

***SOUTH CENTRAL CHILD DEVELOPMENT, INC.
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016***

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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

To the Board of Directors
South Central Child Development, 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 South Central Child Development, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central Child Development, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization’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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central Child Development, Inc.’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 organization'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 organization's internal control and compliance. accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "CIO Prof LLC".

Mitchell, South Dakota
May 14, 2018



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**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
South Central Child Development, Inc.

Report on Compliance for Each Major Federal Program

We have audited South Central Child Development, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Central Child Development Inc.'s major federal programs for the year ended December 31, 2017. South Central Child Development, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants of applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Central Child Development, Inc.'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 US *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 South Central Child Development, Inc.'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 South Central Child Development, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, South Central Child Development, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of South Central Child Development, Inc. 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 South Central Child Development, Inc.'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 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 South Central Child Development, Inc.'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 over compliance is a deficiency, or 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.



Mitchell, South Dakota
May 14, 2018

**SOUTH CENTRAL CHILD DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017**

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified not considered to be material weakness?

_____ yes X none reported

Noncompliance material to financial statements:

_____ yes X no

Federal Awards

Internal Control over Major Programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency identified not considered to be material weakness?

_____ yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

_____ yes X no

Identification of Major Programs:

CFDA Numbers

Name of Federal Program or Cluster

93.600

Headstart

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

\$750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

***SOUTH CENTRAL CHILD DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017
(CONTINUED)***

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no findings which are required to be reported in accordance with Government Auditing Standards.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs relating to federal award program which are required to be reported in accordance with 2 CFR 200.516(a).



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
South Central Child Development, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of South Central Child Development, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 South Central Child Development, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 15-18 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards 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*, is presented for purposes of additional analysis, and is also 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 audits 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 taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, on our consideration of South Central Child Development, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Child Development Center, Inc.'s internal control over financial reporting and compliance.



Mitchell, South Dakota
May 14, 2018

SOUTH CENTRAL CHILD DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION

	<i>DECEMBER 31,</i>	
	<i>2017</i>	<i>2016</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,551	\$ 25,379
Certificates of deposit	22,282	22,049
Program receivables	366,301	383,863
Prepaid insurance	13,071	12,293
Accounts receivable	397	125
<i>Total Current Assets</i>	<u>417,602</u>	<u>443,709</u>
 PROPERTY AND EQUIPMENT, at cost		
Office furniture and equipment	245,370	232,483
Vehicles	420,217	354,561
<i>Total property and equipment</i>	<u>665,587</u>	<u>587,044</u>
Less: Accumulated depreciation	<u>(512,652)</u>	<u>(526,041)</u>
<i>Net property and equipment</i>	<u>152,935</u>	<u>61,003</u>
	<u>\$ 570,537</u>	<u>\$ 504,712</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 247,119	\$ 269,295
Accrued expenses	123,698	123,087
<i>Total Current Liabilities</i>	<u>370,817</u>	<u>392,382</u>
 NET ASSETS		
Unrestricted	<u>199,720</u>	<u>112,330</u>
	<u>\$ 570,537</u>	<u>\$ 504,712</u>

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

SOUTH CENTRAL CHILD DEVELOPMENT, INC.
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED
DECEMBER 31,

2017 **2016**

<i>Revenue</i>		
Federal and state revenue	\$ 2,796,049	\$ 3,286,085
Interest earned	266	286
Miscellaneous revenues	9,897	8,102
Gain on sale of fixed assets	900	--
<i>Total Revenue</i>	2,807,112	3,294,473
 <i>Expenses</i>		
<i>Program Services</i>		
Early childhood development	2,117,075	2,172,136
Daycare nutrition	185,668	650,163
<i>Total Program Services</i>	2,302,743	2,822,299
 <i>Supporting Services</i>		
Early childhood development administration	357,460	354,627
Daycare nutrition administration	29,633	83,948
General administration	29,886	26,541
<i>Total Supporting Services</i>	416,979	465,116
<i>Total Expenses</i>	2,719,722	3,287,415
 <i>Change in Net Assets</i>	87,390	7,058
 <i>Net Assets, Beginning of Year</i>	112,330	105,272
 <i>Net Assets, End of Year</i>	\$ 199,720	\$ 112,330

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

SOUTH CENTRAL CHILD DEVELOPMENT, INC.
STATEMENTS OF CASH FLOWS

	<i>FOR THE YEARS ENDED</i>	
	<i>DECEMBER 31,</i>	
	<i>2017</i>	<i>2016</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 87,390	\$ 7,058
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	19,575	16,581
Gain on sale of fixed assets	(900)	--
Decrease in receivables	17,290	35,676
(Increase) in prepaids	(778)	(3,936)
Decrease in payables and accruals	<u>(99,772)</u>	<u>(31,335)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>22,805</u>	<u>24,044</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(33,300)	(32,474)
Interest reinvested in certificates of deposit	(233)	(213)
Proceeds from the sale of fixed assets	<u>900</u>	<u>--</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(32,633)</u>	<u>(32,687)</u>
NET (DECREASE) IN CASH	(9,828)	(8,643)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>25,379</u>	<u>34,022</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 15,551</u>	<u>\$ 25,379</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of fixed assets included in accounts payable	<u>\$ 78,208</u>	<u>\$ --</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

*SOUTH CENTRAL CHILD DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016*

1. *SIGNIFICANT ACCOUNTING POLICIES:*

Nature of Operations: South Central Child Development, Inc. was created in 1986, as a South Dakota non-profit federal grantee and operates a full-year Headstart Program and sponsors a full-year Child and Adult Care Food Program. The Headstart Program provides comprehensive early child development for disadvantaged preschool children and their families. The Child and Adult Care Food Program sponsors family day care centers in which meals are provided to all enrolled children. Roughly 93% of funding is provided by the Headstart Program.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment: Property and equipment is recorded at cost and is depreciated over its estimated useful life using the straight-line method. Depreciation expense is recorded in the General Fund. The Organization's policy is to capitalize all purchases greater than \$1,000 with a useful life exceeding one year. The federal government may have a reversionary interest in property and equipment purchased with grant funds.

Revenue Recognition: Substantially, all of the Organization's revenue is derived from restricted grants. Revenue is recognized based on expenses incurred. Unexpended grant funds at December 31 are recorded as deferred revenues.

In-Kind Contributions: The Organization receives a significant amount of its support in the form of in-kind contributions (i.e. donated time, material and supplies, etc.). No amounts have been reflected in the financial statements for these items because they do not meet the criteria for recognition under FASB ASC 958-605-25-16.

In-kind was valued as follows:

	<i>2017</i>	<i>2016</i>
Headstart Grant 08CH1089/04	<u>\$ 647,568</u>	<u>\$ 639,810</u>

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The State of South Dakota does not levy an income tax.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable: The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions.

Subsequent Events: Subsequent events have been evaluated for potential recognition or disclosure in the financial statements through May 14, 2018, the date the financial statements were available to be issued.

SOUTH CENTRAL CHILD DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. LEASES:

South Central Child Development, Inc. leases classroom and office space to operate and administer its programs. Most of these leases are renewable on an annual basis subject to federal funding of the program. Lease expense for the years ended December 31, 2017 and 2016, was \$102,872 and \$82,484, respectively.

3. ECONOMIC DEPENDENCE:

The Organization's sole source of revenue is federal grants. These grants are subject to renewal on an annual basis. The Organization's future success is, therefore, dependent upon continued funding from the federal government. The Organization has received notice from the Department of Health and Human Services that their application for funding of its Headstart Program has been approved for the year ended December 31, 2018, at a level of \$2,588,118.

The Organization has received notice from the SD Department of Education of continued pass through federal funds for its Child and Adult Care Food Program for the grant year ended September 30, 2018. The award provides reimbursement for meals served determined by federal reimbursement rates.

During the years ended December 31, 2017 and 2016 the Organization received funding from the following sources:

<u>Source</u>	<i>2017</i>	<i>2016</i>
US Department of Health Human Services	<u>\$ 2,585,143</u>	<u>\$ 2,559,237</u>
US Department of Agriculture (Pass through from SD Department of Education)	<u>\$ 210,906</u>	<u>\$ 726,848</u>

As of December 31, 2017 and 2016 the Organization had receivables due from the following federal sources:

<u>Source</u>	<i>2017</i>	<i>2016</i>
US Department of Health & Human Services	<u>\$ 366,301</u>	<u>\$ 321,868</u>
US Department of Agriculture (Pass through from SD Department of Education)	<u>\$ --</u>	<u>\$ 61,995</u>

SOUTH CENTRAL CHILD DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. *RETIREMENT PLAN:*

Effective January 1, 1991, the Organization adopted a non-contributory profit-sharing plan covering substantially all of its employees. The plan was amended January 1, 2000, primarily to provide for self-directed investment of retirement funds. Annual employer contributions to the plan are set by the Board of Directors. Contributions for the years ended December 31, 2017 and 2016, were \$102,820 and \$137,476, respectively.

5. *ACCOUNTING FOR UNCERTAIN TAX POSITIONS:*

The Organization files income tax returns in the U.S. federal jurisdictions. With few exceptions, the Organization is no longer subject to U.S. federal, state, or local tax examinations by tax authorities for years before 2014.

The Organization includes all penalties and interest assessed by income taxing authorities in operating expenses. The Organization did not have penalties and interest expenses for the years ended December 31, 2017 and 2016, respectively.

SUPPLEMENTAL INFORMATION

SOUTH CENTRAL CHILD DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>		<u>Supporting Services</u>			<u>2017 Totals</u>	<u>2016 Totals</u>
	<u>Early Childhood Development</u>	<u>Daycare Nutrition</u>	<u>Early Childhood Development</u>	<u>Daycare Nutrition</u>	<u>General</u>		
<i>Expenses</i>							
<i>Program Services</i>							
Salaries	\$ 1,144,560	\$ --	\$ 172,991	\$ 19,528	\$ 2,400	\$ 1,339,479	\$ 1,359,736
Food	13,656	185,668	64	--	--	199,388	661,387
Contractual	411,894	--	4,157	--	--	416,051	347,463
Retirement	85,684	--	15,050	2,153	--	102,887	137,476
Travel	37,993	--	11,100	2,149	--	51,242	121,508
Employee benefits	93,793	--	15,673	850	--	110,316	111,700
Payroll tax	87,297	--	12,983	1,396	117	101,793	105,985
Occupancy	108,240	--	19,753	816	--	128,809	162,081
Supplies	32,593	--	6,065	253	7,775	46,686	41,779
Insurance	29,038	--	19,402	115	19	48,574	54,118
Consultants	--	--	--	1,074	--	1,074	--
Depreciation	--	--	--	--	19,575	19,575	16,581
Training	9,404	--	--	--	--	9,404	3,105
Professional fees	6,888	--	45,847	--	--	52,735	53,669
Maintenance - equipment	14,042	--	--	--	--	14,042	29,314
Medical and dental exams	3,184	--	525	--	--	3,709	11,112
Telephone	12,350	--	7,698	572	--	20,620	16,856
Printing and publications	5,005	--	6,602	182	--	11,789	10,779
Accounting	--	--	11,995	--	--	11,995	11,280
Postage and shipping	4,715	--	3,347	545	--	8,607	8,608
Dues	1,530	--	3,265	--	--	4,795	4,057
Miscellaneous	1,679	--	--	--	--	1,679	1,024
Registrations	10,334	--	--	--	--	10,334	7,566
Child care	2,942	--	736	--	--	3,678	3,852
Conferences, conventions and meetings	254	--	58	--	--	312	609
Legal	--	--	149	--	--	149	5,770
Total Expenses	\$ 2,117,075	\$ 185,668	\$ 357,460	\$ 29,633	\$ 29,886	\$ 2,719,722	\$ 3,287,415

SOUTH CENTRAL CHILD DEVELOPMENT, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	<i>Unrestricted Funds</i>		
	<i>Headstart Fund</i>	<i>General Fund</i>	<i>Total</i>
<i>Assets</i>			
Cash	\$ (11,243)	\$ 26,794	\$ 15,551
Certificates of deposit	--	22,282	22,282
Program receivables	366,301	--	366,301
Prepaid insurance	13,071	--	13,071
Accounts receivable	--	397	397
Property and equipment - net	--	152,935	152,935
	\$ 368,129	\$ 202,408	\$ 570,537
<i>Liabilities</i>			
Accounts payable	\$ 244,431	\$ 2,688	\$ 247,119
Accrued expenses	123,698	--	123,698
	368,129	2,688	370,817
<i>Net Assets</i>			
Unrestricted	--	199,720	199,720
	\$ 368,129	\$ 202,408	\$ 570,537
<i>Total Liabilities and Net Assets</i>	\$ 368,129	\$ 202,408	\$ 570,537

SOUTH CENTRAL CHILD DEVELOPMENT, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<i>Unrestricted Funds</i>				
	<u>Headstart Fund</u>	<u>Daycare Fund</u>	<u>General Fund</u>	<u>Eliminations</u>	<u>Total</u>
<i>Support</i>					
Federal and state revenue	\$ 2,585,143	\$ 210,906	\$ --	\$ --	\$ 2,796,049
Interest earned	--	--	266	--	266
Miscellaneous revenues	--	--	9,897	--	9,897
Gain on sale of fixed assets	900	--	--	--	900
Property and equipment additions	--	--	111,508	(111,508)	--
Total Support	2,586,043	210,906	121,671	(111,508)	2,807,112
<i>Expenses</i>					
<i>Program Services</i>					
Personnel	1,411,334	--	--	--	1,411,334
Travel	37,993	--	--	--	37,993
Supplies	32,593	--	--	--	32,593
Contractual Services	456,062	--	--	--	456,062
Other	179,093	185,668	--	--	364,761
Property and Equipment	111,508	--	--	(111,508)	--
Depreciation	--	--	19,575	--	19,575
<i>Supporting Services</i>					
Personnel	216,697	23,927	2,517	--	243,141
Travel	11,100	2,149	--	--	13,249
Supplies	6,065	253	--	--	6,318
Contractual services	60,478	727	--	--	61,205
Other	63,120	2,577	7,794	--	73,491
Total Expenses	2,586,043	215,301	29,886	(111,508)	2,719,722
<i>Increase (Decrease) in Unrestricted Net Assets</i>	--	(4,395)	91,785	--	87,390
<i>Transfers</i>	--	1,450	(1,450)	--	--
<i>Net Assets, Beginning of Year</i>	--	2,945	109,385	--	112,330
<i>Net Assets, End of Year</i>	\$ --	\$ --	\$ 199,720	\$ --	\$ 199,720

**SOUTH CENTRAL CHILD DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<i>FEDERAL GRANT OR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>PASS-THROUGH ENTITY IDENTIFYING NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
U.S. Department of Agriculture: Pass-Through Programs (State of South Dakota) Child and Adult Care Food Program	10.558	--	\$ 210,906
U.S. Department of Health and Human Services: Headstart	93.600	08CH1089/04	<u>2,585,143</u>
GRAND TOTAL			<u>\$ 2,796,049</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards “the schedule” includes the federal award activity of South Central Child Development, Inc. under program of the federal government for the year ended December 31, 2017. 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 the organization, it is not intended to and does not present the financial positions, changes in net assets, or cash flows of South Central Child Developments, Inc.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate:

South Central Child Development, Inc. does not use an indirect cost rate as allowed und the Uniform Guidance.