

**HUMAN RESOURCE DEVELOPMENT
AND EMPLOYMENT, INC.
(A Nonprofit Organization)
AND CONSOLIDATING AFFILIATES**

FINANCIAL STATEMENTS

June 30, 2009

DHHR - Finance

JUL 15 2011

Date Received

CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1-2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6-13
SUPPLEMENTARY INFORMATION	
Schedule of Activities Detail	15
Human Resource Development and Employment, Inc.	
D&J Development, Inc.	16
Human Resource Development Foundation, Inc.	17
Schedule of Expenditures of Federal Awards	
Human Resource Development and Employment, Inc.	18
Human Resource Development Foundation, Inc.	19
Note to Schedule of Expenditures of Federal Awards	20
Schedule of State Awards - Human Resource Development Foundation, Inc.	21
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 <i>GOVERNMENT AUDITING STANDARDS</i>	22-23
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	24-25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	26-27
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	28

DHHR - Finance

JUL 11 2011

Date Received



Blair & Company, A.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

179 Summers St , Suite 721
Post Office Box 1991
Charleston, West Virginia 25327
(304) 343-4603
Fax (304) 720-6250

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Human Resource Development and Employment, Inc.
and Consolidating Affiliates
Morgantown, West Virginia

We have audited the accompanying consolidated statement of financial position of Human Resource Development and Employment, Inc. (HRDE) and its consolidating affiliates D&J Development, Inc. (D&J) and Human Resource Development Foundation, Inc. (HRDF) (collectively the "Organizations" or "HRDE and Consolidating Affiliates") as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of the Organizations. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HRDE and Consolidating Affiliates as of June 30, 2009, and the changes in net assets and cash flows for the year 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 March 29, 2010, on our consideration of the Organizations' internal control over financial reporting and our tests of 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 should be read in conjunction with this report in considering the results of our audit.

Blair & Company, A C.

To the Board of Directors
Human Resource Development and Employment, Inc.
and Consolidating Affiliates

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on Pages 15 to 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements of HRDE and Consolidating Affiliates. The accompanying schedules of expenditures of federal awards on Pages 18 to 20 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of state awards on Page 21 is presented for purposes of additional analysis as required by West Virginia Department of Health and Human Resources, Bureau for Children and Families. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Blair & Company, A.C.

Charleston, West Virginia
March 29, 2010

DHHR - Finance

JUL 11 2011

Date Received

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2009**

	HRDE	D&J	HRDF
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 883,845	\$ 3,828	\$ 819,044
Grants and accounts receivable	31,109	-	102,541
Other current assets	13,640	12,251	7,597
Total Current Assets	928,594	16,079	929,182
FIXED ASSETS, at cost			
Property and equipment (Note 8)	2,035,102	-	-
Less allowance for depreciation	1,016,636	-	-
	1,018,466	-	-
OTHER ASSETS			
Restricted cash accounts (Note 5)	42,635	-	-
Accounts receivable, related party	1,143,140	86,508	-
Investments and mortgage notes receivable (Note 9)	612,145	500,000	-
Deferred financing costs, net of \$1,339 amortization	19,569	-	-
	1,817,489	586,508	-
	\$ 3,764,549	\$ 602,587	\$ 929,182
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current maturities of long-term debt	\$ 99,638	\$ -	\$ -
Accounts payable and accrued liabilities	158,834	4,983	174,818
Accrued payroll, benefits and withholdings	251,234	-	127,887
Payable to grantor agencies	-	-	104,536
Other current liabilities	11,735	-	-
Total Current Liabilities	521,441	4,983	407,241
LONG-TERM DEBT, less current maturities (Note 12)	1,709,235	-	-
OTHER LIABILITIES			
Deferred revenues	646,337	-	286,603
Deferred income tax payable	-	136,740	-
	646,337	136,740	286,603
NET ASSETS			
Unrestricted net assets (Note 3)	887,536	460,864	(28,061)
Temporarily restricted net assets (Note 6)	-	-	263,399
	887,536	460,864	235,338
	\$ 3,764,549	\$ 602,587	\$ 929,182

The accompanying Notes to Financial Statements are an integral part of these statements.

<u>Consolidation Eliminations</u>	<u>Total</u>
\$ -	\$ 1,706,717
-	133,650
-	33,488
-	<u>1,873,855</u>
-	2,035,102
-	<u>1,016,636</u>
-	<u>1,018,466</u>
-	42,635
(211,253)	1,018,395
-	1,112,145
-	19,569
(211,253)	<u>2,192,744</u>
<u>\$ (211,253)</u>	<u>\$ 5,085,065</u>
\$ -	\$ 99,638
(203,809)	134,826
(7,444)	371,677
-	104,536
-	11,735
(211,253)	<u>722,412</u>
-	1,709,235
-	932,940
-	136,740
-	<u>1,069,680</u>
-	1,320,339
-	<u>263,399</u>
-	<u>1,583,738</u>
<u>\$ (211,253)</u>	<u>\$ 5,085,065</u>

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
Year Ended June 30, 2009**

	HRDE	D&J	HRDF
CHANGES IN UNRESTRICTED NET ASSETS			
Revenues			
Grant income	\$ 313,627	\$ -	\$ 2,752,168
Tuitions	269,512	-	-
Administrative fees	407,706	-	-
Rental income	181,977	-	-
Development income	387,048	-	-
Investment income	5,255	13,000	285
Other income	88,878	-	1,000
	<u>1,654,003</u>	<u>13,000</u>	<u>2,753,453</u>
Expenses			
Program services:			
Housing management	552,741	-	-
Rental activities	62,200	-	-
Direct training	694,252	-	2,543,783
Total program services	1,309,193	-	2,543,783
Administrative and supporting services	171,995	5,522	236,975
	<u>1,481,188</u>	<u>5,522</u>	<u>2,780,758</u>
Excess (deficiency) of revenues over expenses	\$ 172,815	\$ 7,478	\$ (27,305)
Other changes in unrestricted net assets			
Loss on asset dispositions	(737,545)	-	-
Loss on investment writedown	(346,920)	(642,860)	-
Reduction in deferred income taxes	-	48,105	-
	<u>(911,650)</u>	<u>(587,277)</u>	<u>(27,305)</u>
(DECREASE) IN UNRESTRICTED NET ASSETS	\$ (911,650)	\$ (587,277)	\$ (27,305)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS			
Grants and contributions	-	-	2,015,415
Net assets released from restrictions (Note 6)	-	-	(1,752,016)
	<u>-</u>	<u>-</u>	<u>263,399</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	\$ -	\$ -	\$ 263,399
(DECREASE) INCREASE IN NET ASSETS	\$ (911,650)	\$ (587,277)	\$ 236,094
NET ASSETS, BEGINNING OF YEAR (Note 3)	1,799,186	1,056,656	(756)
Dividend paid to parent HRDE	-	(8,515)	-
	<u>-</u>	<u>(8,515)</u>	<u>-</u>
NET ASSETS, END OF YEAR	\$ 887,536	\$ 460,864	\$ 235,338

The accompanying Notes to Financial Statements are an integral part of these statements.

<u>Consolidation Eliminations</u>	<u>Total</u>
\$ -	\$ 3,065,795
-	269,512
-	407,706
(32,110)	149,867
-	387,048
-	18,540
<u>(8,515)</u>	<u>81,363</u>
<u>(40,625)</u>	<u>4,379,831</u>
-	552,741
-	62,200
<u>(23,285)</u>	<u>3,214,750</u>
(23,285)	3,829,691
<u>(8,825)</u>	<u>405,667</u>
<u>(32,110)</u>	<u>4,235,358</u>
\$ (8,515)	\$ 144,473
-	(737,545)
-	(989,780)
<u>-</u>	<u>48,105</u>
\$ (8,515)	\$ (1,534,747)
-	2,015,415
<u>-</u>	<u>(1,752,016)</u>
\$ -	\$ 263,399
\$ (8,515)	\$ (1,271,348)
(1,056,656)	1,798,430
<u>8,515</u>	<u>-</u>
\$ (1,056,656)	\$ 527,082

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2009**

	<u>HRDE</u>	<u>D&J</u>	<u>HRDF</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
(Decrease) increase in net assets	\$ (911,650)	\$ (587,277)	\$ 236,094	\$ (1,262,833)
Adjustments necessary to reconcile (decrease) increase in net assets to net cash provided (used) by operating activities:				
Depreciation	61,754	-	-	61,754
Amortization	1,339	-	-	1,339
Bad debt expenses	4,162	-	-	4,162
Unrealized loss on investment writedown	346,920	589,036	-	935,956
Loss recorded on asset disposals/ abandonment	406,910	-	-	406,910
(Increase) decrease in operating assets:				
Accounts receivable	70,604	-	75,638	146,242
Accounts receivable, related party	495,278	(5,765)	-	489,513
Other assets	(13,992)	(9,950)	(7,597)	(31,539)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	(88,608)	(3,723)	146,317	53,986
Accounts receivable, related party	-	4,718	(64,261)	(59,543)
Deferred revenues	641,760	-	245,221	886,981
Other liabilities	(862)	-	-	(862)
Net cash provided by (used in) operating activities	<u>1,013,615</u>	<u>(12,961)</u>	<u>631,412</u>	<u>1,632,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in long-term real estate investments	(27,390)	-	-	(27,390)
Purchases of assets	(14,657)	-	-	(14,657)
Proceeds from sale of assets	81,000	-	-	81,000
Mortgage notes taken on sale of assets, net of maturities	(70,662)	-	-	(70,662)
Net cash (used in) investing activities	<u>(31,709)</u>	<u>-</u>	<u>-</u>	<u>(31,709)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal payments on debt	(1,863,302)	-	-	(1,863,302)
Proceeds from long-term debt	1,537,000	-	-	1,537,000
Dividends paid	-	(8,515)	-	(8,515)
Net cash (used in) provided by financing activities	<u>(326,302)</u>	<u>(8,515)</u>	<u>-</u>	<u>(334,817)</u>
Net increase (decrease) in cash and cash equivalents	\$ 655,604	\$ (21,476)	\$ 631,412	\$ 1,265,540
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>228,241</u>	<u>25,304</u>	<u>187,632</u>	<u>441,177</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 883,845</u>	<u>\$ 3,828</u>	<u>\$ 819,044</u>	<u>\$ 1,706,717</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 NATURE OF ACTIVITIES AND CONSOLIDATION POLICY

Consolidation policy – The consolidated financial statements include the accounts of the Human Resource Development and Employment, Inc., its wholly-owned for-profit subsidiary, D & J Development, Inc., and its sister corporation Human Resource Development Foundation, Inc. (the “Consolidating Affiliates,” or “Organizations”) All material inter-organization accounts and transactions have been eliminated in consolidation.

Human Resource Development and Employment, Inc. (HRDE) is a nonprofit corporation organized in 1976 under the laws of the State of West Virginia for the purposes of providing low income housing to elderly and disabled persons. The Organization owns real property and manages eighteen housing projects in West Virginia with approximately 835 housing units owned by affiliated non-profit organizations and a limited partnership. In addition, the company conducts occupational training programs in multiple locations in West Virginia funded by grants, tuition and corporate buy-ins.

D & J Development, Inc. (D&J) is a for-profit corporation formed in 1977 for the purpose of acquiring and operating a residential complex. The Organization has also provided landscaping services and floor covering to the affiliated housing projects managed by HRDE. In 2004, D&J sold all of its real estate in an installment sale, and in 2008 discontinued its landscaping and floor covering businesses.

Human Resource Development Foundation, Inc. (HRDF) is a nonprofit corporation organized in 1968 under the laws of the State of West Virginia for the purpose of providing economically disadvantaged West Virginians opportunities for self-sufficiency and improved living conditions through employment and training programs to the unemployed, underprivileged, and others in need of vocational, community, or cultural training. The Organization provides these services by fulfilling the specific requirements of direct federal grants or federally-funded grants obtained through contracts with the State of West Virginia or other funding organizations.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is presented to assist in understanding the Organizations' consolidated financial statements. The financial statements and notes are representations of the management of the Consolidating Affiliates who are responsible for the integrity and objectivity of the financial statements. The accounting policies conform to the basis of accounting described below and have been consistently applied in the preparation of the financial statements.

Basis of accounting - The consolidating Organizations' accounts are maintained on the accrual basis of accounting. Under this basis of accounting revenues are recognized when earned and expenses when incurred.

Grant Revenue - Revenue is recognized to the extent of qualifying expenses. Grant funding received in advance with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase in unrestricted net assets. Amounts designated for future periods are reported as temporarily restricted support and increase in temporarily restricted net assets.

Use of estimates – The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents – The Organization considers all highly liquid debt instruments available for current use and purchased with an initial maturity date of three months or less to be cash equivalents.

Investments – Investments are shown at market value and ordinary changes in market value are reported as investment income.

Property and equipment – Property and equipment are stated at cost, less accumulated depreciation. Depreciation is recognized primarily by the straight-line method over the estimated useful life of the asset, which ranges from 3-10 years for items of personal property and 10-40 years for real property. Expenditures for major additions and improvements are capitalized, and minor improvements, repairs and maintenance are charged to expense as incurred. Depreciation for the year ended June 30, 2009 was \$61,754.

Income taxes - Human Resource Development and Employment, Inc and Human Resource Development Foundation, Inc. are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Form 990, Return of Organization Exempt from Income Tax, is filed separately for each exempt entity annually. D&J Development, Inc. is a taxable entity subject to federal, state and local taxes.

Advertising – Advertising costs are expensed as incurred. Advertising expense for the Organizations for the year ended June 30, 2009 totaled \$19,007.

Intangible assets – Human Resource Development and Employment, Inc. refinanced its long term debt during year and has capitalized the related financing costs. Amortization expense is being recorded over 15 years using the straight-line method and totaled \$1,339 for the year ended June 30, 2009.

NOTE 3 RESTATEMENT OF BEGINNING UNRESTRICTED NET ASSETS

The Consolidating Affiliates have restated their beginning unrestricted net assets to correct errors in their previously issued financial statements as follows:

	<u>Effect of Restatement on:</u>	
	<u>Unrestricted Net Assets June 30, 2008</u>	<u>Prior Year Incr (Decr) in Net Assets</u>
<u>Human Resource Development and Employment, Inc.</u>		
Reduction to amounts due related parties	\$ 30,358	\$ -
Increase in accrual for unpaid earned vacation	<u>(10,579)</u>	<u>(10,579)</u>
	<u>19,779</u>	<u>(10,579)</u>
<u>Human Resource Development Foundation, Inc.</u>		
Increase in accrual for unpaid earned vacation	<u>(24,203)</u>	<u>(24,203)</u>
Total effect of restatement to correct prior periods	<u>\$ (4,424)</u>	<u>\$ (34,782)</u>

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

NOTE 4 CONCENTRATION OF CREDIT RISK

The organization maintains its cash balances primarily at one financial institution in Morgantown, West Virginia. Accounts at the institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 through October 3, 2008, at which time the insured limit was raised to \$250,000 plus unlimited coverage on amounts held in non-interest bearing accounts through June 30, 2010. At June 30, 2009, the Organizations' total uninsured portion of its cash balances was \$509,623. Management of the Organizations state that it has not experienced any loss in such accounts and believes it is not exposed to any significant risk on its cash balances.

NOTE 5 RESTRICTED CASH

Agreements with the U.S. Department of Agriculture Rural Housing Service require that funds collected as tenants' security deposits and monies set aside as a reserve for replacements for the Beth Place Apartments housing complex be maintained in separate insured bank accounts.

Tenant Security Deposits - Tenants are required to place on deposit with HRDE one month's rent and other amounts necessary to secure the tenants obligations to HRDE. Tenant security deposits totaled \$3,898 at June 30, 2009.

Reserve for Replacements - HRDE makes periodic escrow deposits to a reserve for replacement of Beth Place Apartment assets and other maintenance expenditures. The withdrawal of funds from this account is restricted to these purposes. Restricted funds totaled \$38,737 at June 30, 2009.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Human Resource Development Foundation, Inc. receives grant funds through contracts requiring performance of the specified requirements of each contract. Net assets of the Organization were released from restrictions by expending the funds according to their restricted purpose:

	<u>Balance 6/30/2008</u>	<u>Current Additions</u>	<u>Restriction Released</u>	<u>Balance 6/30/2009</u>
Independent Living	\$ -	\$ 302,892	\$ 295,768	\$ 7,124
Youth Connections	-	910,271	710,271	200,000
Youth@Work	-	204,912	177,962	26,950
Youth Empowerment	-	240,619	219,526	21,093
Youth Ready	-	175,801	167,569	8,232
On the Job Training	-	180,920	180,920	-
	<u>\$ -</u>	<u>\$ 2,015,415</u>	<u>\$ 1,752,016</u>	<u>\$ 263,399</u>

NOTE 7 CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Consolidating Affiliates operate in heavily regulated environments. Substantially all operations are subject to the administrative directives, rules and regulations of multiple federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by federal or state grant making and regulatory agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. If funding of the activities is not continued there is a significant possibility that those activities would not be continued.

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 is comprised of the following:

	<u>HRDE</u>	<u>D&J</u>	<u>HRDE</u>	<u>Total</u>
Building and improvements	\$ 1,148,363	\$ -	\$ -	\$ 1,148,363
Equipment	408,806	-	-	408,806
Leasehold improvements	10,861	-	-	10,861
Land and improvements	<u>467,072</u>	<u>-</u>	<u>-</u>	<u>467,072</u>
	2,035,102	-	-	2,035,102
Less accumulated depreciation	<u>1,016,636</u>	<u>-</u>	<u>-</u>	<u>1,016,636</u>
	<u>\$ 1,018,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,466</u>

NOTE 9 INVESTMENTS

Investments, consisting of mortgage notes receivable, surplus land and land held for development, are recorded at fair value. Market risk could occur and is dependent on the future changes in market prices of the fixed income instruments and real property held. An analysis of the investments at June 30, 2009 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
<u>Human Resource Development and Employment, Inc.</u>		
Zero interest, mortgage note receivable dated May 28, 2009 in the original amount of \$27,000; due in monthly installments of \$2,250 through June 2010; secured by real property in Hinton, West Virginia.	\$ 24,750	\$ 24,750
6.0%, mortgage note receivable dated April 1, 2008 in the original amount of \$51,000; due in monthly installments of principal and interest of \$745 through April 2015; secured by real property located in Beckley, West Virginia.	45,575	45,575
Undeveloped surplus land, Wood County, West Virginia	41,820	41,820
Residential development, Kanawha County, West Virginia	846,920	
Less: Current year writedown to appraised value	(204,920)	
Current year allowance for fair value reduction	<u>(142,000)</u>	
	<u>500,000</u>	<u>500,000</u>
		<u>612,145</u>
<u>D&J Development, Inc.</u>		
Bank prime rate, mortgage note receivable dated December 23, 2003, in the original amount of \$1,200,000; due in monthly installments of principal and interest of \$6,442 through October, 2009, with the then remaining principal balance amortized over twenty-five years in monthly installments annually adjusted for changes in the prime interest rate through November 2034; secured by real property located in Weirton, West Virginia.	1,142,860	
Less: Current year provision for loan loss	<u>(642,860)</u>	
	<u>500,000</u>	<u>500,000</u>
Total investments		<u>\$ 1,112,145</u>

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

NOTE 10 FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board ("FASB") has codified Financial Accounting Standards No. 820-10 et seq., *Fair Value Measurements and Disclosures*, defining fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Consolidating Affiliates utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect the Organizations' estimate about market data. The Organizations classifies its financial assets measured and disclosed at fair value in accordance with the three-level hierarchy established under FAS Code 820-10. This hierarchy ranks the quality and reliability of the information used to determine fair values.

Level 1 - Quoted prices in active markets for identical securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs (including the Organizations' own assumptions in determining the fair value of investments). Financial assets classified as Level 2 include developed and undeveloped land, notes and loans receivables.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities

The following table presents the fair value hierarchy of the Organization's financial assets and liabilities as of June 30, 2009 (all of the Organizations' investments are Level 3):

	<u>Fair Value</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mortgage notes receivables	\$ 570,325	\$ 570,325
Developed and undeveloped land	<u>541,820</u>	<u>541,820</u>
	<u>\$ 1,112,145</u>	<u>\$ 1,112,145</u>

NOTE 11 PENSION PLANS

The Organizations participate in a defined contribution pension plan which covers all full-time employees after they have completed a probationary period of 90 days. Contributions are 4% of compensation for the first year, increasing by 2% for each additional year to a maximum of 10%. All contributions are fully vested when made. Pension expense for the year ended June 30, 2009 was \$127,883.

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 12 LONG-TERM DEBT

The Organizations' long-term debt consists of the following at June 30, 2009:

Bank prime rate plus 025, promissory note payable to bank; due in monthly installments of principal and interest of \$13,000 through September 2013 with the remaining principal balance due at that time; secured by real property located in Morgantown, West Virginia and Kanawha County, West Virginia.	\$ 1,464,833				
7.25%, promissory note payable to U.S. Department of Agriculture Rural Housing Service; due in monthly installments of principal and interest of \$2,259 through February 2045 with the remaining principal balance due at that time; secured by real property located in Hampshire County, West Virginia.	<table style="margin-left: auto; margin-right: 0;"> <tr><td style="text-align: right;">344,040</td></tr> <tr><td style="text-align: right;">1,808,873</td></tr> <tr><td style="text-align: right;">(99,638)</td></tr> <tr><td style="text-align: right; border-top: 1px solid black;">\$ 1,709,235</td></tr> </table>	344,040	1,808,873	(99,638)	\$ 1,709,235
344,040					
1,808,873					
(99,638)					
\$ 1,709,235					
Less: Current maturities of long-term debt	<table style="margin-left: auto; margin-right: 0;"> <tr><td style="text-align: right; border-top: 1px solid black;">\$ 1,709,235</td></tr> </table>	\$ 1,709,235			
\$ 1,709,235					

Following are maturities of long-term debt:

Year ended <u>June 30,</u>	
2010	\$ 99,638
2011	112,280
2012	116,368
2013	120,610
2014	1,028,903
Thereafter	331,074
	\$ 1,808,873

Interest paid for the year ended June, 30 2009 was \$78,275

NOTE 13 COMMITMENTS

HDRE has entered into a 60 month lease through May 22, 2013, for the use and rental of an office copier. The lease requires minimum monthly payments of \$2,099. The equipment may be purchased at the end of the lease for its then fair market value.

Following is a schedule of the Organizations' future minimum rental payments required under non-cancelable operating leases as of June 30, 2009:

Year ended <u>June 30,</u>	
2010	\$ 25,191
2011	25,191
2012	25,191
2013	23,091
	\$ 98,664

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 14 RELATED PARTIES TRANSACTIONS

The consolidating Organizations share common officers and directors with the following organizations from which they also pay or receive the following economic benefits:

West Virginia AFL-CIO

West Virginia AFL-CIO is a nonprofit member organization whose elected officers are reimbursed salaries and related benefits for providing administrative and executive management services to the Organizations.

HRDE incurred expenses to the West Virginia AFL-CIO for the performance of administrative tasks during the year ended June 30, 2009 in the total amount of \$41,208.

HRDE reimbursed West Virginia AFL-CIO for officer salary and related costs during the year ended June 30, 2009 in the total amount of \$36,978.

West Virginia AFL-CIO Unity Center, Inc.

West Virginia AFL-CIO Unity Center, Inc. is a nonprofit IRC Section 501(c)(2) organization formed to hold title to real property for the West Virginia AFL-CIO. HRDE paid rent to Unity Center for office space in Charleston, West Virginia during the year ended June 30, 2009 in the amount of \$19,650.

Unity Insurance Group, Inc.

Unity Insurance Group, Inc. is a for-profit wholly-owned entity of the West Virginia AFL-CIO that acts as agent on behalf of the Organizations in matters of property, casualty, public liability and health insurance. During the year ended June 30, 2009, Unity Insurance Group earned commissions as the agent of record for the Organizations' general insurance policies and for the insurance policy covering the multi-employer health plan in which the Organizations participate, in an amount that was not determined. All insurance policies were issued and underwritten by public carriers licensed to operate in the State of West Virginia.

HUD housing projects

HRDE manages seventeen (17) housing complexes that receive assistance from the U.S. Department of Housing and Urban Development (HUD). These HUD housing complexes are owned by fifteen (15) separate non-profit entities that share common officers and directors with the Consolidating Affiliates. Although the Organizations possess common control with these related nonprofit entities, they do not have an economic interest in the entities' assets and, as such, are not consolidated in these statements.

The related non-profit entities are:

Cabell-Huntington Unity Apartments, Inc.; Eastview Unity Apartments, Inc.; Fayette Hills Unity, Inc.; Gihon Unity Apartments, Inc.; Highview Unity Apartments, Inc.; Lincoln Unity Apartments, Inc.; Marion Unity Apartments, Inc.; Romney Unity Apartments, Inc.; South Charleston Unity Apartments, Inc.; Unity Court Apartments, Inc.; Unity House Apartments, Inc.; Unity Housing, Inc.; Wellsburg Unity Apartments, Inc.; West Hamlin Unity Place, Inc.

Each related entity pays HRDE project management fees based on HUD approved market based rates. During the year ending June 30, 2009, HRDE was paid \$345,950 for these services.

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 14 RELATED PARTIES TRANSACTIONS (CONTINUED)

Summarized financial information for these entities is as follows:

Total assets	\$ 25,782,939
Total liabilities	8,556,565
Total net assets	17,226,374
Total revenues	3,449,970
Total expenses	3,946,365
Total depreciation and amortization included in above expenses	932,426
Total principal payments made during the year	220,000

Unity Housing Apartments, LP (UHALP)

During the year, four (4) of the related entity HUD housing complexes were sold to a newly-formed limited partnership for the purpose of obtaining low income tax credits, financing and equity contributions necessary to rehabilitate the housing projects. Gihon Unity Apartments, Inc. serves as the general partner.

HRDE was paid \$1,020,000 in development fees by UHALP for services related to the transaction and the rehabilitation of the four complexes, of which \$632,952 was considered deferred revenue for future services.

HRDE received housing project management fees from UHALP based on HUD approved market based rates of \$59,380 during the year ending June 30, 2009.

SUPPLEMENTARY INFORMATION

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**SCHEDULE OF ACTIVITIES DETAIL -
HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.**

Year Ended June 30, 2009

	Educational Training	Youthbuild Training	Beth Place
CHANGES IN UNRESTRICTED NET ASSETS			
Revenues			
Grant Income	\$ -	\$ 313,627	\$ -
Tuitions	269,512	-	-
Administrative fees	-	-	48,157
Rental income	-	-	-
Development income	-	-	569
Investment income	-	-	18,966
Other income	-	-	67,692
Total revenues	<u>269,512</u>	<u>313,627</u>	<u>67,692</u>
Expenses			
Program services:			
Salaries and wages	167,506	109,393	441
Payroll taxes and fringe benefits	77,269	51,126	1,884
Travel	8,498	5,135	4
Occupancy and equipment costs	36,459	8,721	6,782
Office supplies and expenses	10,437	4,762	197
Insurance	8,148	1,193	4,025
Interest	-	-	25,025
Advertising	-	1,184	716
Professional fees	17,258	1,800	-
Repairs and maintenance	12,491	625	5,838
Classroom expenses	43,805	30,583	-
Miscellaneous and other expenses	4,330	-	3,085
Depreciation and amortization	14,587	-	14,203
Direct participation expense	-	78,942	-
Grants and contributions	-	-	-
Total program services	<u>400,788</u>	<u>293,464</u>	<u>62,200</u>
Administrative and support services:			
Salaries and wages	-	7,710	1,975
Payroll taxes and fringe benefits	-	2,878	-
Occupancy and office expense	-	4,748	-
Insurance	-	-	-
Interest	-	-	-
Professional fees	-	-	-
Repairs and maintenance	-	-	-
Bad debt expense	-	-	-
Depreciation and amortization	-	-	-
Total administrative and support	<u>-</u>	<u>15,336</u>	<u>1,975</u>
Total expenses	<u>400,788</u>	<u>308,800</u>	<u>64,175</u>
Excess (deficiency) of revenues over expenses	\$ (131,276)	\$ 4,827	\$ 3,517
Other changes in unrestricted net assets			
Loss on asset dispositions	-	-	-
Loss on investment writedown	-	-	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	\$ (131,276)	\$ 4,827	\$ 3,517
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	\$ -	\$ -	\$ -
(DECREASE) INCREASE IN NET ASSETS	\$ (123,044)	\$ 31,777	\$ 24,610

See Independent Auditors' Report.

<u>Housing Management</u>	<u>Unallocated Administrative and Other</u>	<u>Total</u>
\$ -	\$ -	\$ 313,627
-	-	269,512
407,706	-	407,706
"	133,820	181,977
387,048	"	387,048
-	4,686	5,255
46,338	23,574	88,878
<u>841,092</u>	<u>162,080</u>	<u>1,654,003</u>
174,745	-	452,085
48,878	-	179,157
17,904	-	31,541
34,167	-	86,129
6,707	-	22,103
6,580	"	19,946
29,831	-	54,856
15,184	-	17,084
60,738	-	79,796
21,963	-	40,917
-	-	74,388
21,353	-	28,768
12,826	-	41,616
-	-	78,942
101,865	-	101,865
<u>552,741</u>	<u>-</u>	<u>1,309,193</u>
-	16,192	25,877
-	9,965	12,843
-	5,475	10,223
-	10,614	10,614
-	53,250	53,250
-	9,037	9,037
-	13,710	13,710
-	14,964	14,964
-	21,477	21,477
-	<u>154,684</u>	<u>171,995</u>
<u>552,741</u>	<u>154,684</u>	<u>1,481,188</u>
\$ 288,351	\$ 7,396	\$ 172,815
-	(737,545)	(737,545)
-	(346,920)	(346,920)
<u>\$ 288,351</u>	<u>\$ (1,077,069)</u>	<u>\$ (911,650)</u>
\$ -	\$ -	\$ -
<u>\$ 288,351</u>	<u>\$ (1,077,069)</u>	<u>\$ (911,650)</u>

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**SCHEDULE OF ACTIVITIES DETAIL -
D&J DEVELOPMENT, INC.**

Year Ended June 30, 2009

	2009
CHANGES IN UNRESTRICTED NET ASSETS	
Revenues	
Other income	\$..
Investment income	13,000
	13,000
 Expenses	
Salaries and wages	978
Payroll taxes and fringe benefits	1,354
Office supplies and expenses	438
Insurance	489
Professional fees	2,200
Miscellaneous and other expenses	63
	5,522
 Excess (deficiency) of revenues over expenses	 7,478
 Other changes in unrestricted net assets	
Decline in fair market value of mortgage note receivable	(642,860)
Reduction in deferred federal and state income taxes	48,105
	(594,755)
 (DECREASE) IN UNRESTRICTED NET ASSETS	 \$ (587,277)
 CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	 \$ -
 (DECREASE) IN NET ASSETS	 \$ (587,277)

See Independent Auditors' Report

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**SCHEDULE OF ACTIVITIES DETAIL -
HUMAN RESOURCE DEVELOPMENT FOUNDATION, INC.
Year Ended June 30, 2009**

	Youth Transitions	Employment for Independent Living	Region 1 Youth Connections
CHANGES IN UNRESTRICTED NET ASSETS			
Revenues			
Grant income	\$ 1,000,150	\$ 295,768	\$ 710,271
Investment income	-	-	-
Other income	-	-	-
Total revenues	1,000,150	295,768	710,271
Expenses			
Program services:			
Salaries and wages	461,417	143,938	307,955
Payroll taxes and fringe benefits	220,108	60,913	144,146
Travel	1,666	18,135	33,245
Occupancy and equipment costs	43,711	10,014	16,553
Office supplies and expenses	23,237	9,530	20,812
Insurance	7,784	-	-
Advertising	1,916	-	7
Professional fees	162,500	-	5,000
Classroom expenses	-	-	-
Miscellaneous and other expenses	492	-	220
Participant expenses	16,090	23,711	115,735
Total program services	938,921	266,241	643,673
Administrative and supporting services:			
Salaries and wages	29,175	17,448	38,074
Payroll taxes and fringe benefits	14,647	7,531	17,807
Travel	88	954	1,738
Occupancy and equipment costs	9,655	3,237	5,130
Office supplies and expenses	7,664	3,177	6,872
Miscellaneous and other expenses	-	-	-
Total administrative and support	61,229	32,347	69,621
Total expenses	1,000,150	298,588	713,294
(Deficiency) excess of revenues over expenses	-	(2,820)	(3,023)
Other changes in unrestricted net assets	-	-	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	\$ -	\$ (2,820)	\$ (3,023)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS			
Grants and contributions	\$ -	\$ 302,892	\$ 910,271
Net assets released from restrictions (Note 10)	-	(295,768)	(710,271)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	\$ -	\$ 7,124	\$ 200,000
INCREASE (DECREASE) IN NET ASSETS	\$ -	\$ 4,304	\$ 196,977

See Independent Auditors' Report

<u>Region 2 Youth @ Work</u>	<u>Region 3 Youth Empowerment</u>	<u>Region 6 Youth Ready</u>	<u>On-The-Job Training Program</u>	<u>Unallocated Administrative and Other</u>	<u>2009</u>
\$ 177,963	\$ 219,527	\$ 167,569	\$ 180,920	\$ -	\$ 2,752,168
-	-	-	-	285	285
-	-	-	-	1,000	1,000
<u>177,963</u>	<u>219,527</u>	<u>167,569</u>	<u>180,920</u>	<u>1,285</u>	<u>2,753,453</u>
85,023	78,643	65,625	63,537	(376)	1,205,762
26,911	44,725	26,737	17,242	103	540,885
10,670	3,740	5,227	5,806	-	78,489
3,689	7,384	2,890	3,195	-	87,436
4,201	6,156	3,215	6,562	-	73,713
1,934	1,999	1,282	1,223	-	14,222
-	-	-	-	-	1,923
2,100	3,500	1,400	-	-	174,500
-	-	1,952	-	-	1,952
64	16	8,900	-	1,017	10,709
<u>35,728</u>	<u>57,169</u>	<u>36,112</u>	<u>70,391</u>	<u>(43)</u>	<u>354,893</u>
<u>170,320</u>	<u>203,332</u>	<u>153,340</u>	<u>167,956</u>	<u>701</u>	<u>2,544,484</u>
10,512	9,724	8,113	11,574	-	124,620
4,917	4,548	3,794	3,016	-	56,260
557	195	273	303	-	4,108
1,143	2,288	896	974	-	23,323
1,388	2,031	1,062	2,073	-	24,267
-	-	-	-	3,696	3,696
<u>18,517</u>	<u>18,786</u>	<u>14,138</u>	<u>17,940</u>	<u>3,696</u>	<u>236,274</u>
<u>188,837</u>	<u>222,118</u>	<u>167,478</u>	<u>185,896</u>	<u>4,397</u>	<u>2,780,758</u>
<u>(10,874)</u>	<u>(2,591)</u>	<u>91</u>	<u>(4,976)</u>	<u>(3,112)</u>	<u>(27,305)</u>
-	-	-	-	-	-
<u>\$ (10,874)</u>	<u>\$ (2,591)</u>	<u>\$ 91</u>	<u>\$ (4,976)</u>	<u>\$ (3,112)</u>	<u>\$ (27,305)</u>
\$ 204,912	\$ 240,619	\$ 175,801	\$ 180,920	\$ -	\$ 2,015,415
<u>(177,962)</u>	<u>(219,526)</u>	<u>(167,569)</u>	<u>(180,920)</u>	<u>-</u>	<u>(1,752,016)</u>
<u>\$ 26,950</u>	<u>\$ 21,093</u>	<u>\$ 8,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,399</u>
<u>\$ 16,076</u>	<u>\$ 18,502</u>	<u>\$ 8,323</u>	<u>\$ (4,976)</u>	<u>\$ (3,112)</u>	<u>\$ 236,094</u>

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
For The Year Ended June 30, 2009**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Youth Build Y-05-IM-WV-0107	14.243	\$ 40,061 (1)
Youth Build Y-06-IM-WV-0073	14.243	273,566 (1)
 U.S. DEPARTMENT OF EDUCATION		
Pell Grants	84.063	118,176
 U.S. DEPARTMENT OF AGRICULTURE		
Rural Rental Housing Loan - Loan Assumption		
Original principal amount	\$ 346,117	
Unpaid principal amount at June 30, 2009	344,040	
Subsidy received/ expended for note repayment	10.415	<u>17,854</u>
Totals for Human Resource Development and Employment, Inc.		<u>\$ 449,657</u>

(1) Determined to be a major program in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Government, and Non-Profit Organizations*.

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
HUMAN RESOURCE DEVELOPMENT FOUNDATION, INC.**

For The Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	
U.S. DEPARTMENT OF LABOR			
WIA - Adult Program			
Passes through Region 2 Workforce Investment Board		\$ 51,802	
Passes through Region 4 Workforce Investment Board		19,064	
Passes through Region 6 Workforce Investment Board		<u>26,879</u>	
	17.258	<u>97,745</u>	(1) (2)
WIA - Youth Activities			
Passes through Region 1 Workforce Investment Board		710,271	
Passes through Region 2 Workforce Investment Board		177,962	
Passes through Region 3 Workforce Investment Board		219,526	
Passes through Region 6 Workforce Investment Board		<u>167,569</u>	
	17.259	<u>1,275,328</u>	(1) (2)
WIA - Dislocated Workers			
Passes through Region 2 Workforce Investment Board		51,802	
Passes through Region 4 Workforce Investment Board		8,195	
Passes through Region 6 Workforce Investment Board		<u>23,178</u>	
	17.260	<u>83,175</u>	(1) (2)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through West Virginia Department of Health and Human Services, Bureau of Children and Families, Office of Family Support: IV-E Independent Living Program			
	93.674	<u>236,615</u>	
SOCIAL SECURITY ADMINISTRATION			
Youth Transition Demonstration		<u>1,000,150</u>	(1)
		<u>2,693,013</u>	
Totals for Human Resource Development Foundation, Inc.			

(1) Determined to be a major program in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Government, and Non-Profit Organizations*.

(2) Cluster of programs (17.258, 17.259, 17.260)

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**NOTE TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2009**

NOTE A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards include the federal grant activity of Human Resource Development and Employment, Inc. and Human Resource Development Foundation, Inc. and are presented on the accrual basis of accounting. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements

HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES

SCHEDULE OF EXPENDITURES OF STATE AWARDS -
HUMAN RESOURCE DEVELOPMENT FOUNDATION, INC.
For The Year Ended June 30, 2009

<u>Grantor/Program Title</u>	<u>Grantor's Number</u>	<u>Amount Collected in Current Year</u>	<u>Net Disbursements/ Expenditures</u>	<u>Refundable Advances June 30, 2009</u>
Employment for Independent Living Program	G090132	\$ <u>60,578</u>	\$ <u>59,154</u>	\$ <u>1,424</u>
Totals for Human Resource Development Foundation, Inc.		\$ <u>60,578</u>	\$ <u>59,154</u>	\$ <u>1,424</u>



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*

To the Board of Directors
Human Resource Development and Employment, Inc.
and Consolidating Affiliates
Morgantown, West Virginia

We have audited the accompanying consolidated statement of financial position of Human Resource Development and Employment, Inc. (HRDE) and its consolidating affiliates D&J Development, Inc (D&J) and Human Resource Development Foundation, Inc (HRDF) (collectively the "Organizations" or "HRDE and Consolidating Affiliates") as of and for the year ended June 30, 2009, and have issued our report thereon dated March 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organizations' internal control over financial reporting as a basis for designing our auditing procedures 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 Organizations' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of HRDE and Consolidating Affiliates' 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 entity's internal control. We considered the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

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 the entity's internal control.

Our consideration of 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 internal control that might be significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Blair & Company, A C.

To the Board of Directors
Human Resource Development and Employment, Inc.
and Consolidating Affiliates

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HRDE and Consolidating Affiliates' 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the Organizations and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blair & Company, A C.

Charleston, West Virginia
March 29, 2010



Blair & Company, A.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

179 Summers St , Suite 721
Post Office Box 1991
Charleston, West Virginia 25327

(304) 343-4608
Fax (304) 720-6250

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Human Resource Development and Employment, Inc.
and Consolidating Affiliates
Morgantown, West Virginia

Compliance

We have audited the compliance of Human Resource Development and Employment, Inc. (HRDE) and Human Resource Development Foundation, Inc. (HRDF) (collectively "Organizations"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the Organizations' major federal programs for the year ended June 30, 2009. The Organizations' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the Organizations' major federal program is the responsibility of the management of Human Resource Development and Employment, Inc. and Human Resource Development Foundation, Inc. Our responsibility is to express an opinion on the Organizations' compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organizations' 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. Our audit does not provide a legal determination on the Organizations' compliance with those requirements.

In our opinion, Human Resource Development and Employment, Inc. and Human Resource Development Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to the Organizations' major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of HRDE and HRDF are responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organizations' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control over compliance.

Blair & Company, A.C.

To the Board of Directors
Human Resource Development and Employment, Inc
and Consolidating Affiliates

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, others within the Organizations and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Blair & Company, A.C.

Charleston, West Virginia
March 29, 2010

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued Unqualified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weakness? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weakness? Yes None reported

Type of auditors' report issued on compliance for the major federal award program(s) Unqualified Opinion

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of major program(s):

<u>CFDANumber</u>	<u>Name of Federal Program or Cluster</u>
<u>WIA Cluster:</u>	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated
96.007	Youth Transition Demonstration
14.243	Youthbuild

The dollar threshold for distinguishing between Type A and Type B programs: \$300,000

- Auditee qualified as a low-risk auditee? Yes No

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
For The Year Ended June 30, 2009**

SECTION II - FINANCIAL STATEMENT FINDINGS

2009-1 Internal control over Financial Reporting

Condition and Criteria:

HRDF's internal control over financial reporting is not sufficient to ensure that the financial statements are prepared in accordance with U.S. generally accepted accounting principles. Internal control should provide reasonable assurance that the financial statements are fairly presented in all material aspects.

Effect:

There is a more than remote likelihood that material misstatements could occur in the financial statements that would not be prevented or detected by the Organizations' internal control.

Cause:

HRDF maintains multiple general ledgers based on both fiscal year-ends and grant year-ends and has relied on the auditor to annually consolidate the general ledgers into a financial statement. Annual closing procedures are based upon the grant year-ends and not HRDF's financial reporting years-end. Consequently, the auditor is relied upon to identify the more complex issues of financial reporting resulting in significant adjustments being made to the financial statements.

Recommendation:

We recommend that HRDF implement increased internal control over financial reporting that includes consolidation of all entity activities into a single general ledger, adoption of standard annual closing procedures, and a process for documenting management review and approval of the financial statement amounts and related disclosures.

Management's Response:

HRDF has adopted an implementation schedule for (a) consolidating the current separate general ledgers into a single entity-based general ledger, (b) initiating monthly and annual financial reporting closing procedures that will address both financial and grant reporting matters, and (c) documenting both a technical review of compliance with program requirements and U.S. generally accepted accounting principles and management's approval of financial reporting procedures

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.
AND CONSOLIDATING AFFILIATES**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009**

SECTION I - PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2009-1 Internal control over Financial Reporting

Condition and Criteria

HRDF's internal control over financial reporting is not sufficient to ensure that the financial statements are prepared in accordance with U.S. generally accepted accounting principles. Internal control should provide reasonable assurance that the financial statements are fairly presented in all material respects.

Recommendation

We recommend that HRDF implement internal controls over financial reporting, including review and approval of the financial statement amounts including footnote disclosures. We recommend that the fiscal manager compare disclosures included in the financial statements with a disclosure checklist to ensure that the footnotes to the financial statements are complete and accurate.

Current Status

A similar finding is reported in the 2009 Schedule of Findings and Questioned Costs

SECTION II - PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None