

PRIDE COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

YEARS ENDED DECEMBER 31, 2010 AND 2009

AND

INDEPENDENT AUDITORS' REPORT

DHHR - Finance

SEP 2 2011

Date Received



P.O. Box 1346  
Logan, WV 25601  
Phone: (304) 752-6868  
Fax: (304) 752-1047  
[www.prideinlogan.com](http://www.prideinlogan.com)

August 29, 2011

To Whom It May Concern:

Our 2010 audit has been completed and is enclosed. We are pleased to state that we are submitting an unqualified audit with no financial findings. However, we do have one program finding. We have worked hard to correct all prior deficiencies and believe the enclosed audit is evidence of that fact.

If you have any questions or need further information, please contact me at 304-752-6868 or 304-752-2585.

Sincerely

A handwritten signature in black ink that reads "Lisha Whitt". The signature is fluid and cursive.

Lisha Whitt  
Director of Finance

## CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
FINANCIAL STATEMENTS	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 13
SUPPLEMENTAL INFORMATION	
Schedule of Federal, State and Other Support, Expenditures and Changes in Net Assets	15
Schedules of Grant Support, Revenue and Expenditures Compared to Grant Budgets (Non-GAAP Basis)	16 - 17
Schedule of Expenditures of Federal Awards	18
Notes to the Schedule of Expenditures of Federal Awards	19
Summary Schedule of State Awards	20
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	21 - 22
Independent Auditors' Report on Compliance with Requirements Applicable to the Major Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	23 - 24
Summary Schedule of Prior Year Audit Findings	25
Schedule of Findings and Questioned Costs	
Section I - Summary of Auditors' Results	26
Section II - Financial Statement Findings Section	27
Section III - Federal Award Findings and Questioned Costs Section	28



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
PRIDE Community Services, Inc.  
Logan, West Virginia

We have audited the accompanying statements of financial position of PRIDE Community Services, Inc. (PRIDE), as of December 31, 2010, and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of PRIDE'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PRIDE's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PRIDE 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 August 26, 2011 on our consideration of PRIDE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Support, Revenue and Expenditures, Summary Schedule of State Awards, and Schedules of Grant Support, Revenue and Expenditures Compared to Grant Budget are presented for purposes of additional analysis. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These schedules are not a required part of the December 31, 2010 basic financial statements. 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 2010 basic financial statements taken as a whole

*Seattle & Stalaker, PLLC*

Charleston, West Virginia

August 26, 2011

PRIDE COMMUNITY SERVICES, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
Current assets		
Cash and cash equivalents	\$ 39,405	\$ 58,137
Grants receivable	532,071	288,632
Other receivables	15,939	17,636
Prepaid expenses	34,946	38,981
Total current assets	622,361	403,386
Property and equipment, net of accumulated depreciation	1,080,569	975,628
Total assets	\$ 1,702,930	\$ 1,379,014
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 187,071	\$ 100,726
Accrued salaries and benefits	162,297	113,868
Other post retirement benefits	789,039	395,789
Refundable advances	98,654	62,917
Short term debt	50,000	-
Total current liabilities	1,287,061	673,300
Net assets - unrestricted		
Total unrestricted net assets	415,869	705,714
Total liabilities and net assets	\$ 1,702,930	\$ 1,379,014

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

PRIDE COMMUNITY SERVICES, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Changes in unrestricted net assets		
Support and revenue		
Grant revenue	\$ 2,950,820	\$ 3,100,456
American Recovery Reinvestment Act (ARRA) grant revenue	810,798	281,946
In-kind contributions	467,211	425,116
Food reimbursements	313,226	348,186
Program income	18,444	69,223
Sliding fee revenue	346,123	-
Other income	233,203	232,274
	5,139,825	4,457,201
Expenses		
Salaries and wages	1,755,787	1,587,235
Fringe benefits	713,870	657,405
In-kind labor and expenses	467,211	425,116
Consumable supplies	339,254	274,843
Travel	33,069	44,025
Training	107,573	41,733
Repairs and maintenance	97,254	56,796
Contractual and consultants	125,585	9,279
Telephone and utilities	120,664	126,004
Operating expenses	84,705	34,132
Insurance	73,183	92,683
Occupancy	18,401	5,612
Transportation	56,761	56,449
Meal Reimbursement	443,728	275,880
Indirect costs	446,850	495,580
Depreciation expense	141,143	125,840
Other post retirement benefits (OPEB)	393,250	224,700
Other expenses	11,382	122,086
	5,429,670	4,655,398
CHANGE IN NET ASSETS	(289,845)	(198,197)
Net assets beginning of year	705,714	903,911
Net assets, end of year	\$ 415,869	\$ 705,714

PRIDE COMMUNITY SERVICES, INC.  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ (289,845)	\$ (198,197)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Gain on disposal of capital assets	-	(2,924)
Depreciation	141,143	125,840
(Increase) decrease in operating assets		
Grants receivable	(243,439)	36,288
Other receivables	1,697	80,347
Prepaid expenses	4,035	15,337
Increase (decrease) in operating liabilities		
Accounts payable	86,345	(45,125)
Accrued salaries and benefits	(8,281)	48,961
Other post retirement benefits	449,960	210,186
Refundable advances	35,737	(107,576)
	<u>177,352</u>	<u>163,137</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(246,084)	(227,472)
	<u>(246,084)</u>	<u>(227,472)</u>
Net cash provided (used) by investing activities		
Cash flows from financing activities		
Proceeds from line of credit	50,000	-
	<u>50,000</u>	<u>-</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash and cash equivalents	(18,732)	(64,335)
Cash and cash equivalents, beginning of year	<u>58,137</u>	<u>122,472</u>
Cash and cash equivalents, end of year	<u>\$ 39,405</u>	<u>\$ 58,137</u>



PRIDE COMMUNITY SERVICES, INC  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

8

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - PRIDE Community Services, Inc. (PRIDE) is a nonprofit community action agency located in Logan, West Virginia created to provide services to low income individuals, families and the elderly in Logan County, West Virginia. The organization is funded primarily through grants and other agreements with the federal and state government.

UNRESTRICTED NET ASSETS - Unrestricted net assets are comprised of funds whose use is limited only to the extent that the organization's by-laws limit the activities of the organization. Contributions with donor-imposed restrictions that are met in the same year in which the contribution is recognized are reported as changes in unrestricted net assets.

USE OF 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 could differ from those estimates.

REVENUE RECOGNITION - Contributions and grants with donor imposed conditions are reported as revenue when qualifying expenses have been incurred or other conditions have been met. Cash received but not yet expended for these conditional grants is recorded as refundable advances. Use of this cash is restricted to the purposes of the grant contribution. Unrestricted grants and contributions are recorded as revenue in the period received.

PROPERTY AND EQUIPMENT - As of January 1, 2010, property and equipment with a cost of \$5,000 or more are capitalized at cost and depreciated over the estimated useful lives of the assets. Useful lives are 30 to 39 years for buildings, and 4 to 5 years for office equipment and vehicles. Prior to this, property and equipment with a cost of \$1,000 or more were capitalized. Items which were capitalized in prior years were not removed.

CONTRIBUTED SERVICES AND SPACE - Contributions of services are recognized if the services received create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. Contributed services which are recognized are valued at the estimated cost that would be incurred by PRIDE to purchase similar services. Donated space is valued at the estimated fair rental value.

PRIDE COMMUNITY SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

9

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTIONS - Contribution income is recognized in the period in which PRIDE received restricted or unrestricted assets or unconditional promises of future donation. Contribution income shall be classified as increases in unrestricted, temporarily restricted or permanently restricted net assets based on the existence or absence of such restrictions. Unconditional promises to give that are to be collected within one year shall be recorded at fair value, less any reserve for uncollectable promises, as estimated by management. Unconditional promises to give that are collectible in excess of one year shall be recorded at their discounted net present value and recorded up to the date.

INCOME TAXES - PRIDE is a nonprofit corporation classified under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes derived from its nonprofit activities. For the year ended December 31, 2010, management believes that PRIDE has no material uncertain tax positions to be accounted for in the financial statements. As of December 31, 2010, tax years ending on or after December 31, 2007 remain subject to examination.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

INVENTORY - Inventory is considered immaterial and, therefore, is charged to expense in the period during which it is purchased instead of being recognized as an asset and being expensed as it is used.

ADVERTISING COSTS - Advertising costs are expensed as incurred.

RECLASSIFICATIONS - Certain amounts in the 2009 financial statements have been reclassified to conform with the 2010 presentation. Such reclassifications had no effect on net assets or the change in net assets.

SUBSEQUENT EVENTS - In preparing these financial statements, PRIDE has evaluated events and transactions for potential recognition or disclosure through August 26, 2011, the date the financial statements were issued.

NOTE 2 -- CASH AND CASH EQUIVALENTS

Federal Deposit Insurance Corporation (FDIC) coverage is \$250,000. PRIDE maintains the cash balance in their account below this amount at all times. Therefore, the balance in PRIDE's accounts at December 31, 2010 and 2009 were fully FDIC insured.

PRIDE COMMUNITY SERVICES, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 3 -- PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 338,500	\$ 338,500
Buildings	482,797	439,423
Vehicles & equipment	<u>1,231,249</u>	<u>1,028,539</u>
	2,052,546	1,806,462
Less: Accumulated depreciation	<u>971,977</u>	<u>830,834</u>
Property and equipment	<u>\$ 1,080,569</u>	<u>\$ 975,628</u>

NOTE 4 -- REFUNDABLE ADVANCES

Refundable advances, which consist of grant funds received by PRIDE but not yet expended for qualifying expenses, is comprised of the following at December 31, 2010 and 2009:

<u>Description</u>	<u>2010</u>	<u>2009</u>
Head Start	\$ 71,630	\$ 44,698
Weatherization	-	12,431
Health Benefit/SHIP	8,500	-
Case Management	4,042	-
Title III C2	3,134	-
FAIR	2,629	-
Title III E	366	-
Mountains of Hope	1,000	-
Child Food Care Program	<u>7,353</u>	<u>5,788</u>
Total	<u>\$ 98,654</u>	<u>\$ 62,917</u>

NOTE 5 -- CONCENTRATIONS OF CREDIT RISK

The organization provides various services to the elderly and low income individuals on a third-party reimbursement basis. The organization bills the various funding sources in accordance with contractual agreements without requiring collateral or any other security. Grants and other receivables have been adjusted for all known uncollectible accounts. An allowance for bad debts has not been set up as the amount is not considered material.

PRIDE COMMUNITY SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 6 -- FUNCTIONAL EXPENSES

PRIDE incurred expenditures in the conduct of the following programs for the years ended December 31, 2010 and 2009:

	2010	2009
Head Start Program: PRIDE provides comprehensive education activities to eligible Pre-Kindergarten students.	\$ 2,503,475	\$ 2,333,240
Weatherization Program: PRIDE provides services to reduce the energy costs of low-income families, particularly the elderly, people with disabilities, and children, by improving the energy efficiency of their homes.	581,134	460,165
Title III Programs: This includes programs for older Americans and covers social support activities including case management, transportation, assessments, etc.	295,995	342,337
Child and Adult Care Food Program: This program is funded by the Department of Education and the USDA and provides reimbursement for providing meals and care to children.	320,675	256,490
CSBG program: PRIDE provides emergency assistance to low-income, disabled, or elderly individuals and families and supports other agency programs as needed.	690,695	419,453
Personal Care programs: PRIDE provides an in-home care program, funded by the Medicaid program that makes personal assistance available to eligible adults.	341,490	46,268
Other programs that benefit children, senior citizens and families:	801,147	899,078
	5,534,611	4,757,031
Depreciation expense under GAAP	141,143	125,840
Less: Capitalized assets	(246,084)	(227,472)
Total Expenses	\$ 5,429,670	\$ 4,655,399

NOTE 7 -- CONTINGENT LIABILITIES

PRIDE's programs are generally funded from federal, state, and local sources, principal of which are programs of the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, or expenditures which may be disallowed by grantor agencies cannot be determined at this time.

NOTE 8 -- RETIREMENT PLANS

The organization is a participating employer in the West Virginia Public Employees Retirement System. This is a cost sharing, multi-employer public employee retirement system which covers employees of the state of West Virginia and various other governmental and non-profit entities. Under this plan, all full-time employees contribute 4.5% of their salary and the organization contributes 11% of the employee's salary through July 1, 2010. After July 1, 2010 the organization's contribution increased to 12.5%. The organization's contribution to the plan for 2010 and 2009 totaled \$103,638 and \$213,576. Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in their annual financial report. Copies can be obtained from the State.

The organization also sponsors a defined contribution pension plan for its union employees and for those employees who are not eligible to participate in the West Virginia Public Employees Retirement System. Contributions to the plan for 2010 and 2009 were \$10,412 and \$27,977.

NOTE 9 -- RETIREE HEALTH PLAN

PRIDE Community Services, Inc. participates in the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple-employer defined benefits post-employment healthcare plan administered by the West Virginia Public Employees Insurance Agency (PEIA). RHBT provides medical benefits to eligible retired employees of participating employers. Eligibility is primarily established through participation in certain defined benefit plans. RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: West Virginia Retiree Health Benefits Trust, Building 5, Room 1001, 1900 Kanawha Blvd. East, Charleston, West Virginia, 25305-0710.

PRIDE COMMUNITY SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 9 -- RETIREE HEALTH PLAN (Continued)

The estimated expense incurred for these Other Post Retirement Benefits (OPEB) are recorded as a component of other expenses in the statements of activities. For the years ended December 31, 2010 and 2009, OPEB costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. At December 31, 2010 and 2009, the current liability related to OPEB cost was \$789,039 and \$395,789. The total OPEB expense incurred for the years ended December 31, 2010 and 2009 was \$393,250 and \$224,700, respectively, and there was no OPEB expense directly related to retirees during 2010. As of the year ended December 31, 2010 there were no retirees receiving these benefits.

NOTE 10 -- DONATED SERVICES AND OTHER

During 2010 and 2009, PRIDE received donated services from unpaid volunteers, the use of facilities without charge and other donated items. Such amounts have been recorded as revenue and expenses by the following programs in the accompanying financial statements:

	2010			Total
	Volunteer Labor	Use of Facilities	Other	
Head Start	\$ 296,289	\$ 145,428	\$ -	\$ 441,717
Title IIB	9,132	-	-	9,132
Title III-C1	7,778	-	50	7,828
Title IID	-	-	800	800
Title IIE	6,794	-	940	7,734
Total	<u>\$ 319,993</u>	<u>\$ 145,428</u>	<u>\$ 1,790</u>	<u>\$ 467,211</u>
	2009			
	Volunteer Labor	Use of Facilities	Total	
Head Start	\$ 201,854	\$ 199,458	\$ 401,312	
Title IIB	7,212	-	7,212	
Title III-C1	4,545	-	4,545	
Title III-C2	5,583	-	5,583	
Title IID	1,164	-	1,164	
Other	-	5,300	5,300	
Total	<u>\$ 220,358</u>	<u>\$ 204,758</u>	<u>\$ 425,116</u>	

## SUPPLEMENTAL INFORMATION





SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES  
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)  
 COMMUNITY SERVICES BLOCK GRANT - GRANT NUMBER 2010-0013  
 GRANT PERIOD JANUARY 1, 2010 TO DECEMBER 31, 2010

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
State/pass-through	\$ 274,456	\$ 270,508	\$ 3,948
Total support and revenue	<u>274,456</u>	<u>270,508</u>	<u>3,948</u>
Expenses			
Salaries and wages	117,458	111,677	5,781
Fringe benefits	47,696	49,443	(1,747)
Training	12,800	12,821	(21)
Insurance	5,000	2,893	2,107
Contractual	6,337	6,004	333
Travel	2,500	2,189	311
Repairs and maintenance	7,500	2,582	4,918
Equipment	16,623	14,110	2,513
Occupancy	1,000	990	10
Consumable supplies	4,714	13,924	(9,210)
Telephone and utilities	9,500	9,228	272
Program costs	8,400	12,848	(4,448)
Other costs	5,200	2,798	2,402
Indirect costs	29,728	29,001	727
Total expenses	<u>274,456</u>	<u>270,508</u>	<u>3,948</u>
Increase (decrease) in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers		-	
Net assets, December 31, 2010		<u>\$ -</u>	

SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES  
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)  
 COMMUNITY SERVICES BLOCK GRANT ARRA - GRANT NUMBER 2009-0013A  
 GRANT PERIOD JULY 1, 2009 TO DECEMBER 31, 2010

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
State/pass-through	\$ 388,127	\$ 388,127	\$ -
Program income	<u>-</u>	<u>8,922</u>	<u>(8,922)</u>
Total support and revenue	<u>388,127</u>	<u>397,049</u>	<u>(8,922)</u>
 Expenses			
Salary and wages	70,331	70,529	(198)
Fringe benefits	23,203	35,848	(12,645)
Training	17,875	48,243	(30,368)
Insurance	2,640	2,640	-
Consumable supplies	17,102	17,915	(813)
Telephone and utilities	6,237	6,162	75
Occupancy - Space	726	777	(51)
Travel	1,537	106	1,431
Repairs and maintenance	-	1,563	(1,563)
Transportation	1,864	2,182	(318)
Meals	6,530	6,684	(154)
Operating Expenses	4,809	22,871	(18,062)
Consultant/Contractual	14,715	13,541	1,174
Vehicles and Equipment	154,256	139,434	14,822
Other	35,618	9,406	26,212
Indirect	<u>30,684</u>	<u>19,148</u>	<u>11,536</u>
Total expenses	<u>388,127</u>	<u>397,049</u>	<u>(8,922)</u>
 Increase (decrease) in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Transfers		<u>-</u>	
 Net assets, December, 2010		<u>\$ -</u>	

PRIDE COMMUNITY SERVICES, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Head Start Cluster			
ARRA - Head Start	93.708	03SE202101	\$ 53,541
Head Start	93.600	03CH202145	1,766,855
Passed-through WVSU Metro Area Agency on Aging			
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation Aging Cluster	93.041	21033	890
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	21036, 21136	45,145
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	21036, 21136	118,583
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	21036, 21136	3,703
National Family Caregiver Support, Title III, Part E	93.052	21036, 21136	25,414
Passed-through WV Governor's Office of Economic Opportunity			
Low-Income Home Energy Assistance CSBG Cluster	93.568	2009-1012, 2011-WX-1011	79,728
Community Services Block Grant	93.569	2009-0013	330,180
ARRA - Community Services Block Grant	93.710	2009-0013A	336,445
Passed-through WV Bureau of Senior Services			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations - Health Benefits/SHIP	93.779	SH21019	5,000
U.S. Department of Energy			
Passed-through WV Governor's Office of Economic Opportunity			
Weatherization Assistance for Low-Income Persons	81.042	2009-1012, 2011-WX-1011	93,305
ARRA - Weatherization Assistance for Low-Income Persons	81.042	2009-1012, 2011-WX-1011	420,812
U.S. Department of Agriculture, Food and Nutrition Service			
Passed-through WV Department of Education, Office of Child Nutrition			
Child and Adult Food Care Program	10.558	51215	392,157
Passed-through Logan County Board of Education			
National School Lunch Program	10.555		29,634
Total Expenditures of Federal Awards			<u>\$ 3,701,392</u>

PRIDE COMMUNITY SERVICES, INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2010

19

NOTE 1 -- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of PRIDE and is prepared 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 preparation of the financial statements.

PRIDE COMMUNITY SERVICES, INC  
SUMMARY SCHEDULE OF STATE AWARDS  
YEAR ENDED DECEMBER 31 2010

Grantor Name/Program Title	Grant/ Fund Account Number	Award Amount	Receivable (Refundable) 12/31/09	Receipts	Expenditures	Receivable (Refundable) 12/31/10
WVSC Metro Area Agency on Aging						
Title IIB Senior Services	21036	\$ 33,633	\$ -	\$ 29,501	\$ 29,501	\$ -
Title IIB - Health Services	21036	221	25	221	196	-
Legislative Initiatives for the Elderly - LIFE	21003	170,000	(4,207)	88,994	93,201	-
Legislative Initiatives for the Elderly - LIFE	21103	183,000	-	74,252	123,762	49,510
Alzheimer's Respite - FAIR	2950	24,000	(3,609)	-	3,609	-
Alzheimer's Respite - FAIR	21050	28,000	2,183	19,717	13,466	(4,068)
Alzheimer's Respite - FAIR	21150	3,134	-	4,925	12,356	7,431
Lighthouse In Home Services	2950	60,000	(5,864)	-	5,864	-
Lighthouse In Home Services	21050	60,000	5,052	33,481	28,429	-
Transportation Services	21150	19,403	-	17,982	17,982	-
WV Bureau of Senior Services						
Community Partnership	SC21029	19,999	-	19,999	19,999	-
Community Partnership	SC21122	28,311	-	-	11,549	11,549
WV Department of Health and Human Resources						
Bureau for Children and Families						
Planning and Coordination - FRN	G100297	40,000	2,928	20,000	17,072	-



CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Directors  
PRIDE Community Services, Inc.  
Logan, West Virginia

We have audited the financial statements of PRIDE Community Services, Inc (PRIDE) as of and for the year ended December 31, 2010, and have issued our report thereon dated August 26, 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 PRIDE'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 PRIDE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PRIDE's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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.

The Virginia Center · 1411 Virginia Street, East · Suite 100 · Charleston, WV 25301

Phone (304)-343-4126 or 1-(800)-788-3844 · Fax (304)-343-8008

Towne Square · 201 Third Street · PO Box 149 · Parkersburg, WV 26102

Phone (304)-485-6584 · Fax (304)-485-0971

www.suttlecpas.com · E-mail: cpa@suttlecpas.com

A Professional Limited Liability Company

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PRIDE'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying *Schedule of Findings and Questioned Costs* as item 2010-01.

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

We noted certain other matters that we have reported to management of PRIDE in a separate letter dated August 26, 2011.

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



Charleston, West Virginia  
August 26, 2011



CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
PRIDE Community Services, Inc.  
Logan, West Virginia

Compliance

We have audited the compliance of PRIDE Community Services, Inc. (PRIDE) 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 each of its major federal programs for the year ended December 31, 2010. PRIDE's 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 each of its major federal programs is the responsibility of PRIDE's management. Our responsibility is to express an opinion on PRIDE'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 PRIDE'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 on PRIDE's compliance with those requirements.

In our opinion, PRIDE complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying *Schedule of Findings and Questioned Costs* as item 2010-01.

The Virginia Center · 1411 Virginia Street, East · Suite 100 · Charleston, WV 25301

Phone (304)-343-4126 or 1-(800)-788-3844 · Fax (304)-343-8008

Towne Square · 201 Third Street · PO Box 149 · Parkersburg, WV 26102

Phone (304)-485-6584 · Fax (304)-485-0971

www.suttlecpas.com · E-mail: cpa@suttlecpas.com

A Professional Limited Liability Company



### Internal Control Over Compliance

Management of PRIDE is 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 PRIDE's 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PRIDE'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. However, we identified certain deficiencies in internal control over of findings and questioned costs as item 2011-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Charleston, West Virginia

August 26, 2011

PRIDE COMMUNITY SERVICES, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED DECEMBER 31, 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   X   no  
 Significant deficiency(ies) identified that are not  
 considered to be material weaknesses?            yes   X   none reported

Noncompliance material to financial statements noted?   X   yes            no

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified?            yes   X   no  
 Significant deficiency(ies) identified that are not  
 considered to be material weaknesses?   X   yes            none reported

Type of auditors' report issued on compliance for major  
 programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported  
 in accordance with section .510(a) of Circular A-133?   X   yes            no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600/93.708	Head Start, including ARRA
93.569/93.710	Community Services Block Grant, including ARRA
81.042	Weatherization Assistance for Low-Income Persons, including ARRA
10.558	Child and Adult Food Care Program

Dollar threshold used to distinguish between Type A and  
 Type B programs: \$300,000

Auditee qualified as low-risk auditee?            yes   X   No

PRIDE COMMUNITY SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

26

SECTION II

FINANCIAL STATEMENT

FINDINGS SECTION

NONE

PRIDE COMMUNITY SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

27

SECTION III

FEDERAL AWARD FINDINGS  
AND QUESTIONED COSTS SECTION

PRIDE COMMUNITY SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

28

**2010-01 ELIGIBILITY**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA</b>
	Passed-through WV Governor's Office of Economic Opportunity	
	ARRA - Community Services Block Grant	93 710
	Grant Award Number 2009-013A	

**Criteria:** The specific requirements for eligibility are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. This compliance requirement specifies the criteria for determining the individuals that can participate in the program.

**Condition:** A total of three individuals for CSBG eligibility in the Leadership Enrichment After School Program (LEAP) and Life Skills Program were not eligible for participation. For LEAP two participants from a sample of eight were ineligible, and for Life Skills one participant from a sample of four was ineligible based on the Federal Poverty Level Requirement.

**Questioned Costs:** Unknown

**Context:** There were a total of 32 participants in LEAP and 10 participants in Life Skills during the year.

**Cause:** The programs were new to the Agency.

**Effect:** Benefits were provided to ineligible participants, resulting in questioned costs.

**Recommendation:** We recommend that management review current policies and procedures and compare these to grant requirements. Grant requirements should be monitored for proper adherence.

**Management's Response/Views of Responsible Officials:** *Participants who were not income eligible received services due to the turnover of program managers, who did not follow eligibility guidelines. Although both programs are no longer in operation, policies are in place and all CSBG activities will be monitored for proper adherence in the future.*

**PRIDE Community Services, Inc.**

**Report to the Board of Directors**

**August 26, 2011**



CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2011

Board of Directors  
PRIDE Community Services, Inc.  
Logan, West Virginia

We are pleased to present this report related to our audit of the financial statements of PRIDE Community Services, Inc for the year ended December 31, 2010. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for PRIDE Community Services, Inc.'s financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to PRIDE Community Services, Inc

A handwritten signature in cursive script that reads "Suttle &amp; Stalnaker, PLLC".

Suttle & Stalnaker, PLLC  
Charleston, West Virginia

The Virginia Center · 1411 Virginia Street, East · Suite 100 · Charleston, WV 25301  
Phone (304)-343-4126 or 1-(800)-788-3844 · Fax (304)-343-8008

Towne Square · 201 Third Street · PO Box 149 · Parkersburg, WV 26102  
Phone (304)-485-6584 · Fax (304)-485-0971

www.suttlecpas.com · E-mail: cpa@suttlecpas.com  
A Professional Limited Liability Company

## Contents

	<u>Page</u>
Required Communications	4 – 5
Summary of Accounting Estimates	6
Summary of Recorded Audit Adjustments	7 – 18
Internal Control Letter	19
Certain Written Communications Between Management and Our Firm	21
Arrangement Letter	
Management Representation Letter	



## Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
<b>Auditor's Responsibility Under Professional Standards</b>	Our responsibility under auditing standards generally accepted in the United States of America, <i>Government Auditing Standards</i> issued by the Comptroller General of the United States of America, and the Office of Management and Budget Circular A-133 issued by the Comptroller General of the United States of America have been described to you in our arrangement letter dated March 2, 2011.
<b>Accounting Practices</b>	<p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Company. The Company did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.</p> <p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Alternative Treatments Discussed with Management</b></p> <p>We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.</p>
<b>Management's Judgments and Accounting Estimates</b>	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates".

Area	Comments
<b>Financial Statement Disclosures</b>	In our meetings with you, we discussed with you the financial statements including the neutrality, consistency and clarity of disclosures.
<b>Audit Adjustments</b>	Audit adjustments recorded by PRIDE Community Services, Inc. are shown on the attached "Summary of Recorded Audit Adjustments."
<b>Uncorrected Misstatements</b>	There were no uncorrected misstatements noted during the audit that met our criteria to accumulate.
<b>Disagreements with Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations with Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed with Management</b>	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
<b>Difficulties Encountered in Performing the Audit</b>	We did not encounter any difficulties in dealing with management during the audit.
<b>Letter Communicating Significant Deficiency in Internal Control Over Compliance and Other Management Comments</b>	See internal control letter attached.
<b>Certain Written Communications Between Management and Our Firm</b>	Copies of certain written communications between our firm and the management of the Company are attached.

**PRIDE Community Services, Inc.**  
**Summary of Accounting Estimates**  
**Year Ended December 31, 2010**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the PRIDE Community Services, Inc.'s December 31, 2010 financial statements:

<b>Area</b>	<b>Accounting Policy</b>	<b>Estimation Process</b>	<b>Comments</b>
<b>Receivables/ Revenue</b>	Valuation of Receivables	Based on established rates with third-party payors, net amounts of anticipated collections, and historical information	We are in agreement with management's process.
<b>Other Post Employment Benefits (OPEB)</b>	Accrue estimated liability	Based on amounts billed from PEIA/RHBI, which are based on an actuarial evaluation of the total OPEB liability for the state-wide plan, in which P.R.I.D.E. in Logan County, Inc. participates	We are in agreement with management's process.
<b>Donated Property and Equipment</b>	Estimated fair value	Based on appraisal of donated assets	We are in agreement with management's process.
<b>Fixed Assets/ Depreciation Expense</b>	Depreciation & Amortization	Straight line depreciation used, based on estimated useful lives of assets, which are valued at 4-5 years. Management reviews all assets annually for impairment.	We are in agreement with management's process.

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

During the course of our audit, we accumulated adjustments that were determined by management to be material to the statement of financial position, statement of activities, and cash flows and to the related financial statement disclosures, or management otherwise determined were appropriate to make. The summary of the adjustments made to the original trial balance are as follows.

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>Adjusting Journal Entries JE # 3</b>			
To record PBC JV 587 to adjust the prepaid insurance for FY 2010			
536-1000	Liability Insurance	7,463.00	
155	Prepaid Insurance		7,463.00
<b>Total</b>		<b>7,463.00</b>	<b>7,463.00</b>

**Adjusting Journal Entries JE # 4**  
To reverse JV 072 revenue and expense balances from GMS final.

300	Current Year Unrestricted	25.00	
300	Current Year Unrestricted	720.00	
300	Current Year Unrestricted	1,162.00	
300	Current Year Unrestricted	1,379.00	
300	Current Year Unrestricted	1,609.00	
300	Current Year Unrestricted	3,587.00	
300	Current Year Unrestricted	4,853.00	
300	Current Year Unrestricted	7,583.00	
300	Current Year Unrestricted	12,703.00	
300	Current Year Unrestricted	13,289.00	
300	Current Year Unrestricted	13,400.00	
300	Current Year Unrestricted	13,538.00	
300	Current Year Unrestricted	16,893.00	
300	Current Year Unrestricted	16,919.00	
300	Current Year Unrestricted	21,281.00	
300	Current Year Unrestricted	24,418.00	
300	Current Year Unrestricted	31,380.00	
300	Current Year Unrestricted	74,374.00	
400-2910	Federal Revenue	69,583.00	
400-3010	Federal Revenue	38,893.00	
400-3110	Federal Revenue	104,858.00	
400-3210	Federal Revenue	7,107.00	
400-4010	Federal Revenue	30,925.00	
400-4110	Federal Revenue	91,415.00	
400-4610	Federal Revenue	143.00	
400-4710	Federal Revenue	54,037.00	
400-4810	Federal Revenue	25,028.00	
400-5110	Federal Revenue	19,333.00	
400-5210	Federal Revenue	24,634.00	
400-6910	Federal Revenue	1,645.00	
405-5010	State Revenue	20,000.00	
405-6510	State Revenue	4,132.00	
405-7310	State Revenue	65,632.00	

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
405-7710	State Revenue	16,111.00	
405-7810	State Revenue	157.00	
415-6510	Program Income	5.00	
415-6610	Program Income	742.00	
415-6710	Program Income	462.00	
498-4310	Other Income	20,371.00	
498-7810	Other Income	136.00	
520-4010	Utilities - Telephone	422.00	
544-4010	Miscellaneous	6,485.00	
544-4710	Miscellaneous	1,723.00	
300	Current Year Unrestricted		143.00
300	Current Year Unrestricted		701.00
300	Current Year Unrestricted		2,003.00
300	Current Year Unrestricted		6,191.00
300	Current Year Unrestricted		9,170.00
300	Current Year Unrestricted		12,178.00
500-2910	Salaries		23,744.00
500-3010	Salaries		18,924.00
500-3110	Salaries		75,847.00
500-3210	Salaries		4,298.00
500-4010	Salaries		10.00
500-4110	Salaries		43,314.00
500-4710	Salaries		48,370.00
500-4810	Salaries		9,466.00
500-5010	Salaries		10,693.00
500-5110	Salaries		7,224.00
500-5310	Salaries		5,190.00
500-5410	Salaries		5,066.00
500-6510	Salaries		8,112.00
500-6610	Salaries		6,499.00
500-6710	Salaries		9,153.00
500-6910	Salaries		861.00
500-7310	Salaries		28,510.00
500-7710	Salaries		15,709.00
500-7810	Salaries		6,295.00
504-2910	Indirect Costs		6,814.00
504-3010	Indirect Costs		4,971.00
504-3110	Indirect Costs		19,914.00
504-3210	Indirect Costs		1,054.00
504-4010	Indirect Costs		8,315.00
504-4110	Indirect Costs		12,879.00
504-4710	Indirect Costs		13,342.00
504-4810	Indirect Costs		2,798.00
504-5010	Indirect Costs		3,161.00
504-5110	Indirect Costs		2,020.00
504-5310	Indirect Costs		1,534.00
504-5410	Indirect Costs		1,498.00
504-6510	Indirect Costs		2,361.00
504-6610	Indirect Costs		1,875.00
504-6710	Indirect Costs		2,706.00
504-6910	Indirect Costs		232.00

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
504-7310	Indirect Costs		8,310.00
504-7710	Indirect Costs		4,096.00
504-7810	Indirect Costs		1,574.00
505-2910	Fringe		10,162.00
505-3010	Fringe		5,813.00
505-3110	Fringe		23,252.00
505-3210	Fringe		947.00
505-4010	Fringe		13,247.00
505-4110	Fringe		20,413.00
505-4710	Fringe		21,361.00
505-4810	Fringe		4,458.00
505-5010	Fringe		5,036.00
505-5110	Fringe		2,830.00
505-5310	Fringe		2,444.00
505-5410	Fringe		2,386.00
505-6510	Fringe		3,638.00
505-6610	Fringe		2,833.00
505-6710	Fringe		4,310.00
505-6910	Fringe		293.00
505-7310	Fringe		12,841.00
505-7710	Fringe		4,673.00
505-7810	Fringe		1,538.00
511-3010	Office Supplies		127.00
511-4010	Office Supplies		1,731.00
511-4310	Office Supplies		967.00
511-4710	Office Supplies		1,761.00
511-5010	Office Supplies		63.00
511-5110	Office Supplies		331.00
511-5310	Office Supplies		946.00
511-5410	Office Supplies		810.00
511-7310	Office Supplies		120.00
512-3010	Computer Supplies		130.00
512-3210	Computer Supplies		65.00
512-4110	Computer Supplies		195.00
512-5010	Computer Supplies		130.00
512-7310	Computer Supplies		130.00
514-4010	Janitorial Supplies		48.00
514-4110	Janitorial Supplies		49.00
514-5310	Janitorial Supplies		46.00
515-5310	Classroom Supplies		5,495.00
515-5410	Classroom Supplies		1,204.00
517-3010	Client Supplies		464.00
519-4010	Other Supplies		38.00
519-4710	Other Supplies		706.00
519-6510	Other Supplies		196.00
519-6610	Other Supplies		36.00
519-6710	Other Supplies		59.00
519-7310	Other Supplies		230.00
520-3010	Utilities - Telephone		687.00
520-3210	Utilities - Telephone		170.00
520-4110	Utilities - Telephone		458.00

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
520-4710	Utilities - Telephone		742.00
520-5010	Utilities - Telephone		392.00
520-5110	Utilities - Telephone		208.00
520-5210	Utilities - Telephone		30.00
520-5310	Utilities - Telephone		93.00
520-5410	Utilities - Telephone		86.00
520-6510	Utilities - Telephone		107.00
520-6610	Utilities - Telephone		229.00
520-6710	Utilities - Telephone		238.00
520-6910	Utilities - Telephone		102.00
520-7310	Utilities - Telephone		149.00
521-3010	Utilities - Electric & Gas		250.00
521-4110	Utilities - Electric & Gas		939.00
521-4710	Utilities - Electric & Gas		291.00
521-5010	Utilities - Electric & Gas		167.00
521-5110	Utilities - Electric & Gas		219.00
521-6510	Utilities - Electric & Gas		256.00
521-6610	Utilities - Electric & Gas		329.00
521-6710	Utilities - Electric & Gas		402.00
521-6910	Utilities - Electric & Gas		366.00
521-7310	Utilities - Electric & Gas		250.00
523-3010	Utilities - Garbage		36.00
523-4110	Utilities - Garbage		1,417.00
523-4710	Utilities - Garbage		670.00
523-5010	Utilities - Garbage		24.00
523-5110	Utilities - Garbage		38.00
523-6510	Utilities - Garbage		45.00
523-6610	Utilities - Garbage		232.00
523-6710	Utilities - Garbage		152.00
523-6910	Utilities - Garbage		64.00
523-7310	Utilities - Garbage		36.00
524-4010	Utilities - Other		458.00
524-4110	Utilities - Other		223.00
525-3010	Space Cost		100.00
525-4010	Space Cost		990.00
525-4110	Space Cost		5,000.00
525-4710	Space Cost		3,010.00
525-5010	Space Cost		50.00
525-5110	Space Cost		75.00
525-6510	Space Cost		125.00
525-6610	Space Cost		125.00
525-6810	Space Cost		25.00
525-6910	Space Cost		38.00
525-7310	Space Cost		100.00
526-3010	Copier		118.00
526-4710	Copier		23.00
526-5110	Copier		174.00
526-6510	Copier		134.00
527-4010	Postage & Delivery		263.00
527-4710	Postage & Delivery		210.00
527-5010	Postage & Delivery		44.00

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
527-5110	Postage & Delivery		376.00
527-5410	Postage & Delivery		88.00
527-7310	Postage & Delivery		176.00
530-5410	Dues & Memberships		60.00
531-4710	Publications & Subscriptions		58.00
531-7310	Publications & Subscriptions		58.00
536-3010	Liability Insurance		1,023.00
536-4010	Liability Insurance		545.00
536-4110	Liability Insurance		1,619.00
536-5010	Liability Insurance		682.00
536-5110	Liability Insurance		779.00
536-6510	Liability Insurance		909.00
536-6610	Liability Insurance		584.00
536-6710	Liability Insurance		1,428.00
536-6910	Liability Insurance		1,298.00
536-7310	Liability Insurance		1,023.00
540-3010	Contractual Services		115.00
540-3210	Contractual Services		520.00
540-4110	Contractual Services		77.00
540-7310	Contractual Services		1.00
541-3710	Legal Services		13,400.00
544-2910	Miscellaneous		28,635.00
544-3010	Miscellaneous		147.00
544-4110	Miscellaneous		4,816.00
544-4310	Miscellaneous		6,485.00
544-5310	Miscellaneous		39.00
544-7310	Miscellaneous		30.00
546-3010	Employment Testing		351.00
546-3110	Employment Testing		25.00
546-3210	Employment Testing		5.00
546-4010	Employment Testing		10.00
546-5310	Employment Testing		30.00
546-5410	Employment Testing		30.00
546-7310	Employment Testing		344.00
548-3110	Local Travel		2,823.00
548-4110	Local Travel		175.00
548-4110	Local Travel		1,036.00
548-4710	Local Travel		1,131.00
548-4810	Local Travel		4,229.00
548-5010	Local Travel		664.00
548-5110	Local Travel		766.00
548-5410	Local Travel		128.00
548-6510	Local Travel		232.00
548-7310	Local Travel		2,202.00
548-7710	Local Travel		109.00
549-3010	Licenses & Fees		14.00
549-4110	Licenses & Fees		50.00
549-4710	Licenses & Fees		99.00
549-5010	Licenses & Fees		161.00
550-4110	Furniture & Equipment		24.00
550-4710	Furniture & Equipment		1,006.00



**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
550-5110	Furniture & Equipment		14.00
550-5310	Furniture & Equipment		3,816.00
550-5410	Furniture & Equipment		3,351.00
551-4110	Computer Equipment		1,132.00
551-4710	Computer Equipment		126.00
551-5310	Computer Equipment		4,578.00
551-5410	Computer Equipment		2,190.00
552-5110	Equipment Maintenance		500.00
553-3010	Vehicle Maintenance		12.00
553-3210	Vehicle Maintenance		12.00
553-4710	Vehicle Maintenance		355.00
553-6510	Vehicle Maintenance		387.00
553-7310	Vehicle Maintenance		1,180.00
554-3010	Vehicle Fuel		245.00
554-4110	Vehicle Fuel		3,269.00
554-4710	Vehicle Fuel		1,058.00
554-6510	Vehicle Fuel		924.00
554-6610	Vehicle Fuel		351.00
554-6710	Vehicle Fuel		573.00
554-7310	Vehicle Fuel		1,368.00
555-5110	Building Maintenance		47.00
555-5310	Building Maintenance		184.00
555-6610	Building Maintenance		40.00
561-3010	Training		365.00
561-4110	Training		444.00
561-4710	Training		1,539.00
561-4810	Training		4,797.00
561-5010	Training		111.00
561-5110	Training		10.00
561-5310	Training		23.00
561-5410	Training		23.00
561-6610	Training		2.00
561-6710	Training		3.00
561-7310	Training		852.00
566-5210	Meals		32,617.00
566-6710	Meals		9,976.00
567-6710	Meal Transportation		640.00
568-6610	Disposable Products		416.00
568-6710	Disposable Products		2,203.00
579-4110	Weatherization Materials		12,027.00
579-4310	Weatherization Materials		10,914.00
579-4610	Weatherization Materials		143.00
579-4710	Weatherization Materials		34,275.00
580-5110	Food		76.00
580-6610	Food		8,473.00
<b>Total</b>		<b>863,092.00</b>	<b>863,092.00</b>

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>Adjusting Journal Entries JE # 5</b>			
To record PBC JV 589 CORR			
300	Current Year Unrestricted	14,926.00	
544-1000	Miscellaneous		14,926.00
<b>Total</b>		<b><u>14,926.00</u></b>	<b><u>14,926.00</u></b>
<b>Adjusting Journal Entries JE # 6</b>			
To record PBC JV 582			
224	Accrued Indirect	1,291.44	
295	Inter-Project Net Effect	1,291.44	
544-2910	Miscellaneous	1,291.44	
295	Inter-Project Net Effect		1,291.44
504-2910	Indirect Costs		1,291.44
505-2010	Fringe		1,291.44
<b>Total</b>		<b><u>3,874.32</u></b>	<b><u>3,874.32</u></b>
<b>Adjusting Journal Entries JE # 9</b>			
PBC JV 585 - adjustment for in-kind space and fixed assets			
544-1000	Miscellaneous	1,407.00	
587-1000	In Kind - Space	725.00	
300	Current Year Unrestricted		682.00
300	Current Year Unrestricted		725.00
587-1000	In Kind - Space		725.00
<b>Total</b>		<b><u>2,132.00</u></b>	<b><u>2,132.00</u></b>
<b>Adjusting Journal Entries JE # 13</b>			
To record PBC JV 589.			
275	Indirect Approved Rate Payable	1,291.00	
224	Accrued Indirect		1,291.00
<b>Total</b>		<b><u>1,291.00</u></b>	<b><u>1,291.00</u></b>
<b>Adjusting Journal Entries JE # 16</b>			
To record depreciation expense for FY 2010			
148	Buildings	43,374.00	
150	Fixed Assets	202,710.00	
615	Depreciation - Audit Only	141,143.00	
151	Accumulated Depreciation		141,143.00
397	Investment In Fixed Assets		246,084.00
<b>Total</b>		<b><u>387,227.00</u></b>	<b><u>387,227.00</u></b>

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>Adjusting Journal Entries JE # 17</b>			
To adjust Wx Revenue for 2010			
400-4110	Federal Revenue	19,571.00	
400-4710	Federal Revenue	27,580.00	
498-4711	Other Income	24,765.00	
228	Deferred Revenue		24,765.00
300	Current Year Unrestricted		47,151.00
<b>Total</b>		<b><u>71,916.00</u></b>	<b><u>71,916.00</u></b>
<b>Adjusting Journal Entries JE # 18</b>			
Record PY A/R - CSBG Discretionary 2010			
400-3509	Federal Revenue	4,742.00	
400-3710	Federal Revenue	13,780.00	
400-5310	Federal Revenue	32,200.00	
400-5410	Federal Revenue	19,482.00	
300	Current Year Unrestricted		70,204.00
<b>Total</b>		<b><u>70,204.00</u></b>	<b><u>70,204.00</u></b>
<b>Adjusting Journal Entries JE # 19</b>			
To record PY A/R for Metro programs			
400-6510	Federal Revenue	13,237.00	
400-6910	Federal Revenue	1,242.00	
405-7710	State Revenue	5,052.00	
405-7810	State Revenue	2,183.00	
396	Prior Year Unrestricted		21,714.00
<b>Total</b>		<b><u>21,714.00</u></b>	<b><u>21,714.00</u></b>
<b>Adjusting Journal Entries JE # 21</b>			
Reverse wage expense for projects that ended in FY 2009			
300	Current Year Unrestricted	2,857.00	
498-2009	Other Income	5,546.00	
506-9401	FICA	26,961.00	
544-2009	Miscellaneous	5,896.00	
597-2009	Transfer - Program Costs	62,648.00	
597-2209	Transfer - Program Costs	2,651.00	
597-2809	Transfer - Program Costs	4,963.00	
400-2009	Federal Revenue		7,014.00
500-2009	Salaries		29,245.00
500-2209	Salaries		734.00
500-2809	Salaries		2,669.00
500-3509	Salaries		321.00
500-3510	Salaries		2,538.00
504-2009	Indirect Costs		5,672.00
504-2209	Indirect Costs		143.00
504-2809	Indirect Costs		520.00
505-2009	Fringe		18,048.00

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
505-2209	Fringe		455.00
505-2809	Fringe		1,655.00
506-9400	FICA		26,961.00
513-2009	Training Supplies		902.00
520-2009	Utilities - Telephone		219.00
521-2009	Utilities - Electric & Gas		4,144.00
521-2809	Utilities - Electric & Gas		87.00
522-2009	Utilities - Water & Sewage		477.00
522-2809	Utilities - Water & Sewage		31.00
523-2009	Utilities - Garbage		348.00
526-2009	Copier		1,360.00
532-2009	Internet		65.00
543-2009	Consultant Services		461.00
545-2009	Medical & Dental Services		480.00
546-2009	Employment Testing		610.00
548-2009	Local Travel		101.00
553-2009	Vehicle Maintenance		20.00
554-2009	Vehicle Fuel		1,829.00
555-2009	Building Maintenance		113.00
561-2009	Training		1,825.00
563-2009	Uniforms		176.00
580-2009	Food		981.00
605-2209	USDA - Food		931.00
606-2209	USDA - Supplies		387.00
<b>Total</b>		<b>111,522.00</b>	<b>111,522.00</b>

**Adjusting Journal Entries JE # 22**

To adjust indirect allocated to actual

497-9501	Interest Income	4.00	
500-9501	Salaries	114.00	
504-9501	Indirect Costs	29.00	
505-9501	Fringe	5,463.00	
514-1000	Janitorial Supplies	224.00	
521-1000	Utilities - Electric & Gas	364.00	
522-1000	Utilities - Water & Sewage	11.00	
523-1000	Utilities - Garbage	67.00	
525-1000	Space Cost	89.00	
531-1000	Publications	840.00	
536-1000	Liability Insurance	121.00	
541-1000	Legal Services	671.00	
544-1000	Miscellaneous	1,624.00	
546-9501	Employment Testing	25.00	
548-1000	Local Travel	55.00	
555-1000	Building Maintenance	1,528.00	
560-1000	Out Of County Travel	38.00	
497-1000	Interest Income		4.00
500-1000	Salaries		114.00
504-1000	Indirect Costs		29.00
505-1000	Fringe		5,463.00

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
514-9501	Janitorial Supplies		224.00
521-9501	Utilities - Electric & Gas		364.00
522-9501	Utilities - Water & Sewage		11.00
523-9501	Utilities - Garbage		67.00
525-9501	Space Cost		89.00
531-9501	Publications & Subscriptions		840.00
536-9501	Liability Insurance		121.00
541-9501	Legal Services		671.00
544-9501	Miscellaneous		1,624.00
546-1000	Employment Testing		25.00
548-9501	Local Travel		55.00
555-9501	Building Maintenance		1,528.00
560-9501	Out Of County Travel		38.00
<b>Total</b>		<b>11,267.00</b>	<b>11,267.00</b>

**Adjusting Journal Entries JE # 23**

To Zero out project balances

228	Deferred Revenue	24,765.00	
400-3510	Federal Revenue	2,539.00	
400-6610	Federal Revenue	26,348.00	
400-6710	Federal Revenue	36,728.00	
400-6810	Federal Revenue	25.00	
400-6910	Federal Revenue	366.00	
405-5010	State Revenue	2,928.00	
597-1000	Transfer - Program Costs	36.00	
597-1000	Transfer - Program Costs	228.00	
597-1000	Transfer - Program Costs	380.00	
597-1000	Transfer - Program Costs	931.00	
597-1000	Transfer - Program Costs	1,551.00	
597-1000	Transfer - Program Costs	2,005.00	
597-1000	Transfer - Program Costs	2,564.00	
597-1000	Transfer - Program Costs	3,644.00	
597-1000	Transfer - Program Costs	4,422.00	
597-1000	Transfer - Program Costs	5,001.00	
597-1000	Transfer - Program Costs	5,064.00	
597-1000	Transfer - Program Costs	5,347.00	
597-1000	Transfer - Program Costs	7,723.00	
597-1000	Transfer - Program Costs	7,783.00	
597-1000	Transfer - Program Costs	13,609.00	
597-2010	Transfer - Program Costs	1,289.00	
597-3110	Transfer - Program Costs	17,003.00	
597-4710	Transfer - Program Costs	47,509.00	
597-5210	Transfer - Program Costs	8,013.00	
597-6510	Transfer - Program Costs	54.00	
597-7710	Transfer - Program Costs	3,424.00	
597-7810	Transfer - Program Costs	6,931.00	
120	Grants Receivable		2,539.00
228	Deferred Revenue		366.00
300	Current Year Unrestricted		2,928.00

**PRIDE Community Services, Inc.**  
**Summary of Recorded Audit Adjustments**  
**Year Ended December 31, 2010**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
396	Prior Year Unrestricted		63,101.00
400-4711	Federal Revenue		24,765.00
544-1000	Miscellaneous		931.00
597-1000	Transfer - Program Costs		54.00
597-1000	Transfer - Program Costs		1,289.00
597-1000	Transfer - Program Costs		3,424.00
597-1000	Transfer - Program Costs		6,931.00
597-1000	Transfer - Program Costs		8,013.00
597-1000	Transfer - Program Costs		17,003.00
597-1000	Transfer - Program Costs		47,509.00
597-1000	Transfer - Program Costs		
597-2910	Transfer - Program Costs		228.00
597-3010	Transfer - Program Costs		5,001.00
597-3210	Transfer - Program Costs		36.00
597-3509	Transfer - Program Costs		4,422.00
597-3710	Transfer - Program Costs		380.00
597-4110	Transfer - Program Costs		13,609.00
597-4310	Transfer - Program Costs		2,005.00
597-5010	Transfer - Program Costs		1,551.00
597-5110	Transfer - Program Costs		3,644.00
597-5110	Transfer - Program Costs		
597-5310	Transfer - Program Costs		7,783.00
597-5410	Transfer - Program Costs		2,564.00
597-6610	Transfer - Program Costs		5,064.00
597-6710	Transfer - Program Costs		5,347.00
597-7310	Transfer - Program Costs		7,723.00
<b>Total</b>		<u><u>238,210.00</u></u>	<u><u>238,210.00</u></u>

**INTERNAL CONTROL LETTER**



CERTIFIED PUBLIC ACCOUNTANTS

Management  
PRIDE Community Services, Inc.  
Logan, West Virginia

In planning and performing our audit of the financial statements of PRIDE Community Services, Inc. (PRIDE) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered PRIDE's internal control over financial reporting (internal control) 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 PRIDE's internal control. Accordingly, we do not express an opinion on the effectiveness of PRIDE's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below. However, as discussed below, we identified certain deficiencies in internal control which we consider to be a significant deficiency.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following control deficiency to be a significant deficiency:

#### Eligibility

Three instances of participants in the CSBG LEAP and Life Skills programs were ineligible to participate based on the Federal Poverty Level requirement; however, their applications were approved.

We recommend that the organization's current policies and procedures be reviewed, updated for current compliance requirements, and monitored for proper adherence specifically for eligibility requirements.

The Virginia Center · 1411 Virginia Street, East · Suite 100 · Charleston, WV 25301  
Phone (304)-343-4126 or 1-(800)-788-3844 · Fax (304)-343-8008

Towne Square · 201 Third Street · PO Box 149 · Parkersburg, WV 26102  
Phone (304)-485-6584 · Fax (304)-485-0971

www.suttlecpas.com · E-mail: cpa@suttlecpas.com  
A Professional Limited Liability Company



A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Following is a description of a control deficiency that we considered worthy of management's attention that we determined did not constitute a significant deficiency or material weakness.

#### **Documentation of Approval**

One instance of no approval for reimbursement requests on one of six draw downs tested for the Head Start program. Management indicated that the reimbursement requests are reviewed by the CFO; however, the CFO did not sign or initial the documentation to signify approval in one instance.

We recommend that the organization's current policies and procedures be reviewed, updated for current compliance requirements, and monitored for proper adherence.

#### **Weatherization Materials Tracking**

A few instances were noted where purchased materials in the weatherization program could not be traced through the accounting system to completed jobs

We recommend that management review the current policies and procedures, update if necessary in order to track and record inventory in the accounting system and to each Weatherization completion.

\* \* \* \* \*

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to PRIDE.

This communication is intended solely for the information and use of the Board of Directors and management of PRIDE and is not intended to be and should not be used by anyone other than the specified parties



Charleston, West Virginia

August 26, 2011

## **Certain Written Communications Between Management and Our Firm**

Arrangement Letter

Management Representations Letter

**ARRANGEMENT LETTER**



March 2, 2011

P.R.I.D.E. in Logan County, Inc.  
PO Box 1346  
699 Stratton Street  
Logan, West Virginia 25601

Attention: Lisha Whitt

This letter is to explain our understanding of the arrangements for the services we are to perform for P.R.I.D.E. in Logan County, Inc. for the year ended December 31, 2010. We ask that you either confirm or amend this understanding.

#### **Audit Services**

We will perform an audit of P.R.I.D.E. in Logan County, Inc.'s financial statements as of and for the year ended December 31, 2010. We understand that the financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We will also perform the audit of P.R.I.D.E. in Logan County, Inc. as of December 31, 2010 so as to satisfy the audit requirements imposed by the Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular A-133.

Also, the financial statements package will include the following additional information that will be subjected to the auditing procedures applied in our audit of the financial statements:

1. Schedule of State Grant Awards
2. Additional Grant Schedules Compared to Budget as determined necessary.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the board of directors are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; the provisions of the Single Audit Act, OMB Circular A-133 and OMB's Compliance Supplement. Those standards, circular, and supplement require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

We will also communicate to the audit committee or its equivalent (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (b) any fraud, illegal acts, violations of provisions of contracts or grant agreements and abuse that come to our attention (unless they are clearly inconsequential), (c) any disagreements with management and other serious difficulties encountered in performing the audit, and (d) various matters related to the entity's accounting policies and financial statements

In addition to our report on P.R.I.D.E. in Logan County, Inc.'s financial statements, we will also issue the following types of reports:

A report on the fairness of the presentation of the P.R.I.D.E. in Logan County, Inc. schedule of expenditures of federal awards and the additional schedules.

Reports on internal control related to the financial statements, and major federal programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.

Reports on compliance with laws, regulations and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect on each major federal program.

A schedule of findings and questioned costs.

The federal financial assistance programs and awards that you have told us that the P.R.I.D.E. in Logan County, Inc. participates in and that are to be included as part of the single audit are expected to be similar to those in the prior year's audit.

Our reports on internal control will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circular identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards and circular identified above.

## **Tax Services**

As part of our engagement, we will also prepare the federal form 990 information return for the year ended December 31, 2010. You are responsible for management decisions and functions, and for designating a competent employee to oversee these services. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for the results. You are also responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

You should be aware that, under the Internal Revenue Service Restructuring and Reform Act of 1998, certain information discussed by you with members of our firm who are authorized tax practitioners or their agents for the purpose of obtaining our firm's advice on tax matters is privileged from disclosure in any noncriminal tax matters before the IRS. Information compiled for the purpose of preparing a tax or information return is not privileged under common law because it is intended for disclosure to the IRS or others. The privilege will be waived if the communication is voluntarily disclosed to a third party. Also, privileged information might be used by you in preparing your financial statements and by us in auditing those statements. Professional standards require us to discuss matters that may affect the audit with our firm personnel responsible for nonaudit services, which includes tax services. The Internal Revenue Service might take the position that such communication results in a waiver of privilege.

## **P.R.I.D.E. in Logan County, Inc.'s Responsibilities**

Management is responsible for the financial statements, including adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and to the opinion units of the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is also responsible for 1) making us aware of significant vendor relationships where the vendor is responsible for program compliance, 2) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and 3) report distribution including submitting the reporting package(s).

The audit committee or its equivalent is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

P.R.I.D.E. in Logan County, Inc. agrees that our report on the financial statements will not to be included in an official statement or other document involved with the sale of debt instruments without our prior consent. Additionally, if P.R.I.D.E. in Logan County, Inc. intends to publish or otherwise reproduce the financial statements and/or make reference to us or our audit, P.R.I.D.E. in Logan County, Inc. agree to provide us with printer's proofs or a masters for our review and consent before reproduction and/or release occurs. You also agree to provide us with a copy of the final reproduced material for our consent before it is distributed or released. Our fees for any additional services that may be required under our quality assurance system as a result of the above will be established with you at the time such services are determined to be necessary. In the event our auditor/client relationship has been terminated when the Organization seeks such consent, we will be under no obligation to grant such consent or approval.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, P.R.I.D.E. in Logan County, Inc. agrees it will compensate Suttle & Stalnaker, PLLC for any additional costs incurred as a result of the employment of a partner or professional employee of Suttle & Stalnaker, PLLC.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by P.R.I.D.E. in Logan County, Inc. personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Lisha Whitt, Chief Financial Officer. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

#### **Other Terms of our Engagement**

P.R.I.D.E. in Logan County, Inc. hereby indemnifies Suttle & Stalnaker, PLLC and its partners, principals and employees and holds them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of P.R.I.D.E. in Logan County, Inc.'s management, regardless of whether such person was acting in P.R.I.D.E. in Logan County, Inc.'s interest. This indemnification will survive termination of this letter.

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under Rules for Professional Accounting and Related Services Disputes before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties.

Any claim arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of West Virginia. It is agreed by P.R.I.D.E. in Logan County, Inc. and Suttle & Stalnaker, PLLC or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of P.R.I.D.E. in Logan County, Inc. shall be asserted more than two years after the date of the last audit report issued by Suttle & Stalnaker, PLLC.

In the event we are requested or authorized by P.R.I.D.E. in Logan County, Inc. or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for P.R.I.D.E. in Logan County, Inc., P.R.I.D.E. in Logan County, Inc. will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The working papers for this engagement are the property of Suttle & Stalnaker, PLLC. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit working papers upon their request; and that we shall maintain the working papers for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested working papers will be provided under the supervision of Suttle & Stalnaker, PLLC audit personnel and at a location designated by our Firm.

If circumstances arise relating to the condition of the Organization's records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

If circumstances arise relating to the condition of the Organization's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

We will assist in drafting the Organization's financial statements and propose adjustments to the trial balance which will be reviewed and approved by management. The draft and the adjustments are the responsibility of management.

The two overarching principles of the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the work and, therefore, has a responsibility and is able to make any informed judgment on the results of the services described above. Accordingly, P.R.I.D.E. in Logan County, Inc. agrees to the following:

1. Lisha Whitt will be accountable and responsible for overseeing the draft of the financial statements and trial balance adjustments.
2. P.R.I.D.E. in Logan County, Inc. will establish and monitor the performance of the draft of the financial statements and trial balance adjustments to ensure that they meet management's objectives.
3. P.R.I.D.E. in Logan County, Inc. will make any decisions that involve management functions related to the draft of the financial statements and trial balance adjustments and accepts full responsibility for such decisions.
4. P.R.I.D.E. in Logan County, Inc. will evaluate the adequacy of services performed and any findings that result.



## HIPPA Compliance

In connection with compliance with the Health Insurance Portability and Accountability Act (HIPAA):

- (a) Suttle & Stalnaker, PLLC agrees not to use or disclose Protected Health Information (as defined in 45 CFR 160.103) other than as permitted or required by this arrangement letter (the "Agreement"); as required by operation of law; or as required by auditing standards or accounting principles
- (b) Suttle & Stalnaker, PLLC agrees to use appropriate safeguards to prevent use or disclosure of the Protected Health Information other than as provided for by this Agreement. The Firm agrees to implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of electronic Protected Health Information that it creates, receives, maintains, or transmits.
- (c) Suttle & Stalnaker, PLLC agrees to report to P.R.I.D.E. in Logan County, Inc. any use or disclosure of the Protected Health Information not provided for by this Agreement and/or any Security Incident (as defined in 45 CFR 164.304) of which it becomes aware
- (d) Suttle & Stalnaker, PLLC agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by Suttle & Stalnaker, PLLC on behalf of P.R.I.D.E. in Logan County, Inc. agrees to the same restrictions and conditions that apply through this Agreement to Suttle & Stalnaker, PLLC with respect to such information. Moreover, the Firm agrees to ensure that any such agent or subcontractor to whom it provides electronic Protected Health Information agrees to implement reasonable and appropriate safeguards to protect it.
- (e) P.R.I.D.E. in Logan County, Inc. shall not request Suttle & Stalnaker, PLLC to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by P.R.I.D.E. in Logan County, Inc.
- (f) Suttle & Stalnaker, PLLC may use and disclose Protected Health Information (i) for the proper management and administration of its business under this contract, (ii) to provide Data Aggregation Services relating to the Health Care Operations of P.R.I.D.E. in Logan County, Inc., and (iii) to report violations of law to appropriate federal and state authorities, all as provided in the Privacy Rule
- (g) Suttle & Stalnaker, PLLC agrees to document such disclosures of Protected Health Information made by Suttle & Stalnaker, PLLC and information related to such disclosures as would be required for P.R.I.D.E. in Logan County, Inc. to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with the Privacy Rule. Suttle & Stalnaker, PLLC further agrees to provide P.R.I.D.E. in Logan County, Inc. or an individual, upon request, with such information to permit P.R.I.D.E. in Logan County, Inc. to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR Sec 164.528
- (h) At no time will Suttle & Stalnaker, PLLC have possession and/or control of P.R.I.D.E. in Logan County, Inc.'s patients' 'Designated Record Sets' or any copies thereof. The Protected Health Information created or maintained by Suttle & Stalnaker, PLLC is not part of the patient's Designated Record Set and is, therefore, not subject to the Privacy Rule's patient access or amendment rights. Consequently, 45 CFR Part 164.524 and 164.526 [and, therefore, 45 CFR Part 164.504(e)(2)(ii) subparts (E) and (F)] are not applicable to Suttle & Stalnaker, PLLC.

- (i) Suttle & Stalnaker, PLLC agrees to make its internal practices, books and records, including policies and procedures and Protected Health Information, relating to the use and disclosures of Protected Health Information received from P.R.I.D.E. in Logan County, Inc. available to P.R.I.D.E. in Logan County, Inc. or the Secretary of the U.S. Department of Health and Human Services or his or her designee promptly for purposes of determining the P.R.I.D.E. in Logan County, Inc.'s compliance with the Privacy Regulations.
- (j) Term and Termination
  - (i) The Term of this Agreement regarding Protected Health Information shall be effective as of June 1, 2007, and shall terminate when all of the Protected Health Information provided by P.R.I.D.E. in Logan County, Inc. to Suttle & Stalnaker, PLLC, or received by Suttle & Stalnaker, PLLC on behalf of P.R.I.D.E. in Logan County, Inc., is destroyed. If it is infeasible to destroy Protected Health Information, protections of this contract are extended to such information, in accordance with the termination provisions in this Section.
  - (ii) Termination for Cause Upon P.R.I.D.E. in Logan County, Inc.'s knowledge of a material breach by Suttle & Stalnaker, PLLC, P.R.I.D.E. in Logan County, Inc. shall either:
    - (1) Provide an opportunity for Suttle & Stalnaker, PLLC to cure the breach or end the violation and terminate this agreement if Suttle & Stalnaker, PLLC does not cure the breach or end the violation within the time specified by P.R.I.D.E. in Logan County, Inc.,
    - (2) immediately terminate this Agreement, if Suttle & Stalnaker, PLLC has breached a material term of this Agreement and cure is not possible; or
    - (3) if neither termination nor cure are feasible, P.R.I.D.E. in Logan County, Inc. shall report the violation to the Secretary of the Department of Health & Human Services.
  - (iii) Effect of Termination.
    - (1) Except as provided in paragraph (ii) of this section, upon termination of this Agreement, for any reason, Suttle & Stalnaker, PLLC shall destroy all Protected Health Information received from P.R.I.D.E. in Logan County, Inc., or received by Suttle & Stalnaker, PLLC on behalf of P.R.I.D.E. in Logan County, Inc. in accordance with their audit record retention policy. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Suttle & Stalnaker, PLLC. Suttle & Stalnaker, PLLC shall retain no copies of the Protected Health Information beyond their normal retention period as required for their compliance with applicable professional standards.
    - (2) In the event that Suttle & Stalnaker, PLLC determines that destroying the Protected Health Information is infeasible, we shall provide to P.R.I.D.E. in Logan County, Inc. notification of the conditions that make return or destruction infeasible. Upon any notice that destruction of Protected Health Information is infeasible, Suttle & Stalnaker, PLLC shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make destruction infeasible, for so long as Suttle & Stalnaker, PLLC maintains such Protected Health Information.

## Fees

We generally base our fees on the time required at our regular rates for the services and personnel assigned plus out-of-pocket costs and relevant computer charges. Our charges also include other appropriate factors, including the difficulty of the assignment, the degree of skill required, time limitations imposed on us by others, the experience and ability of the personnel assigned, and the value of the services to the client. Assuming adequate records, internal controls, and assistance of your personnel, we estimate that our fees will be as follows.

Fees for December 31, 2010 audit and federal information return	\$25,000
Fees for training and technical assistance	Hourly Rates

We will attempt to minimize our fees consistent with quality work. The extent to which we can do this will depend on your personnel offering us clerical and other assistance to prepare schedules, perform analyses, and provide source documents. If we encounter unusual circumstances not contemplated in preparing this estimate, we will discuss them with you and arrive at a new fee arrangement for the additional services.


Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules of Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

## Closing

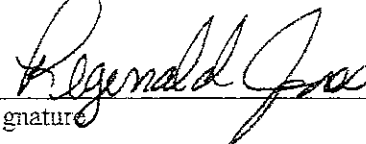
This letter constitutes the complete and exclusive statement of agreement between Suttle & Stalnaker, PLLC and P.R.I.D.E. in Logan County, Inc., superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

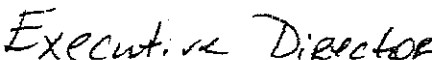
In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is attached for your information.

If this letter defines the arrangements as the Organization understands them, please sign the enclosed copy and return it to us.

  
Suttle & Stalnaker, PLLC

Confirmed on behalf of the P.R.I.D.E. in Logan County, Inc.:

  
Signature

  
Title



Kelley,  
Galloway &  
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

▪ 1200 BATH AVENUE ▪ P. O. BOX 990 ▪ ASHLAND, KENTUCKY 41105-0990 ▪  
▪ Phone (606) 329-1811 ▪ Fax (606) 329-8756 ▪ E-mail [contact@kelleygalloway.com](mailto:contact@kelleygalloway.com) ▪ Web site [www.kelleygalloway.com](http://www.kelleygalloway.com) ▪

Member of the Center for Public Company Audit Firms the Private Companies Practice Section of the American Institute of Certified Public Accountants and PKF North American Network

December 31, 2008

To the Members  
Suttle & Stalnaker, PLLC

We have reviewed the system of quality control for the accounting and auditing practice of Suttle & Stalnaker, PLLC (the firm) in effect for the year ended May 31, 2008. A system of quality control encompasses the firm's organizational structure, the policies adopted and the procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, audits of Employee Benefit Plans and engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests; therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality

control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Suttle & Stalnaker, PLLC in effect for the year ended May 31, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

*Kelley, Galloway & Company, PSC*

Kelley, Galloway & Company, PSC  
Ashland, Kentucky

**MANAGEMENT REPRESENTATIONS LETTER**



P.O. Box 1346  
Logan, WV 25601  
Phone: (304) 752-6868  
Fax: (304) 752-1047  
www.prideinlogan.com

August 26, 2011

Suttle & Stalnaker PLLC  
The Virginia Center, Suite 100  
1411 Virginia Street, East  
Charleston, WV 25301

In connection with your audit of the statement of financial position of PRIDE Community Services, Inc. (PRIDE) as of December 31, 2010 and the related statements of activities and cash flows for the year then ended, we confirm that we are responsible for the fair presentation in the financial statements of financial position, results of activities and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm, to the best of our knowledge and belief, as of August 26, 2011, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all:
  - a. Financial records and related data.
  - b. Minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
    - (1) Statutory, regulatory or contractual provisions or requirements.
    - (2) Financial reporting practices that could have a material effect on the financial statements

3. There has been no:
  - a. Fraud involving management or employees who have significant roles in the internal control
  - b. Fraud involving other employees that could have a material effect on the financial statements.
  - c. Communication from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
4. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected
5. We have no knowledge of any allegations of fraud or suspected fraud affecting PRIDE received in communications from employees, former employees, analysts, regulators, or others.
6. We have informed you of all significant deficiencies, including material weaknesses, if any, in the design or operation of internal controls that could adversely affect PRIDE's ability to record, process, summarize, and report financial data.
7. Except as provided to you, there have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
8. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
  - a. PRIDE has no significant amounts of idle property and equipment or permanent excess plant capacity
  - b. PRIDE has no plans or intentions to discontinue the operations of any subsidiary or branch or to discontinue any significant services or activities.
  - c. Provision has been made to reduce all investments, intangibles, and other assets which have permanently declined in value to their realizable values.
  - d. Long lived assets, including intangibles, which are impaired or to be disposed of, have been recorded at the lower of their cost or fair value.
9. The following have been properly recorded and/or disclosed in the financial statements, if applicable:
  - a. Related-party relationships, transactions and related amounts receivable or payable including sales, purchases, loans, transfers, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.
  - b. Guarantees, whether written or oral, under which PRIDE is contingently liable.
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
  - d. Lines of credit or similar arrangements.
  - e. Agreements to repurchase assets previously sold
  - f. Security agreements in effect under the Uniform Commercial Code.



- g. All other liens or encumbrances on assets and all other pledges of assets.
  - h. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets and intangibles.
  - i. Investments in debt and equity securities, including their classification.
  - j. All liabilities which are subordinated to any other actual or possible liabilities of PRIDE.
  - k. All leases and material amounts of rental obligations under long-term leases.
  - l. All significant estimates and material concentrations known to management which are to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
  - m. Concentrations of credit risk.
  - n. Financial instruments with off-balance-sheet market or credit risk.
  - o. All recordable contributions, by appropriate net asset class.
  - p. Conditional promises to give.
  - q. Reclassifications between net asset classes.
  - r. Allocations of functional expenses based on reasonable basis.
  - s. Composition of assets in amounts needed to comply with all donor restrictions.
  - t. Deferred revenue from exchange transactions.
  - u. Refundable advances.
  - v. The fair value of financial instruments.
  - w. Tax status.
  - x. Board designated unrestricted net assets.
  - y. Derivative financial instruments.
  - z. The effect on the financial statements of any FASB accounting standards updates or other accounting standards which have been issued, but which have not yet been adopted.
10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made, as applicable:
- a. To reduce receivables, including contributions, to their estimated net collectable amounts.

- b. For uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2010 and or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2010.
  - c. For pension obligations, postretirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through December 31, 2010.
  - d. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.
  - e. For environmental cleanup obligations
  - f. For amounts held for others under agency and or split interest agreements
11. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
  - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
12. We are responsible for compliance with laws and regulations applicable to PRIDE.
13. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
14. We know of no violations of state or federal statutory or regulatory provisions, grant or other contractual provisions of local ordinances.
15. We have identified in the schedule of expenditures of Federal awards all such assistance received, both directly and as a subrecipient, in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations by PRIDE.
16. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in the financial statements in accordance with the Contingencies Topic of the FASB Accounting Standards Codification.
17. We have:
- a. Identified to you all applicable generic compliance requirements.
  - b. Identified to you all applicable agency program requirements.
  - c. Complied with reporting requirements in connection with the expenditure of Federal awards identified in the schedule of expenditures of Federal awards.

- d. Determined amounts claimed or used to comply with matching requirements of Federal awards identified in the schedule of expenditures of Federal awards in accordance with guidance provided by OMB Circular A-122, "Cost Principles for Nonprofit Organizations."
  - e. Complied with applicable costs principles for determining allowability of costs charged to cost pools used to support an indirect cost rate or allocated through a central services cost allocation plan.
  - f. Provided you with a summary schedule of prior audit findings consistent with the requirements of OMB Circular No. A-133, Section 315(b).
  - g. Identified and disclosed to you all amounts that have been questioned and all known instances of noncompliance with statutory, regulatory and contractual requirements that could have a material effect on a major Federal financial assistance program, if applicable.
18. Information presented in Federal financial reports and claims for advances and reimbursements is supported by the books and records from which the basic financial statements have been prepared.
19. PRIDE has satisfactory title to all owned assets
20. We have complied with all aspects of laws, regulations, contractual agreements, grants, other matters and donor restrictions that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining if we are subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have received, expended or otherwise been the beneficiary of any federal awards during the period of this audit.
21. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the concentration of revenue sources, accounts receivable and cash should be disclosed
22. We believe that the change in accounting and reporting for property and equipment and related depreciation is preferable to the previous method because the previous method was not in accordance with accounting principles generally accepted in the United States of America.
23. The methods and significant assumptions used to estimate the fair values of financial instruments are as follows:
- a. Accounts receivable are reported at fair value based on estimated net collectability based on contractual agreements with third party payors, historical collection trends, and an analysis of the likelihood of collectability of individual accounts
24. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(3) not-for-profit corporation, and we have complied with the IRS regulations regarding this exemption.
25. We have made available to you all:
- a. Contracts with all significant third-party payors or other providers.
  - b. Peer review organizations, fiscal intermediary, and third-party payor reports.
26. The following have been properly recorded and or disclosed in the financial statements, as applicable:

- a. Compliance with debt instruments.
  - b. Disclosures related to third-party payor agreements and settlements.
  - c. Disclosures related to professional liability insurance coverage.
27. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made, if applicable:
- a. For estimated adjustments to revenue, such as for denied claims, changes to diagnosis-related group (DRG) assignments, or other estimated retroactive adjustments by third-party payors.
  - b. For obligations related to third-party payor contracts, including risk sharing and contractual settlements.
  - c. For audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
  - d. For medical malpractice obligations expected to be incurred with respect to services provided through December 31, 2010.
28. There are no:
- a. Violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Communications, whether oral or written, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, including those related to the Medicare and Medicaid antifraud and abuse statutes, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
29. Billings to third-party payors comply in all respects with applicable coding principles and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and only reflect charges for goods and services that were medically necessary, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.
30. With respect to cost reports, if applicable:
- a. We have filed all required Medicare, Medicaid, and similar reports.
  - b. We are responsible for the accuracy and propriety of all cost reports filed.
  - c. All cost reflect on such reports are appropriate, allowable under applicable reimbursement rules and regulations, patient-related, and properly allocated to the applicable payor(s).
  - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.

- e. All items required to be disclosed, including disputed costs that are being claimed to establish a basis a subsequent appeal, have been fully disclosed in the cost report.
  - f. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.
31. Recorded receivable valuation allowances are necessary, appropriate and properly supported.
32. We are responsible for and have reviewed and approved the proposed adjustments, if any, to the trial balances identified during the audit, which are included in the attached "Summary of Recorded Audit Adjustments" and will post all adjustments accordingly. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.
33. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through the date of this letter have been recognized or disclosed in the financial statements. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that as of the date of this letter, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.
34. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm:

1. We are responsible for:
  - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to PRIDE.
  - b. Establishing and maintaining effective internal control over financial reporting.
2. We have identified and disclosed to you:
  - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
  - b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
3. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported, if any.
4. We have a process to track the status of audit findings and recommendations.

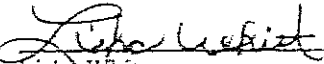
5. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations, if any.
6. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
7. We have reviewed, approved, and take full responsibility for all adjustments and an acknowledgement of the auditor's role in the preparation of the adjustments.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, we confirm:

8. We are responsible for complying, and have complied, with the requirements of Circular A-133.
9. We are responsible for the schedule of expenditures of federal awards and the schedule is prepared in accordance with Circular A-133 section 310.b. We have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. We further acknowledge that:
  - The methods of measurement or presentation have not changed from those used in the prior period or if the methods of measurement have changed, we have provided you with the reasons for such changes.
  - We are responsible for understanding and complying with the compliance requirements related to the preparation of the schedule.
10. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that PRIDE is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
11. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of PRIDE's federal programs and have complied, in all material respects, with those requirements.
12. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
13. We have provided you with our interpretations of any compliance requirements that have varying interpretations.
14. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities related to federal programs.
15. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.

16. We have charged costs to federal awards in accordance with applicable cost principles.
17. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
18. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
19. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
20. We have no subrecipients that we have regranted any federal awards.
21. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
22. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions as applicable.
23. We are responsible for the accurate completion of the appropriate sections of the data collection form.
24. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
25. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent of the date as of which compliance is audited.

  
Regina Jones  
Executive Director

  
Lisha White  
Chief Financial Officer