

CHANGE, INC.

WEIRTON, WV

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

DHHR - Finance

MAY 31 2011

Date Received



SEACHRIST, KENNON & MARLING, A.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CHANGE, Inc.:

We have audited the accompanying statements of financial position of CHANGE, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As more fully discussed in Note 2, it is the Organization's policy to expense fixed assets purchased with grant funds. This practice differs from accounting principles generally accepted in the United States of America, which require fixed assets to be capitalized on the statement of financial position and systematic depreciation charges made to operations over the estimated useful lives of the assets. It was not practicable to determine the effect of this departure from accounting principles generally accepted in the United States of America on the financial statements.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of CHANGE, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2011, on our consideration of CHANGE, 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 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of CHANGE, Inc. taken as a whole. The accompanying schedule of expenditures of state awards is presented for the purpose of additional analysis and is not a required part of the financial statements of CHANGE, Inc. The accompanying schedule of expenditures of federal awards is 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sechrist, Kennon & Mauling, A.C.
Wheeling, West Virginia
May 24, 2011

CHANGE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 171,399	\$ 268,415
Accounts receivable - grants, contracts and contributions	241,424	254,908
Accounts receivable - medical fees, net of allowance for uncollectible accounts of \$1,022,707 & 549,141	932,418	516,188
Deposits and prepaid expenses	35,939	31,994
Total current assets	1,381,180	1,071,505
Inventory:		
Pharmacy	69,769	57,364
Weatherization	67,314	60,701
Total inventory	137,083	118,065
Property and equipment, net - Note 4	1,378,425	1,438,380
Capital Lease Equipment, net - Note 7	79,072	101,664
Other Assets	287,908	3,547
Total assets	\$ 3,263,668	\$ 2,733,161
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 148,832	\$ 147,952
Accrued wages and benefits	602,699	568,455
Deferred revenue	89,763	12,530
Mortgages and notes payable, current portion - Note 5	57,998	53,461
Capital Lease Obligation - Note 7	21,300	19,463
Line of credit - Note 5	314,309	146,108
Total current liabilities	1,234,901	947,969
Mortgages and notes payable, net of current portion - Note 5	1,146,799	1,161,009
Capital Lease Obligation, net of current portion - Note 7	64,797	84,433
Total liabilities	2,446,497	2,193,411
Net assets:		
Unrestricted	817,171	539,750
Total net assets	817,171	539,750
Total liabilities and net assets	\$ 3,263,668	\$ 2,733,161

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

CHANGE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>UNRESTRICTED NET ASSETS</u>		
Revenues and other support:		
Federal support	\$ 3,529,673	\$ 3,258,089
State support	410,819	344,342
Local support	164,211	112,206
Program service fees	25,240	32,438
Medical third party and self pay revenue	4,910,986	2,796,041
Service contracts	203,688	240,025
Donations and contributions	40,749	14,555
Donated services and materials - Note 3	1,576,853	1,809,190
Other income	39,340	56,961
Total revenues and other support	<u>10,901,559</u>	<u>8,663,847</u>
Expenses:		
Salaries	5,031,568	3,413,051
Fringe benefits	871,990	680,041
Office expenses	44,404	102,688
Materials and supplies	1,165,147	774,622
Insurance	83,983	66,760
Telephone and utilities	144,463	113,077
Travel / training	103,863	82,520
Equipment and maintenance	447,636	483,614
Contractual	307,095	350,389
Donated services and materials - Note 3	1,576,853	1,809,190
Program expenses and support	40,960	2,752
Bad debt expense	349,949	94,178
Other expenses	234,649	178,584
Outreach	26,317	10,856
Interest	72,665	56,479
Depreciation	91,839	101,457
Amortization	22,592	11,296
Gain (loss) on disposal of fixed assets	-	12,602
Legal and accounting	8,165	60,848
Total expenses	<u>10,624,138</u>	<u>8,405,004</u>
Increase (decrease) in unrestricted net assets	277,421	258,843
Net assets, beginning of year	<u>539,750</u>	<u>280,907</u>
Net assets, end of year	<u>\$ 817,171</u>	<u>\$ 539,750</u>

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

CHANGE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2009

	Program	Management and General	Fundraising	Total 2010	Total 2009
Salaries	\$ 3,773,676	\$ 1,157,261	\$ 100,631	\$ 5,031,568	\$ 3,413,051
Fringe benefits	653,992	200,558	17,440	871,990	680,041
Office expenses	33,303	10,213	888	44,404	102,688
Materials and supplies	873,860	267,984	23,303	1,165,147	774,622
Insurance	62,987	20,996	-	83,983	66,760
Telephone and utilities	108,347	33,226	2,890	144,463	113,077
Travel	77,897	23,888	2,078	103,863	82,520
Equipment and maintenance	335,727	102,956	8,953	447,636	483,614
Contractual	230,321	76,774	-	307,095	350,389
Donated services and materials	1,576,853	-	-	1,576,853	1,809,190
Program expenses and support	40,960	-	-	40,960	2,752
Bad debt expense	349,949	-	-	349,949	94,178
Other expenses	175,987	53,969	4,693	234,649	178,584
Outreach	19,738	6,053	526	26,317	10,856
Interest and service charges	54,499	18,166	-	72,665	56,479
Depreciation	68,879	21,123	1,837	91,839	101,457
Amortization	22,592	-	-	22,592	11,296
Gain (loss) on disposal of fixed assets	-	-	-	-	12,602
Legal and accounting	6,124	1,878	163	8,165	60,848
	<u>\$ 8,465,691</u>	<u>\$ 1,995,045</u>	<u>\$ 163,402</u>	<u>\$ 10,624,138</u>	<u>\$ 8,405,004</u>

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

CHANGE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 277,421	\$ 258,843
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	91,839	101,457
Amortization	22,592	11,296
(Gain) loss on sale of fixed assets	-	12,602
Bad debt expense	349,949	94,178
Donated property	-	(3,547)
Changes in assets and liabilities:		
(Increase) decrease in grants, contracts and contributions receivable	13,484	(113,769)
(Increase) in medical fees receivable	(766,179)	(488,420)
(Increase) in inventories	(19,018)	(54,877)
(Increase) decrease in other assets	(284,361)	-
(Increase) decrease in deposits and prepaid expenses	(3,945)	(10,640)
Increase in accounts payable and accrued liabilities	35,124	477,491
Increase (decrease) in deferred revenue	<u>77,233</u>	<u>(31,214)</u>
Net cash provided (used) by operating activities	<u>(205,861)</u>	<u>253,400</u>
Cash flows from investing activities:		
Construction in progress	-	(27,667)
Purchase of fixed assets	-	(33,527)
Net cash provided (used) by investing activities	<u>-</u>	<u>(61,194)</u>
Cash flows from financing activities:		
Proceeds from long term debt	19,582	-
Proceeds from line of credit	3,463,717	1,564,240
Principal payments on capital lease equipment	(17,799)	(9,064)
Principal payments on long term debt	(61,515)	(88,816)
Principal payments on line of credit	<u>(3,295,140)</u>	<u>(1,482,758)</u>
Net cash provided (used) by financing activities	<u>108,845</u>	<u>(16,398)</u>
Net increase (decrease) in cash and cash equivalents	(97,016)	175,808
Cash and cash equivalents at beginning of year	<u>268,415</u>	<u>92,607</u>
Cash and cash equivalents at end of year	<u>\$ 171,399</u>	<u>\$ 268,415</u>

The accompanying notes are an integral part of these financial statements

CHANGE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 73,523</u>	<u>\$ 56,911</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
 Schedule of non-cash investing and financing activities:		
Loan proceeds for the purchase of fixed assets and debt payments	<u>\$ 31,883</u>	<u>\$ 29,087</u>
 Purchase of fixed assets with loan proceeds	<u>\$ (31,883)</u>	<u>\$ (29,087)</u>
 Capital lease equipment financed	<u>\$ -</u>	<u>\$ 112,960</u>
 Purchase of capital lease equipment	<u>\$ -</u>	<u>\$ (112,960)</u>

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

CHANGE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass Through Agency Program Title	Grant Period	Program	Grant or Award Number	Federal CFDA #	Accounts Receivable 12/31/2009	Deferred Revenue 12/31/2009	2010 Revenue Recognized	2010 Expenditures	Accounts Receivable 12/31/2010	Deferred Revenue 12/31/2010
Department of Housing and Urban Development										
Passed through the City of Wheeling										
HOME Investment Partnership Program										
First Time Home Buyers - Brooke	January 2010-December 2010	FTHB	N/A	14.239	\$ 431	\$	\$ 2,449	\$	\$ 211	\$
First Time Home Buyers - Hancock	January 2010-December 2010	FTHB	N/A	14.239	592		3,089		567	
First Time Home Buyers - Weirton	January 2010-December 2010	FTHB	N/A	14.239	333		2,545		316	
					1,356		8,083		894	
Passed through the City of Weirton										
Community Development Block Grant										
Community Development Block Grant	July 2009-June 2010	CDBG	B-09-MC-54-0004	14.218			3,054			
Community Development Block Grant	July 2010-June 2011	CDBG	B-10-MC-54-0004	14.218			2,998		2,998	
Community Development Block Grant	July 2009-June 2011	CDBG	N/A	14.218			2,339			
Community Development Block Grant (Entitlement Grant)	December 2, 2009-December 31, 2012	CDBG HOUSING		14.256			295,616		47,449	
Passed Through West Virginia Development Office		NSP	10-139	14.256			1,670			
Pass Through WV Coalition Against Domestic Violence	2009-2011	Rapid Rehousing	N/A	14.257			305,677		50,447	
					1,356		313,760		51,341	
Total Department of Housing and Urban Development										
Department of Justice										
Passed through the State of West Virginia Division										
Justice Assistance Grant										
Victim of Crime Act	July 1, 2010-June 30, 2011	LAG	11-673	16.738			6,791		2,484	
Victim of Crime Act	July 1, 2009-June 30, 2010	VOCA	10-1038	16.735	3,686		7,422			
Victim of Crime Act	July 1, 2010-June 30, 2011	VOCA	11-1100	16.575			13,032		4,944	
WV Coalition Against Domestic Violence	July 1, 2008-December 31, 2010	LAV	2004-WV-AX-0040	16.524	1,701		4,679		9,105	
WV Coalition Against Domestic Violence	July 1, 2010-December 31, 2012	LAV	2004-WV-AX-0040	16.524	5,387		41,029		16,533	
					5,387		41,029		16,533	
Total Department of Justice										
Department of Transportation										
Passed through the Department of Transportation										
Division of Public Transit										
Division of Public Transit	July 1, 2009-June 30, 2010	JARC	F-37-0040	20.516	14,366		59,459			
Division of Public Transit	July 1, 2010-June 30, 2011	JARC	F-37-0040	20.516						
							59,094		8,835	
							43,141		26,251	
Division of Public Transit	July 1, 2009-June 30, 2010	JARC CAP/NEW VEH	F-37-0042-2010	20.516						
Division of Public Transit	July 1, 2010-June 30, 2011	JARC CAP/NEW VEH	F-37-0043-2011	20.516						
					14,366		187,945		187,945	8,835
Total Department of Transportation										
Department of Homeland Securities										
Passed through United Way of America										
Emergency Food and Shelter Program										
	January 1, 2010-December 31, 2010	EFSP	LRO 898400-008	97.024			3,000		3,000	
							3,000		3,000	
Total Department of Homeland Securities										

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

CHANGE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass Through Agency Program Title	Grant Period	Program	Grant or Award Number	Federal CFDA #	Accounts Receivable 12/31/2009	Deferred Revenue 12/31/2009	2010 Revenue Recognized	2010 Expenditures	Accounts Receivable 12/31/2010	Deferred Revenue 12/31/2010
Department of Health and Human Resources										
Family Violence Prevention and Services/Grants for Bureau of Children and Families										
Public Awareness Earned Income Tax Credit	October 1, 2009-September 30, 2010	EITC	G100509	93.558		4,433	16,433	16,433		
Public Awareness Earned Income Tax Credit	October 1, 2010-September 30, 2011	EITC	G110567	93.558			2,948	2,948		5,052
Protective Services for Children and Adults										
Family Violence Prevention and Services Act	July 1, 2009-June 30, 2010	DHHR	G100266	93.671			32,476	32,476		
Family Violence Prevention and Services Act	July 1, 2010-June 30, 2011	DHHR	G110149	93.671			29,144	29,144		3,888
Bureau of Public Health										
Investigations and Technical Assistance (BCCSP)	June 30, 2009-June 29, 2010	BCCSP	BC10 1014	93.283	4,760		14,998	14,998		
Investigations and Technical Assistance (BCCSP)	June 30, 2010-June 29, 2011	BCCSP/W/SEWOMAN	BC11 1011	93.283			14,854	14,854	2,920	
Primary Care Support	January 1, 2010-June 30, 2010	SERP	G100716	93.165	4,760		39,032	39,032	2,920	
							68,884	68,884		
Subtotal WV Department of Health and Human Services					4,760	4,433	149,885	149,885	2,920	8,940
Passed through the West Virginia Office of Economic Opportunity										
Community Service Block Grant	January 1, 2010-December 31, 2010	CSBG	2009-0003	93.569	8,542		439,165	439,165	20,756	
Community Service Block Grant (A&R&A)	July 1, 2009-December 29, 2010	CSBG	2009-003A	93.710	19,896		62,075	62,075		
					28,438		501,240	501,240	20,756	
Low Income Energy Assistance Program	October 1, 2006-Current	LIEAP	2007-1402	93.568			1,431	1,431		
Low Income Home Energy Assistance	April 1, 2009-June 30, 2010	WX DHHR	2009-1002	93.568			111,396	111,396		
Low Income Home Energy Assistance	July 1, 2010-June 30, 2011	WX DHHR	2010-1002	93.568			328,051	328,051	10,954	5,129
							440,878	440,878	10,954	5,129
Passed through West Virginia Office of Economic Opportunity then passed through the City of Weirton										
WV Homeless Shelters Program ESGP	July 1, 2010-June 30, 2011	ESGP	2009-1136	14.231	1,888		2,282	2,282	2,400	
WV Homeless Shelters Program ESGP	July 1, 2011-June 30, 2012	ESGP	2010-1134	14.231	1,888		11,173	11,173	2,400	
							13,455	13,455		
Subtotal West Virginia Governors Office of Ec. Opp.					30,326		955,473	955,473	34,110	5,129

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

CHANGE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass Through Agency	Program	Grant of Award Number	Federal CFDA #	Accounts Receivable 12/31/2009	Deferred Revenue 12/31/2009	2010 Revenue Recognized	2010 Expenditures	Accounts Receivable 12/31/2010	Deferred Revenue 12/31/2010
Passed through Office of Community Service West Virginia Seves	OCS	90ET0364002	93.570	35,086	4,433	2,625	2,625	37,020	14,069
Subtotal Office of Community Service									
Total Department of Health and Human Services									
Department of Energy									
Passed through West Virginia Governor's Office of Economic Opportunity	WX DOE	2009-1002	* 81.042	20,066	3,109	72,119	72,119		
OEO Weatherization Assistance to Low Income Persons	WX ARRA DOE	2009-1002	* 81.042	104,419		466,570	466,570		
OEO Weatherization Assistance to Low Income Persons	WX ARRA DOE T&TA	2009-1002	* 81.042	5,188		34,516	34,516		
OEO Weatherization Assistance to Low Income Persons	WX DOE	2010-1002	* 81.042			28,991	28,991		
OEO Weatherization Assistance to Low Income Persons	WX ARRA DOE	2010-1002	* 81.042			295,390	295,390	89,462	48,397
OEO Weatherization Assistance to Low Income Persons	WX ARRA DOE T&TA	2010-1002	* 81.042			8,540	8,540	8,540	
Total Department of Energy									
Department of Health and Human Services									
Health Resources and Services Administration	HRSA	HR0CS08238	* 93.224			205,695	205,695		
Health Resources and Services Administration	HRSA	HR0CS08238	* 93.224	10,956		517,559	517,559		
Health Resources and Services Administration	HRSA ARRA 18H08	H88CS11724	93.703	18,501		55,769	55,769		
Health Resources and Services Administration	HRSA ARRA 18008	C81CS13452	93.703	29,457		132,132	132,132		
Total Department of Health and Human Services									
USDA									
Passed through West Virginia Department of Education	CACFP	61765	10.558	638		5,048	5,048		
Child and Adult Food Care Program	CACFP	61765	10.558			4,799	4,799	2,937	
Summer Food Service Program	S FOOD	61774	10.559		4,989	48,728	48,728		
Total USDA									
Total Federal Awards									
* Major Programs									

Basis of Presentation
The accompanying schedule of expenditures of federal awards includes the federal grant activity of CHANGE, Inc. and is presented on the accrual basis of accounting. The information in this schedule is 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 this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

CHANGE, INC.
**SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2010**

State Grantor/Pass Through Agency Program Title	Grant Period	Grant or Award Number	Federal CFDA #	Accounts Receivable 12/31/2009	Deferred Revenue 12/31/2009	2010 Revenue Recognized	2010 Expenditures	Accounts Receivable 12/31/2010	Deferred Revenue 12/31/2010
West Virginia Department of Health and Human Resources									
Passed through the West Virginia Bureau of Children and Families									
Protective Services for Victims of Domestic Violence	July 1, 2009-June 30, 2010	G100266	N/A	\$ -	\$ -	\$ 86,817	\$ 86,817	\$ -	\$ -
Protective Services for Victims of Domestic Violence	July 1, 2010-June 30, 2011	G110168	N/A	-	-	69,318	69,318	-	9,246
						156,135	156,135		9,246
OCHS/Bureau of Primary Healthcare									
OCHS/Division of Primary Care Unc. Care	July 1, 2009-June 30, 2010	G100078	N/A	-	-	99,446	99,446	-	-
OCHS/Division of Primary Care Unc. Care	July 1, 2010-June 30, 2011	G110310	N/A	-	-	53,844	53,844	-	-
						153,290	153,290		
OCHS/Division of Primary Care Line Item Mort.									
OCHS/Division of Primary Care Line Item Mort.	July 1, 2009-June 30, 2010	G100117	N/A	-	-	26,100	26,100	-	-
	July 1, 2010-June 30, 2011	G110349	N/A	-	-	17,955	17,955	-	-
						44,055	44,055		
WV Housing Development Fund									
Technical Assistance Agreement	February 17, 2010-February 19, 2010	N/A	N/A	-	-	1,000	1,000	-	-
Home Buyer Education Counseling	April 1, 2009-June 30, 2010	N/A	N/A	-	-	8,007	8,007	-	-
Home Buyer Education Counseling	July 1, 2010-June 30, 2011	N/A	N/A	-	-	9,000	9,000	3,450	-
						18,007	18,007	3,450	-
Bureau of Public Health									
OCHS/HP/Division of Rural Health Recruitment	January 1, 2010-June 30, 2010	G100716	N/A	-	-	39,032	39,032	-	-
						39,032	39,032		
Total West Virginia Department of Health and Human Resources						410,519	410,519	3,450	9,246
West Virginia Department of Transportation									
Division of Public Transit	June 14, 2010-June 16, 2010	F376040	N/A	-	-	300	300	-	-
						300	300		
Total 2010 State Awards						\$ 410,819	\$ 410,819	\$ 3,450	\$ 9,246

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

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1 – Nature of Operations:

CHANGE, Inc. is a nonprofit organization, which was formed in 1983 under the laws of the State of West Virginia. The Organization provides assistance to families/individuals in need by providing quality medical services, transportation for employment, non-emergency transportation, shelter from domestic violence, home energy conservation, emergency loans, first time home buyers assistance, housing counseling, promote and provide decent housing that is affordable to low-income and moderate income persons in the cities and counties of the Panhandle of West Virginia, after-school programs, emergency services and other services to the residents within, but not limited to Brooke, Hancock, Ohio, and Marshall Counties of WV, and surrounding neighboring cities of Ohio and Pennsylvania. CHANGE, Inc. provides these services with funding from various federal, state, local and private sources.

From 1998 to April 12, 2005, CHANGE, Inc. operated a free health clinic after a needs assessment of the area showed that 100 percent of CHANGE, Inc.'s clients had no health insurance and Weirton Medical Center reported an influx of low-income patients beyond their financial capabilities. This free clinic provided prescription and preventative health services to uninsured residents of Brooke and Hancock Counties in West Virginia.

On April 12, 2005, CHANGE, Inc. formed Family Medical Care, Inc., a community health medical center. The transition from a free clinic to Family Medical Care, Inc. was made to meet the overwhelming increase in demand for services mostly due to the 10,000 employees and retirees of Weirton Steel who had lost their jobs, pensions and health insurance. With the transition, patients now have access to quality health care based on a sliding scale regardless of income level, insurance status, or residence through funding from federal, state, local and private sources, as well as third party and private program income. Family Medical Care, Inc. is operated as a department of CHANGE, Inc.

On July 1, 2009, CHANGE, Inc. opened Women's Health Center, a part of Family Medical Care. Women's Health Center is located within Weirton Medical Center and provides gynecological services regardless of income level. Now low income and uninsured women can receive the same level of care as insured patients.

Note 2 – Summary of Significant Accounting Policies:

Basis of presentation – The financial statements of CHANGE, Inc. (the Organization) have been prepared in conformity with accounting principles generally accepted in the United States of America, with the exception of the capitalization of certain fixed assets.

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 2 – Summary of Significant Accounting Policies (continued):

Basis of accounting – CHANGE, Inc. prepares its financial statements using the accrual basis of accounting.

Account classification – Revenue and expense information is maintained separately for each grant funded to CHANGE, Inc. as required by the various funding sources.

Equipment and vehicles – In accordance with grant award budgets approved by the various funding sources, equipment and vehicles purchased with grant funds under cost reimbursement grants are charged to expense in the period in which they are purchased rather than being recorded as assets and depreciated over their estimated useful life. As a result, the expenses reflected in the statements of activities and changes in net assets include the cost of equipment and vehicles purchased during the year rather than a provision for depreciation for those assets acquired with grant funds. Houses purchased with grant funding for the NSP (Neighborhood Stabilization Program) Homeownership Program are recorded as other assets on the Statement of Financial Position when purchased and not expensed upon purchase as detailed in Note 13.

The equipment acquired is owned by CHANGE, Inc. while it is used in the program for which it was purchased or in other future authorized programs. The funding sources, however, have a reversionary interest in the equipment purchased with grant funds; therefore, its disposition, as well as the ownership of any sale proceeds there from, is subject to funding source regulations.

Buildings – CHANGE, Inc. owns several buildings that are used for program specific purposes. The buildings are acquired with the aid of grant awards and private funding and are shown on the statements of financial position. As noted above, the portion of the building or renovations that are paid for with grant funds are charged to expense when the buildings are purchased or renovations are made. However, with the grant funding received for the NSP (Neighborhood Stabilization Program) Homeownership Program, houses are purchased and are recorded as other assets on the Statement of Financial Position as further explained in Note 13.

Fixed assets – debt financed or non-grant expenditures – Fixed assets acquired with local or corporate funds, or debt-financed, are capitalized at cost and depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows: 15 to 40 years for buildings and improvements and 3 to 5 years for equipment and vehicles.

Interest expense related to debt-financed fixed assets is charged to unrestricted (corporate) funds for those grants that do not allow interest expense

Capital leases – Equipment acquired through capital lease with medical third party or self pay revenue is capitalized at cost and amortized. Amortization is calculated using the straight-line method over the term of the lease.

Interest expense related to capital leases is charged to medical third party or self pay program expenses.

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 2 – Summary of Significant Accounting Policies (continued):

Accounts receivable – Accounts receivable are stated at the net of the allowance for doubtful accounts. The allowance is established through a provision for bad debts charged to expense. Accounts are charged off against the allowance when management believes that the collection of the accounts is unlikely. The allowance is an amount which management believes will be adequate to absorb possible losses on outstanding accounts that may become uncollectible based on evaluations of the collectability of accounts and prior bad debt expense.

Inventory – Inventory is recorded on a first-in first-out basis at cost for the Weatherization and Pharmacy programs.

Cash and cash equivalents – For the purpose of the Statement of Cash Flows, CHANGE, Inc. considers all investments with an original maturity date of three months or less to be cash equivalents.

Revenues – Revenues are recognized in the accompanying financial statements as follows:

Grants and Reimbursement Contracts – The funds due from the various funding sources under grants and reimbursement contracts are recognized as revenue in the program year when the expenditures are incurred and the grant funds are earned.

Program Income – The amount due from various sources is recognized when earned.

Interest Income – Interest income is recognized in the accounting period in which it is received. CHANGE, Inc. maintains funds received from various sources in interest-bearing checking accounts. The portion of interest earned on federal funds is applied to the federal funding sources in accordance with grant requirements. The interest earned on other funds is transferred to the corporate accounts and is used to support the programs of the Organization.

Donations, Contributions and Promises to Give – All donations and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the contribution was recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration of the restriction.

There were no temporarily or permanently restricted net assets at December 31, 2010 and 2009

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 2 – Summary of Significant Accounting Policies (continued):

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Financial statement presentation – CHANGE, Inc. presents its financial statements in accordance with Financial Accounting Standards Board, Accounting Standards Codification (FASB ASC 958) “Financial Statements of Not-for-Profit Organizations.” Under FASB ASC 958, CHANGE, Inc. is required to present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Assets with voluntary designations by the governing board are considered to be unrestricted.

Reclassifications – The Organization’s policy is to reclassify amounts reported in prior year financial statements when necessary for classifications adopted during the current year. There are no significant reclassifications during 2010.

Note 3 – In-kind Wages, Rent, Transportation, Supplies and Other:

Local cash matches were used to meet matching cash requirements of various grants. The amounts were obtained from various local grants, performance contracts, donations and in-kind. Match and in-kind were obtained for the year ended December 31, 2010 and 2009, for the following programs:

	<u>2010</u>	<u>2009</u>
<u>Salaries and Benefits:</u>		
Corporate	\$ 5,100	\$ 11,225
Family Medical Care	-0-	-0-
FQHC	-0-	856
Lighthouse	<u>80</u>	<u>50</u>
Total salaries and benefits	<u>5,180</u>	<u>12,131</u>
 <u>Medical Services and Drugs:</u>		
FQHC	<u>1,576,853</u>	<u>1,809,190</u>
Total medical services and drugs	<u>1,576,853</u>	<u>1,809,190</u>
 <u>Other:</u>		
Corporate	463	902
FQHC	272	480
Lighthouse	<u>33,043</u>	<u>14,988</u>
Total other	<u>33,778</u>	<u>16,370</u>
 Total	 <u>\$1,615,811</u>	 <u>\$1,837,691</u>

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 3 – In-kind Wages, Rent, Transportation, Supplies and Other (continued):

For the years ended December 31, 2010 and 2009, donations of medical services and pharmaceuticals totaling \$1,576,853 and \$1,809,190, respectively, have been recognized in the statements of activities. Included are medical services valued at \$352,345 in 2009 provided by Weirton Medical Center to patients of Family Medical Care, compared to \$17,551 in 2010. Weirton Medical Center discontinued reporting this value and due to the confidential nature of medical records, the value of services cannot be estimated. No other amounts have been recognized in the statements of activities for in-kind contributions because the criteria for recognition under FASB ASC 958-605-50-1 have not been satisfied.

Note 4 – Land, Buildings, Vehicles and Equipment:

As described in Note 2, the Organization owns land, buildings, equipment and vehicles, which are recorded at cost. The following is a listing of fixed assets at cost:

	<u>2010</u>	<u>2009</u>
Land	\$ 5,000	\$ 5,000
Buildings and improvements	1,457,785	1,457,785
Equipment and furnishings	132,431	132,431
Vehicles	<u>188,318</u>	<u>195,512</u>
	1,783,534	1,790,728
Less: Accumulated depreciation	<u>405,109</u>	<u>352,348</u>
Net fixed assets	<u>\$1,378,425</u>	<u>\$1,438,380</u>

CHANGE, Inc. reviews its fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated by the fixed assets and any estimated proceeds from the eventual disposition of the fixed assets. If the fixed assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value of such fixed assets. There were no impairment losses recognized in 2010 and 2009.

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 5 – Lines of Credit and Long-Term Debt:

Lines of credit, mortgages and notes payable consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<u>Line of Credit</u>		
\$300,000 which renewed in June for \$500,000 demand note secured by three parcels of property located in Hancock and Marshall Counties in West Virginia and Medical A/R. The variable rate in effect at December 31, 2010 was 3.25%.	<u>\$ 314,309</u>	<u>\$ 146,108</u>
<u>Mortgages and Notes Payable</u>		
Deed of trust on Taylor Street property, interest rate of 6.50%, maturity on February 3, 2012.	\$ 5,592	\$ 10,611
Deed of Trust on West Street property, interest rate of 6.125%, maturity on November 3, 2023	47,286	49,852
Note payable on Dakota Truck, interest rate of 7.55%, maturity on April 13, 2010.	-0-	1,937
Note payable on Dodge Caravan 0515, interest rate of 0.00%, maturity on June 4, 2010.	-0-	1,838
Deed of Trust on 3136 West Street, interest rate of 4.125%, maturity on December 28, 2037.	1,085,235	1,107,294
Note payable on Chrysler Town & Country Minivan, interest rate of 6.78%, maturity on May 5, 2011.	2,327	7,699
Note payable on 2007 Dodge Caravan, interest rate of 6.95%, maturity on June 5, 2012.	11,998	19,442
Note payable on Transportation Bus, interest rate of 5.75%, maturity on December 7, 2010.	-0-	4,685
Note payable on 2008 Chevy Silverado Truck, interest rate of 6.15%, maturity on January 8, 2013.	7,704	11,112
Note payable on 2007 Chevy Silverado Truck, interest rate of 5.30%, maturity on January 1, 2015.	16,692	-0-

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 5 – Lines of Credit and Long-Term Debt (continued):

Note payable on 2010 Ford Van, interest rate of 5.6%, Maturity on January 1, 2013	7,395	-0-
Note payable on 2010 Dodge Grand Caravan Interest rate of 5.75%, maturity on November 5, 2013	6,408	-0-
Note payable on 2008 Chrysler Town & Country Van, Interest rate of 6.5%, maturity on November 5, 2013	<u>14,160</u>	<u>-0-</u>
Total mortgages and notes payable	<u>\$1,204,797</u>	<u>\$1,214,470</u>

Aggregate maturities of long-term debt for the periods subsequent to December 31, 2010, based on present arrangements, are as follows:

2011	\$	57,998
2012		49,101
2013		39,006
2014		32,960
2015		30,154
Thereafter		<u>995,578</u>
		<u>\$ 1,204,797</u>

Note 6 – Operating Lease:

Organization entered into a 10 year (120 month) lease commencing on July 1, 2009 with Weirton Medical Center for Women’s Health Center operating space. Lease consists of 4,120 square feet. Equal monthly installments of \$3,776.66 will be expensed and presented as Other Expenses on the Statement of Activities. After the 60th month, the annual base rent will be evaluated against market conditions and may be increased, but will not exceed an increase of 5% based upon the CPI index. Current year operating lease expense and succeeding 5 year obligation is as follows:

2011	\$	45,320
2012		45,320
2013		45,320
2014		45,320
2015		45,320
Thereafter		<u>158,620</u>
		<u>\$385,220</u>

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 7 – Capital Lease:

As described in Note 2, the Organization has capital equipment leases. There are 2 equipment leases for Women’s Health Center with terms as follows:

The Organization entered into a 5 year (60 month) lease commencing on June 30, 2009 for GE Bone Density Equipment. The total cost of the equipment was \$44,480 and is due in equal monthly installments of \$890.80 with an interest rate of 7.3%. The Organization has the option to purchase the equipment for \$1 at end of the term of the lease.

The Organization entered into a 5 year (60 month) lease commencing on June 30, 2009 for Ultrasound Equipment. The total cost of the equipment was \$68,480 and is due in equal monthly installments of \$1,491.49 with an interest rate of 11%. The Organization has the option to purchase the equipment for \$1 at end of the term of the lease.

Current period and future minimum lease payments, separated by principal and interest, are as follows:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 21,300	\$ 7,288
2012	23,424	5,164
2013	25,768	2,819
2014	<u>15,605</u>	<u>471</u>
	<u>\$ 86,097</u>	<u>\$15,742</u>

The following is a listing of capital leases at cost:

	<u>2010</u>	<u>2009</u>
Capital lease equipment	\$ 112,960	\$ 112,960
Less: Accumulated amortization	<u>33,888</u>	<u>11,296</u>
Net capital leases	<u>\$ 79,072</u>	<u>\$ 101,664</u>

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 8 – Retirement Plan:

CHANGE, Inc. maintains a 403(b) retirement plan. All employees working 20 hours or more per week are eligible to participate. The employer contribution policy was changed effective January 1, 2009. The change provides employer contributions that match employee contributions, dollar for dollar, with an annual cap of \$3,000 per employee. CHANGE, Inc. contributed \$50,090 and \$29,023 to the plan for the fiscal years ending December 31, 2010 and 2009, respectively.

Note 9 – Commitments and Contingencies:

CHANGE, Inc. receives a substantial amount of its support from federal and state programs. A significant reduction of this support would have a major effect on CHANGE, Inc.'s activities.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as inappropriate expenditures. Such audits could lead to reimbursements to the grantor agencies. Management believes disallowances, if any, would be immaterial.

CHANGE, Inc. is required to file an annual cost report with the Medicare and West Virginia Medicaid program. Upon final settlement of these reports, amounts may be deemed payable to or receivable from the Medicare and Medicaid programs. The Organization's 2010 cost report will not be filed until May 2011. As such, no liability or asset has been recorded for any amount that may be payable or receivable as a result of this report.

Note 10 – Concentration of Credit Risk:

CHANGE, Inc. maintains cash accounts at several local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. All cash deposits were within FDIC coverage limits at December 31, 2010.

CHANGE, Inc. is located in Weirton, West Virginia. The Organization grants credit without collateral to patients of Family Medical Care, Inc., most of whom are local residents.

Note 11 – Income Taxes:

CHANGE, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 12 – Federal 330 Grant Funding:

Federal 330 grants are issued to community health centers to increase the access to comprehensive primary and preventive health care and improve the health status of underserved populations. The Bureau of Primary Health Care awarded CHANGE, Inc. with Federal 330 grant funding in the amount of \$624,297 for the period May 1, 2009 through April 30, 2010 and \$624,297 for the period May 1, 2010 through April 30, 2011. CHANGE, Inc. received and expended \$723,254 in Federal 330 funding for the year ended December 31, 2010.

Federal grants were awarded to CHANGE, Inc. in 2009, relating to the American Recovery and Reinvestment Act of 2009. Awards include \$550,121 from the West Virginia Office of Economic Opportunity for home weatherization, \$359,445 CIP and \$137,888 IDS through the Health Resources and Services Administration for health care services and \$691,881 from the West Virginia Office of Economic Opportunity as a Community Service Block Grant for housing counseling and starting up the Women’s Health facility. Awards in 2010 include \$872,805 from the West Virginia Office of Economic Opportunity for home weatherization. Refer to the Schedule of Expenditures of Federal Awards for amounts recognized as revenues and expenses for 2010.

Note 13 – Other Assets:

Federal, state and local grants were awarded to CHANGE, Inc. in 2010, for the NSP (Neighborhood Stabilization Program) Homeownership Program to purchase, renovate and sell houses to qualified buyers. Awards include \$897,961 from the West Virginia Development Office (NSP grant) and \$100,000 from Hancock County Savings Bank (CRA grant). Under this program, the portion of the building or renovations that are paid for with grant funds are recorded as other assets on the Statement of Financial Position when the buildings are purchased or renovations are made. The following is a list of buildings and renovations, also known as hard costs, recorded as other assets:

<u>Property Location</u>	<u>Grant</u>	<u>Buildings</u>	<u>Renovations</u>
110 West Belleview, Weirton	NSP	\$65,550	\$0
921 Rainey Hill Road, New Cumberland	NSP	\$65,551	\$0
2517 Hazlett Avenue, Wheeling	NSP	\$34,283	\$265
101 Woodview Lane, Follansbee	NSP	\$45,600	\$0
3139 Orchard Street, Weirton	CRA	\$24,960	\$15,947
3147 Orchard Street, Weirton	CRA	\$28,457	\$748

CHANGE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 13 – Other Assets (continued):

Other assets also includes \$3,000 of deposits on property acquired through a 2011 grant from the West Virginia Housing Development Fund and \$3,547 for a house donated to CHANGE, Inc. by First Choice America Federal Credit Union in 2009.

Costs such as legal fees, insurance, marketing and engineering, in addition to Administrative costs, are recorded as expenses in the period they are incurred.

Note 14 – Subsequent Events:

CHANGE, Inc. has evaluated subsequent events through May 24, 2011, the date which the financial statements were available to be issued.

Note 15 – Reclassifications:

CHANGE, Inc.'s policy is to reclassify amounts reported in prior year financial statements when necessary for classifications adopted during current year. There were no significant reclassifications during 2010.

SEACHRIST, KENNON & MARLING, A.C.

Certified Public Accountants & Business Consultants

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American Institute of Certified Public Accountants
Governmental Audit Quality Center
Employee Benefit Plan Audit Quality Center

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
CHANGE, Inc.:

We have audited the financial statements of CHANGE, Inc. as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 24, 2011, which expressed a qualified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 24 through 38, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Seachrist, Kennon & Marling A.C.
Wheeling, West Virginia
May 24, 2011

CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

CORPORATE

REVENUES AND OTHER SUPPORT

	\$ 1,431
Federal support	6,487
Local support	25
Donations and contributions	146,650
Other income	<u>154,593</u>
Total revenues and other support	

EXPENSES

	331
Fringe benefits	1,475
Office expenses	403
Telephone and utilities	1,535
Travel/training	(15)
Equipment and maintenance	167
Contractual	24,763
Other expenses	225
Outreach	53,766
Interest	67,426
Depreciation	<u>150,076</u>
Total expenses	

Revenues over (under) expenses

\$ 4,517

CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

COMMUNITY SERVICE BLOCK GRANT

REVENUES AND OTHER SUPPORT	
Federal support	\$ 439,165
Total revenues and other support	<u>439,165</u>
EXPENSES	
Salaries	288,079
Fringe benefits	69,293
Office expenses	2,720
Materials and supplies	8,676
Insurance	8,364
Telephone and utilities	9,760
Travel/training	18,873
Equipment and maintenance	13,265
Contractual	5,287
Other expenses	17,698
Outreach	711
Legal and accounting	1,171
Total expenses	<u>443,897</u>
Revenues over (under) expenses	<u>\$ (4,732)</u>

CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

WEATHERIZATION

REVENUES AND OTHER SUPPORT

Federal support	\$ 1,345,573
Local support	61,826
Total revenues and other support	<u>1,407,399</u>

EXPENSES

Salaries	546,956
Fringe benefits	154,885
Office expenses	5,849
Materials and supplies	459,045
Insurance	12,822
Telephone and utilities	16,514
Travel/training	17,707
Equipment and maintenance	147,129
Contractual	298
Other expenses	15,237
Outreach	750
Total expenses	<u>1,377,192</u>

Revenues over (under) expenses \$ 30,207

CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

TRANSPORTATION

REVENUES AND OTHER SUPPORT

Federal support	\$ 187,945
State support	300
Program service fees	25,240
Service contracts	<u>217,521</u>
Total revenues and other support	<u>431,006</u>

EXPENSES

Salaries	190,606
Fringe benefits	29,830
Office expenses	251
Materials and supplies	759
Insurance	11,213
Telephone and utilities	9,053
Travel/training	877
Equipment and maintenance	202,792
Contractual	2,292
Other expenses	<u>1,865</u>
Total expenses	<u>449,538</u>

Revenues over (under) expenses \$ (18,532)

CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

HOUSING

REVENUES AND OTHER SUPPORT

Federal support	\$ 306,038
State support	18,007
Local support	86,862
Total revenues and other support	<u>410,907</u>

EXPENSES

Salaries	69,336
Fringe benefits	14,863
Office expenses	1,039
Materials and supplies	1,876
Insurance	1,669
Telephone and utilities	546
Travel/training	7,346
Equipment and maintenance	3,973
Contractual	334
Program expenses and support	30,149
Outreach	2,899
Total expenses	<u>134,030</u>
Revenues over (under) expenses	<u>\$ 276,877</u>

CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

LIGHTHOUSE

REVENUES AND OTHER SUPPORT

Federal support	\$ 120,773
State support	156,135
Donations and contributions	15,662
Total revenues and other support	292,570

EXPENSES

Salaries	183,068
Fringe benefits	43,067
Office expenses	401
Materials and supplies	3,738
Insurance	6,043
Telephone and utilities	12,856
Travel/training	5,120
Equipment and maintenance	10,794
Contractual	2,216
Program expenses and support	6,391
Other expenses	4,849
Total expenses	278,543

Revenues over (under) expenses	\$ 14,027
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CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

YOUTH SERVICES

REVENUES AND OTHER SUPPORT

Federal support	\$ 64,626
Donations and contributions	13,787
Total revenues and other support	<u>78,413</u>

EXPENSES

Salaries	26,758
Fringe benefits	3,781
Office expenses	13
Materials and supplies	10,815
Insurance	(179)
Telephone and utilities	775
Travel/training	384
Equipment and maintenance	5,791
Contractual	22
Other expenses	14,578
Outreach	382
Total expenses	<u>63,120</u>

Revenues over (under) expenses	<u>\$ 15,293</u>
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CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

GOD'S POCKETS

REVENUES AND OTHER SUPPORT	
Donations and contributions	\$ (89)
Total revenues and other support	<u>(89)</u>
EXPENSES	<u> -</u>
Total expenses	
Revenues over (under) expenses	<u>\$ (89)</u>

CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

FOHC

REVENUES AND OTHER SUPPORT

Federal support	\$ 831,385
State support	236,377
Local support	7,000
Medical third party and self pay revenue	4,960,799
Donations and contributions	5,029
Donated services and materials - Note 3	1,576,853
Other income	22,187
Total revenues and other support	7,639,630

EXPENSES

Salaries	3,617,947
Fringe benefits	528,618
Office expenses	32,067
Materials and supplies	717,347
Insurance	44,051
Telephone and utilities	94,422
Travel/training	47,851
Equipment and maintenance	52,623
Contractual	293,137
Donated services and materials - Note 3	1,576,853
Program expenses and support	17,305
Bad debt expense	349,949
Other expenses	225,083
Outreach	17,979
Legal and accounting	6,994
Interest	18,899
Amortization	22,592
Depreciation	24,413
Total expenses	7,688,130

Revenues over (under) expenses	\$ (48,500)
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CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

EARNED INCOME TAX CREDIT

REVENUES AND OTHER SUPPORT

Federal support	\$ 19,381
Total revenues and other support	<u>19,381</u>

EXPENSES

Salaries	5,317
Fringe benefits	1,377
Office expenses	15
Materials and supplies	1,881
Travel/training	3,711
Equipment and maintenance	1,847
Contractual	2,700
Program expenses and support	948
Outreach	1,553
Total expenses	<u>19,349</u>

Revenues over (under) expenses	<u>\$ 32</u>
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CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

CSBG ARRA

REVENUES AND OTHER SUPPORT

Federal support	\$ 62,075
Total revenues and other support	<u>62,075</u>

EXPENSES

Salaries	53,720
Fringe benefits	3,027
Office expenses	6
Materials and supplies	191
Telephone and utilities	134
Travel/training	27
Equipment and maintenance	170
Other expenses	<u>2,630</u>
Total expenses	<u>59,905</u>

Revenues over (under) expenses	<u>\$ 2,170</u>
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CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

HRSA ARRA-CIP

REVENUES AND OTHER SUPPORT

Federal support	\$ 132,132
Total revenues and other support	<u>132,132</u>

EXPENSES

Salaries	41,782
Fringe benefits	10,722
Office expenses	24
Materials and supplies	12,301
Travel/training	112
Equipment and maintenance	60,777
Contractual	643
Other expenses	4,090
Total expenses	<u>130,451</u>

Revenues over (under) expenses	<u>\$ 1,681</u>
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CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

HRSA ARRA-IDS

REVENUES AND OTHER SUPPORT

Federal support	\$ 55,769
Total revenues and other support	<u>55,769</u>

EXPENSES

Salaries	43,336
Fringe benefits	<u>11,720</u>
Total expenses	<u>55,056</u>

Revenues over (under) expenses	<u>\$ 713</u>
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CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

WEST VIRGINIA SAVES

REVENUES AND OTHER SUPPORT

Federal support	\$ 2,625
Local support	2,037
Donations and contributions	3,442
Total revenues and other support	<u>8,104</u>

EXPENSES

Salaries	1,740
Fringe benefits	474
Office expenses	543
Materials and supplies	501
Travel/training	320
Outreach	1,819
Total expenses	<u>5,397</u>

Revenues over (under) expenses \$ 2,707

CHANGE, INC.
SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

MARSHALL COUNTY NEEDS

REVENUES AND OTHER SUPPORT

Donations and contributions	\$ 2,894
Total revenues and other support	<u>2,894</u>

EXPENSES

Other expenses	<u>1,843</u>
Total expenses	<u>1,843</u>

Revenues over (under) expenses	<u>\$ 1,051</u>
--------------------------------	-----------------

SEACHRIST, KENNON & MARLING, A.C.

Certified Public Accountants & Business Consultants

Craig K. Seachrist, CPA, CVA
Diana L. Kennon, CPA, CVA
Ronnie L. Marling, CPA, CFE
Julie A. Kerns, CPA
Chantelle S. Horvath, CPA
James M. Riley, CPA

Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center
Employee Benefit Plan Audit Quality Center

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 of
CHANGE, Inc.:

We have audited the financial statements of CHANGE, Inc. (a nonprofit organization) as of and for the year ended December 31, 2010 and have issued our report thereon dated May 24, 2011. 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 CHANGE, Inc.'s 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 CHANGE, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. See Finding 10-1.

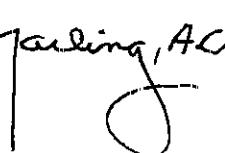
Compliance and Other Matters

As part of obtaining reasonable assurance about whether CHANGE, 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*.

CHANGE, Inc.'s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit CHANGE, Inc.'s response and, accordingly, we express no opinion on it.

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

Seachrist, Kennon & Mailing, AC
Wheeling, West Virginia
May 24, 2011



SEACHRIST, KENNON & MARLING, A.C.

Certified Public Accountants & Business Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
CHANGE, Inc.:

Compliance

We have audited CHANGE, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CHANGE, Inc.'s major federal programs for the year ended December 31, 2010. CHANGE, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CHANGE, Inc.'s management. Our responsibility is to express an opinion on CHANGE, Inc.'s 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 CHANGE, Inc.'s 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 of CHANGE, Inc.'s compliance with those requirements.

In our opinion, CHANGE, Inc. complied, in all material respects, with compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of CHANGE, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CHANGE, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CHANGE, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sechrist, Kennon & Marling, A.C.
Wheeling, West Virginia
May 24, 2011

CHANGE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2010

SECTION 1 – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor’s report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified	Yes
Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.569	Department of Health and Human Services Community Service Block Grant
93.224	Department of Health and Human Services Health Resources and Services Administration
93.710	Department of Health and Human Services Community Service Block Grant ARRA
93.568	Department of Health and Human Services Low Income Energy Assistance Program
81.042	Department of Energy Weatherization Assistance to Low Income Persons

CHANGE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2010

SECTION 1 – SUMMARY OF AUDITORS RESULTS (CONTINUED)

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Finding 10-1: Material Weakness

Internal Control over Financial Reporting:

Condition: During the performance of our audit engagement procedures, we noted management had not adjusted all account balances to reflect appropriate year-end balances. This is a necessary step to ensure the financial statements are fairly stated. We proposed adjustments to the financial statements to management. Management has determined that the effects of the unrecorded adjustments are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Although the effects of the uncorrected misstatements are considered immaterial, the unrecorded amounts are, in our judgment, significant. Because there is a reasonable possibility that a misstatement of the Organization's financial statements could occur and not be prevented or detected by the Organization's internal control, we concluded there is a material weakness in the Organization's control polices and procedures.

Criteria: Management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, activities and changes in net assets, cash flows and disclosures in the financial statements, in conformity with GAAP. The adjustment of all account balances to reflect appropriate year-end balances is a necessary step to ensure the financial statements are fairly presented.

Effect: A reasonable possibility exists that the Organization may issue financial statements and related footnotes that contain a material misstatement that will not be prevented or detected and corrected on a timely basis by the Organization's internal control.

Recommendation: We believe that this inadequacy is a deficiency in internal control over financial reporting. Management should assess the adequacy of the design of its policies and procedures related to preparation of financial statements and design appropriate controls as necessary to rectify inadequacies. When developing control policies and procedures for a process, management should consider where errors or fraud could occur that would cause a material misstatement in the financial statements and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis.

CHANGE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2010

SECTION 2 – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Response: Management understands the finding and had taken measures to assure that the unrecorded adjustment was made on the 2010 financial statements. However, the measures proved to be insufficient.

The nature of this adjustment relates to FQHC, Women's Health Center revenue recognition. This segment of the business involves revenue related to surgery and delivery services performed in a hospital. Whereas office visits are billed at the date of service, surgery and delivery services are billed at a later date when all necessary information is gathered. Internal reporting did not capture all of the services provided in 2010 that were billed in 2011. Modifications have been made to internal reporting to improve accuracy. In addition, an internal auditing of billed claims will be performed by the CFO at year end to assure accuracy of financial statements.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

We found no findings or questioned costs or likely questioned costs for federal awards for the fiscal year ended December 31, 2010.

CHANGE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEAR ENDED DECEMBER 31, 2010

Finding 09-1: Material Weakness

Internal Control over Financial Reporting:

Condition: During the performance of our audit engagement procedures, we noted management had not adjusted all account balances to reflect appropriate year-end balances. This is a necessary step to ensure the financial statements are fairly stated. We proposed adjustments to the financial statements to management. Management has determined that the effects of the unrecorded adjustments are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Although the effects of the uncorrected misstatements are considered immaterial, the unrecorded amounts are, in our judgment, significant. Because there is a reasonable possibility that a misstatement of the Organization's financial statements could occur and not be prevented or detected by the Organization's internal control, we concluded there is a material weakness in the Organization's control polices and procedures.

Criteria: Management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, activities and changes in net assets, cash flows and disclosures in the financial statements, in conformity with GAAP. The adjustment of all account balances to reflect appropriate year-end balances is a necessary step to ensure the financial statements are fairly presented.

Effect: A reasonable possibility exists that the Organization may issue financial statements and related footnotes that contain a material misstatement that will not be prevented or detected and corrected on a timely basis by the Organization's internal control.

Recommendation: We believe that this inadequacy is a deficiency in internal control over financial reporting. Management should assess the adequacy of the design of its policies and procedures related to preparation of financial statements and design appropriate controls as necessary to rectify inadequacies. When developing control policies and procedures for a process, management should consider where errors or fraud could occur that would cause a material misstatement in the financial statements and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis.

Response: Finding not corrected and reissued as finding 10-1.