

COMMUNITY CONNECTIONS, INC.
AUDITED FINANCIAL STATEMENTS
For Year Ended June 30, 2008

DHHR - Finance

JUL 14 2010

Date Received

COMMUNITY CONNECTIONS, INC.
AUDITED FINANCIAL STATEMENTS
June 30, 2008

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May 6, 2009

Board of Directors
Community Connections, Inc
Bluefield, WV 24701

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities and each major fund of Community Connections, Inc. (CCI) as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise Community Connections Inc's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Community Connection, Inc's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Community Connections, Inc. as of June 30, 2008 and June 30, 2007, and the respective changes in financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

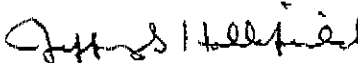
In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2009, on our consideration of Community Connections, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Community Connections, Inc. has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

DHHR - Finance

JUL 14 2010

Date Received


Jeffery S. Hollifield, CPA

COMMUNITY CONNECTIONS, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
For Year Ended June 30, 2008 and 2007

Assets	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ (6,676)	\$ (25,234)
Accounts receivable	8,540	32,885
Total Current Assets	<u>1,864</u>	<u>7,651</u>
NONCURRENT ASSETS		
Property and Equipment Agency	11,061	10,466
Property and Equipment Programs	26,023	24,222
Less Accumulated Depreciation	(10,551)	(10,466)
Allowance For Program Equipment	(24,582)	(24,222)
Total Noncurrent Assets	<u>1,951</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,815</u>	<u>\$ 7,651</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ -	\$ 2,811
Payroll Taxes & Related Liabilities	2,663	3,132
Line of Credit	5,879	23,800
TOTAL LIABILITIES	<u>\$ 8,542</u>	<u>\$ 29,743</u>
NET ASSETS		
Unrestricted	(4,727)	(22,092)
Total Net Assets	<u>(4,727)</u>	<u>(22,092)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>3,815</u>	<u>7,651</u>

The notes to financial statements are an integral part of this statement.

COMMUNITY CONNECTIONS, INC.
STATEMENT OF SUPPORT, REVENUE, AND EXPENSE
For Year Ended June 30, 2008 and 2007

	2008	2007
SUPPORT		
Mercer County Underage Drinking Enforcement Program	\$ 15,000	\$ 15,586
United Way of the Virginia's	20,000	21,504
HIV Grant	25,000	12,500
WVDHHR - African American Tobacco Prevention	30,000	4,596
Starting Points	45,000	49,942
Region J - WV Division of Tobacco Prevention	121,500	110,176
Governor's Safe and Drug-Free Communities Program	44,915	36,935
Planning and Coordination Grant	40,000	68,679
Behavioral Health Grant	189,700	86,905
Healthy Families/Healthy Children Initiative	21,000	23,741
Strategic Prevention Framework State Incentive Grant	89,331	23,096
Compassion Capital	50,000	50,588
PIP	-	11,250
Safe Havens	-	4,800
Total Support	<u>691,446</u>	<u>520,298</u>
REVENUE		
21st Century	-	4,200
America's Promise	1,000	1,000
Misc. Donations	8,680	5,033
Total Revenue	<u>9,680</u>	<u>10,233</u>
Total Support and Revenue	<u>701,126</u>	<u>530,531</u>
EXPENSES		
Program expenses	466,250	471,717
Program Mini-Grants	82,150	-
Pass through monies	45,000	-
Administrative expenses	90,361	93,271
Total Expenses	<u>683,761</u>	<u>564,988</u>
INCREASE (DECREASE) IN NET ASSETS	17,365	(34,457)
Net Assets at beginning of year	<u>(22,092)</u>	<u>12,365</u>
NET ASSETS AT END OF YEAR	<u>(4,727)</u>	<u>(22,092)</u>

The notes to financial statements are an integral part of this statement.

COMMUNITY CONNECTIONS, INC.
STATEMENT OF CASH FLOWS
For Year Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Increase (Decrease) in Net Assets	\$ 17,365	\$ (34,457)
Net (Increase) Decrease in Accounts Receivable	24,345	(2,063)
Net Increase (Decrease) in Accounts Payable	<u>(3,280)</u>	<u>(4,358)</u>
Net Cash Provided by Operating Activities	<u>38,430</u>	<u>(40,878)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Line of Credit	<u>(19,872)</u>	14,800
	(19,872)	14,800
 CASH FLOWS FROM INVESTING ACTIVITIES:		
	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	18,558	(26,078)
Cash and Cash Equivalents at Beginning of Year	<u>(25,234)</u>	<u>844</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>(6,676)</u></u>	<u><u>(25,234)</u></u>

The notes to financial statements are an integral part of this statement.

COMMUNITY CONNECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended June 30, 2008

	Behavioral Health Grant	United Way of the Virginia's	HIV Grant	Starting Points
Revenue:				
State Monies	117,000	20,000	25,000	39,057
Federal Monies	72,700	-	-	5,943
Total Revenue	189,700	20,000	25,000	45,000
Expenses:				
Salaries	74,000	10,000	2,642	-
Fringe Benefits	25,900	3,000	347	-
Mini - Grants	9,000	-	12,000	-
Pass through Monies	-	-	-	45,000
Contractual	4,200	-	880	-
Travel	24,000	-	4,262	-
Supply	3,000	7,000	1,181	-
Space	2,400	-	300	-
Equipment	-	-	-	-
Insurance	1,200	-	-	-
Other	46,000	-	3,388	-
Interest	-	-	-	-
Total Expenditures	189,700	20,000	25,000	45,000

The notes to financial statements are an integral part of this statement.

COMMUNITY CONNECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
For Year Ended June 30, 2008

	Region J - WV Division of Tobacco Prevention	Gov. Safe and Drug-Free Communities	Planning & Coordinating Grant	Mercer Co. Underage Drinking Enforcement
Revenue:				
State Monies	54,762	-	24,260	-
Federal Monies	66,738	44,915	15,740	15,000
Total Revenue	121,500	44,915	40,000	15,000
Expenses:				
Salaries	32,100	26,740	28,239	8,000
Fringe Benefits	5,096	3,908	4,843	-
Mini - Grants	55,750	-	-	-
Pass through Monies	-	-	-	-
Contractual	-	-	2,400	-
Travel	-	1,000	-	-
Supply	2,987	-	1,600	-
Space	-	-	1,200	-
Equipment	-	-	-	-
Insurance	-	-	-	-
Other	25,567	13,267	1,718	7,000
Interest	-	-	-	-
Total Expenditures	121,500	44,915	40,000	15,000

The notes to financial statements are an integral part of this statement.

COMMUNITY CONNECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
For Year Ended June 30, 2008

	Healthy Families / Healthy Children Initiatives	WVDHHR African American Tobacco Prevention	Compassion Capital	SIP-SIG
Revenue:				
State Monies	21,000	-	-	89,331
Federal Monies	-	30,000	50,000	-
Total Revenue	21,000	30,000	50,000	89,331
Expenses:				
Salaries	9,000	7,762	7,865	45,822
Fringe Benefits	2,700	1,649	2,000	6,117
Mini - Grants	-	-	-	5,400
Pass through Monies	-	-	-	-
Contractual	-	634	10,800	5,870
Travel	1,000	1,252	2,930	5,672
Supply	1,400	1,600	-	6,230
Space	-	500	1,800	-
Equipment	-	-	-	1,120
Insurance	-	-	-	-
Other	5,900	9,918	24,605	13,100
Interest	-	-	-	-
Total Expenditures	20,000	23,315	50,000	89,331

The notes to financial statements are an integral part of this statement.

COMMUNITY CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Community Connections, Inc. (CCI) is a nonprofit corporation that provides family resource and coordinating services for all residents of Mercer County, West Virginia, through advocacy and community coalition building.

Basis of Accounting and Financial Statement Presentation - The financial statements of Community Connections, Inc. are prepared in accordance with generally accepted accounting principles (GAAP); using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Source of Revenue - Community Connections, Inc. receives revenue in the form of grants from the Mercer County Underage Drinking Enforcement Program, the United Way of the Virginia's, WV DHHR - African American Tobacco Prevention, Starting Points Family Resource Center, Region J Tobacco Prevention, the Governor's Safe and Drug-Free Communities Program a Planning and Coordinating Grant, a Behavioral Health Grant, Healthy Families/Health Children Initiative, Strategic Prevention Framework State Incentive Grant, Compassion Capital grant, and other area organizations when approved. Community Connections, Inc. also receives monies in the form of donations from private donors for selected programs that they offer.

Support income reported in the financial statements includes revenues that have been received from organizations in the forms of grants, while Revenue income reported in the financial statements includes all other donations, funds, or monies earned during the normal course of business.

When both restricted and unrestricted resources are available for use, it is CCI's policy to use restricted resources first, and then the unrestricted resources as needed. See Note D for information describing restricted assets.

Cash Equivalents - The organization considers checking, cash on hand, and savings as cash on the statements of cash flows.

Cash - Cash is on deposit with one F.D.I.C insured institution. During the year CCI did not have any amounts over F.D.I.C. coverage. The cash and cash equivalents consist of the following for purpose of the cash flow statement.

All of the carrying values are the same as market value.

	Type	06/30/08 Amount	06/30/08 Interest Rate
Cash on Hand	N/A	50.00	N/A
Demand Deposit Account	Checking	4,026.60	N/A
FCB Savings Account	Savings	5,879.16	2.50%
Total Cash & Cash Equivalents		9,955.76	

COMMUNITY CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of the assets. The organization does not have a formal written capitalization policy. (See Mgmt Comment 08-06) However they generally capitalize any purchase over \$500. The organization does not own any buildings, vehicles, or lands; assets consist of office furniture and computers.

Restricted Property and Equipment - Some items listed on Communities Connections, Inc. depreciation schedule have grantor restrictions. Items such as computers are purchased under the grant agreements for use by the grantee. These assets may be repossessed if the grants were ever revoked. As of June 30, 2008 Community Connection, Inc. has not had any problems in regard to this issue.

Major classifications of capital assets of Community Connections, Inc. along with their respective useful lives at June 30, 2008 are summarized below:

Classification	Useful Lives
Computers	5 years
Office furniture	7 years

Use of Estimates - The organization, as do all entities, relies on management's estimates in the preparation of their financial statements. Actual results could differ from those estimates

Income Taxes - Community Connections, Inc. has been granted an exemption from income taxes under Section 501-c-3 of the Internal Revenue Code and is not considered a private foundation.

NOTE B - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance at July 1, 2007	Additions	Retirements & Reclassifications	Balance at June 30, 2008
Property & Equip. Agency	10,466	595	-	11,061
Property & Equip. Program	24,222	1,801	-	26,023
Total capital assets	\$ 34,688	\$ 2,396	\$ -	\$ 37,084
Less accumulated depreciation:				
Property & Equip. Agency	10,456	85	-	10,541
Property & Equip. Program	24,222	360	-	24,582
Total accumulated depreciation	34,678	445	-	35,123

COMMUNITY CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Year Ended June 30, 2008

NOTE B - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended June 30, 2007, was as follows:

	Balance at July 1, 2006	Additions	Retirements & Reclassifications	Balance at June 30, 2007
Property & Equip Agency	10,466	-	-	10,466
Property & Equip. Program	24,222	-	-	24,222
Total capital assets	<u>\$ 34,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,688</u>
Less accumulated depreciation:				
Property & Equip Agency	10,456	-	-	10,456
Property & Equip Program	24,222	-	-	24,222
Total accumulated depreciation	<u>34,678</u>	<u>-</u>	<u>-</u>	<u>34,678</u>

NOTE C - LINE OF CREDIT

Line of Credit payable to First Community Bank, issued July 28, 2006, to provide operating funds to the agency when funding sources were slow to make reimbursements in the amount of \$35,100. Interest payments are due on a monthly basis at an annual interest rate of 9.25%. Principal payments are due within twelve months of their original advance. Line of Credit is affective until July 29, 2007.

Balance 6-30-07	Principal Payments	Annual Interest	Balance 6-30-08
\$ 14,800	\$ 14,800	\$ -	\$ -

There are no set principal maturity dates on a line of credit, payments vary as funds are needed.

Line of Credit payable to First Community Bank, issued July 30, 2007, to provide operating funds to the agency when funding sources were slow to make reimbursements in the amount of \$20,000. Interest payments are due on a monthly basis at an annual interest rate of 6.00%. Principal payments are due within twelve months of their original advance. Line of Credit is affective until July 29, 2008.

Balance 7-30-07	Principal Payments	Annual Interest	Balance 6-30-08
\$ 20,000	\$ 14,121	\$ 1,019	\$ 5,879

There are no set principal maturity dates on a line of credit, payments vary as funds are needed.

COMMUNITY CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Year Ended June 30, 2008

NOTE D - RESTRICTED ASSETS

Support Funds - As noted in the Grant Agreements, for the grants listed in Note A, all monies are to be used for the Operating Activities of the Grant in question. All grant expenses are required to be tracked in order to show areas of support aided. Community Connections, Inc. are currently in compliance with all grants tested.

Revenue Funds - Currently the only Revenue Funds that have restrictions are donations that are given for a specific reason, such as Kiddie Fair and Energy Express. These amount generally are fully expended. Donations that are not expended are retained for the following year.

NOTE E - DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, CCI's deposits may not be returned to it. CCI limits its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law. The non-pooled deposits are categorized to give an indication of the level of risk assumed by Community Connections, Inc. at fiscal year end.

CCI has no policy for interest rate risk.

6/30/2008		Book Balance	Bank Balance
Deposit Type			
Insured		(6,676)	8,869

6/30/2007		Book Balance	Bank Balance
Deposit Type			
Insured		(25,234)	10,991

NOTE F - RISK MANAGEMENT

Community Connections, Inc. is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets, errors and omissions; and natural disasters for which the CCI carries general liability insurance for these various risks. Amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE G - RELATED PARTY TRANSACTIONS

Currently Community Connections, Inc. receives a grant, Starting Points Family Resource Center Grant, which is then transferred to CASE of WV in the form of pass-through monies. This grant, in the amount of \$45,000, is monitored by CCI in compliance with the Starting Point Grant Agreement. Community Connections, Inc. rents its current office space from CASE of WV, however there is no rental agreement or lease. Currently there are no issues in regards to this relationship.

COMMUNITY CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Year Ended June 30, 2008

NOTE H - EQUITY CLASSIFICATIONS

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets -- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets -- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTE I - BUSINESS AND CREDIT CONCENTRATION

The organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Pursuant to Section 31A-4-31 of the West Virginia Code, the bank is required to pledge as collateral depository bonds sufficient to secure the excess deposits.

The categories listed below describe how Community Connections, Inc.'s deposits are protected

Category 1 - insured by FDIC

Category 2 - insured by FDIC up to the prevailing limit and by securities held by the pledging financial institution's trust department in CCI's name.

Category 3 - unsecured

	1	<u>Category</u> 2	3	Totals
Checking	\$ 4,026			\$ 4,026
Savings	\$ 4,843			\$ 4,843
Other cash and cash items			50	\$ 50
	<u>\$ 8,869</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 8,919</u>

COMMUNITY CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2008

NOTE I - BUSINESS AND CREDIT CONCENTRATION (CONTINUED)

Community Connections, Inc. relies mainly on Governmental Grants, such as the West Virginia Department of Health and Human Resources and the United Way, for their income. For the year ended June 30, 2008, these sources accounted for 666,466 (95%) of total support and revenue. Currently Community Connections, Inc. only receives one grant that is not from a governmental source, the HIV Grant in the amount of 25,000 (3.6%) of the total support and revenue. No services are rendered, thus no service fees are collected. Community Connections, Inc. generally receives less than 2% of total support and revenue from private donations.

NOTE J - COMMISSIONERS

Commissioners of Community Connections, Inc. are nominated by individual board members, if the nomination is accepted their name is placed on the ballot where the entire board can vote. Officers are selected based on a majority vote. The Commissioners of Community Connections, Inc. at June 30, 2008 were:

Joanne Boileau	President
Lisa Horton Mitchell	Vice President
Spring Turner	Secretary
Oraetta Hubbard	Treasurer

NOTE K - COMPARATIVE STATEMENTS

Certain items on the 2007 statements have been reclassified to make those statements comparable to the 2008 statements.

NOTE L - RENT EXPENSE

Community Connections, Inc. currently rent office space from CASE of WV. There is no contract of lease agreement in regards to this rent.

Jeffery S. Hollifield, CPA

CERTIFIED PUBLIC ACCOUNTANT

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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

May 6, 2009

Board of Directors
Community Connections, Inc.
Bluefield, WV 24701

We have audited the financial statements of the business-type activities and each major fund of Community Connections, Inc. (CCI) as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise Community Connections, Inc.'s basic financial statements and have issued our report thereon dated May 6, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Connections, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Connections, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Community Connections, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be

prevented or detected by the Community Connection, Inc's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. See Schedule of Findings and Responses 08-01, 08-02, 08-03, 08-04, 08-05, and 08-06.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Community Connections, Inc's internal control.

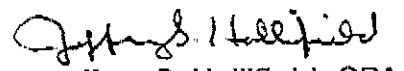
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Connections, 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*.

Community Connections, Inc's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Community Connections, Inc's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors of Community Connections, Inc., First Community Bank, others within the entity, and federal/state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Jeffery S. Hollifield, CPA

COMMUNITY CONNECTIONS, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2008

08-01

SEGREGATION OF DUTIES

Condition: Responsibility for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction is not assigned to separate individuals.

Criteria: An internal control system that has appropriate segregation of duties. The organization has implemented controls with the available staff.

Cause: The organization has limited staff to segregate duties properly.

Effect: Because of the failure to segregate duties, internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: Responsibilities of approval, execution, recording and custody should be distributed among the office staff to the best degree possible. However, we recognize that complete segregation of duties is not economically feasible for the organization.

Response of Officials: Community Connections Inc. will segregate duties as much as possible with the limited staff available.

COMMUNITY CONNECTIONS, INC.
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2008

08-02

INTERNET PAYMENT PROCESS

Condition:

Upon review of Community Connections accounts payable function it has been discovered that internet payments are not being approved by 2 authorized individuals.

Criteria:

An internal control system where all accounts payable, whether by check or internet payment, is approved by the Executive Director and at least one Board member with check signing authority per By-Laws.

Cause:

No policy in regard to this need.

Effect:

All invoices are currently processed by Pat Valeyko, Assistant Director. Upon receiving an invoice Pat reviews the bill for accuracy, records the amounts in her computer accounting software, and then issues a check for approval. Since Community Connections, Inc. has recently updated to computer electronic bill pay Mrs. Valeyko no longer issues checks to be approved (because payments are electronic and do not require a check number). Since no check is being issued Mrs. Valeyko has been authorizing the payments as they are processed. This is in direct violation of the Community Connection By-Laws which states that all invoices being paid need to be approved by at least two individuals. This could result in potential fraud and because of this internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation:

All invoices need to be approved by two signatures. Those bills that are now electronically filled should be sent through the system just like before and only after the amount is approved should they be sent back to Mrs. Valeyko for processing.

Response of Officials:

Pat Valeyko and Greg Puckett stated that they will process all electronic statements before they are paid electronically.

COMMUNITY CONNECTIONS, INC.
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2008

08-03

CREDIT CARD / OFFICE SECURITY

Condition:

Credit Cards are left in unlocked desk drawers, safe combination is easily accessible, and key management offices are easily accessed by other employees.

Criteria:

An internal control system where key management offices have little or no access by lower level employees, credit cards are kept in the safe along with check books and other important documents, and the safe combination will only be accessible to key management (i.e. Executive Director and Assistant Director).

Cause:

No formal policy in regards to this need.

Effect:

Poor Security could lead to a situation where potential fraud and theft could occur and because of this internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation:

Policy needs to be implemented where office doors are locked when employee are not present and where only the employee and the directors have access to the office. Also all credit cards, checkbooks, important documents, etc. need to be kept in the safe when not in use. The safe needs to be locked and the only individuals that should have access are the Executive Director, Assistant Director, and one Board Member. (combination should not be accessible to anyone else.

Response of Officials:

Greg Puckett and Pat Valeyko stated that they would implement a new policy per our recommendations.

COMMUNITY CONNECTIONS, INC.
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2008

08-04

BOARD MINUTES WERE LOST.

Condition:

Minutes from the Board of Directors meetings were lost for April 2008 and June 2008 due to computer failure and no back up was located.

Criteria:

A record keeping system that has at least one computer file and at least one paper file for purposes of back up.

Cause:

Community Connections currently has an informal policy in place where minutes are backed up with a paper copy, however this policy has been very relaxed in its following. In June of 2008 Community Connections experienced computer problems that resulted in a total loss of information on one of their operating computers. All information was lost; luckily most information was backed up, except for the minutes.

Effect:

As a result of the computer failure minutes were lost for April 2008 and June 2008 with no backup. Minutes are used to verify important accounting decision made throughout the year. As a result accounting decision made for those months in question had to be uncovered through extended research.

Recommendation:

Old policy should be enforced. Board of Director Secretary should take minutes at every board meeting and should promptly transfer those minutes into a typed copy for the Board of Directors to approve at their next meeting.

Response of Officials:

Greg Puckett and Pat Valeyko stated that they would enforce the old policy.

COMMUNITY CONNECTIONS, INC.
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2008

08-05

OUTSTANDING CHECKS

Condition:

Outstanding checks are left on the Bank Reconciliation for periods of time that far exceed requirements.

Criteria:

Bank Reconciliations should be updated periodically and checks that have been outstanding for significant periods of time should be removed in order to keep the accounting records current and accurate.

Cause:

There currently is no policy in regard to when checks should be removed from Bank Reconciliation and consequently the General Ledger.

Effect:

Checks that remain on the books for long periods of time will result in over/understated revenues and expenses, which will affect the accuracy of Community Connections financial statements.

Recommendation:

Per First Community Bank, Community Connections, Inc's bank, checks are not cashable after they have been outstanding for six months or longer. Thus a policy should be implemented that checks that have been outstanding longer than 6 months should be removed from the Bank Reconciliation and an adjustment should be made to the General Ledger to reflect the removed check.

Response of Officials:

Greg Puckett and Pat Valeyko stated that they would implement a new policy and start making the adjustments as soon as they confirmed the 6 month policy with First Community Bank.

COMMUNITY CONNECTIONS, INC.
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2008

08-06

NO CAPITALIZATION POLICY

Condition:

No written policy stating monetary limits in which purchased goods should be capitalized.

Criteria:

A Capitalization Policy would enable Community Connections, Inc and its accounting staff to have a written standard to record purchased goods.

Cause:

No Capitalization Policy found in regard to purchased and recorded assets.

Effect:

Without the implementation of a Capitalization Policy goods can be expensed / depreciated at will, this is deemed improper accounting. Community Connections, Inc. has an informal policy of capitalizing any purchase over 500 dollars, however CCI has not purchased any goods in recent years so current accounts became fully depreciated, when new items were purchased they were not aware of the old policy.

Recommendation:

Capitalization Policy needs to be implemented. All purchases need to be added to schedule and accounts need to be maintained according to policy.

Response of Officials:

Greg Puckett and Pat Valeyko stated that they would discuss this issue with the board and have a policy in place for the upcoming year.