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June 12, 2018

Board of Directors  
River Valley Resources, Inc.  
100 E. Second Street, Ste E  
Madison, IN 47250

We have reviewed the report prepared by River Valley Resources, Inc. and opined upon by MCM CPAs & Advisors LLP, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of River Valley Resources, Inc. as of June 30, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, MCM CPAs & Advisors LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**River Valley Resources, Inc.**

**Financial Statements**

**Year Ended June 30, 2017**

**River Valley Resources, Inc.**

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Year Ended June 30, 2017

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## **Independent Auditor's Report**

Board of Directors  
**River Valley Resources, Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of River Valley Resources, Inc. ("RVR") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 RVR'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 RVR'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.

**Kentucky**  
**Indiana**  
**Ohio**

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## **Independent Auditor's Report (Continued)**

### ***Opinion***

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

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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), and is not a required part of the financial statements. The Schedule of Functional Expenses is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2018, on our consideration of RVR's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RVR's internal control over financial reporting and compliance.

MCM CPAs & Advisors LLP

Jeffersonville, Indiana  
January 16, 2018

**River Valley Resources, Inc.**  
**Statement of Financial Position**  
**June 30, 2017**

**Assets**

Current Assets

Cash	\$ 455,523
Pledges receivable, current portion	10,000
Grants receivable	530,009
Prepaid expenses	<u>43</u>

Total Current Assets 995,575

Property, Plant and Equipment

Land	23,051
Building	<u>1,320,121</u>

Total Property, Plant and Equipment 1,343,172

Less accumulated depreciation (110,586)

Property, Plant and Equipment, Net 1,232,586

Total Assets \$ 2,228,161

**Liabilities and Net Assets**

Current Liabilities

Current portion of long-term debt	\$ 16,539
Accounts payable	31,083
Accrued payroll and related expenses	<u>103,559</u>

Total Current Liabilities 151,181

Long-term debt, less current portion 171,861

Total Liabilities 323,042

Net Assets

Unrestricted	1,761,263
Temporarily restricted	<u>143,856</u>

Total Net Assets 1,905,119

Total Liabilities and Net Assets \$ 2,228,161

See accompanying notes.

**River Valley Resources, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Grants:			
Federal	\$ 2,292,403	\$ -	\$ 2,292,403
State	801,058	168,696	969,754
Other revenue	650,364	-	650,364
Interest	256	-	256
Net assets released from restrictions through satisfaction of program restrictions	<u>106,957</u>	<u>(106,957)</u>	<u>-</u>
Total Revenue	3,851,038	61,739	3,912,777
Expenses			
Program services:			
Workforce development	1,000,102	-	1,000,102
Youth employment	1,219,125	-	1,219,125
Adult education	563,619	-	563,619
Clearinghouse venture	126,008	-	126,008
Child care	285,745	-	285,745
Disability services	113,867	-	113,867
Local services	<u>214,941</u>	<u>-</u>	<u>214,941</u>
Total Program Activities	3,523,407	-	3,523,407
Supportive Services:			
Management and general	<u>234,898</u>	<u>-</u>	<u>234,898</u>
Total Expenses	<u>3,758,305</u>	<u>-</u>	<u>3,758,305</u>
Changes in Net Assets	92,733	61,739	154,472
Net Assets, Beginning of Year	<u>1,668,530</u>	<u>82,117</u>	<u>1,750,647</u>
Net Assets, End of Year	<u>\$ 1,761,263</u>	<u>\$ 143,856</u>	<u>\$ 1,905,119</u>

See accompanying notes.

**River Valley Resources, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**

Operating Activities	
Changes in Net Assets	\$ 154,472
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	37,469
Loss on disposal of asset	2,547
(Increase) decrease in:	
Pledges receivable	10,000
Grants receivable	(154,633)
Prepaid expenses and other current assets	(43)
Increase (decrease) in:	
Accounts payable	1,119
Accrued payroll and related expenses	<u>(43,924)</u>
Net Cash Provided by Operating Activities	7,007
Financing Activities	
Principal payments of long-term debt	(65,344)
Payments made on capital lease obligations	<u>(5,536)</u>
Net Cash Used by Financing Activities	<u>(70,880)</u>
Net Decrease in Cash	(63,873)
Cash	
Beginning of Year	<u>519,396</u>
End of Year	<u><u>\$ 455,523</u></u>
Supplemental Disclosure of Cash Flow Information:	
Interest paid	<u><u>\$ 9,611</u></u>

See accompanying notes.

**River Valley Resources, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2017**

**Note A - Nature of Organization and Operations**

River Valley Resources, Inc. ("RVR") was organized as a nonprofit corporation in 1990. RVR was formed to prepare youth and unskilled adults for entry into the workforce and to provide economically disadvantaged individuals and others facing barriers to employment with job training in Bartholomew, Dearborn, Decatur, Franklin, Harrison, Jackson, Jefferson, Jennings, Marion, Ohio, Ripley, Switzerland and Washington counties in Indiana. RVR is primarily supported through federal, state and local grants.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Accounting: The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as provided by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.
2. Classification of Net Assets: Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of RVR and changes therein are classified and reported as follows:
  - *Unrestricted net assets* are not subject to donor-imposed stipulations or are subject to donor-imposed stipulations that are met in the same year the contribution is received.
  - *Temporarily restricted net assets* are subject to donor-imposed stipulations that may or may not be met, either by actions of RVR and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
  - *Permanently restricted net assets* are subject to donor-imposed stipulations that they be maintained permanently by RVR. Generally, the donors of these assets permit RVR to use all or part of the income earned on any related investments for general or specific purposes. Currently, RVR does not have any permanently restricted net assets.
3. Use of Estimates: The preparation of financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
4. Revenue Recognition: Contributions are recognized when the donor makes a promise to give to RVR, that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**River Valley Resources, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Note B - Summary of Significant Accounting Policies (Continued)**

4. Revenue Recognition (Continued): Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.
5. Description of Leasing Arrangements: RVR leases portions of its building to other non-profit organizations. These leases are operating in nature and vary in terms. During the year ended June 30, 2017, RVR recognized \$144,628 in occupancy revenue from these leases. See Note K for additional information.
6. Income Taxes: RVR is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.  
  
RVR evaluates all local, state, and federal income tax returns for potential uncertain tax positions taken. Management has concluded there are no tax positions attributed to the reporting entity which meet the more-likely-than-not criterion in the ASC. Accordingly, the accompanying financial statements do not include a provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. RVR does not have any ongoing tax examinations and is not aware of any pending examinations by tax authorities.
7. Cash and Cash Equivalents: RVR considers all short-term investments with an original maturity of three months or less to be cash equivalents. RVR had no cash equivalents as of June 30, 2017.
8. Receivables: Grants and pledge receivable represent reimbursable grants and contracts outstanding at year end. RVR uses the allowance for bad debts method of valuing doubtful receivables which is based on historical experience, coupled with a review of the current status of existing receivables. No allowance was considered necessary as of June 30, 2017 for these receivables. See Note C regarding pledges receivable.
9. Property, Plant and Equipment: Property, plant and equipment with a cost of \$5,000 or more is capitalized at cost and depreciated over its useful life using the straight-line method. Capital lease equipment is being depreciated over a 5 year period using the straight-line method. See Note F for disposal of capital lease. Depreciation expense for the year ended June 30, 2017 was \$37,469.
10. Cost Allocation: Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective.
11. Advertising: RVR expenses advertising costs as incurred. RVR did not charge any advertising expenses to operations was for the year ended June 30, 2017.
12. Recent Accounting Pronouncements: In November 2016, the FASB issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows (Topic 820)*. This standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Consequently, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is effective for annual periods beginning after December 15, 2017.

**River Valley Resources, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Note B - Summary of Significant Accounting Policies (Continued)**

12. Recent Accounting Pronouncements (Continued): In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This updated guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. This guidance included qualitative and quantitative requirements in the following areas: 1) net asset classes; 2) investment return; 3) expenses; 4) liquidity and availability of resources; and 5) presentation of operating cash flows. This standard is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year ending December 31, 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This updated guidance provides new requirements for leases to be recognized in the financial statements. In general, the guidance requires the lessee to recognize liabilities on the balance sheet for the obligation to make lease payments and an asset for the right to use the underlying assets for the lease term. There is a differentiation between finance leases and operating leases for the lessee in the statements of activities and cash flows. Finance leases recognize interest on the lease liability separately from the right to use the asset whereas an operating lease recognizes a single lease cost allocated over the lease term on a generally straight-line basis. All cash payments are within operating activities in the statement of cash flows except finance leases classify repayments of the principal portion of the lease liability within financing activities. The updated guidance is to be applied using a modified retrospective approach effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted.

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the calendar year ending December 31, 2019.

RVR is currently evaluating this guidance and its related impact on RVR's financial statements.

13. Subsequent Events: RVR has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditor's Report, the date the accompanying financial statements were available to be issued.

**River Valley Resources, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Note C - Pledges Receivable**

Unconditional promises to give at June 30, 2017 consist of one pledge related to the Clearinghouse capital campaign expected to be received in the next fiscal year in the amount of \$10,000.

**Note D - Grants Receivable**

Grants receivable at June 30, 2017, were due from the following funding sources:

Southeast Indiana Workforce Investment Board	\$ 218,698
Indiana Department of Workforce Development	147,092
Family & Social Services Administration	72,852
EmployIndy	55,196
Miscellaneous	<u>36,171</u>
 Total	 <u><u>\$ 530,009</u></u>

**Note E - Operating Leases**

RVR leases various facilities for operation of its programs. RVR leases office space for its Clearinghouse operations on a month-to-month basis. Additionally, in October 2013, RVR entered into a lease for office space that originally expired in November 2016. During the year ended June 30, 2017, RVR exercised the option to extend this lease for three years and the lease is now expected to expire November 1, 2019. Monthly rent expense for this office space is approximately \$1,877. Total rent expense related to the above operating leases for the year ended June 30, 2017, was \$54,320.

In December 2016, RVR entered into a lease for office equipment that expires December 2021 with an option to extend the lease through December 2022. Monthly lease expense for this office equipment is approximately \$669. Total equipment lease expense related to the above operating lease for the year ended June 30, 2017, was \$4,013.

Minimum future lease payments under these leases as of June 30, 2017 are as follows:

Minimum Future Lease Payments	
2018	\$ 30,551
2019	30,551
2020	15,535
2021	8,027
2022	<u>4,013</u>
 Total Minimum Future Lease Payments	 <u><u>\$ 88,677</u></u>

**River Valley Resources, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Note F - Capital Lease Obligation**

In June 2012, RVR entered into a capital lease for equipment that was to expire in June 2017. The assets and liabilities under capital lease were recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset, with a cost of \$25,473, was included in property, plant and equipment and was being amortized over its useful life. Accumulated amortization for capital lease obligations was included in accumulated depreciation on the statement of financial position. Amortization expense was \$2,457 for the year ended June 30, 2017. During the year ended June 30, 2017, RVR paid off the capital lease early, and returned the equipment, resulting in a loss on disposal of \$2,457 reflected in the statement of activities.

**Note G - Long-term Debt**

During the year ended June 30, 2016, RVR obtained a long-term promissory note in the amount of \$283,000. The note accrues interest at 3.75% for the first 84 monthly principal and interest payments of \$2,069. Thereafter, the interest rate is variable based on the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year plus a margin of 3.25 percentage points, the sum rounded up to the nearest 0.125. At no time should the interest rate be less than 3.75%. The principal balance and any unpaid interest is due in February 2031.

Expected future maturities are as follows:

2018	\$	16,539
2019		18,702
2020		19,416
2021		20,156
2022		20,925
Thereafter		<u>92,662</u>
Total Future Maturities of Long-term Debt	\$	<u>188,400</u>

**Note H - Retirement Plan**

RVR has a retirement plan that covers all employees who have completed one year of service or 1,000 service hours and are at least 18 years old. RVR contributed 4% of the annual compensation of the participating employees during the year ended June 30, 2017. The contribution for the year ended June 30, 2017 was \$47,367. Employer contributions vest over a three-year period.

**Note I - Significant Concentrations and Contingencies**

*Cash Concentration Risk*

RVR's cash is maintained with one financial institution which, at times, may exceed the federally insured limit of \$250,000 coverage by the Federal Deposit Insurance Corporation ("FDIC"). RVR has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and certificates of deposit.

*Revenue Concentration Risk*

A majority of all programs administered by RVR are funded by federal, state and local governments. A significant reduction in the level of this support could have a material effect on RVR's future operations.

**River Valley Resources, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Note J - Temporarily Restricted Net Assets**

At June 30, 2017, RVR had temporarily restricted net assets of \$143,856. This restriction primarily includes cash and receivables and are from the following sources:

Midcor ECO 15	\$ 61,000
Summer Scholarships	31,726
Duke Energy Grant	21,346
Literacy Grant	16,803
Summer Meals Program	7,024
GED Program	3,199
Other	<u>2,758</u>
Total	<u>\$ 143,856</u>

**Note K - Lease Income**

RVR leases portions of its building to other non-profit organizations. These leases are operating in nature and vary in terms from month-to-month to long-term. One lease is noncancelable and is expected to terminate August 1, 2020. The following is a schedule by years of minimum future rentals on the noncancelable operating lease as of June 30, 2017:

Year Ending June 30:	
2018	\$ 50,625
2019	50,625
2020	50,625
2021	<u>4,219</u>
Total Minimum Future Rentals	<u>\$ 156,094</u>

## **Supplementary Information**

**River Valley Resources, Inc.**  
**Schedule of Functional Expenses**  
**Year Ended June 30, 2017**

	Program Activities								Totals
	Workforce Development	Youth Employment	Adult Education	Clearinghouse Venture	Child Care	Disability Services	Local Services	Management and General	
Salaries and Related Expenses									
Salaries and wages	\$ 762,740	\$ 754,876	\$ 307,358	\$ 7,940	\$ 174,137	\$ 72,886	\$ 140,771	\$ 114,722	\$ 2,335,430
Payroll taxes	67,384	65,281	27,996	740	15,024	5,833	12,314	9,779	204,351
Employee benefits	115,115	117,028	23,475	837	43,825	21,663	27,833	10,657	360,433
<b>Total Salaries and Related Expenses</b>	<b>945,239</b>	<b>937,185</b>	<b>358,829</b>	<b>9,517</b>	<b>232,986</b>	<b>100,382</b>	<b>180,918</b>	<b>135,158</b>	<b>2,900,214</b>
Operating Expenses									
Mileage and travel	19,752	35,932	3,685	25	7,995	1,138	1,490	1,744	71,761
Membership and registration fees	791	6,544	78	250	30	400	-	2,941	11,034
Staff training	30	225	16,433	501	-	215	108	141	17,653
Staff expenses	85	29	17	-	-	-	158	98	387
Occupancy and leases expenses	-	-	4,878	35,543	24,292	-	1,200	23,964	89,877
Repairs and renovations	-	-	-	10,230	241	-	-	-	10,471
Liability insurance	-	-	-	3,883	-	-	-	7,724	11,607
Communication	4,734	13,414	7,627	15,016	4,974	1,666	2,805	2,091	52,327
Postage	2,152	106	68	-	3,000	-	-	3,222	8,548
Printing and publications	104	-	-	-	-	-	-	265	369
Supplies	4,523	10,098	18,056	1,061	3,275	269	7,760	10,746	55,788
Equipment purchase under \$500	739	134	1,339	155	915	118	22	2,547	5,969
Equipment	6,228	2,076	4,152	-	7,374	2,076	739	2,383	25,028
Rental	-	558	-	-	663	-	-	637	1,858
Bank and processing fees	-	2,707	-	-	-	-	-	13,222	15,929
Legal fees	-	-	-	-	-	-	-	704	704
Audit fees	-	-	-	-	-	-	-	18,504	18,504
Professional and service fees	-	-	-	-	-	7,515	180	8,807	16,502
Direct client services	15,725	210,117	148,457	200	-	88	19,561	-	394,148
Depreciation	-	-	-	37,469	-	-	-	-	37,469
Interest	-	-	-	9,611	-	-	-	-	9,611
Loss on disposal of fixed asset	-	-	-	2,547	-	-	-	-	2,547
<b>Total Operating Expenses</b>	<b>54,863</b>	<b>281,940</b>	<b>204,790</b>	<b>116,491</b>	<b>52,759</b>	<b>13,485</b>	<b>34,023</b>	<b>99,740</b>	<b>858,091</b>
<b>Total Functional Expenses</b>	<b>\$ 1,000,102</b>	<b>\$ 1,219,125</b>	<b>\$ 563,619</b>	<b>\$ 126,008</b>	<b>\$ 285,745</b>	<b>\$ 113,867</b>	<b>\$ 214,941</b>	<b>\$ 234,898</b>	<b>\$ 3,758,305</b>

See accompanying Independent Auditor's Report.

River Valley Resources, Inc.  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity	Pass-through Entity Identifying Number	Award Period	Federal Expenditures	Total Federal Expenditures	Pass-through to Sub- Recipients
<b>Department of Labor</b>							
Workforce Investment Act Cluster:							
WIOA Adult Program	17.258	Southeast Indiana Workforce Investment Board	WIOA-16-Adult/Dislocated Worker-RVR	7/1/16 - 6/30/17	\$ 301,710		\$ -
WIOA Adult Program	17.258	EmployIndy	S1805-WCF-17-WOI	2/1/17 - 6/30/18	34,953		-
WIOA Adult Program	17.258	Southeast Indiana Workforce Investment Board	BC-16-Business Consultant-RVR	7/1/16 - 6/30/17	17,995		-
Subtotal 17.258						\$ 354,658	-
WIOA Youth Activities	17.259	Southeast Indiana Workforce Investment Board	WIOA-16-Youth-RVR	7/1/16 - 6/30/17	297,538		-
WIOA Youth Activities	17.259	EmployIndy	S1805-WIO-16-Y	7/1/16 - 6/30/17	62,877		-
WIOA Youth Activities	17.259	EmployIndy	S1805-WD-14-YB	1/1/15 - 12/31/17	48,383		-
WIOA Youth Activities	17.259	EmployIndy	S1805-WCF-17-WOI	2/1/17 - 6/30/18	84,986		-
Subtotal 17.259						493,784	-
WIOA Dislocated Worker Formula Grants	17.278	Southeast Indiana Workforce Investment Board	WIOA-16-Adult/Dislocated Worker-RVR	7/1/16 - 6/30/17	277,454		-
WIOA Dislocated Worker Formula Grants	17.278	Southeast Indiana Workforce Investment Board	BC-16-Business Consultant-RVR	7/1/16 - 6/30/17	23,992		-
WIOA Dislocated Worker Formula Grants	17.278	Southeast Indiana Workforce Investment Board	RR-16-RVR	7/1/16 - 12/31/17	50,392		-
WIOA Dislocated Worker Formula Grants	17.278	Southeast Indiana Workforce Investment Board	RRAC-16-RVR	9/1/16 - 6/30/17	49,240		-
WIOA Dislocated Worker Formula Grants	17.278	EmployIndy	S1805-WCF-17-WOI	2/1/17 - 6/30/18	14,612		-
Subtotal 17.278						415,690	-
<b>Total Workforce Investment Act Cluster</b>						1,264,132	-
Employment Service/Wagner-Peyser Funded	17.207	Southeast Indiana Workforce Investment Board	Integrated Services-17-RVR	2/1/17 - 6/30/17	11,067		-
Employment Service/Wagner-Peyser Funded	17.207	Southeast Indiana Workforce Investment Board	BC-16-Business Consultant-RVR	7/1/16 6/30/17	17,995		-
Subtotal 17.207						29,062	-
Unemployment Insurance	17.225	Southeast Indiana Workforce Investment Board	RESEA-17-RVR	1/1/17 - 12/31/17		168,391	-
Trade Adjustment Assistance	17.245	Southeast Indiana Workforce Investment Board	TAACM-16-RVR	7/1/16 - 6/30/17		10,000	-
YouthBuild	17.274	EmployIndy	S1805-WD-14-YB	1/1/15 - 12/31/17		189,735	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	Southeast Indiana Workforce Investment Board	SPNEG-16-RVR	7/1/16 - 6/30/17		82,352	-
Career Pathways for Youth	17.280	EmployIndy	S1805-WIO-16-Y	7/1/16 - 6/30/17		139,263	-
<b>Total from Department of Labor</b>						1,882,935	-
<b>Department of Health and Human Services</b>							
Temporary Assistance for Needy Families	93.558	Southeast Indiana Workforce Investment Board	JAG TANF-16-RVR	7/1/16 - 12/31/17		225,634	-
<b>Total Department of Health and Human Services</b>						225,634	-
<b>Department of Education</b>							
Adult Education - Basic Grants	84.002	Indiana Department of Workforce Development	AE671	7/1/16 - 6/30/17		183,834	-
<b>Total Department of Education</b>						183,834	-
<b>Total Expenditures of Federal Awards</b>						\$ 2,292,403	\$ -

See accompanying Independent Auditor's Report.

**River Valley Resources, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards ("Schedule") includes the grant activity of River Valley Resources, Inc. ("RVR") under programs of the federal government for the year ended June 30, 2017 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR), 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 RVR, it is not intended to and does not present the financial position, changes in net position, or cash flows of RVR.

**Note B - Indirect Costs**

Pursuant to a cost allocation plan, the indirect expenses are allocated based on salary and fringe benefits. RVR has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note C - Procurement Policy**

RVR has adopted the procurement requirements specified in the Uniform Guidance.



**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance with *Government Auditing Standards***

Board of Directors  
**River Valley Resources, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of River Valley Resources, Inc. ("RVR") (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and cash flows for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2018.

**Internal Control over Financial Reporting**

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

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

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

**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* (Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether RVR'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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RVR's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RVR's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MCM CPAs & Advisors LLP

Jeffersonville, Indiana  
January 16, 2018



**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance in Accordance with the Uniform Guidance**

Board of Directors  
**River Valley Resources, Inc.**

**Report on Compliance for Each Major Federal Program**

We have audited River Valley Resources, Inc.'s ("RVR") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of RVR's major federal programs for the year ended June 30, 2017. RVR'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

**Opinion on Each Major Federal Program**

In our opinion, RVR complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)**

Management of RVR is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RVR's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 RVR'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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

MCM CPAs & Advisors LLP

Jeffersonville, Indiana  
January 16, 2018

**River Valley Resources, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes                        X   no

Significant deficiency(ies) identified not considered to be material weaknesses?

\_\_\_\_\_ yes                        X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes                        X   no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes                        X   no

Significant deficiency(ies) identified not considered to be material weaknesses?

\_\_\_\_\_ yes                        X   none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

\_\_\_\_\_ yes                        X   no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

WIOA Cluster:

17.258	Workforce Innovation and Opportunity Act Adult Program	\$	354,658
17.259	Workforce Innovation and Opportunity Act Youth Activities		493,784
17.278	Workforce Innovation and Opportunity Act Dislocated Worker Formula Grants		<u>415,690</u>
	Total WIOA Cluster	\$	<u><u>1,264,132</u></u>

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

\$ 750,000

Auditee qualified as a low-risk auditee?

  X   yes                      \_\_\_\_\_ no

**Section II - Financial Statement Findings**

None

**Section III - Major Federal Award Programs Audit Findings**

None

**River Valley Resources, Inc.**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2017**

None.