



Financial Statements
June 30, 2017 and 2016

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

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

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June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is not a required part of the financial statements. The schedule of expenditures of federal awards 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. Such 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 our report dated January 26, 2018 on our consideration of the Network's internal control over financial reporting and 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 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 26, 2018

South Dakota Network Against Family Violence and Sexual Assault, Inc.
 Statements of Financial Position
 June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 48,283	\$ 64,853
Grants receivable	202,078	96,451
Prepaid expenses	6,297	4,646
Total current assets	256,658	165,950
Other Assets		
Beneficial Interest in South Dakota Community Foundation	5,633	5,633
Total assets	\$ 262,291	\$ 171,583
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 127,251	\$ 65,472
Accrued expense	26,779	22,994
Unearned revenue	6,205	10,748
Total current liabilities	160,235	99,214
Net Assets		
Unrestricted	26,509	5,684
Temporarily restricted	70,128	61,266
Permanently restricted	5,419	5,419
Total liabilities and net assets	\$ 262,291	\$ 171,583

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Grants and contract support	\$ 1,101,710	\$ 83,800	\$ -	\$ 1,185,510
Net assets released from restrictions	<u>74,938</u>	<u>(74,938)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,176,648</u>	<u>8,862</u>	<u>-</u>	<u>1,185,510</u>
Expenses				
Program services	1,044,664	-	-	1,044,664
Management and general	<u>156,403</u>	<u>-</u>	<u>-</u>	<u>156,403</u>
Total expenses	<u>1,201,067</u>	<u>-</u>	<u>-</u>	<u>1,201,067</u>
Other Income				
Conferences and dues	33,389	-	-	33,389
Investment income	4	-	-	4
Agency contract fee	-	-	-	-
Miscellaneous	<u>11,851</u>	<u>-</u>	<u>-</u>	<u>11,851</u>
Total other income	<u>45,244</u>	<u>-</u>	<u>-</u>	<u>45,244</u>
Change in Net Assets	20,825	8,862	-	29,687
Net Assets, Beginning of Year	<u>5,684</u>	<u>61,266</u>	<u>5,419</u>	<u>72,369</u>
Net Assets, End of Year	<u>\$ 26,509</u>	<u>\$ 70,128</u>	<u>\$ 5,419</u>	<u>\$ 102,056</u>

See Notes to Financial Statements

South Dakota Network Against Family Violence and Sexual Assault, Inc.
 Statements of Activities
 Years Ended June 30, 2017 and 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenue				
Grants and contract support	\$ 1,038,534	\$ 124,807	\$ -	\$ 1,163,341
Net assets released from restrictions	122,704	(122,704)	-	-
Total public support and revenue	1,161,238	2,103	-	1,163,341
Expenses				
Program services	1,028,473	-	-	1,028,473
Management and general	158,545	-	-	158,545
Total expenses	1,187,018	-	-	1,187,018
Other Income				
Conferences and dues	17,240	-	-	17,240
Investment income	5	-	-	5
Agency contract fee	9,801	-	-	9,801
Miscellaneous	-	-	-	-
Total other income	27,046	-	-	27,046
Change in Net Assets	1,266	2,103	-	3,369
Net Assets, Beginning of Year	4,418	59,163	5,419	69,000
Net Assets, End of Year	\$ 5,684	\$ 61,266	\$ 5,419	\$ 72,369

South Dakota Network Against Family Violence and Sexual Assault, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ 29,687	\$ 3,369
Adjustments to reconcile change in net assets to net cash (used for) from operating activities		
Changes in assets and liabilities		
Grants receivable	(105,627)	(8,267)
Other receivables	-	1,968
Prepaid expenses	(1,651)	(334)
Accounts payable	61,779	12,127
Accrued expense	3,785	4,703
Unearned revenue	(4,543)	6,278
Net Cash (used for) from Operating Activities	(16,570)	19,844
Cash and cash equivalents, Beginning of Year	<u>64,853</u>	<u>45,009</u>
Cash and cash equivalents, End of Year	<u>\$ 48,283</u>	<u>\$ 64,853</u>

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	\$ 251,206	\$ 112,861	\$ 364,067
Payroll taxes and employee benefits	54,851	24,643	79,494
Total	306,057	137,504	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
Equipment and maintenance	-	-	-
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	22,612	11,238	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	<u>\$ 1,044,664</u>	<u>\$ 156,403</u>	<u>\$ 1,201,067</u>

South Dakota Network Against Family Violence and Sexual Assault, Inc.
Statement of Functional Expenses
Year Ended June 30, 2016

	2016		
	Program Services	Management and General	Total
Personnel	\$ 216,509	\$ 116,582	\$ 333,091
Payroll taxes and employee benefits	42,849	23,072	65,921
Total	259,358	139,654	399,012
Contractual			
Grants to encourage arrest	199,413	-	199,413
Disability	45,720	-	45,720
Legal advocate	-	-	-
Rural outreach	141,224	-	141,224
Transitional housing	39,443	-	39,443
Conferences, training programs and presentations	110,052	-	110,052
Dues	-	438	438
Equipment and maintenance	1,547	775	2,322
Insurance	1,235	1,427	2,662
Office rent	26,334	-	26,334
Outside printing	584	1,295	1,879
Postage and shipping	2,646	-	2,646
Professional fees and consultants	71,717	11,948	83,665
Supplies	9,101	-	9,101
Telephone	7,169	7	7,176
Travel and meetings	47,350	336	47,686
Emergency services	53,976	-	53,976
Miscellaneous	11,604	2,665	14,269
Total expenses	<u>\$ 1,028,473</u>	<u>\$ 158,545</u>	<u>\$ 1,187,018</u>

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

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.

Receivables and Credit Policies

Grants receivable consist primarily of noninterest-bearing amounts due from government agencies for federal and state grants. 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, 2017 and 2016, 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 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.

Subsequent Events

The Network has evaluated subsequent events through January 26, 2018, the date which the financial statements were available to be issued.

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

Notes to Financial Statements

June 30, 2017 and 2016

Note 2 - Rent Expense

The Network signed an agreement effective November 1, 2013 to lease their current office space for a period of three years. Monthly lease payments for each of those three years is \$1,645. The Network also 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 \$21,711 and \$19,783 per year for the years ended June 30, 2017 and 2016.

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

2018		\$	20,928
2019			20,928
2020			6,976
			48,832
		\$	48,832

Note 3 - Fair Value of Assets

Assets measured at fair value on a recurring basis at June 30, 2017 and 2016, respectively, are as follows:

	2017	2016
Beneficial Interest in South Dakota Community Foundation	\$ 5,633	\$ 5,633

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2017			
Beneficial Interest in South Dakota Community Foundation	\$ -	\$ -	\$ 5,633
June 30, 2016			
Beneficial Interest in South Dakota Community Foundation	\$ -	\$ -	\$ 5,633

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, 2017 and 2016, consist of \$70,128 and \$61,266, respectively, restricted by donors for emergency assistance purposes, legal, rural and child advocacy. Net assets released from restrictions during the years ending June 30, 2017 and 2016 upon satisfaction of these purposes was \$74,938 and \$122,704, 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, 2017 and 2016.

South Dakota Network Against Family Violence and Sexual Assault, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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 Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities	16.524	2016-WL-AX-0011	\$ 43,526	\$ 23,870
Crime Victim Assistance/Discretionary Grants ARRA - Violence Against Women Discretionary Grants for Indian Tribal Governments	16.529	2013-FW-AX-K002	118,886	27,197
Rural Domestic Violence, Dating Violence Sexual Assault, and Stalking Assistance	16.582	2013-VF-GX-K008	38,706	-
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.587	2016-TW-AX-0032	66,575	23,251
	16.589	2016-WR-AX-0016	66,117	26,272
	16.736	2013-WH-AX-0011 2016-WH-AX-0001	78,419	45,524
Total direct			<u>412,229</u>	<u>146,114</u>
Passed through the State of South Dakota				
STOP Violence Against Women Formula Grants	16.588	STOP_LET-17-150	80,483	-
STOP Violence Against Women Formula Grants	16.588	STOP_LET-18-150	6,968	-
Total of CFDA # 16.588			<u>87,451</u>	<u>-</u>
Crime Victim Assistance	16.575	VOCA	24,550	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2013-WE-AX-0046 2016-WE-AX-0003	251,793	190,193
Total passed through the State of South Dakota			<u>363,794</u>	<u>190,193</u>
Total Department of Justice			<u>776,023</u>	<u>336,307</u>
Department of Health and Human Services				
Passed through the State of South Dakota				
Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671	FVPS 17-150	69,479	-
	93.671	FVPS 18-150	6,899	-
Total of CFDA # 93.671			<u>76,378</u>	<u>-</u>
Injury Prevention and Control Research and State and Community Based Programs	93.136	RPE 2016-2017	165,343	-
	93.136	RPE 2017-2018	9,019	-
Total of CFDA # 93.136			<u>174,362</u>	<u>-</u>
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	4,015	-
Passed through the University System of New Hampshire				
Preventative Health & Health Srvs Block Grant	93.991	Subaward 17-023	20,477	-
Total Department of Health and Human Services			<u>275,232</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 1,051,255</u>	<u>\$ 336,307</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Dakota Network Against Family Violence and Sexual Assault, Inc. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The Network received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as expenditure when it is paid to the subrecipient.

Note 2 - 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 OMB Circular A-122, Cost Principles for Non-profit Organizations or Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Network’s summary of significant accounting policies is presented in Note 1 in the Network’s basic financial statements.

The Network has not elected to use the 10% de minimis cost rate.



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, 2017, 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 26, 2018.

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 2017-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 2017-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.

The image shows a handwritten signature in cursive script that reads "Eide Sallie LLP".

Sioux Falls, South Dakota
January 26, 2018



CPAs & BUSINESS ADVISORS

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, 2017. 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Network’s compliance.

Basis for Qualified Opinion on CFDA 16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders

As described in the accompanying schedule of findings and questioned costs, the Network did not comply with requirements regarding CFDA 16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders as described in Finding 2017-002 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the Network to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, the Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders for the year ended June 30, 2017.

Opinion on Each of the Other Major Federal Programs

In our opinion, the Network 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The Network's response to the noncompliance finding identified in our audit are 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.

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.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2017-002 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2017-001 to be a significant deficiency.

The Network's responses to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the responses.

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 image shows a handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in black ink and is positioned to the left of the typed address and date.

Sioux Falls, South Dakota
January 26, 2018

South Dakota Network Against Family Violence and Sexual Assault, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2017

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	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified for all major programs except for CFDA #16.590, which is qualified
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>
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
Injury Prevention and Control Research and State and Community Based Programs	93.136
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 2017-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 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.

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 statement, 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 2017-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 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.

Cause: The Network does not have an internal control system designed to provide for the 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 support for all net asset releases.

Views of Responsible Officials: Management is in agreement.

Section III – Federal Award Findings and Questioned Costs

**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**

**Allowable Costs and Allowable Activities
Significant Deficiency in Internal Control Over Compliance**

Criteria: The Organization is required to have procedures in place to assure that federal awards are expended only for allowable costs in accordance with *OMB Circular A-122, Cost Principals for Non-Profit Organizations* and Subpart E – Cost Principles of the Uniform Guidance. Allowable costs are supported by appropriate documentation and correctly charged as to account, amount, and period. 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

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

Cause: The Network did not compare the rate of amounts submitted by subrecipients to the amount allowed per the grant contract.

Effect: Grant expenditure were in excess of the maximum charge allowed under the contract.

Questioned Costs: Costs submitted for reimbursement were in excess of the maximum charge allowed under the contract by \$8,372.

Context Sampling: A nonstatistical sample of 60 transactions out of approximately 560 were selected for testing, which accounted for \$180,175 of \$241,302 of federal program expenditures. The questioned costs noted above were specific to two subrecipients which represented \$53,100 of the total \$241,302 of federal program expenditures.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend that management review procedures to ensure costs submitted by subrecipients are compared to rates allowed under the grant contract.

Views of Responsible Officials: Management is in agreement.

**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**

**Cash Management
Material Weakness in Internal Control Over Compliance and Compliance**

Criteria: 2 CFR 200.328(a) establishes that the Organization is responsible for oversight of the operations of the federal award supported activities. The Organization must monitor its activities under federal awards to ensure compliance with applicable federal requirements and performance expectations are being achieved. In addition, section 3.1 Payments, of the 2015 DOJ Grants Financial Guide, indicates that drawdowns are to be for the minimum needed for disbursements/reimbursements to be made immediately or within 10 days. If funds are not spent or disbursed within 10 days, they are to be returned to the awarding agency. The letter of agreement with the State of South Dakota indicated that reimbursement requests were to be made monthly or bi-monthly or quarterly.

Condition: Funds were drawn down in August 2016 and were not disbursed within the 10 day period.

Cause: The Network was not aware of the requirement for funds to be disbursed within the required timeframe.

Effect: The Network drew down approximately \$19,000 of funds in excess of amounts disbursed within the required timeframe. In addition, subsequent draws were not submitted timely as required by the letter of agreement with the State of South Dakota.

Questioned Costs: None reported as amounts were drawn down prematurely and expenses were incurred at a later date.

Context Sampling: There were 5 draws in total for this program during the fiscal year. The first draw was on August 12, 2016, and was for the amount of \$65,200. Total expenses incurred through August 31, 2016 were \$46,255. Nonstatistical sampling was used, but the draw in question was not part of the sample selection.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend the procedures related to monitoring cash management be reviewed with applicable program employees to ensure the program is properly monitored and in compliance with program requirements.

Views of Responsible Officials: Management is in agreement.



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

P.O Box 90453 ~ Sioux Falls, South Dakota 57109
(605) 731-0041 ~ Fax (605) 977-4742 ~ www.sdnafvsa.com

**Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2017**

Summary Schedule of Prior Audit Findings

**Finding 2016-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 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.

Federal Award Findings and Questioned Costs

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

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.

Responsible Individuals: Krista Heeren-Graber, Executive Director

Corrective Action Plan: Because of costs and other considerations, management has accepted the risk associated with this condition.

Anticipated Completion Date: Ongoing

Finding 2017-B Reconciliation of Net Assets Significant Deficiency

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.

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 2018

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

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

Responsible Individuals: Krista Heeren-Graber, Network Executive Director

Corrective Action Plan: Policies and procedures have been revised to ensure that sub recipients would be reimbursed at the rates of the grant contract.

Anticipated Completion Date: Completed September 2016

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

Finding Summary: Funds were drawn down in August 2016 and were not disbursed within the 10-day period.

Responsible Individuals: Krista Heeren-Graber, Executive Director

Corrective Action Plan: Current fiscal year funds are drawn down on a reimbursement basis per the grantee agency instructions. The state policy on cash drawdowns was previously unclear and did allow for funds in advance.

Anticipated Completion Date: Completed September 2016