. Net assets with donor restrictions (Continued):

Net assets were released from donor restrictions during the year ended June 30, 2021 and 2020 by incurring expenses satisfying the purpose specified by donors as follows:

	2021	2020
Resource and Referral Program	$ 6,128,266	$ 5,494,218
Training, Connections, and Resources Program	8,577,523	3,638,689
Birth to Three Program	314,000	284,527
Food Program	-	8,673
Child Development Programs	227,707	380,174
Total	$ 15,247,496	$ 9,806,281

11. Operating leases:

The Organization leases office and storage space at various locations under operating leases expiring in various years through 2034. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2021 and 2020 amounted to $829,832 and $842,675.

Certain operating leases provide for renewal options for periods of one to five 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 2023. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2021 and 2020 amounted to $130,723 and $138,741.

The following is a schedule by year of future minimum lease payments required under the lease agreements:

Years Ending June 30,	
2022	$ 826,465
2023	701,735
2024	542,069
2025	609,980
2026 and thereafter	5,462,521
Total future minimum lease payments	$ 8,142,770

12. Retirement plans:

The Organization participates in the State of West Virginia Teacher's 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, 2021 and 2020, the Organization's total payroll for all employees was $5,714,094 and $4,986,680, respectively, and the payroll for employees covered by the State of West Virginia Teachers Retirement Plan was $115,867 and $106,041, respectively.

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 year ended June 30, 2021 and 2020 were:

	2021	2020
Employees' contribution (6%)	$ 3,802	$ 6,966
Employer's contribution (15% or 7.5%)	9,506	17,415
Total Contribution	$ 13,308	$ 24,381

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 plan 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):

Date	Actuarial Value of Plan Assets (in thousands)	Actuarial Accrued Liability (in thousands)	Funded Ratio
July 1, 2020	$8,116,332	$11,154,850	72.8%

The Organization's contributions to the plan are less than 5% of total plan contributions per the plan's most recently available annual report.

12. 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, 2021 and 2020 amounted to $-0-.

Effective July 1, 2005, new employees participate in the TIAA-CREF retirement plan. This is a 403(b) defined contribution plan. Participants in the Teacher's Defined Contribution Plan had the option of remaining in that plan, or moving to the TIAA-CREF plan. All vested portions of the individual accounts rolled over to TIAA-CREF. If still employed by the Organization 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 TIAA-CREF plan, participants contribute a minimum of 3% of their salary. The Organization matches the employee contribution 100% up to a maximum of 6%.

Retirement expense for the fiscal years ended June 30, 2021 and 2020 under this plan amounted to $232,450 and $201,301, respectively. The Organization's contributions to the plan are less than 5% of total plan contributions per the plan's most recently available annual report.

13. Concentrations of credit risk:

The Organization is a non-profit organization that provides child development services, childcare 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 uncollectible accounts and an allowance is not considered necessary.

The revenues earned under the Organization's contracts with U.S. Department of Health and Human Services account for a majority of the revenues of the Organization for the years ended June 30, 2021 and 2020. A significant reduction in the revenues granted under future contracts could have a significant impact on the Organization's program services.

The Organization maintains cash balances at local banking institutions. As of June 30, 2021 and 2020, 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- at the banking institutions at June 30, 2021 and 2020.

14. 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.

15. Risks and uncertainties:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while the issue may negatively impact the Organization's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. Management is actively managing the Organization to maintain the cash flow and believes the Organization has adequate liquidity.

16. Reclassifications:

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

17. Subsequent events:

The Organization has evaluated all subsequent events through March 28, 2022, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Federal Awards			
U.S. Department of Health and Human Services			
Pass-Through - West Virginia Department of Health and Human Resources			
Child Care Development Fund Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G210032	$ 404,720
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G210033	489,035
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G210035	500,771
Total Child Care Mandatory and Matching Funds			1,394,526
Child Care and Development Block Grant	93.575	G210032	1,190,042
Child Care and Development Block Grant	93.575	G210033	1,423,185
Child Care and Development Block Grant	93.575	G210035	1,458,231
Child Care and Development Block Grant	93.575	G210130	3,240,448
COVID-19 - Child Care and Development Block Grant	93.575	G210130	4,783,716
Total Child Care and Development Block Grant			12,095,622
Subtotal Child Care Development Fund Cluster			13,490,148
Strengthening Public Health Systems and Services through National Partnerships to to Improve and Protect the Nation's Health	93.421	G210492	46,290
Temporary Assistance for Needy Families	93.558	G210022	158,179
Head Start	93.600	G210130	16,963
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	G210492	59,574
Total U.S. Department of Health and Human Services			13,771,154
U.S. Department of Education			
Pass-Through - West Virginia Department of Health and Human Resources			
Special Education-Grants for Infants and Families	84.181	G210301	322,976
Total Federal Awards			$ 14,094,130

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

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of River Valley Child Development Services (the Organization) under programs of the federal government for the year ended June 30, 2021. The information in the 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 the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

NOTE B - 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 C - INDIRECT COST RATE

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended June 30, 2021

State Grantor Program Title	Grant Number		Total State Expenditures
State Awards			
West Virginia Department of Health and Human Resources			
WV Birth to Three Early Intervention System	G210162	$	154,000
WV Birth to Three Early Intervention System	G210163		160,000
Child Care Development	G210032		171,477
Child Care Development	G210033		207,201
Child Care Development	G210035		212,173
Child Care Development	G210130		4,240
Maternal and Child Health Clinics, Clinicians, and Medical	G210492		17,702
Total West Virginia Department of Health and Human Resources			926,793
Total State Awards		$	926,793

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

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

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 statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2022.

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) as a basis for designing 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 the 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 2021-001 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 from 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 financial statements. 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 River Valley Child Development Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Somerville & Company, P.L.L.C.

Huntington, West Virginia

March 28, 2022

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INDEPENDENT AUDITORS' 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, 2021 and 2020. River Valley Child Development Services' major federal programs are identified in the summary of auditors' 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.

Auditors' 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 considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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 years ended June 30, 2021 and 2020.

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 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 consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 2021-001 to be a material weakness.

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.

Somerville & Company, P.L.L.C.

Huntington, West Virginia

March 28, 2022

RIVER VALLEY CHILD DEVELOPMENT SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2021

1. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiencies identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes

Identification of Major Programs:
U.S. Department of Health and Human Services Pass-Through State of West Virginia
West Virginia Department of Health and Human Services
Child Care Development Fund Cluster:
CFDA 93.596 – Child Care Mandatory and Matching Funds
CFDA 93.575 – Child Care and Development Block Grant

Dollar threshold used to distinguish between type A and type B program:	$ 750,000
Auditee qualified as low-risk auditee?	No

2. FINDINGS - FINANCIAL STATEMENTS AND FEDERAL AWARDS

2021-001
(Recurring) Bank Reconciliation Review

Finding Type: Material Weakness

Criteria:
Organization should adopt bank reconciliation and bank statement review procedures to be performed by individuals independent of bank reconciliation preparation.

Condition:
During the year ended June 30, 2021, fraudulent checks totaling $91,700 cleared the Organization's bank account. This activity was discovered in September 2020 after the $91,700 fraudulent checks had been written.

Cause:
The Organization's internal controls did not facilitate a review of the bank reconciliations.

Effect:
Misappropriation of funds resulting in cash shortages for payroll taxes and pension contributions.

Recommendation:
The bank reconciliation process should be segregated as much as possible and an individual independent of the bank reconciliation process should review the completed bank reconciliations and bank statements on a timely basis.

Views of Responsible Officials:
Board of Directors is aware of the internal control issues related to the review of bank reconciliations. This issue was discovered during the prior audit but some fraud had already occurred in the current year audit. The bank reconciliation process has been segregated and an individual independent of the bank reconciliation process is reviewing the completed bank reconciliations and bank statements on a timely basis.

3. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2021

1. FINDINGS – PRIOR YEAR FINANCIAL STATEMENTS AND FEDERAL AWARDS

2020-001 Bank Reconciliation Review

Finding Type: Material Weakness

Condition:
The Organization's internal controls did not facilitate a review of the bank reconciliations; as a result, fraudulent checks totaling $547,405 cleared the Organization's bank account.

Status:
The bank reconciliation process has been segregated and an individual independent of the bank reconciliation process is reviewing the completed bank reconciliations and bank statements on a timely basis.

CORRECTIVE ACTION PLAN

March 28, 2022

This letter sets forth River Valley Child Development Services' corrective action plan for the June 30, 2021 audit finding. Candice Mullins (Executive Director) and Karen Lyzenga (Comptroller) are primarily responsible for the response and corrective action for the audit finding.

Name and address of independent public accounting firm:

Somerville & Company, P.L.L.C.
501 Fifth Avenue
Huntington, WV 25701

Audit period: June 30, 2021

The finding from the March 28, 2022 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENTS AND FEDERAL AWARDS

MATERIAL WEAKNESS

2021-001 Bank Reconciliation Review

Please refer to the Schedule of Findings and Questioned Costs which explains the root causes for this finding. Management has corrected this finding during the year ended June 30, 2021 and will be so noted on the June 30, 2022 audited financial statements.

Recommendation: The bank reconciliation process was not being segregated as much as possible and an individual independent of the bank reconciliation process was not reviewing the completed bank reconciliations and bank statements on a timely basis.

Action Taken: We concur with the recommendation and it was implemented effective September 30, 2020. The individual preparing the bank reconciliations is not responsible for entries in the receipts and disbursements records. An individual independent of the bank reconciliation process is reviewing the bank reconciliations and bank statements focusing on unusual checks and other transactions, transfers, reconciling items, and paid items.

Sincerely,

Candice D. Mullins

Candice Mullins, Executive Director

Karen Lyzenga

Karen Lyzenga, Comptroller