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April 1, 2020

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

We have reviewed the report of River Valley Resources, Inc., which was opined upon by MCM CPAs & Advisors LLP, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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, 2019 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 the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

River Valley Resources, Inc.

Financial Statements

Year Ended June 30, 2019

River Valley Resources, Inc.
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Year Ended June 30, 2019

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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") which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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 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.

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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, 2019, 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.

Emphasis of Matter

As discussed in Note B, RVR has adopted Financial Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures 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 December 6, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RVR's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RVR's internal control over financial reporting and compliance.

 MCM CPAs & Advisors LLP

Jeffersonville, Indiana
December 6, 2019

River Valley Resources, Inc.
Statement of Financial Position
June 30, 2019

Assets

Current assets	
Cash	\$ 282,010
Grants receivable	<u>809,993</u>
Total current assets	1,092,003
Property, plant and equipment	
Land	23,051
Building	<u>1,320,121</u>
Total property, plant, and equipment	1,343,172
Less accumulated depreciation	<u>(180,429)</u>
Property, plant and equipment, net	<u>1,162,743</u>
Total assets	<u><u>\$ 2,254,746</u></u>

Liabilities and net assets

Current liabilities	
Current portion of long-term debt	\$ 16,539
Accounts payable	98,119
Accrued payroll and related expenses	<u>108,543</u>
Total current liabilities	223,201
Long-term debt, less current portion	<u>51,272</u>
Total liabilities	274,473
Net assets	
Without donor restrictions	
Invested in capital assets	1,094,932
Expendable net assets	<u>754,521</u>
Total net assets without donor restrictions	1,849,453
With donor restrictions	
Restricted by purpose or time	<u>130,820</u>
Total net assets	<u>1,980,273</u>
Total liabilities and net assets	<u><u>\$ 2,254,746</u></u>

See accompanying notes.

River Valley Resources, Inc.
Statement of Activities
Year Ended June 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue			
Grants			
Federal	\$ 2,497,666	\$ -	\$ 2,497,666
State	1,136,195	113,734	1,249,929
Other revenue	1,256,288	-	1,256,288
Net assets released from restrictions through satisfaction of program restrictions	<u>162,678</u>	<u>(162,678)</u>	<u>-</u>
Total revenue	5,052,827	(48,944)	5,003,883
Expenses			
Program services			
Workforce development	1,948,930	-	1,948,930
Youth employment	998,730	-	998,730
Adult education	1,107,733	-	1,107,733
Clearinghouse venture	125,075	-	125,075
Child care	281,596	-	281,596
Local services	<u>220,834</u>	<u>-</u>	<u>220,834</u>
Total program activities	4,682,898	-	4,682,898
Supportive services			
Management and general	<u>283,211</u>	<u>-</u>	<u>283,211</u>
Total expenses	<u>4,966,109</u>	<u>-</u>	<u>4,966,109</u>
Changes in net assets	86,718	(48,944)	37,774
Net assets, beginning of year	<u>1,762,735</u>	<u>179,764</u>	<u>1,942,499</u>
Net assets, end of year	<u>\$ 1,849,453</u>	<u>\$ 130,820</u>	<u>\$ 1,980,273</u>

See accompanying notes.

River Valley Resources, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program activities						Management and general	Totals
	Workforce development	Youth employment	Adult education	Clearinghouse venture	Child care	Local services		
Salaries and related expenses								
Salaries and wages	\$ 923,727	\$ 621,417	\$ 725,227	\$ 18,372	\$ 182,684	\$ 127,432	\$ 140,570	\$ 2,739,429
Payroll taxes	71,911	48,087	57,004	1,412	13,670	9,389	10,887	212,360
Employee benefits	133,784	82,918	49,753	3,199	37,716	24,143	22,342	353,855
Total salaries and related expenses	1,129,422	752,422	831,984	22,983	234,070	160,964	173,799	3,305,644
Operating expenses								
Direct client services	752,911	157,656	156,287	-	-	29,130	233	1,096,217
Supplies	26,521	23,461	61,481	911	3,989	15,730	9,117	141,210
Occupancy and leases expenses	-	-	22,860	33,208	26,326	4,000	28,401	114,795
Mileage and travel	27,995	35,888	3,765	95	5,957	5,247	717	79,664
Communication	4,057	11,232	3,368	14,353	3,580	1,979	884	39,453
Depreciation	-	-	-	34,921	-	-	-	34,921
Equipment	3,646	804	4,940	8,700	1,032	155	2,685	21,962
Staff training	537	4,374	19,371	-	-	1,891	124	26,297
Professional and service fees	525	789	180	8	51	1,038	14,046	16,637
Audit fees	-	-	-	-	-	-	20,384	20,384
Legal fees	-	-	-	-	-	-	1,000	1,000
Bank and processing fees	-	703	-	-	-	-	14,227	14,930
Liability insurance	-	-	-	5,681	-	-	10,240	15,921
Postage	1,677	275	-	-	3,254	-	1,569	6,775
Rental	-	-	2,969	-	3,322	-	3,314	9,605
Membership and registration fees	845	10,777	294	-	-	700	2,294	14,910
Interest	-	-	-	4,208	-	-	6	4,214
Staff expenses	794	254	234	7	15	-	95	1,399
Printing and publications	-	95	-	-	-	-	76	171
Total operating expenses	819,508	246,308	275,749	102,092	47,526	59,870	109,412	1,660,465
Total functional expenses	\$ 1,948,930	\$ 998,730	\$ 1,107,733	\$ 125,075	\$ 281,596	\$ 220,834	\$ 283,211	\$ 4,966,109

See accompanying notes.

River Valley Resources, Inc.
Statement of Cash Flows
Year Ended June 30, 2019

Operating activities	
Change in net assets	\$ 37,774
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	34,921
Decrease (increase) in	
Grants receivable	(62,368)
Prepaid expenses and other current assets	16
Increase in	
Accounts payable	36,064
Accrued payroll and related expenses	<u>1,127</u>
Net cash provided by operating activities	47,534
Financing activities	
Principal payments on long-term debt	<u>(52,460)</u>
Net cash used in financing activities	<u>(52,460)</u>
Net decrease in cash	(4,926)
Cash	
Beginning of year	<u>286,936</u>
End of year	<u><u>\$ 282,010</u></u>
Supplemental disclosure of cash flow information	
Interest paid	\$ 4,214

See accompanying notes.

River Valley Resources, Inc.
Notes to Financial Statements
Year Ended June 30, 2019

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 of accounting 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.

In August 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements for 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 includes qualitative and quantitative requirements in the following areas: 1) net assets classes, 2) investment return, 3) expenses, 4) liquidity and availability of resources, and 5) presentation of operating cash flows. RVR adopted this ASU as of and for the year ended June 30, 2019.

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:
 - **Net Assets Without Donor Restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of RVR. These net assets may be used at the discretion of RVR's management and the Board of Directors.
 - **Invested in Capital Assets:** These net assets represent cumulative resources expended for property and equipment, less accumulated depreciation recorded on the property and equipment and net of related debt.
 - **Expendable Net Assets:** These net assets represent the portion of expendable funds available for support in the operation of RVR.
 - **Net Assets with Donor Restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of RVR or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.
3. **Use of Estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
4. **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, 2019

Note B - Summary of Significant Accounting Policies (Continued)

5. Revenue Recognition: Revenues from cost-reimbursement grants are recognized in the period in which the related expenses are incurred and claimed for reimbursement. Revenues from grants based upon contractually agreed-upon rates are recognized in the period in which the services are rendered.
6. 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, 2019, RVR recognized \$144,411 in occupancy revenue from these leases. See Note J for additional information.
7. 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.
8. 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, 2019.
9. Receivables: Grants 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, 2019 for these receivables.
10. 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. Depreciation expense for the year ended June 30, 2019 was \$34,921.
11. 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.
12. Advertising: RVR expenses advertising costs as incurred. RVR did not charge any advertising expenses to operations for the year ended June 30, 2019.
13. Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized by funding source on the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of RVR are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the programs and supporting services benefited primarily based on estimates of time, level of effort, and square footage.

River Valley Resources, Inc.
Notes to Financial Statements (Continued)
Year Ended June 30, 2019

Note B - Summary of Significant Accounting Policies (Continued)

14. Recent Accounting Pronouncements: In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606, as amended)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. This updated standard becomes effective for RVR for the year ending June 30, 2020. RVR implemented this standard on July 1, 2019 with no material impact.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether contribution is conditional. This standard will be effective for RVR for the year ending June 30, 2020. RVR implemented this standard on July 1, 2019 with no material impact.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This standard will be effective for RVR for the year ending June 30, 2022.

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 RVR for the year ending June 30, 2024.

RVR is currently in the process of evaluating the impact of adoption of ASU 2016-02 and ASU 2016-13 on the financial statements.

Note C - Liquidity

As part of RVR's liquidity management, it has a policy to structure its financial assets to be available for general expenditures, liabilities, and other obligations as they come due. RVR's financial assets available within one year of the statement of financial position date for general expenditures as of June 30, 2019 are as follows:

Cash	\$ 282,010
Grants receivable	<u>809,993</u>
Total financial assets	1,092,003
Less amounts not available to be used within one year	
Donor restricted by time or purpose	<u>130,820</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 961,183</u></u>

River Valley Resources, Inc.
Notes to Financial Statements (Continued)
Year Ended June 30, 2019

D - Grants Receivable

Grants receivable at June 30, 2019, were due from the following funding sources:

Southeast Indiana workforce investment board	\$ 502,133
Indiana department of workforce development	198,953
Family & social services administration	63,419
EmployIndy	35,270
Miscellaneous	<u>10,218</u>
Total	<u><u>\$ 809,993</u></u>

Note E - Operating Leases

RVR leases various facilities for operation of its programs. RVR leases office space for its Clearinghouse and other operations on a month-to-month basis. In February 2018, RVR entered into a lease for office space that expires January 2023. Monthly rent expense for this office space is \$211. Total rent expense related to the above operating leases for the year ended June 30, 2019, was \$56,142

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 \$669. Total equipment lease expense related to the above operating lease for the year ended June 30, 2019, was \$8,027.

In August 2019, RVR renewed a month-to-month lease for office space that will expire September 2021 with an option to extend the lease through September 2023. Monthly lease expense for future periods for this office space is \$1,877.

Minimum future lease payments under these leases as of June 30, 2019 are as follows:

<u>Minimum future lease payments</u>	
2020	\$ 31,204
2021	29,068
2022	8,163
2023	<u>1,477</u>
Total minimum future lease payments	<u><u>\$ 69,912</u></u>

Note F - 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 are due in February 2031. Due to additional principal payments, RVR is expected to pay the long-term debt in full during the year end June 30, 2022.

River Valley Resources, Inc.
Notes to Financial Statements (Continued)
Year Ended June 30, 2019

Note F - Long-term Debt (Continued)

Expected future maturities are as follows:

2020	\$ 16,539
2021	23,463
2022	<u>27,809</u>
Total future maturities of long-term debt	<u><u>\$ 67,811</u></u>

Note G - 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, 2019. The contribution for the year ended June 30, 2019 was \$56,939. Employer contributions vest over a three-year period.

Note H - 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.

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.

Note I - Net Assets with Donor Restrictions

At June 30, 2019, RVR had net assets with donor restrictions of \$130,820. Net assets are restricted by purpose or time and primarily include cash and receivables from the following sources:

Summer scholarships	\$ 31,833
Midcor ECO 15	28,755
Duke energy grant	26,632
Strada grant	19,310
Literacy grant	6,381
Summer meals program	5,925
Rural works	5,236
GED program	3,725
Other	<u>3,023</u>
Total	<u><u>\$ 130,820</u></u>

River Valley Resources, Inc.
Notes to Financial Statements (Continued)
Year Ended June 30, 2019

Note J - 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 agreement is expected to terminate August 1, 2020. The following is a schedule by years of minimum future rentals on the operating lease as of June 30, 2019:

Year ending June 30

2020	\$ 34,119
2021	<u>7,475</u>
Total minimum future rentals	<u>\$ 41,594</u>

Supplementary Information

River Valley Resources, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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
Department of labor							
Workforce investment act cluster							
WIOA adult program	17.258	Southeast Indiana workforce investment board	WIOA - 18- adult/dislocated worker	7/1/18 - 6/30/19	\$ 294,845		\$ -
WIOA adult program	17.258	Southeast Indiana workforce investment board	WIOA - 18- adult/dislocated worker	7/1/18 - 6/30/19	147,550		-
					<u>442,395</u>		
Subtotal 17.258						\$ 442,395	-
WIOA youth activities	17.259	Southeast Indiana workforce investment board	WIOA-18-youth-RVR	7/1/18 - 6/30/19	285,140		-
WIOA youth activities	17.259	EmployIndy	S1805-CPY-17-Y	7/1/17-9/19/18	98,995		-
					<u>384,135</u>		
Subtotal 17.259						384,135	-
WIOA dislocated worker formula grants	17.278	Southeast Indiana workforce investment board	WIOA - 18- adult/dislocated worker	7/1/18 - 6/30/19	285,953		-
WIOA dislocated worker formula grants	17.278	Southeast Indiana workforce investment board	RR-17-RVR amendment 2	1/1/18-6/30/19	37,881		-
WIOA dislocated worker formula grants	17.278	Southeast Indiana workforce investment board	WIOACM-18-RVR	7/1/18-6/30/19	1,122		-
					<u>324,956</u>		
Subtotal 17.278						<u>324,956</u>	-
Total workforce investment act cluster						1,151,486	-
Employment service/Wagner-Peyser funded	17.207	Southeast Indiana workforce investment board	One-stop operator 809-RVR	7/1/18 - 6/30/19	24,965		-
Employment service/Wagner-Peyser funded	17.207	Southeast Indiana workforce investment board	BC-18-RVR amendment 1	7/1/18 - 6/30/19	120,000		-
					<u>144,965</u>		
Subtotal 17.207						144,965	-
Unemployment insurance	17.225	Southeast Indiana workforce investment board	RESEA-17-RVR amendment 1	1/1/18-9/30/19	140,316		-
Unemployment insurance	17.225	EmployIndy	RVR S1805-RESEA-19-WOI	12/1/18-12/31/19	215,676		-
					<u>355,992</u>		
Subtotal 17.225						355,992	-
Trade adjustment assistance	17.245	Southeast Indiana workforce investment board	TAACM-18-RVR	7/1/18 - 6/30/19	4,135		-
Total from department of labor						1,656,578	-
Department of health and human services							
Temporary assistance for needy families	93.558	Southeast Indiana workforce investment board	JAG TANF-18-RVR	10/1/18 - 9/30/19	406,230		-
Temporary assistance for needy families	93.558	Department of workforce development	WINTANF771	10/01/17-12/31/18	44,391		-
Temporary assistance for needy families	93.558	Southeast Indiana workforce investment board	WINTANF-18-RVR	10/1/18 - 9/30/19	48,326		-
					<u>498,947</u>		
Total department of health and human services						498,947	-
Department of education							
Adult education - basic grants	84.002A	Indiana department of workforce development	AE871 27996	7/1/18 - 6/30/19	342,141	342,141	-
Total department of education						342,141	-
Total expenditures of federal awards						<u>\$ 2,497,666</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report and notes.

River Valley Resources, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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, 2019 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.



**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"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2019.

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 our 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 the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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**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 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 RVR's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MCM CPAs & Advisors LLP

Jeffersonville, Indiana
December 6, 2019



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 *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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2019.

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**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)**

Report on Internal Control Over Compliance

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 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 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
December 6, 2019

River Valley Resources, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - summary of auditor's results

Financial statements

Type of auditor's report issued	<u>Unmodified</u>	
Internal control over financial reporting		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal awards

Internal control over major programs		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	_____ yes	<u> X </u> no

<u>CFDA number</u>	<u>Name of federal program or cluster</u>		
WIOA cluster			
17.258	Workforce Innovation and Opportunity Act Adult Program	\$	442,395
17.259	Workforce Innovation and Opportunity Act Youth Activities		384,135
17.278	Workforce Innovation and Opportunity Act Dislocated Worker Formula Grants		<u>324,956</u>
	Total WIOA Cluster	<u>\$</u>	<u>1,151,486</u>
Dollar threshold used to distinguish between Type A and Type B programs		\$	750,000
Auditee qualified as a low-risk auditee?		<u> X </u> 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, 2019

None.