

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

**FINANCIAL STATEMENTS**

**June 30, 2010**

DHHR - Finance

APR 14 2011

Date Received

*Human Resource Development Foundation, Inc.  
Human Resource Development and Employment, Inc.*

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Morgantown, West Virginia 26505



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April 12, 2011

West Virginia Department of Health and Human Resources  
Office of Internal Control and Policy Development  
Division of Compliance and Monitoring  
One Davis Square, Suite 401  
Charleston, WV 25301

To Whom It May Concern:

Enclosed please find Human Resource Development Foundation, Inc. (HRDF)'s Audited Financial Statements for the year ended June 30, 2010.

If you have any questions, please call Gary Johns at (304) 296-8223, Ext. 26.

Sincerely,

Phillip S. Leinbach  
Director

PSL/vh  
aft 4009, afl-cio

Enclosure

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**Blair & Company, A.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## 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, 2010, 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. As described in Note 3, the prior year summarized comparative information has been derived from the Organizations' 2009 financial statements and, in our report dated March 29, 2010 we expressed an unqualified opinion on those statements.

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, 2010, 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 28, 2011 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 and the West Virginia Division of Rehabilitation Services. 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 28, 2011

DHHR - Finance

APR 14 2011

Date Received

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2010

	<b>HRDE</b>	<b>D&amp;J</b>	<b>HRDF</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 555,132	\$ 531,871	\$ 751,167
Grants and accounts receivable	33,218	-	252,524
Other current assets	10,472	1,017	11,113
<b>Total Current Assets</b>	<b>598,822</b>	<b>532,888</b>	<b>1,014,804</b>
<b>FIXED ASSETS, at cost</b>			
Property and equipment (Note 7)	2,018,200	-	-
Less allowance for depreciation	(1,063,396)	-	-
	<b>954,804</b>	<b>-</b>	<b>-</b>
<b>OTHER ASSETS</b>			
Restricted cash accounts (Note 4)	49,370	-	-
Accounts receivable, related party (Note 13)	3,078,443	41,021	54,448
Investments and mortgage notes receivable (Note 9)	517,924	-	-
Deferred financing costs, net of \$2,532 amortization	18,188	-	-
	<b>3,663,925</b>	<b>41,021</b>	<b>54,448</b>
	<b>\$ 5,217,551</b>	<b>\$ 573,909</b>	<b>\$ 1,069,252</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Current maturities of long-term debt	\$ 83,939	\$ -	\$ -
Accounts payable and accrued liabilities	240,938	478,410	261,834
Accrued payroll, benefits and withholdings	138,619	-	240,496
Payable to grantor agencies	-	-	166,051
Other current liabilities	8,630	35,617	-
<b>Total Current Liabilities</b>	<b>472,126</b>	<b>514,027</b>	<b>668,381</b>
<b>LONG-TERM DEBT, less current maturities (Note 11)</b>	<b>1,632,340</b>	<b>-</b>	<b>-</b>
<b>OTHER LIABILITIES</b>			
Deferred revenues	14,394	-	272,682
Deferred income tax payable	-	-	-
	<b>14,394</b>	<b>-</b>	<b>272,682</b>
<b>NET ASSETS</b>			
Unrestricted net assets	3,098,691	59,882	(33,533)
Temporarily restricted net assets (Note 5)	-	-	161,722
	<b>3,098,691</b>	<b>59,882</b>	<b>128,189</b>
	<b>\$ 5,217,551</b>	<b>\$ 573,909</b>	<b>\$ 1,069,252</b>

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

<u>Consolidation Eliminations</u>	<u>Consolidated Totals</u>	
	<u>2010</u>	<u>2009</u>
\$ -	\$ 1,838,170	\$ 1,706,717
-	285,742	133,650
-	<u>22,602</u>	<u>33,488</u>
-	<u>2,146,514</u>	<u>1,873,855</u>
-	2,018,200	2,035,102
-	<u>(1,063,396)</u>	<u>(1,016,636)</u>
-	<u>954,804</u>	<u>1,018,466</u>
-	49,370	42,635
(808,126)	2,365,786	1,018,395
-	517,924	1,112,145
-	<u>18,188</u>	<u>19,569</u>
<u>(808,126)</u>	<u>2,951,268</u>	<u>2,192,744</u>
<u>\$ (808,126)</u>	<u>\$ 6,052,586</u>	<u>\$ 5,085,065</u>
\$ -	\$ 83,939	\$ 99,638
(808,126)	173,056	134,826
-	379,115	371,677
-	166,051	104,536
-	<u>44,247</u>	<u>11,735</u>
<u>(808,126)</u>	<u>846,408</u>	<u>722,412</u>
-	1,632,340	1,709,235
-	287,076	932,940
-	-	<u>136,740</u>
-	<u>287,076</u>	<u>1,069,680</u>
-	3,125,040	1,320,339
-	<u>161,722</u>	<u>263,399</u>
-	<u>3,286,762</u>	<u>1,583,738</u>
<u>\$ (808,126)</u>	<u>\$ 6,052,586</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, 2010**

	<b>HRDE</b>	<b>D&amp;J</b>	<b>HRDF</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>			
<b>Revenues</b>			
Grant income	\$ 129,153	\$ -	\$ 4,621,627
Tuitions	270,249	-	-
Administrative fees	408,285	-	-
Rental income	164,400	-	-
Development income	2,355,973	-	-
Investment income	6,002	3,140	-
Subsidiary dividend	475,000	-	-
Other income	22,475	26,563	68,514
	<u>3,831,537</u>	<u>29,703</u>	<u>4,690,141</u>
<b>Expenses</b>			
Program services:			
Housing management	564,894	-	-
Rental activities	65,121	-	-
Direct training	536,234	-	4,399,423
Total program services	<u>1,166,249</u>	<u>-</u>	<u>4,399,423</u>
Administrative and supporting services	206,574	51,287	296,190
	<u>1,372,823</u>	<u>51,287</u>	<u>4,695,613</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 2,458,714</b>	<b>\$ (21,584)</b>	<b>\$ (5,472)</b>
<b>Other changes in unrestricted net assets</b>			
Loss on asset dispositions	-	-	-
Loss on development and investment writedowns	(247,559)	-	-
Reduction in deferred income taxes	-	95,602	-
	<u>-</u>	<u>95,602</u>	<u>-</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>\$ 2,211,155</b>	<b>\$ 74,018</b>	<b>\$ (5,472)</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>			
Grants and contributions	-	-	3,194,193
Net assets released from restrictions (Note 5)	-	-	(3,295,870)
	<u>-</u>	<u>-</u>	<u>(101,677)</u>
<b>(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (101,677)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 2,211,155</b>	<b>\$ 74,018</b>	<b>\$ (107,149)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>887,536</b>	<b>460,864</b>	<b>235,338</b>
Declared dividend to parent HRDE	-	(475,000)	-
	<u>-</u>	<u>(475,000)</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,098,691</b>	<b>\$ 59,882</b>	<b>\$ 128,189</b>

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



<u>Consolidation Eliminations</u>	<u>Consolidated Total</u>	
	<u>2010</u>	<u>2009</u>
\$ -	\$ 4,750,780	\$ 3,065,795
-	270,249	269,512
-	408,285	407,706
(52,288)	112,112	149,867
-	2,355,973	387,048
-	9,142	18,540
(475,000)	-	-
-	117,552	81,363
<u>(527,288)</u>	<u>8,024,093</u>	<u>4,379,831</u>
-	564,894	552,741
-	65,121	62,200
<u>(23,807)</u>	<u>4,911,850</u>	<u>3,214,750</u>
(23,807)	5,541,865	3,829,691
<u>(28,481)</u>	<u>525,570</u>	<u>405,667</u>
<u>(52,288)</u>	<u>6,067,435</u>	<u>4,235,358</u>
\$ (475,000)	\$ 1,956,658	\$ 144,473
-	-	(737,545)
-	(247,559)	(989,780)
-	95,602	48,105
<u>(475,000)</u>	<u>1,804,701</u>	<u>(1,534,747)</u>
-	3,194,193	2,015,415
-	(3,295,870)	(1,752,016)
<u>\$ -</u>	<u>\$ (101,677)</u>	<u>\$ 263,399</u>
\$ (475,000)	\$ 1,703,024	\$ (1,271,348)
-	1,583,738	2,855,086
475,000	-	-
<u>\$ -</u>	<u>\$ 3,286,762</u>	<u>\$ 1,583,738</u>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
Year Ended June 30, 2010**

	Consolidated Totals				
	HRDE	D&J	HRDF	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Increase (decrease) in net assets	\$ 2,211,155	\$ 74,018	\$ (107,149)	\$ 2,178,024	\$(1,262,833)
Adjustments necessary to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:					
Depreciation	46,759	-	-	46,759	61,754
Amortization	1,381	-	-	1,381	1,339
Bad debt expenses	21,103	19,487	-	40,590	4,162
Unrealized loss on investment writedown	202,559	-	-	202,559	935,956
Loss recorded on asset disposals/ abandonment	75	-	-	75	406,910
(Increase) decrease in operating assets:					
Accounts receivable	(2,109)	-	(149,984)	(152,093)	146,242
Accounts receivable, related party	(2,137,862)	26,000	(54,448)	(2,166,310)	489,513
Investments & mortgage notes receivable	73,118	500,000	-	573,118	-
Other assets	(3,567)	11,234	(3,516)	4,151	(31,539)
Increase (decrease) in operating liabilities:					
Accounts payable and accrued expenses	(30,511)	39,027	147,484	156,000	53,986
Accounts payable, related party	-	(4,983)	113,657	108,674	(59,543)
Deferred revenues	(631,943)	-	(13,921)	(645,864)	886,981
Deferred income taxes	-	(136,740)	-	(136,740)	-
Other liabilities	(3,105)	-	-	(3,105)	(862)
<b>Net cash provided by (used in) operating activities</b>	<u>(252,947)</u>	<u>528,043</u>	<u>(67,877)</u>	<u>207,219</u>	<u>1,632,066</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Increase in long-term real estate investments	-	-	-	-	(27,390)
Purchases of assets	(33,172)	-	-	(33,172)	(14,657)
Proceeds from sale of assets	50,000	-	-	50,000	81,000
Mortgage notes taken on sale of assets, net of maturities	-	-	-	-	(70,662)
<b>Net cash provided by (used in) investing activities</b>	<u>16,828</u>	<u>-</u>	<u>-</u>	<u>16,828</u>	<u>(31,709)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Principal payments on debt	(92,594)	-	-	(92,594)	(1,863,302)
Proceeds from long-term debt	-	-	-	-	1,537,000
Dividend to parent	-	-	-	-	(8,515)
<b>Net cash (used in) provided by financing activities</b>	<u>(92,594)</u>	<u>-</u>	<u>-</u>	<u>(92,594)</u>	<u>(334,817)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ (328,713)</u>	<u>\$ 528,043</u>	<u>\$ (67,877)</u>	<u>\$ 131,453</u>	<u>\$ 1,265,540</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>883,845</u>	<u>3,828</u>	<u>819,044</u>	<u>1,706,717</u>	<u>441,177</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 555,132</u>	<u>\$ 531,871</u>	<u>\$ 751,167</u>	<u>\$ 1,838,170</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, 2010

**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 at the end of the year managed 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 2010, D&J received the final payment on the installment sale of its real estate. The Company has discontinued its landscaping and floor covering businesses and management is currently contemplating dissolving the corporation.

*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 an increase in unrestricted net assets. Amounts designated for future periods are reported as temporarily restricted support and an 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, 2010**

**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

*Accounts Receivable* – Accounts receivable consists primarily of tuitions and amounts due from related parties. At June 30, 2010, the allowance for doubtful account collections was \$202,559.

*Investments* – Investments are shown at market value and ordinary changes in market value are reported as investment income. At June 30, 2010, the allowance for doubtful note collections was \$21,103.

*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, 2010 was \$46,759.

*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, 2010 totaled \$4,115.

*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 \$1,381 for the year ended June 30, 2010.

**NOTE 3 COMPARATIVE AMOUNTS**

The amounts shown for 2009 in the consolidated financial statements are included to provide a basis for comparison with 2010 and are not intended to present all information necessary for a fair presentation of the 2009 consolidated financial statements on the basis of accounting described in Note 2.

**NOTE 4 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 \$3,858 at June 30, 2010.

*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 \$45,512 at June 30, 2010.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2010

**NOTE 5 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</u> <u>6/30/2009</u>	<u>Current</u> <u>Additions</u>	<u>Restriction</u> <u>Released</u>	<u>Balance</u> <u>6/30/2010</u>
Independent Living	\$ 7,124	\$ 281,408	\$ 288,532	\$ -
Youth Connections	200,000	1,117,481	1,317,481	-
Youth@Work	26,950	393,955	420,905	-
Youth Empowerment	21,093	370,800	391,893	-
Youth Ready	8,232	448,744	456,976	-
On the Job Training	-	240,407	240,407	-
Community Rehab	-	341,398	179,676	161,722
	<u>\$ 263,399</u>	<u>\$ 3,194,193</u>	<u>\$ 3,295,870</u>	<u>\$ 161,722</u>

**NOTE 6 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.

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 \$250,000, plus unlimited coverage on amounts held in non-interest bearing accounts through June 30, 2010. All of Organizations' cash balances were insured at June 30, 2010.

**NOTE 7 PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2010 is comprised of the following:

	<u>HRDE</u>	<u>D&amp;J</u>	<u>HRDF</u>	<u>Total</u>
Building and improvements	\$ 1,162,513	\$ -	\$ -	\$ 1,162,513
Equipment	427,829	-	-	427,829
Leasehold improvements	10,861	-	-	10,861
Land and improvements	416,997	-	-	416,997
	2,018,200	-	-	2,018,200
Less accumulated depreciation	(1,063,396)	-	-	(1,063,396)
	<u>\$ 954,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 954,804</u>

**NOTE 8 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, 2010 was \$151,344.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2010

**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 investments at June 30, 2010 is as follows:

	Cost	Fair Value
<b><u>Human Resource Development and Employment, Inc.</u></b>		
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.	\$ 42,207	
Less: Allowance for collectability	(21,103)	
	21,104	\$ 21,104
 Undeveloped surplus land, Wood County, West Virginia	 41,820	 41,820
Residential development, Kanawha County, West Virginia	642,000	
Less: Allowance for fair value reduction	(187,000)	
	455,000	455,000
Total investments		\$ 517,924

**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 pricing inputs for the investment (including the Organizations' own assumptions in determining the fair value of investments), and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Financial assets classified as Level 3 include developed and undeveloped land, notes and loans receivables.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 10 FAIR VALUE MEASUREMENTS (Continued)**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair market hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organizations' assessment of the significance of a particular input to fair value measurement in its entirety requires judgment, and considers factors specific to the investment. 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, 2010 (all of the Organizations' investments are Level 3):

	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Building, land and equipment	\$ 1,650,000	\$ -	\$ -	\$ 1,650,000
Mortgage notes receivables	21,104	-	-	21,104
Developed and undeveloped land	496,820	-	-	496,820
	<u>\$ 2,167,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,167,924</u>

Fair value for fixed assets in Level 3 are calculated using assumptions regarding asset replacement costs. There were no changes to the valuation technique during the current year.

The Organizations' financial instruments include its cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, the Organizations estimate that the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

**NOTE 11 LONG-TERM DEBT**

The Organizations' long-term debt consists of the following at June 30, 2010:

Bank prime rate plus .025, promissory note payable to bank; due in monthly installments of principal and interest of \$11,313 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.	\$ 1,374,471
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	341,808
	1,716,279
	(83,939)
Less: Current maturities of long-term debt	<u>\$ 1,632,340</u>

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 11 LONG-TERM DEBT (Continued)**

Following are maturities of long-term debt:

Year ended <u>June 30,</u>	
2011	\$ 83,939
2012	94,562
2013	98,028
2014	1,108,676
2015	3,204
Thereafter	327,871
	<u>\$ 1,716,279</u>

Interest paid for the year ended June, 30 2010 was \$75,325

**NOTE 12 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, 2010:

Year ended <u>June 30,</u>	
2011	\$ 25,191
2012	25,191
2013	23,091
	<u>\$ 73,473</u>

**NOTE 13 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, 2010 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, 2010 in the total amount of \$39,384.



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 13 RELATED PARTIES TRANSACTIONS (Continued)**

**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, 2010 in the amount of \$24,514

**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, 2010, 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, the related nonprofit entities 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, 2010, HRDE was paid \$260,233 for these services.

At June 30, 2010, the related HUD entities owed HRDE a combined \$362,537 for advances and accounts receivable, of which \$194,000 owed by Unity Terrace Apartments was repaid after year-end.

Summarized financial information for these entities as of and for the year ended June 30, 2010:

Total assets	\$ 24,894,643
Total liabilities	10,476,089
Total net assets	14,418,554
Total revenues	3,497,033
Total expenses	3,996,165
Total depreciation and amortization	
included in above expenses	897,428
Total principal payments made during the year	259,734

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**NOTE 13 RELATED PARTIES TRANSACTIONS (CONTINUED)**

**Unity Housing Apartments, LP (UHALP)**

During 2009, four (4) 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., a related nonprofit entity, serves as the general partner.

HRDE has earned \$2,743,020 in development fees for services to UHALP related to the rehabilitation of the four complexes it sold in 2009; \$2,355,973 in 2010 and \$387,048 in 2009

At June 30, 2010, UHALP owed HRDE \$1,723,021 in earned development fees and \$153,454 for advances and accounts receivable.

HRDE received housing project management fees from UHALP based on HUD approved market based rates of \$143,155 during the year ending June 30, 2010.

HRDF paid rent to UHALP for office space in Parkersburg, West Virginia during the year ended June 30, 2010 in the amount of \$9,000

**NOTE 14 SUBSEQUENT EVENTS**

FASB ASC 855-10, as amended, (formerly FASB Statement No. 165) *Subsequent Events*, requires an evaluation of events or transactions that occur after the balance sheet date but before the financial statements are issued. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events that reflect significant matters but which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes.

Management of Human Resource Development and Employment, Inc and its Consolidating Affiliates has evaluated the Organizations' activities and events through March 28, 2011 (the date the financial statements were issued) and has concluded that no subsequent events have occurred that would require recognition in the financial statement or disclosure in the notes to the financial statements. Nonetheless, management of the Organizations believe it is informative to disclose the following:

In July 2010, HRDE sold its residential real estate development, Brenda Lanes, located in Kanawha County, West Virginia at fair value. The entire proceeds were applied to the reduction of long-term debt.

In October 2010, Unity Housing, Inc., a related entity, sold its operating segment Unity Terrace Apartments ("UTA"). As a result of the sale, HRDE was repaid all of its outstanding advances and accounts due from UTA.

**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, 2010**

	<u>Educational Training</u>	<u>Youthbuild Training</u>	<u>Beth Place</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>			
<b>Revenues</b>			
Grant Income	\$ -	\$ 129,153	\$ -
Tuitions	270,249	-	-
Administrative fees	-	-	-
Rental income	-	-	45,698
Development income	-	-	-
Investment income	-	-	2,207
Subsidiary dividend income	-	-	-
Other income	-	-	18,716
Total revenues	<u>270,249</u>	<u>129,153</u>	<u>66,621</u>
<b>Expenses</b>			
<b>Program services:</b>			
Salaries and wages	171,716	55,777	3,329
Payroll taxes and fringe benefits	88,909	23,348	1,399
Travel	9,108	404	5
Occupancy and equipment costs	41,296	2,511	7,023
Office supplies and expenses	8,529	2,242	209
Insurance	5,321	362	4,987
Interest	-	-	24,870
Advertising	-	214	15
Professional fees	41,333	5,197	-
Repairs and maintenance	11,388	2,012	3,283
Classroom expenses	46,938	3,837	-
Miscellaneous and other expenses	2,208	-	5,798
Depreciation and amortization	7,575	-	14,203
Direct participation expense	-	6,009	-
Grants and contributions	-	-	-
Total program services	<u>434,321</u>	<u>101,913</u>	<u>65,121</u>
<b>Administrative and support services:</b>			
Salaries and wages	9,625	6,725	-
Payroll taxes and fringe benefits	-	3,534	-
Occupancy and office expense	-	743	-
Insurance	-	-	-
Interest	-	-	-
Professional fees	-	2,300	-
Repairs and maintenance	-	818	-
Bad debt expense	-	-	-
Depreciation and amortization	-	-	-
Total administrative and support	<u>9,625</u>	<u>14,120</u>	<u>-</u>
Total expenses	<u>443,946</u>	<u>116,033</u>	<u>65,121</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (173,697)</b>	<b>\$ 13,120</b>	<b>\$ 1,500</b>
<b>Other changes in unrestricted net assets</b>			
Loss on asset dispositions	-	-	-
Loss on development and investment writedowns	-	-	-
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>\$ (173,697)</b>	<b>\$ 13,120</b>	<b>\$ 1,500</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (173,697)</b>	<b>\$ 13,120</b>	<b>\$ 1,500</b>

See Independent Auditors' Report

Housing Management	Unallocated Administrative and Other	Total	
		2010	2009
\$ -	\$ -	\$ 129,153	\$ 313,627
-	-	270,249	269,512
408,285	-	408,285	407,706
-	118,702	164,400	181,977
2,355,973	-	2,355,973	387,048
-	3,795	6,002	5,255
-	475,000	475,000	8,515
-	3,759	22,475	80,363
<u>2,764,258</u>	<u>601,256</u>	<u>3,831,537</u>	<u>1,654,003</u>
196,532	-	427,354	452,085
87,052	-	200,708	179,157
16,809	-	26,326	31,541
20,368	-	71,198	86,129
7,584	-	18,564	22,103
11,618	-	22,288	19,946
23,407	-	48,277	54,856
9	-	238	17,084
77,964	-	124,494	79,796
12,996	-	29,679	40,917
-	-	50,775	74,388
29,941	-	37,947	28,768
10,336	-	32,114	41,616
-	-	6,009	78,942
70,278	-	70,278	101,865
<u>564,894</u>	<u>-</u>	<u>1,166,249</u>	<u>1,309,193</u>
-	13,129	29,479	25,877
-	906	4,440	12,843
-	17,228	17,971	10,223
-	15,184	15,184	10,614
-	27,048	27,048	53,250
-	41,485	43,785	9,037
-	30,688	31,506	13,710
-	21,103	21,103	14,964
-	16,058	16,058	21,477
-	182,829	206,574	171,995
<u>564,894</u>	<u>182,829</u>	<u>1,372,823</u>	<u>1,481,188</u>
\$ 2,199,364	\$ 418,427	\$ 2,458,714	\$ 172,815
-	-	-	(737,545)
<u>(247,559)</u>	<u>-</u>	<u>(247,559)</u>	<u>(346,920)</u>
\$ 1,951,805	\$ 418,427	\$ 2,211,155	\$ (911,650)
\$ -	\$ -	\$ -	\$ -
\$ 1,951,805	\$ 418,427	\$ 2,211,155	\$ (911,650)

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

**SCHEDULE OF ACTIVITIES DETAIL -  
D&J DEVELOPMENT, INC.  
Year Ended June 30, 2010**

	<b>2010</b>	<b>2009</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>Revenues</b>		
Deferred insurance commissions	\$ 26,563	\$ -
Investment income	3,140	13,000
	29,703	13,000
<b>Expenses</b>		
Salaries and wages	-	978
Payroll taxes and fringe benefits	480	1,354
Office supplies and expenses	23	438
Insurance	-	489
Management fees	23,800	-
Professional fees	7,467	2,200
Bad debt expense	19,487	-
Miscellaneous and other expenses	30	63
	51,287	5,522
<b>(Deficiency) excess of revenues         over expenses</b>	\$ (21,584)	\$ 7,478
<b>Other changes in unrestricted net assets</b>		
Decline in fair market value of mortgage note receivable	-	(642,860)
Reduction in deferred federal and state income taxes	95,602	48,105
<b>INCREASE (DECREASE) IN UNRESTRICTED         NET ASSETS</b>	<b>\$ 74,018</b>	<b>\$ (587,277)</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 74,018</b>	<b>\$ (587,277)</b>

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, 2010

	<u>Youth Transitions</u>	<u>Employment for Independent Living</u>	<u>Region 1 Youth Connections</u>	<u>Region 2 Youth @ Work</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>				
<b>Revenues</b>				
Grant Income	\$ 1,013,921	\$ 279,597	\$ 1,283,968	\$ 420,459
Investment income	-	-	-	-
Fee for service and other income	-	-	-	-
Total revenues	<u>1,013,921</u>	<u>279,597</u>	<u>1,283,968</u>	<u>420,459</u>
<b>Expenses</b>				
<b>Program services:</b>				
Salaries and wages	513,507	146,757	351,200	116,459
Payroll taxes and fringe benefits	174,863	48,343	133,959	32,167
Travel	64,037	15,518	49,481	20,929
Occupancy and equipment costs	27,385	9,428	17,487	2,863
Office supplies and expenses	25,858	7,049	23,142	5,323
Insurance	5,581	1,979	6,866	2,377
Advertising	1,457	20	557	-
Professional fees	114,897	2,145	7,356	5,543
Classroom expenses	-	-	-	-
Miscellaneous and other expenses	176	-	314	85
Participant expenses	<u>32,656</u>	<u>21,432</u>	<u>613,850</u>	<u>208,002</u>
Total program services	<u>960,417</u>	<u>252,671</u>	<u>1,204,212</u>	<u>393,748</u>
<b>Administrative and supporting services:</b>				
Salaries and wages	16,966	13,453	46,636	15,465
Payroll taxes and fringe benefits	5,777	4,431	16,930	5,614
Travel	3,370	817	2,595	1,098
Occupancy and equipment costs	18,771	6,463	11,820	1,934
Office supplies and expenses	8,620	2,350	7,641	1,757
Miscellaneous and other expenses	-	-	-	-
Total administrative and support	<u>53,504</u>	<u>27,514</u>	<u>85,622</u>	<u>25,868</u>
Total expenses	<u>1,013,921</u>	<u>280,185</u>	<u>1,289,834</u>	<u>419,616</u>
<b>(Deficiency) excess of revenues over expenses</b>	<u>-</u>	<u>(588)</u>	<u>(5,866)</u>	<u>843</u>
<b>Other changes in unrestricted net assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>\$ -</u>	<u>\$ (588)</u>	<u>\$ (5,866)</u>	<u>\$ 843</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>				
Grants and contributions	\$ -	\$ 281,408	\$ 1,117,481	\$ 393,955
Net assets released from restrictions	<u>-</u>	<u>(288,532)</u>	<u>(1,317,481)</u>	<u>(420,905)</u>
<b>(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>\$ -</u>	<u>\$ (7,124)</u>	<u>\$ (200,000)</u>	<u>\$ (26,950)</u>
<b>(DECREASE) INCREASE IN NET ASSETS</b>	<u>\$ -</u>	<u>\$ (7,712)</u>	<u>\$ (205,866)</u>	<u>\$ (26,107)</u>

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<u>Region 3 Youth Empowerment</u>	<u>Region 6 Youth Ready</u>	<u>On-The-Job Training Program</u>	<u>Community Rehab Program</u>	<u>Youthbuild</u>	<u>Young Parents</u>	<u>Unallocated Administrative and Other</u>	<u>Totals 2010</u>	<u>Totals 2009</u>
\$ 373,731	\$ 460,151	\$ 241,445	\$ 179,676	\$ 245,371	\$ 123,308	\$ -	\$ 4,621,627	\$ 2,752,168
-	-	-	-	-	-	-	-	285
-	-	-	65,120	-	-	3,394	68,514	1,000
<u>373,731</u>	<u>460,151</u>	<u>241,445</u>	<u>244,796</u>	<u>245,371</u>	<u>123,308</u>	<u>3,394</u>	<u>4,690,141</u>	<u>2,753,453</u>
86,602	75,659	72,655	151,556	94,708	78,626	-	1,687,729	1,205,762
33,099	29,452	27,863	39,374	44,576	21,918	-	585,614	540,885
6,536	12,022	4,556	13,431	2,500	6,051	-	195,061	78,489
7,479	5,111	2,621	5,699	4,392	2,543	-	85,008	87,436
8,468	8,054	5,572	11,302	5,287	4,297	-	104,352	73,713
1,859	1,319	1,503	923	764	500	-	23,671	14,222
16	-	35	-	1,641	151	-	3,877	1,923
5,090	2,307	3,614	195	2,663	1,606	-	145,416	174,500
-	-	-	6,175	-	-	-	6,175	1,952
105	10,014	-	923	2,858	166	-	14,641	10,709
<u>201,505</u>	<u>298,035</u>	<u>102,359</u>	<u>714</u>	<u>69,326</u>	<u>-</u>	<u>-</u>	<u>1,547,879</u>	<u>354,893</u>
<u>350,759</u>	<u>441,973</u>	<u>220,778</u>	<u>230,292</u>	<u>228,715</u>	<u>115,858</u>	<u>-</u>	<u>4,399,423</u>	<u>2,544,484</u>
11,500	10,047	11,845	5,301	8,786	3,470	-	143,469	124,620
4,175	3,648	4,543	1,377	4,135	967	-	51,597	56,260
343	630	240	707	61	318	-	10,179	4,108
5,054	3,454	1,735	3,906	2,290	1,349	-	56,776	23,323
2,796	2,659	1,851	3,768	1,383	1,344	-	34,169	24,267
-	-	-	-	-	-	-	-	3,696
<u>23,868</u>	<u>20,438</u>	<u>20,214</u>	<u>15,059</u>	<u>16,655</u>	<u>7,448</u>	<u>-</u>	<u>296,190</u>	<u>236,274</u>
<u>374,627</u>	<u>462,411</u>	<u>240,992</u>	<u>245,351</u>	<u>245,370</u>	<u>123,306</u>	<u>-</u>	<u>4,695,613</u>	<u>2,780,758</u>
<u>(896)</u>	<u>(2,260)</u>	<u>453</u>	<u>(555)</u>	<u>1</u>	<u>2</u>	<u>3,394</u>	<u>(5,472)</u>	<u>(27,305)</u>
-	-	-	-	-	-	-	-	-
<u>\$ (896)</u>	<u>\$ (2,260)</u>	<u>\$ 453</u>	<u>\$ (555)</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 3,394</u>	<u>\$ (5,472)</u>	<u>\$ (27,305)</u>
\$ 370,800	\$ 448,744	\$ 341,398	\$ 240,407	\$ -	\$ -	\$ -	\$ 3,194,193	\$ 2,015,415
<u>(391,893)</u>	<u>(456,976)</u>	<u>(179,676)</u>	<u>(240,407)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,295,870)</u>	<u>(1,752,016)</u>
<u>\$ (21,093)</u>	<u>\$ (8,232)</u>	<u>\$ 161,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,677)</u>	<u>\$ 263,399</u>
<u>\$ (21,989)</u>	<u>\$ (10,492)</u>	<u>\$ 162,175</u>	<u>\$ (555)</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 3,394</u>	<u>\$ (107,149)</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, 2010**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Youth Build Y-06-IM-WV-0073	14 243	\$ 126,242
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Pell Grants	84.063	112,656
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Rural Rental Housing Loan - Loan Assumption		
Original principal amount	\$ 346,117	
Unpaid principal amount at June 30, 2010	341,808	
Subsidy received/ expended for note repayment	10.415	<u>17,854</u>
Totals for Human Resource Development and Employment, Inc.		<u>\$ 256,752</u>

**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, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures	
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>WIA - Adult Program</b>			
Passes through Region 2 Workforce Investment Board		\$ 86,313	
Passes through Region 6 Workforce Investment Board		<u>27,810</u>	
	17.258	<u>114,123</u>	(1)(2)
<b>WIA - Youth Activities</b>			
Passes through Region 1 Workforce Investment Board		651,353	
Passes through Region 2 Workforce Investment Board		190,640	
Passes through Region 3 Workforce Investment Board		185,194	
Passes through Region 6 Workforce Investment Board		<u>160,955</u>	
	17.259	<u>1,188,142</u>	(1)(2)
<b>WIA - Youth Activities ARRA</b>			
Passes through Region 1 Workforce Investment Board		632,616	
Passes through Region 2 Workforce Investment Board		229,818	
Passes through Region 3 Workforce Investment Board		188,537	
Passes through Region 6 Workforce Investment Board		<u>299,196</u>	
	17.259	<u>1,350,167</u>	(1)(2)
<b>WIA - Dislocated Workers</b>			
Passes through Region 2 Workforce Investment Board		86,313	
Passes through Region 6 Workforce Investment Board		<u>41,009</u>	
	17.260	<u>127,322</u>	(1)(2)
<b>Youthbuild</b>	17.274	<u>245,371</u>	
<b>Young Parents Demonstration</b>	17.261	<u>123,308</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
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>223,678</u>	
<b>SOCIAL SECURITY ADMINISTRATION</b>			
Youth Transition Demonstration	96.007	<u>1,013,921</u>	(1)
Totals for Human Resource Development Foundation, Inc		<u>\$ 4,386,032</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*.

(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, 2010**

**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, 2010**

<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, 2010</u>
West Virginia Department of Health and Human Services Employment for Independent Living Program	G090132	\$ 55,919	\$ 55,919	\$ -
West Virginia Division of Rehabilitation Services Community Resource Development	DRS100358	<u>341,398</u>	<u>179,676</u>	<u>161,722</u>
Totals for Human Resource Development Foundation, Inc.		<u>\$ 397,317</u>	<u>\$ 235,595</u>	<u>\$ 161,722</u>



**Blair & Company, A.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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, 2010, and have issued our report thereon dated March 28, 2011. 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 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 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.

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.

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.

**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*.

Blair & Company, A.C

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

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 28, 2011



**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, 2010. 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, 2010.

**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 28, 2011



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2010**

**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):

CFDA Number	Name of Federal Program or Cluster
<u>WIA Cluster:</u>	
17 258	WIA Adult Program
17 259	WIA Youth Activities
17 259	WIA Youth Activities-ARRA
17 260	WIA Dislocated
96 007	Youth Transition Demonstration

The dollar threshold for distinguishing between Type 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, 2010**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**None**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**None**

HUMAN RESOURCE DEVELOPMENT AND EMPLOYMENT, INC.  
AND CONSOLIDATING AFFILIATES

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2010

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SECTION I - PRIOR YEAR FINANCIAL STATEMENT FINDINGS

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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 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.

Current Status

HRDF has implemented the consolidation of all entity activities into a single general ledger, with integrated payroll and accounts payable. The Organization has improved its closing procedures, including for grants with reporting cycles other than the Organization's fiscal year. Management has taken responsibility for approval of the financial statement amounts and disclosures.

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SECTION II - PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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None