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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

Date: February 11, 2019

To: SD Office of the Attorney General
SD State Board of Internal Control

Re: Audit Report on – South Dakota Network Against Family Violence and Sexual
Assault, Inc.
As of and for the year ended June 30, 2018
By: Eide Bailly, LLP, CPAs

We have accepted the final report on the audit of the above-named entity conducted under the requirements of OMB Uniform Guidance.

OMB Uniform Guidance requires the State of South Dakota, as a direct recipient of federal assistance who provides federal awards to a subrecipient, to:

1. Ensure that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Uniform Guidance for that fiscal year.
2. Ensure that the subrecipient takes timely and appropriate corrective action when the audit report discloses instances of noncompliance with federal laws and regulations.
3. Consider whether this subrecipient audit necessitates adjustment of your program records.

The accompanying audit report is submitted to you to help fulfill these requirements.

The report does identify an audit finding pertaining to federal award programs administered by your agency/department that is required to be reported in accordance with OMB Uniform Guidance, §200.516(a). See page 21. Accordingly, you are required to issue a management decision on the audit finding within six months after receipt of this audit report (OMB Uniform Guidance §200.331(d)(3)).

Please contact us if you have any questions.

Sincerely,

Martin L. Guindon, CPA
Auditor General

MLG:sld

Enclosure



Financial Statements
June 30, 2018 and 2017

**South Dakota Network Against
Family Violence and Sexual Assault,
Inc.**

South Dakota Network Against Family Violence and Sexual Assault, Inc.

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Independent Auditor's Report

The Board of Directors
South Dakota Network Against Family Violence and Sexual Assault, Inc.
Sioux Falls, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of South Dakota Network Against Family Violence and Sexual Assault, Inc. (the Network) (a non-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Network as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 schedule of expenditure of federal awards 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 a report dated January 15, 2019 on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Network's 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 the Network's internal control over financial reporting and compliance.



Sioux Falls, South Dakota
January 15, 2019

South Dakota Network Against Family Violence and Sexual Assault, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 88,751	\$ 48,283
Grants receivable	320,509	202,078
Prepaid expenses	<u>4,079</u>	<u>6,297</u>
Total current assets	<u>413,339</u>	<u>256,658</u>
Other Assets		
Beneficial Interest in South Dakota Community Foundation	<u>5,633</u>	<u>5,633</u>
Total assets	<u><u>\$ 418,972</u></u>	<u><u>\$ 262,291</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 113,883	\$ 127,251
Accrued expense	23,532	26,779
Unearned revenue	<u>2,815</u>	<u>6,205</u>
Total current liabilities	<u>140,230</u>	<u>160,235</u>
Net Assets		
Unrestricted	27,441	26,509
Temporarily restricted	245,882	70,128
Permanently restricted	<u>5,419</u>	<u>5,419</u>
	<u>278,742</u>	<u>102,056</u>
Total liabilities and net assets	<u><u>\$ 418,972</u></u>	<u><u>\$ 262,291</u></u>

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Grants and contract support	\$ 1,399,339	\$ 313,510	\$ -	\$ 1,712,849
Net assets released from restrictions	137,756	(137,756)	-	-
Total public support and revenue	1,537,095	175,754	-	1,712,849
Expenses				
Program services	1,363,190	-	-	1,363,190
Management and general	184,710	-	-	184,710
Total expenses	1,547,900	-	-	1,547,900
Other Income				
Conferences and dues	11,730	-	-	11,730
Investment income	7	-	-	7
Miscellaneous	-	-	-	-
Total other income	11,737	-	-	11,737
Change in Net Assets	932	175,754	-	176,686
Net Assets, Beginning of Year	26,509	70,128	5,419	102,056
Net Assets, End of Year	\$ 27,441	\$ 245,882	\$ 5,419	\$ 278,742

See Notes to Financial Statements

South Dakota Network Against Family Violence and Sexual Assault, Inc.
Statements of Activities
Years Ended June 30, 2018 and 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Grants and contract support	\$ 1,101,710	\$ 83,800	\$ -	\$ 1,185,510
Net assets released from restrictions	74,938	(74,938)	-	-
Total public support and revenue	1,176,648	8,862	-	1,185,510
Expenses				
Program services	1,005,940	-	-	1,005,940
Management and general	195,127	-	-	195,127
Total expenses	1,201,067	-	-	1,201,067
Other Income				
Conferences and dues	33,389	-	-	33,389
Investment income	4	-	-	4
Miscellaneous	11,851	-	-	11,851
Total other income	45,244	-	-	45,244
Change in Net Assets	20,825	8,862	-	29,687
Net Assets, Beginning of Year	5,684	61,266	5,419	72,369
Net Assets, End of Year	\$ 26,509	\$ 70,128	\$ 5,419	\$ 102,056

South Dakota Network Against Family Violence and Sexual Assault, Inc.

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ 176,686	\$ 29,687
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Changes in assets and liabilities		
Grants receivable	(118,431)	(105,627)
Prepaid expenses	2,218	(1,651)
Accounts payable	(13,368)	61,779
Accrued expense	(3,247)	3,785
Unearned revenue	<u>(3,390)</u>	<u>(4,543)</u>
Net Cash from (used for) Operating Activities	40,468	(16,570)
Cash and cash equivalents, Beginning of Year	<u>48,283</u>	<u>64,853</u>
Cash and cash equivalents, End of Year	<u><u>\$ 88,751</u></u>	<u><u>\$ 48,283</u></u>

South Dakota Network Against Family Violence and Sexual Assault, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	2018		
	Program Services	Management and General	Total
Personnel	\$ 221,285	\$ 124,430	\$ 345,715
Payroll taxes and employee benefits	46,848	28,286	75,134
Total	268,133	152,716	420,849
Contractual			
Grants to encourage arrest	204,556	-	204,556
Disability	30,645	-	30,645
Legal advocate	150,712	-	150,712
Rural outreach	179,354	-	179,354
Transitional housing	131,882	-	131,882
Other	113,558	-	113,558
Conferences, training programs and presentations	150,657	-	150,657
Dues	-	546	546
Insurance	2,699	80	2,779
Office rent	28,993	2,373	31,366
Outside printing	240	-	240
Postage and shipping	1,117	74	1,191
Professional fees and consultants	5,000	25,300	30,300
Supplies	11,641	392	12,033
Telephone	8,586	497	9,083
Travel and meetings	19,401	1,096	20,497
Emergency Services	55,918	-	55,918
Miscellaneous	98	1,636	1,734
Total expenses	\$ 1,363,190	\$ 184,710	\$ 1,547,900

South Dakota Network Against Family Violence and Sexual Assault, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017

	2017		
	Program Services	Management and General	Total
Personnel	\$ 233,508	\$ 130,559	\$ 364,067
Payroll taxes and employee benefits	50,437	29,057	79,494
Total	283,945	159,616	443,561
Contractual			
Grants to encourage arrest	209,231	-	209,231
Disability	42,268	-	42,268
Legal advocate	36,866	-	36,866
Rural outreach	38,579	-	38,579
Transitional housing	55,246	-	55,246
Other	41,178	-	41,178
Conferences, training programs and presentations	145,553	-	145,553
Dues	-	543	543
Insurance	1,664	1,053	2,717
Office rent	30,548	677	31,225
Outside printing	-	-	-
Postage and shipping	1,327	212	1,539
Professional fees and consultants	6,000	27,850	33,850
Supplies	10,975	822	11,797
Telephone	5,779	282	6,061
Travel and meetings	39,599	916	40,515
Emergency services	57,182	-	57,182
Miscellaneous	-	3,156	3,156
Total expenses	\$ 1,005,940	\$ 195,127	\$ 1,201,067

Note 1 - Principal Activity and Significant Accounting Policies

Principal Business Activity

South Dakota Network Against Family Violence and Sexual Assault, Inc. (the Network) is a non-profit organization which operates to provide nonjudgmental support, education, and advocacy to individuals, groups, and the general public in the prevention and the elimination of domestic violence and sexual assault.

Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity date of three months or less.

Beneficial Interest in South Dakota Community Foundation

Agency Funds

The Network established a permanent endowment fund (the Fund) under the South Dakota Community Foundation (the Foundation) and named itself beneficiary. The Network granted variance power to the Foundation which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the Foundation for the benefit of the Network, and is reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Designated Funds

In June 2015, an endowment fund was established by an outside donor with the Foundation that names the Network as the designated beneficiary of distributions from the endowment. The Organization recognizes revenue from the endowment as it is received. The balance of the fund with the Foundation was \$8,063 and \$8,259 as of June 30, 2018 and 2017, respectively.

Receivables and Credit Policies

Grants receivable consist primarily of noninterest-bearing amounts due from government agencies for federal and state grants and a private foundation grant. The Network determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectible. At June 30, 2018 and 2017, no allowance for uncollectible amounts was considered necessary.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contract support and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Contributed goods are recorded at fair value at the date of donation. The Network records donated professional services at the respective fair values of the services received. No amounts have been reflected in the financial statements for donated services or contributed goods.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Funds designated by the Board of Directors for specified purposes are reflected as unrestricted net assets.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Network and/or the passage of time.

The Network reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Network. The restrictions stipulate that resources be maintained permanently but permit the Network to expend the income generated in accordance with the provisions of the agreement with the Foundation.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Network is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Network is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Network is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Network has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Network believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Network would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported 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.

Financial Instruments and Credit Risk

The Network manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Network has not experienced losses in any of these accounts. Credit risk associated with grants receivable is considered to be limited due to high historical collection rates and because the outstanding amounts are due from governmental agencies and an established private foundation supportive of the Network's mission.

Fair Value Measurements

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Network can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Network develops inputs using the best information available in the circumstances.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. Management and general expenses were increased and program services expenses were decreased by \$16,612 for professional fees and \$22,122 related to personnel, payroll taxes and employee benefits. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Network has evaluated subsequent events through January 15, 2019, the date which the financial statements were available to be issued.

Note 2 - Rent Expense

The Network signed an agreement effective November 1, 2016 to lease their current office space for a period of three years. Monthly lease payments for each of those three years is \$1,744. Rent expense relating to these agreements was \$22,008 and \$21,711 per year for the years ended June 30, 2018 and 2017.

Future minimum lease payments under the lease agreements are as follows:

2019	\$ 20,928
2020	<u>6,976</u>
	<u>\$ 27,904</u>

Note 3 - Fair Value of Assets

Assets measured at fair value on a recurring basis at June 30, 2018 and 2017, respectively, are as follows:

	<u>2018</u>	<u>2017</u>
Beneficial Interest in South Dakota Community Foundation	<u>\$ 5,633</u>	<u>\$ 5,633</u>

The related fair value of this asset is determined as follows:

	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
June 30, 2018			
Beneficial Interest in South Dakota Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,633</u>
June 30, 2017			
Beneficial Interest in South Dakota Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,633</u>

The fair value for the community foundation investments are estimated at the present value of the expected future cash flows.

Note 4 - Support from Governmental Units

The Network receives a substantial amount of support from grants and contracts with federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Network's programs and activities.

Note 5 - Restricted Net Assets

Temporarily Restricted

Temporarily restricted net assets at June 30, 2018 and 2017, consist of \$245,882 and \$70,128, respectively, restricted by donors for emergency assistance purposes, safe dating, sexual assault response teams, services for deaf individuals, diversity, legal and child advocacy. Net assets released from restrictions during the years ending June 30, 2018 and 2017 upon satisfaction of these purposes was \$137,756 and \$74,938, respectively.

Permanently Restricted

Permanently restricted net assets of \$5,419 consist of assets held by the South Dakota Community Foundation for the benefit of the Network at June 30, 2018 and 2017.

South Dakota Network Against Family Violence and Sexual Assault, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
Department of Justice				
Direct				
Legal Assistance for Victims	16.524	2016-WL-AX-0011	\$ 165,066	\$ 131,511
Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.529	2013-FW-AX-K002	69,706	17,687
Crime Victim Assistance/Discretionary Grants	16.582	2013-VF-GX-K008 2018-VF-GX-K001	4,427 6,136	- -
Total of CFDA # 16.582			<u>10,563</u>	<u>-</u>
Violence Against Women Discretionary Grants for Indian Tribal Governments	16.587	2016-TW-AX-0032	100,795	51,132
Rural Domestic Violence, Dating Violence Sexual Assault, and Stalking Assistance	16.589	2016-WR-AX-0016	211,078	166,970
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	2016-WH-AX-0001	<u>152,144</u>	<u>66,567</u>
Total direct			<u>709,352</u>	<u>433,867</u>
Passed through the State of South Dakota				
STOP Violence Against Women Formula Grants	16.588	STOP_LET-18-150	73,816	-
STOP Violence Against Women Formula Grants	16.588	STOP_LET-19-150	<u>6,710</u>	<u>-</u>
Total of CFDA # 16.588			80,526	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2016-WE-AX-0003	<u>220,825</u>	<u>191,211</u>
Total passed through the State of South Dakota			<u>301,351</u>	<u>191,211</u>
Total Department of Justice			<u>1,010,703</u>	<u>625,078</u>
Department of Health and Human Services				
Direct				
Family Violence Prevention and Services/	93.671	HHS 2017 ACF ACYF FVPS 1211	8,872	290
Passed through the State of South Dakota				
Domestic Violence Shelter and Supportive Services	93.671	FVPS 18-150	67,275	-
	93.671	FVPS 19-150	<u>9,201</u>	<u>-</u>
Total of CFDA # 93.671			85,348	290
Injury Prevention and Control Research and State and Community Based Programs	93.136	RPE 2017-2018	168,125	10,263
	93.136	RPE 2018-2019	<u>10,130</u>	<u>-</u>
Total of CFDA # 93.136			178,255	10,263
Passed through the State of South Dakota				
Preventative Health & Health Srvs Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	SANE Clinical	5,873	-
Passed through the University System of New Hampshire				
Preventative Health & Health Srvs Block Grant	93.991	Subaward 17-023	<u>33,209</u>	<u>13,677</u>
Total Department of Health and Human Services			<u>302,685</u>	<u>24,230</u>
Total Federal Expenditures			<u>\$ 1,313,388</u>	<u>\$ 649,308</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of South Dakota Network Against Family Violence and Sexual Assault, Inc. (the Network) under programs of the federal government for the year ended June 30, 2018. The information 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 Network, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Network.

Note 2 - Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting with the exception of federal financial assistance provided to a subrecipient, which is treated as an expenditure when it is paid to the subrecipient. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations* or the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Network does not draw for indirect administrative expenses and is not permitted use the 10% de minimis cost rate as the Network had a federally negotiated rate in the past.



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

The Board of Directors
South Dakota Network Against Family Violence and Sexual Assault, Inc.
Sioux Falls, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United State 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 the South Dakota Network Against Family Violence and Sexual Assault, Inc. (the Network), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2019.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-A to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-B to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Network's 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 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*.

The Network's Responses to Findings

The Network's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Network's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Sioux Falls, South Dakota
January 15, 2019



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
South Dakota Network Against Family Violence and Sexual Assault, Inc.
Sioux Falls, South Dakota

Report on Compliance for Each Major Federal Program

We have audited South Dakota Network Against Family Violence and Sexual Assault, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Network's major federal programs for the year ended June 30, 2018. The Network's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 the compliance for each of the Network's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the Network's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Network complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Network is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Network's 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 the Network's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and 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 identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2018-001 that we consider to be a significant deficiency.

The Network's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Network's response was not subjected to the auditing 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.

The signature is written in a cursive, handwritten style. It reads "Eric Bailly LLP". The "E" is large and loops around the "r". The "B" is also large and loops around the "a". The "LLP" is written in a more straightforward, slightly cursive font.

Sioux Falls, South Dakota
January 15, 2019

South Dakota Network Against Family Violence and Sexual Assault, Inc.
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 identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
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 Circular 2 CFR 200.516:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance	16.589
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**Finding 2018-A Preparation of Financial Statements and Material Audit Adjustments
Material Weakness**

Criteria: Proper controls over financial reporting include an adequate system for recording and processing entries material to the financial statements, as well as the ability to prepare financial statements, and accompanying footnotes that are correct.

Condition: The Network does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, we proposed entries related to the financial statement presentation including adjustments to grants receivable, deferred revenue, revenue and net assets. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition because of cost or other considerations.

Cause: The Network does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect: Inadequate controls over financial reporting of the Network result in the likelihood that the Network would not be able to draft the financial statements, and footnotes that are correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual in an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Network and changes in reporting requirements.

Views of Responsible Officials: Management is in agreement.

**Finding 2018-B Reconciliation of Net Assets
Significant Deficiency**

Criteria: The Network is required to maintain effective internal controls that are designed and implemented to detect, prevent and correct misstatements to the financial statements in a timely manner.

Condition: The Network had recorded certain revenue as temporarily restricted in error. In addition, certain amounts were recorded as temporarily restricted net assets, however were not included in the reconciliation.

Cause: The Network's current procedures do not include a reconciliation of net assets.

Effect: Inadequate controls over financial reporting of the Network could result in financial statements that do not properly reflect the Network's net assets and related restrictions.

Recommendation: We recommend management review procedures surrounding the reconciliation of net assets and retain adequate documentation to support performance of the control.

Views of Responsible Officials: Management is in agreement.

Section III – Federal Award Findings and Questioned Costs

**Finding 2018-001 Department of Justice and State of South Dakota
CFDA 16.589, 2016-WR-AX-0016
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance**

**Department of Justice and State of South Dakota
CFDA 16.590, 2016-WE-AX-0003
Improving Criminal Justice Responses**

**Department of Justice and State of South Dakota
CFDA 16.736, 2016-WH-AX-0001
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence,
Stalking, or Sexual Assault**

**Subrecipient Monitoring
Significant Deficiency in Internal Control Over Compliance**

Criteria: Under 2 CFR 200.331(d), The Network is required to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for the authorized purposes, in compliance with federal statutes, regulations and terms and conditions of the subaward.

Condition: The Network failed to obtain audited financial statements from subrecipients as required by monitoring procedures.

Cause: The Network did not have controls in place to ensure subrecipients were providing audited financial statements for review on an annual basis as part of the monitoring requirements. Many of the subrecipients are not subject to Uniform Guidance requirements.

Effect: Failure to properly monitor sub-recipient and ensure timely action was taken on deficiencies identified within audit report.

Questioned Costs: None

Context Sampling: For CFDA 16.589, a nonstatistical sample of three transactions out of twelve were selected for testing. For CFDA 16.590, a nonstatistical sample of two transactions out of four were selected for testing. For CFDA 16.736, a nonstatistical sample of three transactions out of five were selected for testing.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend that management review procedures to ensure audited financials are requested and reviewed for each subrecipient on an annual basis.

Views of Responsible Officials: Management is in agreement.



**South Dakota Network
Against Family Violence and Sexual Assault**

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**Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2018**

Summary Schedule of Prior Audit Findings

**Finding 2017-A Preparation of Financial Statements and Material Audit Adjustments
Material Weakness**

Initial Fiscal Year Finding Occurred: 2009

Finding Summary: The Network does not have an internal control system designed to provide for the preparation of the financial statements being audited. We requested the auditors to draft the financial statements and accompanying notes to the financial statements. In addition, the auditors proposed entries related to the financial statement presentation including adjustments to cash, accounts payable, deferred revenue, revenue and net assets. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition because of cost or other considerations.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements.

Finding 2017-B Reconciliation of Net Assets
Significant Deficiency

Initial Fiscal Year Finding Occurred: 2017

Finding Summary: The Network had recorded revenue as temporarily restricted in error. In addition, certain amounts were released from temporarily restricted net assets for which no detailed support could be provided.

Status: Ongoing. Due to changes with the finance staff within the past year, management will continue to review procedures surrounding the reconciliation of net assets and retain adequate support for all net asset releases.

Finding 2017-001

Department of Justice and State of South Dakota

CFDA 16.590, 2013-WE-AX-0046

Grants to Encourage Arrest Policies and Enforcement of Protection Orders

Initial fiscal year finding occurred: 2017

Finding Summary: Two subrecipients were reimbursed at amounts greater than the rates per the grant contract for the grant period.

Status: Resolved. Corrective action was taken.

Finding 2017-002

Department of Justice and State of South Dakota

CFDA 16.590, 2013-WE-AX-0046

Grants to Encourage Arrest Policies and Enforcement of Protection Orders

Initial fiscal year finding occurred: 2017

Finding Summary: Funds were drawn down in August 2016 and were not disbursed within the 10-day period. The Network had recorded revenue as temporarily restricted in error. In addition, certain amounts were released from temporarily restricted net assets for which no detailed support could be provided. The Network does not have an internal control system designed to provide for the reconciliation of net assets.

Status: Resolved. Corrective action was taken.

Federal Award Findings and Questioned Costs

Finding 2018-A Preparation of Financial Statements and Material Audit Adjustments Material Weakness

Finding Summary: The Network does not have an internal control system designed to provide for the preparation of the financial statements being audited. We requested the auditors to draft the financial statements and accompanying notes to the financial statements. In addition, the auditors proposed entries related to the financial statement presentation including adjustments to deferred revenue, revenue and net assets. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition because of cost or other considerations.

Responsible Individual: Krista Heeren-Graber, Executive Director

Corrective Action Plan: Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements.

Anticipated Completion date: Ongoing

Finding 2018-B Reconciliation of Net Assets Significant Deficiency

Finding Summary: The Network had recorded revenue as temporarily restricted in error. In addition, certain amounts were recorded as temporarily restricted net assets, however, were not included in the reconciliation.

Responsible Individuals: Krista Heeren-Graber, Executive Director

Corrective Action Plan: Management will review procedures surrounding the reconciliation of net assets and retain adequate support for all net asset releases.

Anticipated Completion Date: March 2019

Finding 2018-001 Subrecipient Monitoring

Department of Justice and State of South Dakota

CFDA 16.589, 2016-WR-AX-0016

Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance

Department of Justice and State of South Dakota

CFDA 16.590, 2016-WE-AX-0003

Improving Criminal Justice Responses

Department of Justice and State of South Dakota

CFDA 16.736, 2016-WH-AX-0001

Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault

Significant Deficiency in Internal Control Over Compliance

Finding Summary: The Network did not have controls in place to ensure subrecipients were providing audited financial statements for review on an annual basis as part of the monitoring requirements. Many of the subrecipients are not subject to Uniform Guidance requirements.

Responsible Individuals: Krista Heeren-Graber, Executive Director

Corrective Action Plan: Due to changes with the finance staff within the past year, management will review procedures surrounding subrecipient monitoring to ensure that all subrecipients provide annual audited agency financial statements.

Anticipated Completion Date: March 2019