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**WOODWARD YOUTH CORPORATION  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2018**

U.S. Department of Health and Human Services

Woodward Youth Corporation respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: July 1, 2017 – June 30, 2018

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCY**

2018-001      Lack of Adequate Segregation of Duties

Recommendation: CLA recommends that additional resources be used to establish proper segregation of duties. Close supervision and review of accounting information by the board of directors and management is the best means of preventing or detecting errors and irregularities.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The board and management are aware of the shortcomings caused by its inability to segregate incompatible duties because of the limited number of administrative personnel and will continue to monitor, to the extent possible, the Organization's activities to obtain maximum internal control as conditions allow.

Name(s) of the contact person(s) responsible for corrective action: Tom Jordan

Planned completion date for corrective action plan: On going

**FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Tom Jordan at (515) 438-3481.

**WOODWARD YOUTH CORPORATION  
D.B.A.: WOODWARD ACADEMY,  
FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES**

**FINANCIAL STATEMENTS AND  
SINGLE AUDIT COMPLIANCE REPORT**

**YEARS ENDED JUNE 30, 2018 AND 2017**



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**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
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## INDEPENDENT AUDITORS' REPORT

### Board of Directors

Woodward Youth Corporation d.b.a.: Woodward Academy, Forest Ridge Youth Services, and Woodward Community Based Services  
Woodward, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of Woodward Youth Corporation d.b.a.: Woodward Academy, Forest Ridge Youth Services, and Woodward Community Based Services (Woodward Youth Corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

### Auditors' 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 the *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 auditors' 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.



Board of Directors  
Woodward Youth Corporation d.b.a.: Woodward  
Academy, Forest Ridge Youth Services, and  
Woodward Community Based Services

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 on page 1 present fairly, in all material respects, the financial position of Woodward Youth Corporation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2019, on our consideration of Woodward Youth Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Woodward Youth Corporation'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 Woodward Youth Corporation's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa  
March 21, 2019

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 202,891	\$ 365,780
Accounts Receivable, Less Allowance for Doubtful		
Accounts of \$313,535 in 2018 and \$290,925 in 2017	4,982,503	4,270,442
Prepaid Stadium Lease, Current Portion	25,000	25,000
Other	<u>758</u>	<u>29,739</u>
Total Current Assets	5,211,152	4,690,961
 <b>PREPAID LEASE, Less Current Portion Above</b>	 29,167	 54,167
 <b>PROPERTY AND EQUIPMENT</b>		
Building	4,197,649	4,147,388
Furniture and Equipment	831,697	1,191,631
Vehicles	567,552	557,327
Leasehold Improvements	<u>1,055,050</u>	<u>909,420</u>
Total	6,651,948	6,805,766
Less: Accumulated Depreciation	<u>(3,333,522)</u>	<u>(3,449,737)</u>
Net Property and Equipment	<u>3,318,426</u>	<u>3,356,029</u>
 Total Assets	 <u><u>\$ 8,558,745</u></u>	 <u><u>\$ 8,101,157</u></u>

See accompanying Notes to Financial Statements.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 168,655	\$ 158,457
Accounts Payable:		
Education, Rent, and Support Service Agreements	324,180	340,607
Provider Service Agreement	3,036,101	2,557,956
Other	<u>60,350</u>	<u>85,244</u>
Total Current Liabilities	3,589,286	3,142,264
 <b>LONG-TERM DEBT, Less Current Maturities Above</b>	 <u>2,197,421</u>	 <u>2,379,701</u>
 Total Liabilities	 5,786,707	 5,521,965
 <b>NET ASSETS</b>		
Unrestricted	<u>2,772,038</u>	<u>2,579,192</u>
 Total Liabilities and Net Assets	 <u><u>\$ 8,558,745</u></u>	 <u><u>\$ 8,101,157</u></u>

See accompanying Notes to Financial Statements.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>PUBLIC SUPPORT AND REVENUE</b>		
Program Service Fees	\$ 30,298,911	\$ 26,971,112
Government Grants	1,684,437	1,468,430
Contributions	17,697	17,340
Other	110,026	151,541
Total Public Support and Revenue	<u>32,111,071</u>	<u>28,608,423</u>
<b>EXPENSES</b>		
Provider Service Fees	28,514,162	25,232,359
Support Service Fees	1,704,478	1,755,110
Rent	275,256	291,195
Facilities	238,980	246,676
Educational Fees	24,340	26,874
Professional Fees	32,801	38,680
Depreciation	370,947	357,992
Interest	132,292	167,419
Other	624,969	358,042
Total Expenses	<u>31,918,225</u>	<u>28,474,347</u>
<b>CHANGE IN NET ASSETS</b>	192,846	134,076
Net Assets - Beginning of Year	<u>2,579,192</u>	<u>2,445,116</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 2,772,038</u></u>	<u><u>\$ 2,579,192</u></u>

See accompanying Notes to Financial Statements.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 192,846	\$ 134,076
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	370,947	357,992
Bad Debt Expense	563,887	308,576
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,275,948)	(604,275)
Prepaid Stadium Lease	25,000	25,000
Other	28,981	4,553
Accounts Payable	436,824	315,005
Net Cash Provided by Operating Activities	<u>342,537</u>	<u>540,927</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(333,344)	(357,782)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	<u>(172,082)</u>	<u>(148,140)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(162,889)	35,005
Cash and Cash Equivalents - Beginning of Year	<u>365,780</u>	<u>330,775</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 202,891</u></u>	<u><u>\$ 365,780</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF INTEREST PAID</b>		
Cash Paid During the Year for Interest	<u><u>\$ 132,292</u></u>	<u><u>\$ 167,419</u></u>

See accompanying Notes to Financial Statements.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization Background**

Woodward Youth Corporation d.b.a: Woodward Academy, Forest Ridge Youth Services, and Woodward Community Based Services (Woodward Youth Corporation, WYC, or the Organization) is a nonprofit corporation organized to provide residential treatment for male and female adjudicated delinquent and Child in Need of Assistance youths between the ages of 12 and 18 as well as community based services. WYC does business as Woodward Academy, Forest Ridge Youth Services, and Woodward Community Based Services. Students are placed by state courts and other placing agencies from throughout the United States and its territories. As such, WYC is funded primarily through contracts with various governmental agencies. WYC's fiscal year ends on June 30. Significant accounting policies followed by WYC are presented below.

**Description of Programs**

WYC's primary function is providing residential treatment services. These residential treatment services consist of education, training and behavioral rehabilitation. Each of these tracks employ a behavioral change program utilizing a positive peer pressure approach, academic, vocational and physical education, and life skills training - all aimed at teaching WYC's students how to lead positive and productive lives. The average length of stay in the residential program is six to twelve months. Academic education is administered under the auspices of the Woodward-Granger Community School District (WGCSO). WYC also provides community-based treatment services which consist of off-campus education, counseling, and supervision services.

**Use of Estimates in Preparing Financial Statements**

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, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates incorporated into the Organization's financial statements include the estimated lives of depreciable assets and the allocation incorporated into the statements for functional expenses. Actual results could differ from those estimates.

**Net Assets**

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted Net Assets – Includes all net assets which are neither temporarily nor permanently restricted. If the board of directors specifies a purpose where none has been stated by the original donor, such funds are classified as designated unrestricted funds.



**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

Temporarily Restricted Net Assets – Includes contributed net assets for which donor-imposed time and/or purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Permanently Restricted Net Assets – Includes contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Management has determined that the Organization has no temporarily restricted or permanently restricted net assets at June 30, 2018 and 2017.

**Support and Revenue**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received, which are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Program service fees are reported at estimated net realizable amounts from governmental agencies for services rendered.

**Cash Equivalents**

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

Accounts receivable consists entirely of uncollateralized obligations due from governmental agencies for services provided by the Organization. Account balances for services over ninety days old are considered delinquent. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts and the aging of the accounts receivable. All accounts or portions thereof deemed to be uncollectible or to require excessive collection cost are written off to the allowance for doubtful accounts.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Purchased property and equipment are recorded at cost while donated property and equipment are recorded at estimated fair value at the date of gift. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets which range from five to twenty years. The Organization follows a policy that only items costing greater than \$500 and having a useful life over one year are capitalized.

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

**Functional Allocation of Expense**

Salaries and related expenses are allocated based on management and employees direct time spent on program or support activities or the best estimate of time spent. Rents are allocated based on direct program or support service usage. Expenses, other than salaries, related expenses, and rent, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

**Income Taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Internal Revenue Service has not classified the Organization as a private foundation.

The Organization files information returns in the U.S. federal jurisdiction. The Organization follows the requirements for accounting for uncertain tax positions. Management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2018 and 2017.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 PREPAID STADIUM LEASE**

On November 3, 2009, the Organization entered into an agreement with WGCSD to lease the Woodward-Granger High School track, football field, stadium and facilities, and available parking facilities for ten years. The Organization prepaid the entire term of the lease in a payment of \$250,000 during the year ended June 30, 2010 in accordance with the terms of the agreement.

The Organization financed the lease with a line of credit which was obtained on October 23, 2009. The line of credit was refinanced into a term loan on August 1, 2010. The Organization is obligated to pay up to \$12,000 per year for the maintenance and upkeep of the premises, including track maintenance and field maintenance. The Organization's use of the premises and the ten-year term of the lease began on September 3, 2010.

**NOTE 3 PROVIDER SERVICE AGREEMENT**

The Organization has entered into a management and administrative provider service agreement with Sequel Youth Services of Woodward, L.L.C., an Iowa Limited Liability Company (Sequel). Sequel is responsible for the management of the operations of Woodward Academy subject to the overall authority of the Organization's board of directors. The agreement commenced on July 1, 2007 and will terminate on March 31, 2023.

Fees paid to Sequel are based on gross revenues less certain expenditures and amounts retained by the Organization. The total fees associated with the agreement for the years ended June 30 were as follows:

	2018	2017
Accounts Payable - Beginning of Year	\$ 2,557,956	\$ 2,046,208
Fees and Other Reimbursements	28,514,162	25,232,359
Payments Made	(28,036,017)	(24,720,611)
Accounts Payable - End of Year	<u>\$ 3,036,101</u>	<u>\$ 2,557,956</u>

**NOTE 4 COMMITMENTS**

**Support Services Agreement**

WYC purchases certain support services from the state of Iowa acting by and through the Department of Human Services (the Department) as its interests may appear. The Organization and the Department entered into an agreement for a period of five years beginning June 1, 1996. The agreement contains four additional automatic five-year renewal periods.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 4 COMMITMENTS (CONTINUED)**

**Support Services Agreement (Continued)**

Written notice at least six months prior to termination is required of either party in the event of termination. For the years ended June 30, 2018 and 2017, this agreement stipulated a capitation rate of \$18.92 and \$18.74, respectively, per Student Day, for the actual number of students on campus or 25 students, whichever is greater. A Student Day is defined as all days the student is in the program including the day of arrival but excluding the day of departure. WYC is required to provide the Department with Student Day accounting information on a monthly basis.

The support services provided by the Department include:

- Utilities and maintenance
- Food service - three meals a day plus an evening snack
- Housekeeping services
- Telephone service
- Laundry service
- General upkeep

The total expenses associated with this support services agreement, included in the statements of activities for the years ended June 30, 2018 and 2017, were \$1,704,478 and \$1,755,110, respectively.

**Lease Agreement**

WYC leases certain premises and land from the state of Iowa acting by and through the Department as its interests may appear. The Organization and the Department entered into an agreement for a period of five years beginning August 1, 1995. The agreement contains four additional automatic five-year renewal periods. Written notice at least six months prior to termination is required by WYC and thirty days prior to termination is required of the Department in the event of termination.

For the years ended June 30, 2018 and 2017, the lease payment for the premises is \$2.79 per Resident Day. A Resident Day is defined as all days the resident is in the program, including the day of arrival but excluding the day of departure. This capitation rate is applied to the actual number of students on campus or 25 students, whichever is greater. WYC is required to provide the Department with Resident Day accounting information on a monthly basis.

At the beginning of each five-year renewal period, the Department and WYC agree that the base rental payment expressed above per Resident Day shall be increased or decreased by 50% of the percentage change in the Consumer Price Index (CPI).

The leased premises include residential areas in the Woodward State Hospital-School, locally known as Linden Court and Elmcrest.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 4 COMMITMENTS (CONTINUED)**

**Lease Agreement (Continued)**

WYC is required to maintain general liability insurance in a minimum amount of \$1 million per occurrence and \$2 million in the aggregate. WYC is also responsible for maintaining contents insurance at a coverage level determined appropriate by WYC.

The total expenses associated with this lease agreement, included in the statements of activities for the years ended June 30, 2018 and 2017 were \$250,256 and \$266,195, respectively.

Future minimum payments under these agreements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Lease</u>	<u>Support Services</u>
2019	\$ 26,164	\$ 172,645
2020	26,164	172,645
2021	2,867	158,455
Total	<u>\$ 55,195</u>	<u>\$ 503,745</u>

**Education Services Agreement**

On July 1, 2007, the Organization entered into a three-year agreement with WGCSD. The agreement contains automatic three-year renewal periods, unless mutually terminated. The Organization recognizes that WGCSD is responsible for assuring the students receive an educational program consistent with the laws, rules, and regulations of the state of Iowa and the Department of Education; therefore, the academic curriculum is approved and student records maintained by WGCSD. The agreement renewed for the period of July 1, 2016 through June 30, 2019. The WGCSD charge for these administrative services is \$0.72 per day for every student with no minimum fee through June 30, 2018. For the subsequent years of the agreement, the administrative fee shall be increased by the state percentage of allowable growth.

Total expenses under this educational services agreement, included in the statements of activities for the years ended June 30, 2018 and 2017 were \$24,340 and \$26,874, respectively.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 4 COMMITMENTS (CONTINUED)**

**Phase 5, Group Foster Care Agreements, and Habilitation**

The Organization has entered into various apartment lease agreements in connection with the Phase 5 programs, Group Foster Care, and Habilitation (HAB). The agreements have varying lease terms. The future minimum payments under the lease agreements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 101,800
2020	9,300
Total	<u>\$ 111,100</u>

Total expenses related to the leases were \$110,225 and \$89,700 for the years ended June 30, 2018 and 2017, respectively.

The total of accounts payable related to the support services, lease, educational services, supervised apartment living, Phase 5, Group Foster Care, and Habilitation agreements was \$324,180 and \$340,607 as of June 30, 2018 and 2017, respectively.

**Office Lease Agreements**

The Organization has entered into various lease agreements in connection with office space. The agreements have varying lease terms. The future minimum payments under the office lease agreements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 20,582
2020	10,359
2021	10,359
2022	9,496
Total	<u>\$ 50,796</u>



**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 5 LONG-TERM DEBT**

Long-term debt consists of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Note payable, requiring monthly installments of \$11,033, including interest at 5.45% through November 30, 2019, interest rate adjusted to the Bank's prime rate plus 2.2% on December 1, 2019, monthly installment payment adjusted to amortize the balance of the loan over the period from December 1, 2019 to November 30, 2024, secured by all of the Organization's assets.	\$ 1,426,878	\$ 1,483,367
Note payable, requiring monthly installments of \$8,752, including interest at 6.50%, with a balloon payment due on September 1, 2019, secured by all of the Organization's assets.	725,586	785,428
Note payable, requiring monthly installments of \$2,625, including interest at 5.45%, due April 21, 2024, secured by the education annex.	155,300	177,660
Note payable, requiring monthly installments of \$2,982, including interest at 6.50%, due August 1, 2020, secured by all of the Organization's assets.	<u>58,312</u>	<u>91,703</u>
Total	2,366,076	2,538,158
Less: Current Portion	<u>(168,655)</u>	<u>(158,457)</u>
Long-Term Portion	<u><u>\$ 2,197,421</u></u>	<u><u>\$ 2,379,701</u></u>

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 168,655
2020	776,327
2021	87,728
2022	92,631
2023	97,807
Thereafter	<u>1,142,928</u>
Total	<u><u>\$ 2,366,076</u></u>

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 CONCENTRATION OF REVENUE SOURCES AND CREDIT RISK**

Program service revenue consists principally of amounts billed to state and county governments nationwide under terms of agreements to provide program services at per diem rates. For the years ended June 30, 2018 and 2017, this support made up 94% and 94%, respectively, of the Organization's total revenues. State and county governments accounted for 97% and 97%, respectively, of the total accounts receivable at June 30, 2018 and 2017.

**NOTE 7 FUNCTIONAL EXPENSES**

The expenditures for salaries, benefits, and reimbursable program expenses were allocated directly as they were specifically identified to a program or supporting activity. The allocation of all other expenses is made on the ratio of estimated time spent on a program or supporting activity to the estimated total time spent in the year. The following represents the functional classification of the Organization's expenses for the years ended June 30:

	2018	2017
Program Services	\$ 29,556,166	\$ 26,374,297
Supporting Activities:		
Management and General	2,362,059	2,100,050
Total Expenses	<u>\$ 31,918,225</u>	<u>\$ 28,474,347</u>

**NOTE 8 SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 21, 2019, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2018 but prior to March 21, 2019 that provided additional evidence about conditions that existed at June 30, 2018 have been recognized in the financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2018.

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<b>OTHER AWARDS</b>			
<b>U.S. Department of Health and Human Services:</b>			
Passed through Iowa Department of Health and Human Services:			
Title IV-B, Subpart 1, Child Welfare Services	93.645	2908003 & 3008023	\$ 148,150
Title IV-E Foster Care	93.658	2908003 & 3008023	699,728
Passed through County of Sonoma:			
Title IV-E Foster Care	93.658	N/A	12,942
Passed through County of San Diego:			
Title IV-E Foster Care	93.658	N/A	136,899
Passed through City and County of San Francisco:			
Title IV-E Foster Care	93.658	N/A	4,427
Total CFDA #93.658			<u>853,996</u>
Passed through County of San Diego:			
Social Services Block Grant	93.667	N/A	38,711
Total U.S. Department of Health and Human Services			<u>1,040,857</u>
<b>CHILD NUTRITION CLUSTER</b>			
<b>U.S. Department of Agriculture:</b>			
Passed through the Iowa Department of Education:			
National School Lunch Program	10.555	N/A	379,344
School Breakfast Program	10.553	N/A	196,025
Total Child Nutrition Cluster			<u>575,369</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,616,226</u></u>

*See accompanying Notes to Schedule of Expenditures of Federal Awards.*

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented on the accrual basis of accounting. The information in this SEFA is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this SEFA may differ from amounts presented in, or used in, the preparation of the basic financial statements. Woodward Youth Corporation has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 2 SUBRECIPIENT PAYMENTS, NONCASH ASSISTANCE, INSURANCE, AND LOANS OR LOAN GUARANTEES**

The purpose of the SEFA is to present a summary of Woodward Youth Corporation's federal grant activity. There were no payments passed through to subrecipient agencies during the year ended June 30, 2018. In addition, there were no noncash assistance, insurance, or loans and loan guaranties outstanding as of and for the year ended June 30, 2018.

**NOTE 3 SUBRECIPIENT RECEIPTS AND EXPENDITURES**

The subrecipient receipts of federal awards from the State of Iowa Department of Health and Human Services are included in the per diem program service fees.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**Board of Directors**

Woodward Youth Corporation d.b.a.: Woodward Academy, Forest  
Ridge Youth Services, and Woodward Community Based Services  
Woodward, Iowa

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 Woodward Youth Corporation d.b.a.: Woodward Academy, Forest Ridge Youth Services, and Woodward Community Based Services (Woodward Youth Corporation), which comprise the statement of financial position as of June 30, 2018, 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 March 21, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Woodward Youth Corporation'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 Woodward Youth Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Woodward Youth Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Board of Directors  
Woodward Youth Corporation d.b.a.: Woodward Academy, Forest  
Ridge Youth Services, and Woodward Community Based Services

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Woodward Youth Corporation'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*.

### **Woodward Youth Corporation's Response to Findings**

Woodward Youth Corporation's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Woodward Youth Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Woodward Youth Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woodward Youth Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa  
March 21, 2019





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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors

Woodward Youth Corporation d.b.a.: Woodward Academy, Forest  
Ridge Youth Services, and Woodward Community Based Services  
Woodward, Iowa

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

We have audited Woodward Youth Corporation d.b.a.: Woodward Academy, Forest Ridge Youth Services, and Woodward Community Based Services (Woodward Youth Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Woodward Youth Corporation's major federal programs for the year ended June 30, 2018. Woodward Youth Corporation's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Woodward Youth Corporation'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 Woodward Youth Corporation'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 Woodward Youth Corporation's compliance.

## Board of Directors

Woodward Youth Corporation d.b.a.: Woodward Academy, Forest Ridge Youth Services, and Woodward Community Based Services

### ***Opinion on Each Major Federal Program***

In our opinion, Woodward Youth Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of Woodward Youth Corporation 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 Woodward Youth Corporation'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 Woodward Youth Corporation'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Board of Directors  
Woodward Youth Corporation d.b.a.: Woodward Academy, Forest  
Ridge Youth Services, and Woodward Community Based Services

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Woodward Youth Corporation as of and for the year ended June 30, 2018, and have issued our report thereon dated March 21, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa  
March 21, 2019

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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**Section I – Summary of Auditors' Results**

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***Financial Statements***

1. Type of auditors' report issued: Unmodified
  
2. Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?   x   yes      \_\_\_\_\_ none reported
  
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
  - Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes        x   none reported
  
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
  
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        x   no

***Identification of Major Federal Programs***

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
93.658	Title IV-E Foster Care
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u>  x  </u> no

**WOODWARD YOUTH CORPORATION D.B.A.: WOODWARD  
ACADEMY, FOREST RIDGE YOUTH SERVICES, AND  
WOODWARD COMMUNITY BASED SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

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**Section II – Financial Statement Findings**

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**2018 – 001: Lack of Adequate Segregation of Duties**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Condition:** The Organization does not have adequate segregation of duties over accounting transactions.

**Criteria or specific requirement:** Management is responsible for establishing and maintaining internal controls over financial reporting to ensure that accounting information is recorded properly and accurately.

**Context:** During our walkthroughs of internal controls, it was noted that a member of the board of directors began reviewing bank statement reconciliations in January 2018. It was also noted, there was no formal review of journal entries posted to the general ledger.

**Effect:** The effect of this condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

**Cause:** The Controllers have significant financial reporting duties, with instances that lack documentation of independent review.

**Repeat Finding:** The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2017-001.

**Recommendation:** CLA recommends that additional resources be used to establish proper segregation of duties. Close supervision and review of accounting information by the board of directors and management is the best means of preventing or detecting errors and irregularities.

**Views of responsible officials:** There is no disagreement with the audit finding.

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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