

**COMMUNITY CONNECTIONS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
For Year Ended June 30, 2009

**DHHR - Finan**

**JUL 14 2010**

**Date Received**

**COMMUNITY CONNECTIONS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**June 30, 2009**

CONTENTS

Independent Auditor's Report	Page 1
Financial Statements:	
Statement of Assets, Liabilities, and Net Assets .....	2
Statement of Support, Revenue, and Expense .....	3
Statement of Cash Flows .....	4
Statement of Functional Expenses .....	5
Notes to Financial Statements .....	9
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements .....	15
Schedule of Findings and Responses .....	17

# Jeffery S. Hollifield, CPA

-----CERTIFIED PUBLIC ACCOUNTANT-----

106 Park Avenue  
Princeton, WV 24740  
Phone: (304) 425-4001  
Fax: (304) 425-4029  
[JefferySHollifieldcpa@frontiernet.net](mailto:JefferySHollifieldcpa@frontiernet.net)

March 29, 2010

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 year ended June 30, 2009, 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, 2009, 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 March 29, 2010, 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, 2009 and 2008

Assets	2009	2008
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ (2,216)	\$ (6,676)
Accounts receivable	88,503	8,540
Total Current Assets	86,287	1,864
<b>NONCURRENT ASSETS</b>		
Property and Equipment Agency	25,221	11,061
Property and Equipment Programs	26,023	26,023
Less Accumulated Depreciation	(36,671)	(35,133)
Total Noncurrent Assets	14,573	1,951
<b>TOTAL ASSETS</b>	\$ 100,860	\$ 3,815
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 5,057	\$ -
Payroll Taxes & Related Liabilities	7,709	2,663
Line of Credit	30,192	5,879
Current Portion of Capital Lease	1,714	-
Total Current Liabilities	44,672	8,542
<b>LONG TERM DEBT</b>	7,489	-
<b>TOTAL LIABILITIES</b>	52,161	8,542
<b>NET ASSETS</b>		
Unrestricted	48,699	(4,727)
Total Net Assets	48,699	(4,727)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 100,860	\$ 3,815

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, 2009 and 2008**

	2009	2008
<b>SUPPORT</b>		
Mercer County Underage Drinking Enforcement Program	15,000	\$ 15,000
United Way of the Virginia's	20,000	20,000
HIV Grant	75,000	25,000
WVDHHR - African American Tobacco Prevention	60,000	30,000
WVDHHR - Smoking Prevention In Pregnancy	50,000	-
Starting Points	45,000	45,000
Region J - WV Division of Tobacco Prevention	108,000	121,500
Drug-Free Communities Program	125,000	44,915
Planning and Coordination Grant	40,000	40,000
Behavioral Health Grant	170,000	189,700
Healthy Families/Healthy Children Initiative	21,000	21,000
Strategic Prevention Framework State Incentive Grant	85,000	89,331
Compassion Capital	-	50,000
Legacy Foundation Grant	100,000	-
Earmark	37,563	-
Safe and Drug Free Communities	26,742	-
Total Support	<u>978,305</u>	<u>691,446</u>
<b>REVENUE</b>		
Southern Highlands	6,121	-
America's Promise	-	1,000
Misc Donations	5,271	8,680
Total Revenue	<u>11,393</u>	<u>9,680</u>
Total Support and Revenue	<u>989,698</u>	<u>701,126</u>
<b>EXPENSES</b>		
Program expenses	702,305	466,250
Program Mini-Grants	82,900	82,150
Pass through monies	45,000	45,000
Administrative expenses	106,067	90,361
Total Expenses	<u>936,272</u>	<u>683,761</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	53,426	17,365
Net Assets at beginning of year	<u>(4,727)</u>	<u>(22,092)</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>48,699</u>	<u>(4,727)</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Increase (Decrease) in Net Assets	\$ 53,426	\$ 17,365
Net (Increase) Decrease in Accounts Receivable	(83,382)	24,345
Net Increase (Decrease) in Accounts Payable	10,103	(3,280)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	(19,853)	38,430
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Line of Credit	24,313	(19,872)
	<hr/>	<hr/>
	24,313	(19,872)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
	<hr/>	<hr/>
	-	-
 Net increase (decrease) in cash and cash equivalents		
	4,460	18,558
Cash and Cash Equivalents at Beginning of Year	(6,676)	(25,234)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ (2,216)</b>	<b>\$ (6,676)</b>
	<hr/> <hr/>	<hr/> <hr/>

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

**COMMUNITY CONNECTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For Year Ended June 30, 2009**

	Behavioral Health Grant	United Way of the Virginia's	HIV Grant	Starting Points
<b>Revenue:</b>				
State Monies	107,000	20,000	75,000	39,057
Federal Monies	63,000	-	-	5,943
<b>Total Revenue</b>	<b>170,000</b>	<b>20,000</b>	<b>75,000</b>	<b>45,000</b>
<b>Expenses:</b>				
Salaries	84,114	10,000	17,420	-
Fringe Benefits	24,079	1,500	2,135	-
Mini - Grants	7,000	-	21,000	-
Pass through Monies	-	-	-	45,000
Contractual	4,997	-	640	-
Travel / Training	30,722	2,000	9,539	-
Supply	-	-	1,398	-
Space	2,400	1,200	600	-
Equipment	-	-	-	-
Insurance	509	2,000	100	-
Other	16,179	3,300	22,168	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<b>170,000</b>	<b>20,000</b>	<b>75,000</b>	<b>45,000</b>

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, 2009**

	Region J - WV Division of Tobacco Prevention	Drug-Free Communities	Planning & Coordinating Grant	Mercer Co. Underage Drinking Enforcement
<b>Revenue:</b>				
State Monies	66,749	-	24,581	-
Federal Monies	41,251	125,000	15,419	15,000
<b>Total Revenue</b>	<b>108,000</b>	<b>125,000</b>	<b>40,000</b>	<b>15,000</b>
<b>Expenses:</b>				
Salaries	40,756	37,596	13,130	4,351
Fringe Benefits	4,940	8,588	1,712	656
Mini - Grants	35,500	-	-	-
Pass through Monies	-	-	-	-
Contractual	4,008	7,458	12,600	500
Travel / Training	12,479	23,992	6,263	195
Supply	4,948	6,628	4,561	111
Space	2,400	1,800	800	-
Equipment	-	2,203	-	-
Insurance	280	280	280	-
Other	2,689	835	185	8,033
Interest	-	-	469	-
<b>Total Expenditures</b>	<b>108,000</b>	<b>89,380</b>	<b>40,000</b>	<b>13,846</b>

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, 2009**

	Healthy Families / Healthy Children Initiatives	WVDHHR African American Tobacco Prevention	Earmark	SFP-SIG
Revenue:				
State Monies	21,000	60,000	-	-
Federal Monies	-	-	37,563	85,000
Total Revenue	21,000	60,000	37,563	85,000
Expenses:				
Salaries	1,805	15,515	3,208	37,215
Fringe Benefits	462	1,572	270	5,042
Mini - Grants	-	14,400	-	-
Pass through Monies	-	-	-	-
Contractual	2,765	608	10,820	6,690
Travel / Training	5,295	13,229	4,012	8,409
Supply	344	5,460	-	1,920
Space	-	750	375	-
Equipment	-	3,945	15,000	-
Insurance	-	230	-	-
Other	5,401	4,291	3,878	14,000
Interest	-	-	-	-
Total Expenditures	16,072	60,000	37,563	73,276

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, 2009**

	Legacy Foundation	WVDHHR Smoking Prevention in Pregnancy	Safe and Drug Free Communities	<b>Functional Expense Totals</b>
<b>Revenue:</b>				
State Monies	100,000	50,000	26,742	590,129
Federal Monies	-	-	-	388,176
<b>Total Revenue</b>	<b>100,000</b>	<b>50,000</b>	<b>26,742</b>	<b>978,305</b>
<b>Expenses:</b>				
Salaries	37,253	25,309	19,560	347,232
Fringe Benefits	3,747	3,219	-	57,922
Mini - Grants	5,000	-	-	82,900
Pass through Monies	-	-	-	45,000
Contractual	26,000	969	480	78,535
Travel	10,665	5,562	5,218	137,580
Supply	4,584	2,712	900	33,566
Space	-	900	-	11,225
Equipment	1,500	-	-	22,648
Insurance	293	182	-	4,154
Other	10,958	11,147	584	103,648
Interest	-	-	-	469
<b>Total Expenditures</b>	<b>100,000</b>	<b>50,000</b>	<b>26,742</b>	<b>924,879</b>

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

**COMMUNITY CONNECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Community Connections, Inc (CCI) is a nonprofit corporation organized to conduct collaborative planning and evaluation of health and human services with families and the organizations that serve them in order to promote effective service delivery. CCI provides family resource and coordinating services 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, WVDHHR - African American Tobacco Prevention, WVDHHR - Smoking Prevention in Pregnancy, Starting Points Family Resource Center, Region J Tobacco Prevention, the Safe and Drug-Free Communities Program, a Planning and Coordinating Grant, a Behavioral Health Grant, Healthy Families/Healthy Children Initiative, Strategic Prevention Framework State Incentive Grant, HIV Grant, Drug Free Communities Grant, Earmark Grant, and a grant from the Legacy Foundation. 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 F 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	06/30/09 Amount	06/30/09 Interest Rate
Cash on Hand	N/A	50.00	N/A
General Checking	Checking	16,327.36	N/A
Demand Deposit Account	Checking	100.00	N/A
FCB Savings Account	Savings	5,279.46	2%
Total Cash & Cash Equivalents		<u>21,756.82</u>	

**COMMUNITY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Year Ended June 30, 2009**

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's policy is to capitalize assets costing greater than \$500. The organization does not own any buildings, vehicles, or land; assets consist mainly 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, 2009 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, 2009 are summarized below:

<u>Classification</u>	<u>Useful Lives</u>
Computers and Equipment	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 asset activity for the year ended June 30, 2009, was as follows:

	Balance at July 1, 2008	Additions	Retirements & Reclassifications	Balance at June 30, 2009
Property & Equip Agency	11,061	14,160	-	25,221
Property & Equip Program	26,023	-	-	26,023
Total capital assets	37,084	14,160	-	51,244
Less accumulated depreciation:				
Property & Equip Agency	10,551	1,177	-	11,728
Property & Equip Program	24,582	360	-	24,942
Total accumulated depreciation	35,133	1,537	-	36,671

**COMMUNITY CONNECTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Year Ended June 30, 2009**

NOTE B - CAPITAL ASSETS (CONTINUED)

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
<b>Total capital assets</b>	<b>\$ 34,688</b>	<b>\$ 2,396</b>	<b>\$ -</b>	<b>\$ 37,084</b>
Less accumulated depreciation:				
Property & Equip Agency	10,466	85	-	10,551
Property & Equip Program	24,222	360	-	24,582
<b>Total accumulated depreciation</b>	<b>34,688</b>	<b>445</b>	<b>-</b>	<b>35,133</b>

NOTE C - LINE OF CREDIT

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 effective 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.

Line of Credit payable to First Community Bank, issued July 18, 2008, to provide operating funds to the agency when funding sources were slow to make reimbursements in the amount of \$50,000. 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 effective until July 18, 2009.

Balance 7-1-08	Principal Payments (-) Draws	Annual Interest	Balance 6-30-09
\$ 5,879	\$ (24,313)	\$ 379	\$ 30,192

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, 2009**

NOTE D - CAPITAL LEASE

On December 8, 2008 Community Connections, Inc entered into a leasing arrangement with Bank of America to obtain a Panasonic DP-C265 copy machine. Under the terms of the lease monthly installments, in the amount of \$211, are to be made for 60 months. Also stated in the lease agreement is a option to purchase the copier for \$1 at the end of the 60 month term. Pursuant to GAAP any leasing arrangement that is determined to be a capital lease should be added to the asset side of the Balance Sheet and the associated payments should be estimated to include principle and interest and added to the liability side of the Balance Sheet. Retail price of the copier was found to be 10,000 with an estimated lease interest rate of 9.7%. Principle and interest are to be paid through December 2013.

Balance 12-8-08	Principal Payments	Annual Interest	Balance 6-30-09
\$ 10,000	\$ 797	\$ 469	\$ 9,203

The principle balances and related annual interest are as follows:

Year	Principle	Interest	Total
2009	797	499	1,296
2010	1,714	818	2,532
2011	1,888	644	2,532
2012	2,080	457	2,537
2013	2,290	242	2,532
2014	1,231	35	1,266
	10,000	2,695	12,695

NOTE E - DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, Community Connection's deposits may not be returned to it. 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.

6/30/2009

Deposit Type	Book Balance	Bank Balance
Insured	(2,216)	21,707

6/30/2008

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

**COMMUNITY CONNECTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Year Ended June 30, 2009**

NOTE F - 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, All-Stars Basketball, and SADD. These amount generally are fully expended. Donations that are not expended are retained for the following year.

NOTE G - 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 H - 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.

NOTE I - 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"

**COMMUNITY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Year Ended June 30, 2009**

NOTE J - BUSINESS AND CREDIT CONCENTRATION

The organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits

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

	<u>Category</u>				
	1	2	3		Totals
Checking	\$ 16,427	-	-	\$	16,427
Savings	5,279	-	-	-	5,279
Other cash and cash items	-	-	50	-	50
	<u>\$ 21,707</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$</u>	<u>21,757</u>

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, 2009, these sources accounted for 803,305 (81%) of total support and revenue. Currently Community Connections, Inc. receives two grant that are not from a governmental source, the HIV Grant and the Legacy Foundation Grant, which accounted for 175,000 (18%) of the total support and revenue. No services are rendered, thus no service fees are collected. Community Connections, Inc. generally receives around 1% of total support and revenue from private donations.

NOTE K - 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, 2009 were:

Patty Flanigan	President
Ramon Flores	Vice President
Lisa Mitchell	Secretary
Oraetta Hubbard	Treasurer

NOTE L - COMPARATIVE STATEMENTS

Certain items on the 2008 statements have been reclassified to make those statements comparable to the 2009 statements



# Jeffery S. Hollifield, CPA

-----CERTIFIED PUBLIC ACCOUNTANT-----

106 Park Avenue  
Princeton, WV 24740  
Phone: (304) 425-4001  
Fax: (304) 425-4029  
[JefferySHollifieldcpa@frontiernet.net](mailto:JefferySHollifieldcpa@frontiernet.net)

## **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***

March 29, 2010

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 year ended June 30, 2009, which collectively comprise Community Connections, Inc's basic financial statements 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 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 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, and 08-03.

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

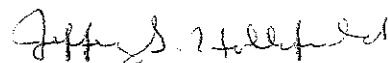
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose 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

DHHR - Finance

JUL 14 2010

Date Received

**COMMUNITY CONNECTIONS, INC.**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2009**

**08-01**

**FORMALIZED CHAIN OF COMMUNICATION**

Condition:

Currently there are no policies in regards to required employee communications or in regards to formalized chain of communication.

Criteria:

As companies grow, employees are classified in relation to job function, position, or seniority. Each level of employee is required to report to their immediate supervisor and only in grievance procedures are they to supersede the chain of command. Employees can be required to report numerous things or situations to their supervisors as is deemed fit by the supervisor or job description. (Examples include location, the current task being performed, time out of the office, expenses, situations, etc.)

Cause:

No policy in regard to this need.

Effect:

Due to Community Connections continued growth more employees have been added and positions have become more clearly defined. Currently there are only two full time administrative positions, Executive Director and Assistant Executive Director. Under current CCI guidelines employees are to report to either administrative position when a problem arises. This has resulted in a situation in which new employees are either confused about whom they are to report to or a more serious situation in which they contact one administrator and if the employee does not get the answer they want they call the other administrator. Either time constraints or poor administrative communication has resulted in less than ideal outcomes.

Recommendation:

A policy needs to be implemented where all employees are to report to a centralized office employee. Administrative employees will be notified when there is a problem, but not for routine events.

Response of Officials:

Management is aware of situation and they are currently working on a policy where employees are to report to Assistant Director via email with a copy to be sent to the Executive Director.

**COMMUNITY CONNECTIONS, INC.**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2009**

**08-02**

**EMPLOYEE MONITORING**

Condition: There are no policies in regards to required grant completion in relation to time

Criteria: Every grant agreement has a preapproved work plan which states what activities need to be performed in order to fulfill grant requirements. Generally all tasks need to be performed in order to drawdown all monies per the grant agreement. Current policies only require work plans to be completed by grant year end or per work plan stipulations.

Cause: No policy in place in regards to this need due to its infrequent occurrence

Effect: Because there are no policies in regards to grant completion in relation to time, employees can freely work on grant requirements in anyway they choose. This may lead to a situation in which a work plan may not be completed properly due to poor employee timing, poor employee performance, or any other situation in which proper completion of tasks would not be obtained. This could result in a situation in which an employee may commit fraud in order to make it appear a grant has been fully completed. Due to 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: A policy needs to be implemented by management in which grants are checked periodically for proper completion. In a situation in which the employee is not making continued progress the policy needs to allow for some sort of employee reprimand. The policy should also state that work plans should be 75% completed when grant time has been 75% expended, any work plans not meeting this requirement should be taken over by another employee

Response of Officials: Per CCI management a policy is to be implemented where grants are to be reviewed by an Administrative Employee on a monthly basis, in order to determine proper completion. All grant reports, which are required to be prepared monthly, must obtain administrative signature before they are to be submitted to grantor organization.

**COMMUNITY CONNECTIONS, INC.**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2009**

**08-03**

**OVERUTILIZATION OF ADMINISTRATIVE EMPLOYEES**

Condition:

Currently CCI only has two administrative employees. These employees are responsible for all the administrative level reports, payroll, accounting functions, board meetings, conferences, expenditure approval, and grant writing. Due to significant job duties administrative employees are over utilized.

Criteria:

Generally administrative employees only perform administrative duties; however CCI operates in a work environment where the executive director also has the responsibility to operate a grant in order to supplement his pay rate. Assistant director does not operate a grant; however she is responsible for administrative reports for all grants. This has lead to significant time restraints

Cause:

Developing problem due to increased grant revenue.

Effect:

Management setup was very effective when CCI started operations; however they have grown over the years and now receive almost a million dollars in annual grant revenue. Management responsibilities have increased significantly due to this increase in grant revenue and also due to an overall increase in reporting requirements in the financial sector. Since the Executive Director is required to maintain a grant in order to supplement his pay rate, several management functions have fallen to the Assistant Director. Unfortunately the Assistant Director's workload has also increased because of an increase in required grant reports, an increase in the number of employees, and a general increase in overall accounting functions. Under these conditions excessive time cannot be spent on any certain job function, which could lead to problems resulting from employee error or employee burnout. 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:

Since employees can only be hired when a new grant is obtained, we feel that the best fix would be to subcontract accounting functions to an external CPA firm. This would allow accounting expenses to be added to current grant work plans and free up administrative employees.

Response of Officials:

Currently talking to CPA firms in regards to subcontracting all accounting for grants in excess of \$200,000. Also in July 2009, hired a CPA to assist with 941's, 1099's, W-2's, general consulting services, and to aid with the completion of the General Ledger.