

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2019

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

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*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Dakota Urban Indian Health, Inc.
Pierre, South Dakota 57501

Report on the Financial Statements

We have audited the accompanying financial statements of **South Dakota Urban Indian Health, Inc. (a nonprofit organization)**, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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Yankton Office	207 Douglas Avenue	PO Box 1018	Yankton, SD 57078	605.665.4401
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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 Dakota Urban Indian Health, Inc. as of September 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited South Dakota Urban Indian Health, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2019. In our opinion, the summarized comparative information presented herein as of and for, the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records 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 February 12, 2020, on our consideration of South Dakota Urban Indian Health, 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 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 South Dakota Urban Indian Health, Inc.'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 South Dakota Urban Indian Health, Inc.'s internal control over financial reporting and compliance.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
February 12, 2020

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 373,953	\$ 294,163
Patient accounts receivable, net of allowance of \$16,365 in 2019 and \$7,195 in 2018	209,901	162,731
Grants receivable	3,288	40,087
Prepaid expenses	<u>20,170</u>	<u>20,142</u>
Total current assets	<u>607,313</u>	<u>517,123</u>
Property and Equipment		
Equipment	9,356	9,356
Less accumulated depreciation	<u>(7,537)</u>	<u>(6,497)</u>
	<u>1,819</u>	<u>2,859</u>
Total assets	<u>\$ 609,132</u>	<u>\$ 519,982</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 14,879	\$ 27,199
Accrued payroll, taxes and withholdings	<u>150,864</u>	<u>129,481</u>
Total current liabilities	<u>165,743</u>	<u>156,681</u>
Total liabilities	<u>165,743</u>	<u>156,681</u>
Net Assets		
Without donor restrictions	<u>443,389</u>	<u>363,301</u>
Total net assets	<u>443,389</u>	<u>363,301</u>
Total liabilities and net assets	<u>\$ 609,132</u>	<u>\$ 519,982</u>

The accompanying notes are an integral part
of these financial statements.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>2019</u>	<u>2018</u>
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual allowance and discounts)	\$ 495,938	\$ 464,626
Provision for uncollectible accounts	<u>(40,000)</u>	<u>(48,287)</u>
Net patient service revenue less provision for uncollectible accounts	455,938	416,339
Grant revenue	2,497,354	2,263,875
Miscellaneous revenue	29,068	8,499
Donations	10,350	9,434
Interest income	<u>106</u>	<u>68</u>
 Total unrestricted revenues, gains and other support	 <u>2,992,816</u>	 <u>2,698,215</u>
 Expenses		
Program services	2,584,831	2,409,120
General and administrative	<u>327,897</u>	<u>315,604</u>
 Total expenses	 <u>2,912,728</u>	 <u>2,724,724</u>
 Change in net assets	 80,088	 (26,509)
 Net assets - beginning of year	 <u>363,301</u>	 <u>389,810</u>
 Net assets - end of year	 <u>\$ 443,389</u>	 <u>\$ 363,301</u>

The accompanying notes are an integral part
of these financial statements.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED SEPTEMBER 30, 2019
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Salaries	\$ 1,349,322	\$ 238,116	\$ 1,587,438	\$ 1,549,807
Employee benefits	283,195	49,976	333,171	293,985
Rent	253,846	-	253,846	266,150
Consultant and contract services	236,979	-	236,979	115,143
Payroll taxes	93,983	16,585	110,569	106,379
Travel and conferences	79,131	13,964	93,095	71,319
Repairs and maintenance	58,766	-	58,766	60,015
Office supplies	55,202	-	55,202	67,973
Medical supplies	48,336	-	48,336	56,900
Professional fees	30,799	-	30,799	28,534
Utilities	23,812	4,202	28,014	24,309
Equipment	19,776	-	19,776	20,374
Other operating expense	13,978	2,467	16,445	10,336
Telephone and internet	13,778	2,431	16,209	16,802
Insurance	8,870	-	8,870	19,537
Professional development	8,072	-	8,072	7,802
Postage	4,314	-	4,314	4,698
Advertising	1,790	-	1,790	3,621
Depreciation	883	156	1,039	1,040
Total expenses	<u>\$ 2,584,831</u>	<u>\$ 327,897</u>	<u>\$ 2,912,729</u>	<u>\$ 2,724,724</u>

The accompanying notes are an integral part
of these financial statements.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 80,088	\$ (26,509)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,039	1,039
(Increase) Decrease In:		
Accounts receivable	(47,170)	55,140
Grants receivable	36,799	(15,516)
Prepaid expenses	(29)	(6,254)
Increase (Decrease) In:		
Accounts payable	(12,321)	17,088
Accrued expenses	<u>21,383</u>	<u>37,258</u>
Net cash provided by operating activities	<u>79,790</u>	<u>62,246</u>
Increase in Cash and Cash Equivalents	79,790	62,246
Cash and Cash Equivalents, beginning of year	<u>294,163</u>	<u>231,917</u>
Cash and Cash Equivalents, end of year	<u>\$ 373,953</u>	<u>\$ 294,163</u>

The accompanying notes are an integral part
of these financial statements.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Dakota Urban Indian Health, Inc. (the Organization) is a private nonprofit corporation organized under the laws of the State of South Dakota to develop and administer programs that will improve the accessibility of health services to the Urban Indian Population in Hughes/Stanley and Minnehaha Counties of South Dakota. The Organization depends significantly on contracts with the United States Department of Health and Human Services to carry out its program activities.

Basis of Presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Economic Dependency

The Organization is dependent on third-party reimbursements, government grants and the economy of the local area.

Use of Estimates

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

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

The Organization considers all cash accounts not subject to withdrawal restrictions or penalties, treasury bills, commercial paper and money market funds with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a provision for uncollectible accounts in the period of service on the basis of its past experience. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts. Finance charges are not assessed on past due patient accounts receivable.

The Organization's contractual adjustments and bad debt expense totaled \$634,666 and \$40,000, respectively, for the year ended September 30, 2019.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment

It is the Organization's policy to capitalize assets with a cost of \$5,000 or more and an estimated useful life of more than one year. Purchased property and equipment is recorded at cost. Contributions of property and equipment are valued at fair value at the time of donation. Improvements and betterments, which substantially increase the useful lives of existing property and equipment, are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and profit or loss is credited or charged to revenue or expense.

Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets which is between 5 and 15 years.

Compensated Absences

Paid time off (PTO) is accumulated by employees throughout the year. Employees are entitled to receive compensation for up to 80 hours of unused PTO upon termination if they have been employed for more than one year. Those amounts have been included in accrued payroll, taxes and withholdings on the financial statements.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net Assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor or grantor-imposed restrictions. Support and revenue that are restricted by the donor are reported as net increases in net assets with donor restrictions in the reporting period in which the support and revenue are recognized and reclassified as net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as assets without donor restrictions in the statement of activities.

Revenue and Support

Federal grant awards received for specific purposes are recognized as support to the extent of related expenses incurred in compliance with the specific restrictions. The unexpended funds are reported as refundable advances on the statement of financial position. It is the policy of the Organization to record restricted grants whose restrictions are met in the same reporting period as unrestricted grants.

Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Fund Raising Activity

The Organization does not maintain a formal fundraising or solicitation department. The Executive Director does compile data and applications necessary to renew and obtain program revenues. The Organization does not track costs associated with this activity, but believes the time and cost for this activity represents a very small percentage of the Executive Director's time. Accordingly, fundraising expense is not segregated and present in the financial statements unless specifically required by and reported under grantor guidelines.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Advertising

Advertising costs are expensed as incurred.

Income Taxes

The Organization is a non-profit organization and is not subject to income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (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. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 373,953
Accounts receivable	<u>209,901</u>
	<u>\$ 583,854</u>

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

3. CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2019 is as follows:

Medicare	16%
Medicaid	12%
Commercial	41%
Self-Pay	<u>31%</u>
	<u>100%</u>

4. OTHER CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization maintains cash balances at two financial institutions located in South Dakota. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2019, the Organization's uninsured bank balance totaled \$50,406.

5. NET PATIENT SERVICE REVENUE

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage based on contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Organization recognizes revenue based on its standard rates for services provided. Based on historical experience, a portion of the Organization's uninsured patients do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided.

Thus, the Organization recorded a significant provision for uncollectible accounts related to uninsured patients who do not qualify for the sliding fee program in the period the services are provided. This provision for uncollectible accounts is presented on the statement of activities as a component of net patient service revenue.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

5. NET PATIENT SERVICE REVENUE, continued

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare – Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. The Organization’s Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2018. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid – Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicaid fiscal intermediary.

Medicaid, continued - Laws and regulations governing Medicare and Medicaid are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Organization has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Organization under these agreements includes prospectively determined rates and discounts from established charges.

Net patient service revenue by payer is approximately:

Medicare	20%
Medicaid	21%
Commercial	34%
Self-Pay	<u>25%</u>
	<u>100%</u>

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

6. RETIREMENT PLAN

The Organization has established a defined contribution retirement plan covering employees who work an average of 20 hours or more per week. After a 90 day probationary period, the Organization matches employee contributions up to 3% of an employee's salary. Retirement plan expense for the year ended September 30, 2019 is \$36,730.

7. ADVERTISING

The Organization incurred advertising costs of \$1,790 for the year ended September 30, 2019.

8. OPERATING LEASES

The Organization's clinic and administrative office located in Pierre, South Dakota is under a ten year operating lease expiring on December 31, 2028. The base monthly rent of \$9,485 does not include utilities. The clinic and administrative office in Sioux Falls is under a ten year operating lease expiring August 31, 2029. The base monthly rent is \$12,895, which does not include utilities. The lease provides for increasing base monthly rental payments throughout the term of the lease.

The Organization also leases office equipment at each of its locations. The lease for office equipment at the Sioux Falls location expires on September 1, 2022. The lease for office equipment at the Pierre location expires on March 31, 2024.

Future minimum lease payments are as follows:

2020	\$ 278,817
2021	278,817
2022	278,432
2023	274,204
2024	271,328
Thereafter	<u>1,324,603</u>
	<u>\$ 2,706,201</u>

Rent expense for the clinic facilities and office space was \$253,846 for the year ended September 30, 2019.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

9. MALPRACTICE INSURANCE

The Organization contracts with medical providers to serve its clinic locations. Contracted medical providers are required to obtain their own malpractice insurance to cover potential damages for personal injury, including death, resulting from the performance of medical, surgical, and related functions.

Based upon the Organization's claims experience, no accrual has been made for medical malpractice costs for the year ended September 30, 2019. However, because of the risk in providing health care services, it is possible that an event has occurred which will be the basis for a future material claim.

10. SUBSEQUENT EVENTS

Events occurring after September 30, 2019 were evaluated by management on February 12, 2020, the date which the financial statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included. There are no significant subsequent events needing disclosure.

SUPPLEMENTARY INFORMATION

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grantor or Pass-Through Entity Identifying Number</u>	<u>Disbursements/ Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Funding:			
Title V, Urban Health Services (Note 3)	93.U01	HHS-I-241-2018-00011C	\$ 1,018,414
Urban Indian Health Services HIV Testing Program	93.193	H721IHS0111-17-01	279,508
Special Diabetes Program for Indians_Diabetes Prevention and Treatment Programs Diabetes	93.237	H1D1IHS0175-21-00	351,392
Demonstration Projects for Indian Health Meth and Suicide Prevention Initiative	93.933	BH16IHS0090-04-00	\$ 94,760
Domestic Violence		BH15IHS0046-04-00	90,030
Behavioral Health		BH17IHS0005-04-00	<u>566,506</u>
Passed through the State of South Dakota: Organized Approaches to Increased Colorectal Cancer Screening	93.800	NU58DP006107	<u>20,531</u>
Total U.S. Department of Health and Human Services			<u>2,421,141</u>
Total Federal Funding			<u>\$ 2,421,141</u>

Note 1: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2019. 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 position, change in net assets, or cash flows of the Organization.

Note 2: Expenditures reported on the Schedule are reported on the accrual 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. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

See Independent Auditor's Report

*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

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 Dakota Urban Indian Health, Inc.
Pierre, South Dakota 57501

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 Dakota Urban Indian Health, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Dakota Urban Indian Health, 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 South Dakota Urban Indian Health, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of South Dakota Urban Indian Health, Inc.'s internal control.

Madison Office	205 North Egan Avenue	PO Box 505	Madison, SD 57042	605.256.9165
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Sioux Falls Office	507 West 10 th Street	PO Box 876	Sioux Falls, SD 57101	605.336.0372

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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 the 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 the South Dakota Urban Indian Health, Inc.'s financial statements are free of 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 South Dakota Urban Indian Health, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Urban Indian Health, Inc.'s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
February 12, 2020

*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

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 Dakota Urban Indian Health, Inc.
Pierre, South Dakota 57501

Report on Compliance for Each Major Federal Program

We have audited South Dakota Urban Indian Health, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on South Dakota Urban Indian Health, Inc.'s major federal programs for the year ended September 30, 2019. South Dakota Urban Indian Health, Inc.'s major federal program is 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.

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Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Dakota Urban Indian Health, 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 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 South Dakota Urban Indian Health, Inc.'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of South Dakota Urban Indian Health, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, South Dakota Urban Indian Health, Inc. complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of South Dakota Urban Indian Health, 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 Dakota Urban Indian Health, Inc.'s internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 South Dakota Urban Indian Health, 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 control 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 describe 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 purposes 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.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
February 12, 2020

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2019**

SECTION I – FINANCIAL STATEMENT AUDIT

There were no financial statement audit findings reported in the prior year.

SECTION II – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no federal award program audit findings reported in the prior year.

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019

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? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes X no

Identification of major programs:

CFDA Numbers

93.U01

Name of Federal Program or Cluster

Department of Health and Human Services
Title V, Urban Health Services

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

Auditee qualified as low-risk auditee? X yes _____ no

SOUTH DAKOTA URBAN INDIAN HEALTH, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
YEAR ENDED SEPTEMBER 30, 2019**

SECTION II. FINDINGS – FINANCIAL STATEMENT AUDIT

There are no financial statement findings to report.

SECTION III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There are no federal award program findings to report.