

**ABUSED ADULT RESOURCE CENTER
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to the Financial Statements	8
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	18
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 <i>GOVERNMENT AUDITING STANDARDS</i>	19
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	21
Schedule of Findings and Questioned Costs	24
Schedule of Prior Year Findings	29
Corrective Action Plan	35

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Abused Adult Resource Center
Bismarck, North Dakota

Report of Financial Statements

We have audited the accompanying financial statements of Abused Adult Resource Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 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 Abused Adult Resource Center as of December 31, 2018, and the changes in its net assets, functional expenses 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 Notes 1 and 5 to the financial statements, Abused Adult Resource Center adopted the provisions of FASB Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. 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 and notes, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 September 4, 2019, on our consideration of Abused Adult Resource Center's internal control over financial reporting and 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 Abused Adult Resource Center'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 Abused Adult Resource Center's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

September 4, 2019

ABUSED ADULT RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current assets	
Cash and cash equivalents	\$ 757,160
Investments	244,914
Grants receivable	226,501
Interest receivable	1,082
Prepaid expenses	1,489
	<hr/>
Total current assets	1,231,146
	<hr/>
Noncurrent assets	
Land	113,600
Buildings and improvements	1,253,798
Furniture and equipment	179,170
Vehicles	127,712
Accumulated depreciation	(710,503)
	<hr/>
Total noncurrent assets	963,777
	<hr/>
Total assets	\$ 2,194,923
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 82,365
Accrued vacation	61,941
Accrued wages	10,049
	<hr/>
Total liabilities	156,923
	<hr/>
Net assets	
Without donor restrictions	2,038,000
	<hr/>
Total net assets	2,038,000
	<hr/>
Total liabilities and net assets	\$ 2,194,923
	<hr/> <hr/>

See the Notes to the Financial Statements

ABUSED ADULT RESOURCE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Public support and revenue:		
Public support:		
Contributions:		
Individuals	\$	75,990
Organizations		77,177
Church related		9,353
Businesses		35,598
Memorials		1,860
Grants:		
Federal		1,090,159
State		245,780
Other		245,867
United Way		177,316
Special Projects		50,666
Total public support		<u>2,009,766</u>
Other Revenue:		
Shelter/apartment rent - clients		44,267
Store - Seeds of Hope		774,958
Family Safety Center		31,138
Judgments, fines & fees		6,851
Interest and dividends		2,980
Insurance proceeds		30,000
Miscellaneous		6,414
Total other revenue		<u>896,608</u>
Total public support and revenue		<u>2,906,374</u>
Expenses:		
Program services:		
Crisis Intervention		145,771
Shelter Program		850,021
Family Safety Center		117,476
Criminal Justice Program		178,268
Rural Outreach		181,504
Sexual Assault		123,825
Seeds of Hope		574,461
Coaching Boys into Men		1,586
Abuse in Later Life Project		74,098
Human Trafficking		82,923
Total program services		<u>2,329,933</u>
Supporting services:		
Management and general		353,665
Fundraising		15,929
Total supporting services		<u>369,594</u>
Total expenses		<u>2,699,527</u>
Change in net assets		206,847
Net assets - beginning of year		<u>1,831,153</u>
Net assets - end of year		<u>\$ 2,038,000</u>

See the Notes to the Financial Statements

ABUSED ADULT RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services						
	Crisis Intervention	Shelter Program	Family Safety Center	Criminal Justice Program	Rural Outreach	Sexual Assault	Seeds of Hope
Expenses:							
Salaries	\$ 104,491	\$ 540,342	\$ 74,648	\$ 89,527	\$ 117,901	\$ 89,438	\$ 375,375
Payroll taxes	8,042	41,668	5,874	7,109	9,101	6,683	29,848
Employee benefits	15,236	69,790	11,794	8,155	23,506	11,873	37,750
Contract services	3,555	7,736	3,136	65,272	699	5,790	6,882
Telephone/internet	1,936	13,870	2,258	1,207	4,121	1,935	3,565
Postage	296	610	567	138	134	142	769
Groceries/products	-	4,177	-	-	-	-	-
Supplies	1,251	13,746	2,888	497	4,072	1,378	10,112
Printing	236	4,342	2,169	502	694	870	239
Client aid	1,350	24,018	-	132	511	50	-
Meetings	-	-	-	-	-	-	-
Transportation/travel	1,341	2,412	88	925	8,407	611	1,835
Conferences/continuing education	65	2,265	-	-	-	20	-
Dues/memberships	-	100	-	-	40	-	100
Rent	130	14,145	-	-	622	-	-
Utilities	1,146	33,255	2,311	587	578	543	29,065
Building maintenance	1,757	18,534	3,513	869	1,228	878	15,558
Equipment rental & repair	2,668	8,495	1,369	2,255	447	2,521	3,120
Insurance	1,508	12,709	3,070	767	1,971	767	11,031
Security	51	535	102	26	26	26	805
Advertising	-	-	-	-	-	-	22
Real estate taxes	-	118	-	-	-	-	792
Interest expense	-	-	-	-	-	-	395
Fund raising	-	-	-	-	-	-	-
Miscellaneous	712	-	3,689	300	300	300	28,824
Depreciation	-	37,154	-	-	7,146	-	18,374
Total expenses	\$ 145,771	\$ 850,021	\$ 117,476	\$ 178,268	\$ 181,504	\$ 123,825	\$ 574,461

See the Notes to the Financial Statements

ABUSED ADULT RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			Grand Total
	Coaching Boys into Men	Abuse In Later Life Project	Human Trafficking	Total	Management and General	Fund-raising	Total	
Expenses:								
Salaries	\$ -	\$ 56,537	\$ 37,703	\$ 1,485,962	\$ 234,960	\$ -	\$ 234,960	\$ 1,720,922
Payroll taxes	-	4,448	2,960	115,733	17,885	-	17,885	133,618
Employee benefits	-	4,147	7,960	190,211	9,364	-	9,364	199,575
Contract services	750	-	-	93,820	12,220	-	12,220	106,040
Telephone/internet	-	-	-	28,892	4,473	-	4,473	33,365
Postage	-	4	5	2,665	6,186	-	6,186	8,851
Groceries/products	-	-	-	4,177	509	-	509	4,686
Supplies	63	341	2	34,350	7,133	500	7,633	41,983
Printing	446	704	42	10,244	3,497	1,418	4,915	15,159
Client aid	-	7,371	33,167	66,599	72	-	72	66,671
Meetings	-	-	-	-	1,422	-	1,422	1,422
Transportation/travel	327	481	1,044	17,471	75	-	75	17,546
Conferences/continuing education	-	-	20	2,370	496	-	496	2,866
Dues/memberships	-	-	20	260	389	-	389	649
Rent	-	-	-	14,897	-	-	-	14,897
Utilities	-	-	-	67,485	3,684	-	3,684	71,169
Building maintenance	-	-	-	42,337	4,210	-	4,210	46,547
Equipment rental & repair	-	65	-	20,940	3,654	-	3,654	24,594
Insurance	-	-	-	31,823	4,135	-	4,135	35,958
Security	-	-	-	1,571	41	-	41	1,612
Advertising	-	-	-	22	250	-	250	272
Real estate taxes	-	-	-	910	130	-	130	1,040
Interest expense	-	-	-	395	-	-	-	395
Fund raising	-	-	-	-	3,587	14,011	17,598	17,598
Miscellaneous	-	-	-	34,125	6,190	-	6,190	40,315
Depreciation	-	-	-	62,674	29,103	-	29,103	91,777
Total expenses	\$ 1,586	\$ 74,098	\$ 82,923	\$ 2,329,933	\$ 353,665	\$ 15,929	\$ 369,594	\$ 2,699,527

See the Notes to the Financial Statements

ABUSED ADULT RESOURCE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash flows provided by operating activities:	
Change in net assets	\$ 206,847
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	91,777
Realized and unrealized (gain) loss on investments	448
Effects on operating cash flows due to changes in:	
Grants receivable	79,733
Accounts receivable	(531)
Prepaid expenses	(1,489)
Accounts payable	(4,686)
Accrued vacation	4,717
Accrued wages	(1,263)
Other accrued liabilities	2,568
Deferred revenue	<u>(55,966)</u>
Net cash provided by operating activities	<u>322,155</u>
Cash flows used by financing activities:	
Payments on notes payable	<u>(17,029)</u>
Net change in cash and cash equivalents	305,126
Cash and cash equivalents - beginning of year	<u>452,034</u>
Cash and cash equivalents - end of year	<u><u>\$ 757,160</u></u>
Supplemental Disclosure of Cash Flow Information:	
Interest paid	<u><u>\$ 395</u></u>

See the Notes to the Financial Statements

ABUSED ADULT RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Abused Adult Resource Center (Center) is a nonprofit corporation organized to provide direct services and assistance to abused individuals and their children and to increase community awareness concerning the seriousness and pervasiveness of domestic violence. Its major sources of revenue consist of various federal, state and other grants which accounted for 79% of the Center's total revenue as of December 31, 2018.

The Center provides the following main program services:

1. **Crisis Intervention:** Domestic violence intervention program in which advocates provide emotional support and advocacy services to victims of physical, sexual, verbal and emotional abuse through the following services: 24-hour crisis intervention; peer support group; community education; information and referrals for food, clothing, furniture, medical care, educational training, financial assistance, and social services.
2. **Shelter Program:** The shelter program (Pam's House) has been developed for women and children that are victims of domestic violence. Pam's House is a temporary community living arrangement that includes: a secure environment; 24-hour support system; case management (budgeting, goal-setting, parenting, and nutrition); assistance with locating permanent housing, legal and medical needs; assistance for education and employment; activities for children; and support groups for women and children. An extension of Pam's House (New Awakenings) provides an independent living situation for families via apartments. Also, a transitional housing program funded with a HUD grant starting in 2004.
3. **Family Safety Center:** Implemented in 1992, the Family Safe Center provides supervised visitation and exchanging service for families where there has been documented, suspected, or elevated risk of physical, sexual, or emotional abuse of the child. It provides a safe and neutral place for parents to visit with children who have been put in foster care because of abuse and/or neglect.
4. **Criminal Justice Program:** Certified domestic violence advocates assist victims experiencing adult abuse, as defined under N.D.C.C. 14-07.1-01 with the protection order application, courtroom advocacy, providing emotional support during the protection order hearing, follow-up and referral, assistance with crime victim's compensation and community education presentations.
5. **Rural Outreach:** Implemented in 2002, this program reaches victims of domestic violence and sexual assault in the seven-county rural area served by the Center. Through the development of Coordinated Community Response Teams in rural communities, victims have access to all services offered through the Center either through the Center's office in Bismarck or directly in their community's county seat.
6. **Sexual Assault Support Program:** Sexual assault is NEVER the victim's fault, no matter what the circumstances. The Center offers the following confidential service free of charge to victims of sexual assault: 24-hour crisis intervention and advocacy; emergency shelter; support group; individual counseling; information and referral; and educational presentations. (Note: in 1994 the Center acquired the former Rape Crisis Center.)

ABUSED ADULT RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

7. **Seeds of Hope:** Established in 1995, Seeds of Hope is a retail gift store located in Bismarck. The store features new and used gift items, household items, and some clothing. In addition to raising money to pay for existing programs, the store serves as an employment and job training site for victims of domestic violence and sexual assault. The women selected for the program are provided the opportunity to develop their personal and professional lives.
8. **Coaching Boys into Men:** This violence prevention program was implemented in the fall of 2014 in middle and high schools in Bismarck. It is designed to help athletic coaches inspire in male athletes the importance of respect for females. Its goal is to help boys and young men build healthy relationships and stop violence before it starts. The program focuses on these athletes because they are often role models in their schools and communities and is part of a nationwide program begun by Futures without Violence.
9. **Abuse in Later Life Project:** This project proposes to address the issue of elder abuse, neglect and exploitation including domestic violence, sexual assault, dating violence and/or stalking by providing direct services in Burleigh County, North Dakota and providing training and education in seven regions throughout the state. The Center partners with the Burleigh County Sheriff's Office, Burleigh County State's Attorney's Office, Bismarck Police Department, North Dakota Attorney General's Office, North Dakota Bureau of Criminal Investigation, and North Dakota of Human Services- Aging Services Division to address the unique obstacles elder abuse victims face when getting help and services.
10. **Human Trafficking:** The Center provides supportive services for suspected or confirmed victims of human trafficking, age 23 or older through this program. Services provided to confirmed or suspected victims of human trafficking include intensive case management services, coordination of medical and dental services, appropriate referrals for mental health and substance abuse treatment needs, victim advocacy, 24-hour crisis line, necessary transportation assistance, and clinical supervision of direct service providers.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis. Revenue is recognized as earned and expenses are recognized as incurred. Revenue from federal and state grants is recognized when the reimbursable expenditures are incurred.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, ("GAAP"), as codified by the Financial Accounting Standards Board.

Financial statement presentation follows the recommendations of the Accounting Standards Codification Topic 958, *Accounting For Not-for-Profit Entities*. The codification requires the Center to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions – Funds without restrictions are available for use at the discretion of the Board of Directors for general operations.

ABUSED ADULT RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

The Center has no net assets with donor restrictions as of December 31, 2018.

Revenues are reported as increases in net assets

Cash and Cash Equivalents

Cash and cash equivalents consist of funds invested in checking, money market and savings accounts, and certificates of deposit with original maturities of three months or less.

Fair Value Measurements

The Center follows Accounting Standards Codification Topic 820, *Fair Value Measurements*. This standard applies to all assets and liabilities that are being measured and reported on a fair value basis. It defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The application of valuation techniques applied to similar assets and liabilities has been consistently applied. The following is a description of the valuation methodologies used for instruments measured at fair value.

Investments

The fair value of investments is based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Grants Receivable

Grants receivable are carried at original invoice amount less an estimate made for doubtful receivables based on review of all outstanding amounts on a monthly basis. Management determine the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Grants receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. No allowance for uncollectible accounts has been provided since management considers all amounts to be collectible.

ABUSED ADULT RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Property and Equipment

Property and equipment are stated at cost or fair market value as of the date of donation. Repairs and maintenance costs are charged to expense, while major renewals and betterments are capitalized. The Center has a capitalization policy of \$5,000.

Depreciation of property and equipment is computed using the straight-line method in amounts sufficient to amortize the costs of depreciable assets over their estimated useful lives. The estimated useful lives used as the basis for the application of that method are as follows:

<u>Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	30 years
Furniture and equipment	5-7 years
Other capital expenditures	5 years

Compensated Absences

Full time employees begin accruing vacation leave at a rate of 10 hours per month or fifteen days per year (pro-rated for part time employees). An additional day of vacation leave is accrued each year for each additional year of employment up to a maximum of 25 days per year. The maximum accumulation an employee may carry over each calendar year is 120 hours or 15 days, unless approved by the Executive Director. Accumulated vacation leave is payable upon termination and an appropriate accrual is made at year-end.

Full time employees accrue 8 hours of sick leave per month with a maximum accumulation of 520 hours (pro-rated for part time employees). Accumulated sick leave is not payable upon termination and is not accrued at year-end.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time and service to assist in the fund raising and committee work of the Center. The value of this contributed time is not reflected in these statements since it does not meet the requirements for revenue recognition.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

ABUSED ADULT RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Grant Revenue Recognition

Various federal, state and other grants received by the Center require that eligible expenditures be incurred in order to earn the grant. Revenues from these grants are recorded in the same period in which eligible expenditures are made. Most of these grants are reimbursable grants, however, if grant funds are received in advance of expenditure, deferred revenue is recorded to reflect the amount of money received but not yet expended.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as without donor restrictions or with donor restrictions support, depending on the existence, and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in the net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Functional Expenses

Expenses which are specifically identified to a particular program are charged directly to that program. Other expenses, such as insurance, telephone, and other common expenses are allocated to each function or program based on the actual square footage of space used by each program or number of staff positions. Administrative staff salaries and related expenses are allocated to each function or program based on the estimated time spent on each activity.

Advertising

The Center expenses all advertising costs as they are incurred.

Income Taxes

The Center is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code. Therefore, the Center is not subject to income tax.

The Center's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue code and Regulations, Revenue Rulings, court decisions, and other evidence.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 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.

ABUSED ADULT RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Implementation of New Accounting Standard

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 4). The ASU has been applied retrospectively to all periods presented.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Center maintains interest bearing and non-interest bearing cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to \$250,000 per financial institution. At December 31, 2018, the Center had approximately \$334,000, in excess of the FDIC insured limit for deposits.

NOTE 3 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis are summarized as follows:

Description	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity stock - MDU Resources Group, Inc.	\$ 4,914	4,914	\$ -	\$ -
		<u>\$ 4,914</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not subject to categorization: Certificates of deposit	240,000			
Total investments	<u>\$ 244,914</u>			

NOTE 4 DESIGNATED NET ASSETS

The Board of Directors has designated the following funds as of December 31:

Designated for:	
Office building	\$ 14,639
Pam's House	17,992
Seeds of Hope store	51,203
Credit card	10,090
Unemployment	13,683
	<u>\$ 107,607</u>

ABUSED ADULT RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

NOTE 5 LIQUIDITY AND AVAILABILITY

The Center monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

The following table reflects the Center's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Financial Asset:	
Cash and cash equivalents	\$ 757,160
Investments	244,914
Grants receivable	<u>226,501</u>
Total financial asset	<u>1,228,575</u>
Less those unavailable for general expenditure within on y ear, due to:	
Operating reserves designated by board	<u>(107,607)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,120,968</u>

In addition to financial assets available to meet general expenditures over the year, the Center operates with an annual budget and anticipates covering its general expenditures by collecting sufficient grant income and other revenues. The statement of cash flows identifies the sources and uses of the Center's cash and shows positive cash generated by operations of \$322,155 for the year ending December 31, 2018.

NOTE 6 PENSION PLAN

On January 1, 1998, the Center established a single employer tax sheltered annuity retirement plan for its employees. Under the provisions of the plan, the Center contributed 6% of an eligible employee's compensation during 2018. The Center's policy is to fund all pension costs as they accrue during the year. Employer contributions totaled \$74,937 for the year ended December 31, 2018.

NOTE 7 LEASE COMMITMENTS

The Center leases postage and other equipment, and also apartments for its shelter program until 2020. The Center is committed to pay future minimum lease payments as follows:

2019	\$	17,180
2020		17,673
2021		2,458

Total rent expense was \$14,897 for the year ended December 31, 2018.

ABUSED ADULT RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

NOTE 8 GRANTS

The Center participates in federal grant programs, which are governed by various rules and regulations of the grantor agency. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2018, may be impaired. In the opinion of the Center, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 9 INCOME TAX STATUS

It is the opinion of management that the Center has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns of the Center are subject to examination by the IRS, generally for three years after they were filed. All filings are current.

NOTE 10 FUTURE PRONOUNCEMENTS

ASU 2014-09, Revenue from Contracts with Customers (Topic 606)

During 2014, the FASB issued a new standard related to revenue recognition. ASU2014-09, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance will be effective for the Center for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019.

ASU 2018-08, Contributions Received and Contributions made (Topic 958)

During 2018, the FASB issued an accounting standards update intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made, primarily by not-for-profit organizations. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU is effective for the Center for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.

ASU 2016-02, Leases (Topic 842)

During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-01 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The ASU is effective for the Center for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The FASB has issued an exposure draft that would delay the implementation of this standard for private companies until

ABUSED ADULT RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

January 2021. The exposure draft is expected to be approved after the required comment period which closes in September of 2019.

With the exception of the new standards discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Center's Financial Statements.

NOTE 11 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Center's year end. Abused Adult Resource Center has evaluated events through September 4, 2019, the date which the financial statements were available to be issued.

ABUSED ADULT RESOURCE CENTER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Funding Source / Grant Name	Federal CFDA Number	Pass-through/ Grantor's Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through North Dakota Department of Public Instruction:			
Child and Adult Care Food Program - Homeless Children's Nutrition	10.558	08317	\$ 14,756
U.S. Department of Housing & Urban Development			
Supportive Housing Program	14.235		3,766
Continuum of Care Program	14.267		80,544
Passed through City of Bismarck, North Dakota:			
Community Development Block Grant / Entitlement Grants	14.218	A See note 3	16,945
Passed through North Dakota Department of Commerce - Division of Community Services:			
Emergency Shelter Grants Program	14.231	4203-ESG17 4334-ESG18	40,791
Total U.S. Department of Housing & Urban Development			<u>142,046</u>
U.S. Department of Justice			
Rural Outreach	16.589		173,165
Transitional Housing	16.736		28,857
Elder Care	16.528		86,607
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		119,733
Passed through North Dakota Department of Corrections & Rehabilitation - Parole and Probation Division:			
VOCA - Crime Victim Assistance	16.575	VOCA 17.02 2016-VA-GX-0038/1	209,112
Crime Victim Assistance	16.575	CVA 17.02 FY2017/2017-2018CVA	376
Total CFDA #16.575			<u>209,488</u>
Passed through City of Bismarck, North Dakota:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17220	4,646
Passed through North Dakota Department of Health:			
SASP - Sexual Assault Services Program	16.017	G17.546	66,350
STOP - Violence Against Women	16.588	G17.1012	100,122
Passed through Bismarck Police Department			
STOP - Violence Against Women	16.588	G17.470 G17.1015	27,692
Total CFDA #16.588			<u>127,814</u>
Total U.S. Department of Justice			<u>816,660</u>
U.S. Department of Health & Human Services			
Passed through North Dakota Department of Health:			
Family Violence Prevention and Services	93.671	G17.397 G17.931	112,697
U.S. Department of Homeland Security			
Passed through United Way:			
Emergency Food and Shelter - FEMA	97.024	34-6550-00 007E9	4,000
Total Expenditures of Federal Awards			<u>\$ 1,090,159</u>

A = CDBG Entitlement Grants Cluster

ABUSED ADULT RESOURCE CENTER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Abused Adult Resource Center under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Abused Adult Resource Center it is not intended to and does not present the financial position, change in net position, or cash flows of Abused Adult Resource Center.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. Abused Adult Resource Center has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 AGENCY OR PASS THROUGH NUMBER

Abused Adult Resource Center received money passed through from multiple grantor agencies. There were no pass-through numbers identified with the grants identified above.

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

To the Board of Directors
Abused Adult Resource Center
Bismarck, North Dakota

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 Abused Adult Resource Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 September 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Abused Adult Resource Center'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 Abused Adult Resource Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Abused Adult Resource Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 item 2018-001 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 accompany schedule of findings and questioned costs as item 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2018-004.

Abused Adult Resource Center's Response to Findings

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

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



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

September 4, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Abused Adult Resource Center
Bismarck, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Abused Adult Resource Center'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 Abused Adult Resource Center's major federal programs for the year ended December 31, 2018. The Abused Adult Resource Center'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 Abused Adult Resource Center'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 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 the Abused Adult Resource Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Abused Adult Resource Center 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 December 31, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-004. Our opinion on each major federal program is not modified with respect to this matter.

Abused Adult Resource Center's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Abused Adult Resource Center'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 Abused Adult Resource Center 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 the Abused Adult Resource Center'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 Abused Adult Resource Center'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004 that we consider to be significant deficiencies.

Abused Adult Resource Center's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Abused Adult Resource Center'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.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

September 4, 2019

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? x yes no

Significant deficiency(ies) identified? x yes none reported

Noncompliance material to financial statements noted? x yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? x yes 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 2 CFR 200.516(a)? x yes no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.575	VOCA – Crime Victim Assistance
16.589	Rural Outreach
93.671	Family Violence Prevention and Services

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? yes x no

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Section II - Financial Statement Findings

2018-001: Financial Statements and Adjusting Journal Entries Prepared by Auditor

Criteria

An appropriate system of internal controls requires that the Center make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the Center's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition

The Center's auditors prepared the financial statements as of December 31, 2018. In addition, adjusting entries were proposed to bring the financial statements into compliance with GAAP. An appropriate system of internal controls requires that the Center must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the Center's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Cause

It is currently not cost effective for the Center to maintain a working knowledge of current generally accepted accounting principle and required financial statement disclosures.

Effect

Abused Adult Resource Center currently does not maintain the working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation

In order to comply with these requirements, accounting personnel will need to determine the proper balance of each general ledger account prior to the start of the audit, and compensating controls over financial statement disclosure requirements could be provided by the use of current disclosure checklists and the continual training of Center personnel on the current requirements of financial statement and disclosures in compliance with accounting principle generally accepted in the United States of America.

Views of Responsible Officials and Planned Corrective Actions

The Abused Adult Resource Center will use a different financial management software which will allow for staff to produce the financial reports and notes to the financial reports. Training will be conducted throughout the year to ensure all adjusting entries are completed for the audit period.

Indication of Repeat Finding

This is a repeat finding of finding 2017-001 and 2017-002 from the prior year.

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Section III - Federal Award Findings and Questioned Costs

2018-002: Expenditures

Federal Programs

CFDA #16.575 – VOCA / Crime Victim Assistance
CFDA #16.589 – Rural Outreach
CFDA #93.671 – Family Violence Prevention and Services

Criteria

The Center has developed policies and procedures to ensure compliance with grant requirements, which include approval of non-payroll payments by either the grant coordinator or executive director and approval of payroll payments by the employee's supervisor or executive director.

Condition

Of eight non-payroll expenditures tested, we noted the following error: one non-payroll expenditure was not properly approved.

Of sixty seven payroll expenditures tested, we noted the following errors: three payroll payments were not approved, i.e. the employee's time sheet was not approved, one employee's overtime rate was hard keyed into the accounting software and did not properly calculate overtime pay causing the grant to be overcharged by \$22.08, and two instances where the employee's time was incorrectly allocated to the grant based upon the employee's time sheet resulting in the grants being overcharged by \$0.82.

Statistically valid samples were not used.

Cause

The Center is not following their policies and procedures regarding the approval of expenditures. In addition, time worked on grants is not being correctly charged to the grant and there is a discrepancy in overtime pay.

Effect

Expenditures may be incorrectly charged to grants.

Recommendation

We recommend the Center follow their policies and procedures, specifically ensuring all non-payroll and payroll charges are approved. We also recommend the Center develop policies and procedures for how payroll is processed and overtime is calculated to ensure the proper amount is charged to grants and overtime pay is correctly calculated.

Views of Responsible Officials and Planned Corrective Actions

The Abused Adult Resource Center will use a different payroll processing system to ensure all payroll timecards are approved and rates are calculated correctly. The Abused Adult Resource Center will review the current policy and procedure manual to closely align to generally accepted practices.

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Indication of Repeat Finding

This is a new finding, however a similar finding regarding problems with internal controls over expenditures was reported in the prior year as 2017-003.

2018-003: Reporting

Federal Programs

CFDA #16.575 – VOCA / Crime Victim Assistance

CFDA #16.589 – Rural Outreach

Criteria

The Center's policies require all grant reports are reviewed and approved by either the Finance Director, Direct Service Director or Executive Director.

Condition

There was no approval on the drawdown request reports submitted.

Cause

The Center is not maintaining proper internal controls for financial reporting.

Effect

There is a potential for incorrectly submitting information as set forth by the grant, as there is no second review of the information submitted.

Recommendation

We recommend that Abused Adult Resource Center follow its internal control policies and all grant reports are reviewed prior to submission.

Views of Responsible Officials and Planned Corrective Actions

The Abused Adult Resource Center will review the current policy and procedure manual and amend areas to the current policy to align with generally accepted practices.

Indication of Repeat Finding

This is a new finding, however a similar finding regarding problems with internal controls over reporting was reported in the prior year as 2017-004.

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-004: Matching

Federal Programs

CFDA #16.575 – VOCA / Crime Victim Assistance

Criteria

The Center is required to provide matching funds to the grant awards as noted in the grant award.

Condition

The Center was short on their match requirement by \$9,562.85 for the VOCA grant and by \$946.27 for the Crime Victim Assistance grant.

Cause

The Center is not maintaining proper controls, which include reviewing matching funds to ensure compliance with the grant.

Effect

The Center is not in compliance with matching requirements as set forth by the grants.

Recommendation

We recommend that Abused Adult Resource Center review matched dollars and compare to grant requirements on a monthly basis to ensure compliance with the grants.

Views of Responsible Officials and Planned Corrective Actions

The Abused Adult Resource Center will use a different financial management software to ensure the matching dollars are accounted for accurately.

Indication of Repeat Finding

This is a new finding.

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-001: Adjusting Journal Entries - Material Weakness

Criteria

The Center is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition

During our audit, material adjusting journal entries were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause

The Center's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on a GAAP basis.

Effect

An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with GAAP prior to the audit.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the Center reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Actions

The Center will contract with an outside entity to provide internal audit functions on a monthly basis and to perform reconciliations at year end.

Current Status

This finding is repeated again in the current year as item 2018-001.

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-002: Financial Statement Prepared by Auditor – Significant Deficiency

Criteria

A system of internal controls over financial reporting includes that the Center has the ability to determine that the financial statements and disclosures are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition

The Center's auditors prepared the financial statements as of December 31, 2018. The Center does not have the system necessary to assess whether all relevant disclosures have been included in the financial statements as required by accounting principles generally accepted in the United States of America.

Cause

It is currently not cost effective for the Center to internally prepare the financial statements and disclosures in accordance with accounting principles generally accepted in the United States of America.

Effect

A system of internal controls over financial reporting is not present for the Center to internally determine that the financial statements and all required disclosures are in compliance with accounting principles generally accepted in the United States of America.

Recommendation

Compensating controls over financial statement disclosure requirements could be provided by the use of current disclosure checklists and the continual training of Center personnel on the current requirements of financial statements and disclosures in compliance with accounting principles generally accepted in the United States of America.

Views of Responsible Officials and Planned Corrective Actions

Financial statements will be prepared in accordance with generally accepted accounting principles within the United States of America and will contain a Statement of Financial Position, Statement of Functional Expenses, Statement of Cash Flows, and Statement of Activity. The Center will contract with an outside party to prepare such statements to be in compliance with generally accept accounting standards within the United States of America.

Current Status

This finding is repeated again in the current year as item 2018-001.

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-003: Expenditures – Significant Deficiency

Criteria

The Center should keep adequate documentation to support charges to grants. This would include supporting invoices, time cards, approved pay rates and cost allocation worksheets.

Condition

Of one hundred and seven payroll expenditures tested, we noted the following errors: two payroll expenditures for which the grant appeared to be under-allocated by a combined \$0.80 and three payroll expenditures for which the grant appeared to be over-allocated by a combined \$30.47.

A statistically valid sample was not used.

Cause

The Center is not following their policies and procedures regarding expenditures.

Effect

Expenditures may be incorrectly charged to grants.

Recommendation

We recommend the Center review their policies and procedures for processing payroll and ensure that amounts are appropriately allocated to the grants based on the support kept.

Views of Responsible Officials and Planned Corrective Actions

The Center will create a work plan to review payroll as processed. This plan will include a review of applicable grant guidelines and allowable costs to be charged. Once monthly reconciliations are finalized the period will be closed and entries will no longer be placed within the period.

Current Status

A similar finding is repeated again in the current year as item 2018-002.

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-004: Reporting – CFDA #16.575 VOCA - Crime Victim Assistance

Criteria

The Center should have controls in place to be able to provide support for amounts that are reported on performance reports.

Condition

The Center is unable to provide supporting documentation that matches amounts submitted on performance reports. Amounts ran out of the system after the fact do not match the amounts submitted on the report.

Cause

The Center is not maintaining proper controls for performance reporting.

Effect

There is a potential for incorrectly submitting information as set forth by the grant.

Recommendation

We recommend that Abused Adult Resource Center keep a copy of the data used that is pulled from the database when submitted performance reports to provide support for the numbers submitted to the granting agency.

Views of Responsible Officials and Planned Corrective Actions

When preparing reports, documentation will be attached at time of preparation.

Current Status

A similar finding is repeated again in the current year as item 2018-003.

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-005: Reporting – CFDA #93.671 Family Violence Prevention and Services

Criteria

The Center should have controls in place to be able to provide support for amounts that are reported on performance reports.

Condition

The Center is unable to provide supporting documentation that matches amounts submitted on performance reports. Amounts ran out of the system after the fact do not match the amounts submitted on the report.

Cause

The Center is not maintaining proper controls for performance reporting.

Effect

There is a potential for incorrectly submitting information as set forth by the grant.

Recommendation

We recommend that Abused Adult Resource Center keep a copy of the data used that is pulled from the database when submitted performance reports to provide support for the numbers submitted to the granting agency.

Views of Responsible Officials and Planned Corrective Actions

When preparing reports, documentation will be attached at time of preparation.

Current Status

A similar finding is repeated again in the current year as item 2018-003.

ABUSED ADULT RESOURCE CENTER
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-006: Reporting – CFDA #16.589 Rural Outreach

Criteria

The Center should have controls in place to ensure that reports are filed by the required deadline.

Condition

The Center did not timely file one of the two quarterly reports for the grant that were tested.

Cause

The Center is not maintaining proper controls to ensure all reporting deadlines are met.

Effect

Grant reports may not be submitted timely.

Recommendation

We recommend that Abused Adult Resource Center review its policies and procedures over grant reporting to ensure that all reports are completed by the required deadline.

Views of Responsible Officials and Planned Corrective Actions

Calendar reminders will be placed in appropriate individual's calendars. This will alert staff to when reports must be submitted to ensure timely delivery.

Current Status

A similar finding is repeated again in the current year as item 2018-003.



A B U S E D
A D U L T
R E S O U R C E
C E N T E R

Corrective Action Plan – December 31, 2018

2018-001

Contact Person

Michelle Erickson

Corrective Action Plan

The Abused Adult Resource Center will use a different financial management software which will allow for staff to produce the financial reports and notes to the financial reports. Training will be conducted throughout the year to ensure all adjusting entries are completed for the audit period.

Completion Date

Fiscal Year 2019

2018-002

Contact Person

Michelle Erickson

Corrective Action Plan

The Abused Adult Resource Center will use a different payroll processing system to ensure all payroll timecards are approved and rates are calculated correctly. The Abused Adult Resource Center will review the current policy and procedure manual to closely align to generally accepted practices.

Completion Date

Fiscal Year 2019

2018-003

Contact Person

Michelle Erickson

Corrective Action Plan

The Abused Adult Resource Center will review the current policy and procedure manual and amend areas to the current policy to align with generally accepted practices.

Completion Date

Fiscal Year 2019



A B U S E D
A D U L T
R E S O U R C E
C E N T E R

Corrective Action Plan – December 31, 2018 (continued)

2018-004

Contact Person

Michelle Erickson

Corrective Action Plan

The Abused Adult Resource Center will use a different financial management software to ensure the matching dollars are accounted for accurately.

Completion Date

Fiscal Year 2019