

**COMMUNITY CONNECTIONS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
For Year Ended June 30, 2010

DHHR - Finance

JUL - 3 2012

Date Received

10/1/12

**COMMUNITY CONNECTIONS, INC.  
AUDITED FINANCIAL STATEMENTS  
For Year Ended June 30, 2010**

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# Hollifield & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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April 4, 2011

Board of Directors  
Community Connections, Inc.  
Bluefield, WV 24701

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Community Connections, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Connections, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2011, on our consideration of Community Connections, Inc. 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 of Community Connections, Inc. taken as a whole.

Jeffery S. Hollifield, CPA

**COMMUNITY CONNECTIONS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2010 and 2009**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ (10,165)	\$ (2,216)
Grants receivable	47,898	88,503
Total Current Assets	<u>37,733</u>	<u>86,287</u>
<b>NONCURRENT ASSETS</b>		
Property and Equipment Agency	39,894	25,221
Property and Equipment Programs	26,023	26,023
Less Accumulated Depreciation	<u>(39,836)</u>	<u>(36,671)</u>
Total Noncurrent Assets	26,081	14,573
<b>TOTAL ASSETS</b>	<u>\$ 63,814</u>	<u>\$ 100,860</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,453	\$ 5,057
Payroll Taxes & Related Liabilities	10,187	7,709
Line of Credit	61,315	30,192
Current Portion of Capital Lease	1,888	1,714
Total Current Liabilities	<u>77,843</u>	<u>44,672</u>
<b>LONG TERM LEASE</b>	<u>5,601</u>	<u>7,489</u>
<b>TOTAL LIABILITIES</b>	<u>83,444</u>	<u>52,161</u>
<b>NET ASSETS</b>		
Restricted	1,081	1,081
Unrestricted	<u>(20,711)</u>	<u>47,618</u>
Total Net Assets	<u>(19,630)</u>	<u>48,699</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 63,814</u>	<u>\$ 100,860</u>

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

**COMMUNITY CONNECTIONS, INC.**  
**STATEMENT OF ACTIVITIES**  
For Year Ended June 30, 2010 and 2009

	2010	2009
<b>SUPPORT</b>		
Mercer County Underage Drinking Enforcement Program	\$ 13,500	\$ 15,000
United Way of the Virginia's	5,000	20,000
HIV Grant	75,000	75,000
WVDHHR - African American Tobacco Prevention	75,000	60,000
WVDHHR - Smoking Prevention In Pregnancy	-	50,000
Starting Points	45,000	45,000
Region J - WV Division of Tobacco Prevention	112,648	108,000
Drug-Free Communities Program	125,000	125,000
Planning and Coordination Grant	40,000	40,000
Behavioral Health Grant	170,000	170,000
Healthy Families/Healthy Children Initiative	25,000	21,000
Strategic Prevention Framework State Incentive Grant	85,000	85,000
Legacy Foundation Grant	70,000	100,000
Earmark	-	37,563
Safe and Drug Free Communities	26,590	26,742
Total Support	<u>867,738</u>	<u>978,305</u>
<b>REVENUE</b>		
Southern Highlands	-	6,121
United Way of the Virginias - 211	10,000	-
Misc. Donations	10,840	5,271
Total Revenue	<u>20,840</u>	<u>11,393</u>
Total Support and Revenue	<u>888,578</u>	<u>989,698</u>
<b>EXPENSES</b>		
Program expenses	712,475	702,305
Program Mini-Grants	90,450	82,900
Pass through monies	45,000	45,000
Depreciation Expense	3,165	1,537
Administrative expenses	105,817	104,530
Total Expenses	<u>956,907</u>	<u>936,272</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(68,328)	53,426
Net Assets at beginning of year	48,699	(4,727)
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ (19,630)</u>	<u>\$ 48,699</u>

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

**COMMUNITY CONNECTIONS, INC.**  
**STATEMENT OF CASH FLOWS**  
**For Year Ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Increase (Decrease) in Net Assets	\$ (68,329)	\$ 53,426
Net (Increase) Decrease in Accounts Receivable	40,605	(78,425)
Net Increase (Decrease) in Accounts Payable	2,048	11,817
Depreciation Expense	3,165	1,537
	(22,511)	(13,182)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Increase) Decrease in Capital Assets	(14,673)	(14,160)
Increase (Decrease) in Line of Credit	31,123	24,313
Increase (Decrease) in Capital Lease	(1,888)	7,489
	14,562	17,642
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
	-	-
Net increase (decrease) in cash and cash equivalents	(7,949)	4,460
Cash and Cash Equivalents at Beginning of Year	(2,216)	(6,676)
	\$ (10,165)	\$ (2,216)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ (10,165)</b>	<b>\$ (2,216)</b>

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

**COMMUNITY CONNECTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For Year Ended June 30, 2010**

	Behavioral Health Grant	United Way of the Virginia's	HIV Grant	Legacy Foundation	Starting Points
<b>Revenue:</b>					
State Monies	149,971	5,000	-	70,000	39,056
Federal Monies	20,029	-	75,000	-	5,944
Total Revenue	170,000	5,000	75,000	70,000	45,000
<b>Expenses:</b>					
Salaries	66,000	-	25,000	32,000	-
Fringe Benefits	17,828	-	7,000	7,960	-
Mini - Grants	30,650	-	8,000	4,000	-
Pass through Monies	-	-	-	-	45,000
Contractual	6,160	5,000	-	12,000	-
Travel / Training	28,400	-	7,500	8,665	-
Supply	5,652	-	1,400	1,200	-
Space	2,400	-	600	-	-
Equipment	-	-	-	-	-
Insurance	1,000	-	100	100	-
Other	11,910	-	25,400	4,075	-
Interest	-	-	-	-	-
Total Expenditures	170,000	5,000	75,000	70,000	45,000

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

**COMMUNITY CONNECTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**For Year Ended June 30, 2010**

	Region J - WV Division of Tobacco Prevention	Drug-Free Communities	Planning & Coordinating Grant	Mercer Co. Underage Drinking Enforcement	SFP-SIG
<b>Revenue:</b>					
State Monies	69,317	-	25,216	-	85,000
Federal Monies	43,331	125,000	14,784	13,500	-
<b>Total Revenue</b>	<b>112,648</b>	<b>125,000</b>	<b>40,000</b>	<b>13,500</b>	<b>85,000</b>
<b>Expenses:</b>					
Salaries	42,040	44,520	23,000	6,200	53,857
Fringe Benefits	9,791	11,687	7,330	-	-
Mini - Grants	37,000	-	-	-	-
Pass through Monies	-	-	-	-	-
Contractual	5,000	9,800	2,400	-	-
Travel / Training	-	11,491	-	-	9,543
Supply	2,063	14,502	1,200	-	-
Space	-	-	-	-	-
Equipment	-	-	-	-	-
Insurance	-	-	-	-	-
Other	16,754	33,000	6,070	7,300	21,600
Interest	-	-	-	-	-
<b>Total Expenditures</b>	<b>112,648</b>	<b>125,000</b>	<b>40,000</b>	<b>13,500</b>	<b>85,000</b>

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



**COMMUNITY CONNECTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**For Year Ended June 30, 2010**

	Healthy Families / Healthy Children Initiatives	WVDHHR African American Tobacco Prevention	Safe and Drug Free Communities	Functional Expense Totals
<b>Revenue:</b>				
State Monies	25,000	75,000	-	543,560
Federal Monies	-	-	26,590	324,178
<b>Total Revenue</b>	<b>25,000</b>	<b>75,000</b>	<b>26,590</b>	<b>867,738</b>
<b>Expenses:</b>				
Salaries	-	34,160	15,792	342,569
Fringe Benefits	-	3,586	-	65,182
Mini - Grants	-	10,800	-	90,450
Pass through Monies	-	-	-	45,000
Contractual	5,000	9,300	-	54,660
Travel / Training	6,000	-	4,500	76,099
Supply	1,500	3,900	-	31,417
Space	-	-	-	3,000
Equipment	-	-	-	-
Insurance	-	-	-	1,200
Other	7,500	13,254	6,298	153,161
Interest	5,000	-	-	5,000
<b>Total Expenditures</b>	<b>25,000</b>	<b>75,000</b>	<b>26,590</b>	<b>867,738</b>

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

**COMMUNITY CONNECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities - Community Connections, Inc. (CCI) is a nonprofit corporation organized to conduct collaborative planning and evaluation of health and human services with families and the organizations that serve them in order to promote effective service delivery. CCI provides family resource and coordinating services through advocacy and community coalition building.

Basis of Accounting and Financial Statement Presentation - The financial statements of Community Connections, Inc. are prepared in accordance with generally accepted accounting principles (GAAP); using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Source of Revenue - Community Connections, Inc. receives revenue in the form of grants from the Mercer County Underage Drinking Enforcement Program, the United Way of the Virginia's, WVDHHR - African American Tobacco Prevention, Starting Points Family Resource Center, Region J Tobacco Prevention, the Governor's Safe and Drug-Free Communities Program, a Planning and Coordinating Grant, a Behavioral Health Grant, Healthy Families/Healthy Children Initiative, Strategic Prevention Framework State Incentive Grant, HIV Grant, Drug Free Communities Grant, and a grant from the Legacy Foundation. Community Connections, Inc. also receives monies in the form of donations from private donors for selected programs that they offer.

Support income reported in the financial statements includes revenues that have been received from organizations in the forms of grants, while Revenue income reported in the financial statements includes all other donations, funds, or monies earned during the normal course of business.

When both restricted and unrestricted resources are available for use, it is CCI's policy to use restricted resources first, and then the unrestricted resources as needed. See Note F for information describing restricted assets.

Cash Equivalents - The organization considers checking, cash on hand, and savings as cash on the statements of cash flows.

Cash - Cash is on deposit with one F.D.I.C insured institution. During the year CCI did not have any amounts over F.D.I.C. coverage. The cash and cash equivalents consist of the following for purpose of the cash flow statement.

All of the carrying values are the same as market value.

	Type	06/30/10 Amount	06/30/10 Interest Rate
General Checking	Checking	(13,737.65)	N/A
Demand Deposit Account	Checking	3,520.31	N/A
FCB Savings Account	Savings	51.97	2%
Total Cash & Cash Equivalents		(10,165.37)	

**COMMUNITY CONNECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
Year Ended June 30, 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment and Depreciation - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of the assets. The organization's policy is to capitalize assets costing greater than \$500. The organization does not own any buildings or land; assets consist mainly of office furniture and computers.

Restricted Property and Equipment - Some items listed on Communities Connections, Inc. depreciation schedule have grantor restrictions. Items such as computers are purchased under the grant agreements for use by the grantee. These assets may be repossessed if the grants were ever revoked. As of June 30, 2010 Community Connection, Inc. has not had any problems in regard to this issue.

Major classifications of capital assets of Community Connections, Inc. along with their respective useful lives at June 30,2010 are summarized below:

Classification	Useful Lives
Computers and Equipment	5 years
Office furniture	7 years
Vehicles	5 years

Use of Estimates - The organization, as do all entities, relies on management's estimates in the preparation of their financial statements. Actual results could differ from those estimates.

Income Taxes - Community Connections, Inc. has been granted an exemption from income taxes under Section 501-c-3 of the Internal Revenue Code and is not considered a private foundation.

**NOTE B - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance at July 1, 2009	Additions	Retirements & Reclassifications	Balance at June 30, 2010
Property & Equip. Agency	\$ 25,221	\$ 14,673	\$ -	\$ 39,894
Property & Equip. Program	26,023	-	-	26,023
Total capital assets	\$ 51,244	\$ 14,673	\$ -	\$ 65,917
Less accumulated depreciation:				
Property & Equip. Agency	11,728	2,805	-	14,533
Property & Equip. Program	24,942	360	-	25,303
Total accumulated depreciation	36,671	3,165	-	39,836

**COMMUNITY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Year Ended June 30, 2010**

**NOTE B - CAPITAL ASSETS (CONTINUED)**

Capital assets activity for the year ended June 30, 2009, was as follows:

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

**NOTE C - LINE OF CREDIT**

Line of Credit payable to First Community Bank, issued July 18, 2008, to provide operating funds to the agency when funding sources are slow to make reimbursements in the amount of \$50,000. Interest payments are due on a monthly basis at a variable interest rate of around 6.00%. Principal payments are due within twelve months of their original advance. Line of Credit is affective until July 18, 2009.

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

There are no set principal maturity dates on a line of credit, payments vary as funds are needed.

Line of Credit payable to First Community Bank, issued September 3, 2009, to provide operating funds to the agency when funding sources are slow to make reimbursements in the amount of \$75,000. Interest payments are due on a monthly basis at a variable interest rate of around 6.00%. Principal payments are due within twelve months of their original advance. Line of Credit is affective until September 30, 2010.

	Balance 7-1-09	Principal Payments (-) Draws	Annual Interest	Balance 6-30-10
\$	30,192	\$ (31,122)	\$ 1,874	\$ 61,315

There are no set principal maturity dates on a line of credit, payments vary as funds are needed.

**COMMUNITY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Year Ended June 30, 2010**

**NOTE D - CAPITAL LEASE**

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

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

Balance 7-1-09	Principal Payments	Annual Interest	Balance 6-30-10
\$ 9,203	\$ 1,714	\$ 818	\$ 7,489

The principle balances and related annual interest are as follows:

Year	Principle	Interest	Total
2010	1,714	818	2,532
2011	1,888	644	2,532
2012	2,080	457	2,537
2013	2,290	242	2,532
2014	1,231	35	1,266
	9,203	2,196	11,399

**NOTE E - DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, Community Connection's deposits may not be returned to it. The non-pooled deposits are categorized to give an indication of the level of risk assumed by Community Connections, Inc. at fiscal year end.

CCI has no policy for interest rate risk.

6/30/2010			
Deposit Type	Book Balance	Bank Balance	
Insured	(10,165)	6,447	

6/30/2009			
Deposit Type	Book Balance	Bank Balance	
Insured	(2,216)	21,707	

**COMMUNITY CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Year Ended June 30, 2010**

**NOTE F - RESTRICTED ASSETS**

Support Funds - As noted in the Grant Agreements, for the grants listed in Note A, all monies are to be used for the Operating Activities of the Grant in question. All grant expenses are required to be tracked in order to show areas of support aided. Community Connections, Inc. are currently in compliance with all grants tested.

Revenue Funds - Currently the only Revenue Funds that have restrictions are donations that are given for a specific reason, such as Kiddie Fair, All-Stars Basketball, and SADD. These amounts are generally fully expended. Donations that are not expended are retained for the following year.

**NOTE G - RISK MANAGEMENT**

Community Connections, Inc. is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets, errors and omissions; and natural disasters for which CCI carries general liability insurance for these various risks. Amounts of settlements have not exceeded insurance coverage in the past three years.

**NOTE H - RELATED PARTY TRANSACTIONS**

Currently Community Connections, Inc. receives a grant, Starting Points Family Resource Center Grant, which is then transferred to CASE of WV in the form of pass-through monies. This grant, in the amount of \$45,000, is monitored by CCI in compliance with the Starting Points Grant Agreement. Community Connections, Inc. rents its current office space from CASE of WV, however there is no rental agreement or lease. Currently there are no issues in regards to this relationship.

Community Connections, Inc. also distributes mini-grants, per grant requirements, to selected individuals to aid in the completion of the selected grants purpose. One such recipient, ChildLaw Services, receives a mini-grant through the Behavioral Health Grant. In FY10 ChildLaw Services' Executive Director was a non-officer member of CCI's Board of Directors. The mini-grant selection process does not involve the Board of Directors and ChildLaw Services was chosen for the serves they offer. Currently there are no issues in regards to this relationship.

**NOTE I - EQUITY CLASSIFICATIONS**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**COMMUNITY CONNECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
Year Ended June 30, 2010**

**NOTE J - BUSINESS AND CREDIT CONCENTRATION**

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

The categories listed below describe how Community Connections, Inc.'s deposits are protected.

Category 1 - insured by FDIC

Category 2 - insured by FDIC up to the prevailing limit and by securities held by the pledging financial institution's trust department in CCI's name.

Category 3 - unsecured.

	1	Category 2	3	Totals
Checking	\$ 6,395	-	-	\$ 6,395
Savings	52	-	-	52
Other cash and cash items	-	-	-	-
	<u>\$ 6,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,447</u>

Community Connections, Inc. relies mainly on Governmental Grants, such as the West Virginia Department of Health and Human Resources and the Division of Criminal Justice Services, for their income. For the year ended June 30, 2010, these sources accounted for 722,738 (81%) of total support and revenue. Currently Community Connections, Inc also receives grants that are not from a governmental source, such as the HIV Grant and the Legacy Foundation Grant, which accounted for 145,000 (16%) of the total support and revenue. No services are rendered, thus no service fees are collected. Community Connections, Inc. generally receives around 1% of total support and revenue from private donations.

**NOTE K - COMMISSIONERS**

Commissioners of Community Connections, Inc. are nominated by individual board members, if the nomination is accepted their name is placed on the ballot where the entire board can vote. Officers are selected based on a majority vote. The Commissioners of Community Connections, Inc. at June 30, 2010 were:

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

**NOTE L - COMPARATIVE STATEMENTS**

Certain items on the 2009 statements have been reclassified to make those statements comparable to the 2010 statements.

**NOTE M - SUBSEQUENT EVENTS**

Subsequent events were reviewed up to the financial statement date of 4-4-11. Nothing that would have a material affect on the June 30, 2010 financial statements was noted.

# Hollifield & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

April 4, 2011

Board of Directors  
Community Connections, Inc.  
Bluefield, WV 24701

We have audited the financial statements of Community Connections, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated April 4, 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 Community Connections Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Connections Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and



responses that we consider to be significant deficiencies in internal control over financial reporting. (See Schedule of Findings and Responses 08-01, 08-02, & 08-03). A significant deficiency is a deficiency, or a 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Connections Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Community Connections Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Community Connections Inc.'s response and, accordingly, we express no opinion on it.

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

Jeffery S. Hollifield, CPA

**COMMUNITY CONNECTIONS, INC.**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2010**

**08-02**                      **MISSING RECEIPTS**

Condition:                      Upon review of the Credit Card Statements it was noted that several transactions did not have the proper supporting documentation.

Criteria:                      As required by the grant agreements monies have to be tracked to show areas of support. Credit Card Receipts are a crucial part of this process because they ultimately show purchase detail and date; which then allows them to be traced back to approved expenses as allowed by the grant agreements. This requirement is no different than matching invoices to checks for other purchases and should be tracked in the same manner.

Cause:                      Vague policy in regard to credit card requirements. Management does not enforce requirement that all receipts be presented when bill is received.

Effect:                      If credit card transactions do not have the proper supporting documentation then they cannot accurately be traced to the approved grant agreements. Thus these expenses should not be filed for reimbursement and would be the responsibility of CCI. This situation also gives opportunity for employees to include personal expenses on the company credit card without fear of question or review.

Recommendation:                      Policy needs to be clarified, stating that all credit card receipts are required to be presented when Credit Card statement is received and ready for reconciliation. Any amounts that do not have supporting documentation are the responsibility of said employee. If situation repeats in the following month then credit card privileges should be revoked for a period of 30 days. If credit card privileges have been revoked on two or more occasions then all credit cards privileges should be removed from said employee.

Response of Officials:

[REDACTED]

**COMMUNITY CONNECTIONS, INC.**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2010**

08-03

**ACCOUNT CLASSIFICATIONS**

Condition:

Expenses and Payables are not broken down in a way that they can easily be traced back to their respective grant agreement. Also there is no Compensated Absence account to reflect accrued vacation and sick days.

*TRACABLE*

Criteria:

Financial Statements are prepared as a way to accurately portray the financial position and stability of a company at the date at which they are prepared. Recording expenses under one category for one grant and another under a different grant can result in confusion and possible errors during the preparation of the financial statements. Also in order to prepare the most accurate financial statements, under modified accrual based accounting, expenses have to be recognized when they are expected to draw on current spendable resources. Since Accrued Vacation/Sick Days have already been earned and there is no way to predict when they will be taken, the only way to properly portray this expense is with an accrued liability account.

Cause:

Originally CCI's books were maintained on the cash basis of accounting which both made it easier to track expenses and did not require a Compensated Absence account. However, CCI is now required, per grant agreements and general business standards, to maintain their books on the accrual basis of accounting.

Effect:

Classifying expenses differently from one grant to the next can create the possibility that classification errors could enter the system when it comes time to consolidate all those grant expenses into one set of financials statements. Also in regard to the Compensated Absence account, since this liability is not represented in the Financial Statements there is no way for financial statement users to know CCI's liability to its employees for any vacation/sick days they have already earned

Recommendation:

CCI currently has a CPA contracted to do consultation services and to aid with payroll expenses. CPA should be asked to create a Compensated Absence account and to provide recommendations on how to better classify CCI grant expenses

Response of Officials:

*[Faint, illegible text]*

**COMMUNITY CONNECTIONS, INC.**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2010**

**08-01                      BANK RECONCILIATIONS**

Condition:                      Upon review of the bank reconciliations it was determined that outstanding checks were not removed in a timely fashion and in one instance an outstanding electronic deposit was not processed correctly.

Criteria:                      The purpose of the reconciliation is to see which checks were cashed, which electronic transactions have cleared, and which are left outstanding and to note any fees charged to the account. It then allows CCI to know how much money they actually have available to spend. A Bank Reconciliation should be completed monthly to check for errors or unauthorized withdrawals. Bank reconciliations are an important part of the financial process that allows businesses to have accurate and current information.

Cause:                      There currently is no policy in regard to when checks should be removed from the Bank Reconciliation and consequently the General Ledger. This problem was further exacerbated by an incorrectly entered electronic transfer that was never actually made.

Effect:                      Checks or electronic transfers that remain on the books for long periods of time will result in an understated cash account, which will then in turn show a need for CCI to use the Line of Credit more often, resulting in higher short-term debt and interest expense. Also if there is an error in the check and thus the bill is still outstanding, then accounts payable would also be understated. A combination of these errors would affect the accuracy of Community Connections, Inc's financial statements.

Recommendation:                      Per First Community Bank, Community Connections, Inc's bank, checks are not cashable after they have been outstanding for six months or longer. Thus a policy should be implemented that any checks that have been outstanding longer than 6 months should be removed from the Bank Reconciliation and an adjustment should be made to the General Ledger to reflect the removed check. This policy should also bring attention to any improperly processed electronic transfers.

Response of Officials:

CCI  
Missing Credit Card Receipts

	06/25	Yahoo All Star Hoops	\$35.85		11/22	Walmart Blfd	\$115.18
	06/28	Lowe's Pctn	\$121.34		11/25	walmart Blfd	\$24.09
?	07/06	Athletic	\$95.39		11/30	<u>USPS Blfd</u>	\$17.50
?	07/07	Atheltic	\$25.00		12/11	Homestead Tech	\$9.99
	07/14	Walmart Pctn	\$17.77		12/11	Walmart Beckley	\$20.00
	07/17	Confercing	\$13.93		12/11	IHOP	\$10.54
	07/19	Walmart Blfd	\$16.88		02/01	Res-prog.com	\$109.85
	07/22	US Airways	\$150.00	Hotel	02/07	Holiday Inn	\$89.04
	07/22	US Airways	\$25.00		02/11	Homestead Tech	\$9.99
?	07/22	US Airways	\$459.40		02/15	Sterling	\$77.18
	07/24	<u>USPSlager</u>	\$0.54		02/15	You Send It	\$29.98
	07/29	Joe Hubers Fam Rest	\$200.00		02/19	Sticker Giant	\$342.03
	07/30	Shell Oil Sterlin KY	\$41.45		03/05	You Send It	\$29.98
	08/01	Walmart Pctn	\$38.00		03/07	McAfee.com	\$74.19
	08/11	Lowe's Pctn	\$40.23		03/09	4 Imprint	\$781.13
	08/17	State Fair	\$70.00	Hotel	03/13	Holiday Inn	\$70.00
	08/22	Walmart	\$66.36		03/18	Walmart	\$10.47
	08/27	<u>USPS</u>	\$26.81		03/19	4 Imprint	\$180.50
	08/27	Walmart	\$114.46				
Hotel Car	09/01	Hertz	\$150.00				
	09/09	Shoney's Pctn	\$145.00				
	09/09	<u>USPS</u>	\$15.00				
	09/11	Homestead Technologies	\$9.99				
	09/17	Chik-Fil-A	\$103.71				
	09/18	<u>USPS</u>	\$7.30				
Hotel	09/20	Holiday Inn	\$97.81				
	09/23	E Snack Bar	\$11.61				
	09/24	7-11 Pennsboro	\$56.85				
	09/30	Amazon	\$982.90				
	10/01	Homestead Technologies	\$9.99				
	10/03	Sheraton	\$64.00				
Hotel	10/10	Embassy	\$177.94				
	10/12	Wingclips	\$15.98				
	10/23	BWW	\$74.00				
	10/26	<u>USPSlager</u>	\$6.20				
	10/29	Family Dollar	\$22.66				
	11/10	KFC Welch	\$42.16				
	11/11	Spy Eliminate	\$79.50				
	11/11	Walmart.com	\$14.24				
	11/11	Homestead Technologies	\$9.99				
	11/12	Things Remembered	\$26.49				
Hotel	11/18	Fairfield Inn	\$99.68				
Hotel	11/19	Marriot Charleston	\$184.60				
	11/19	Chik-Fil-A	\$125.60				
	11/21	Allen's	\$19.64				

63 TOTAL  
How many?