

KANAWHA VALLEY FELLOWSHIP HOME, INC.  
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010 and 2009

DHHR - Finance

JUL 10 2012

Date Received

KANAWHA VALLEY FELLOWSHIP HOME, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010 and 2009

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Cash Receipts and Disbursements	3
Notes to Financial Statements	4-7
Statement of Equipment Purchased with OBHS Funds	8
Schedule of Expenditures of State Awards	9
Independent Auditor's Report on Internal Control Over Financial Reporting on Compliance and other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	10-11
Schedule of Findings	12-13



## Independent Auditor's Report

To the Board of Directors  
Kanawha Valley Fellowship Home, Inc.  
Charleston, WV

We have audited the accompanying statements of cash and investment receipts and disbursements for the Kanawha Valley Fellowship Home for the years ended June 30, 2010 and 2009. 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash and investment receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash and investment receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements of cash and investment receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements have been prepared on the statement of cash and investment receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph presents fairly, in all material respects, the cash and investment receipts and disbursements of Kanawha Valley Fellowship Home, Inc. for the years ended June 30, 2010 and 2009, on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of equipment purchased with OBHS funds on page 7 and the Schedule of Receipts and Expenditures of State Awards on page 8 are presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, on our consideration of Kanawha Valley Fellowship Home, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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.

Dunbar, WV  
November 19, 2010

Kanawha Valley Fellowship Home, Inc.  
Statement of Cash and Investment Receipts and Disbursements  
For the Year Ended June 30, 2010 and 2009

	<u>2010</u>	Restated <u>2009</u>
<b><u>Receipts:</u></b>		
WV Dept. of Health	\$ 54,242	\$ 54,447
Donations	95,691	67,982
Grants	94,257	113,171
United Way of Central WV	22,638	23,769
Interest and Dividend Income	5,237	5,628
Realized (Loss) on Investments	-	(300)
Residential Room & Board	27,226	26,852
Miscellaneous Income	<u>60</u>	<u>934</u>
<b>Total Receipts:</b>	<u>299,351</u>	<u>292,483</u>
<b><u>Disbursements:</u></b>		
Wages	83,554	82,121
Counseling	15,217	14,350
Utilities	16,474	18,497
Program Supplies and Food	17,515	18,544
Employee Benefits and Taxes	7,546	7,124
Insurance	4,129	6,158
Fundraising	12,259	4,858
Accounting	4,735	4,250
Office Supplies	2,160	2,102
Household Supplies	3,315	2,447
Miscellaneous	2,947	3,126
Automobile Expense	6,133	2,553
Telephone	2,229	2,233
Donation Costs	1,197	993
Reimbursed Expenses	1,500	2,132
Repairs & Maintenance	1,929	1,052
Marketing / Advertising	1,015	232
Contributions	340	850
Furniture and Equipment Purchased	<u>1,200</u>	<u>43,460</u>
<b>Total Disbursements:</b>	<u>185,394</u>	<u>217,082</u>
 Excess of Receipts Over Disbursements	 113,957	 75,401
 Cash and Investments, Beginning of Year	 <u>298,591</u>	 <u>223,190</u>
 Cash and Investments, End of Year	 <u>\$ 412,548</u>	 <u>\$ 298,591</u>
<b>Supplemental Information:</b>		
Checking Account	\$ 31,107	\$ 9,716
Investment Account (at cost)	<u>381,441</u>	<u>288,875</u>
<b>Total</b>	<b><u>\$ 412,548</u></b>	<b><u>\$ 298,591</u></b>

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

KANAWHA VALLEY FELLOWSHIP HOME, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION:

The Kanawha Valley Fellowship Home, Inc. (The Home) is a not-for-profit corporation established under the laws of the State of West Virginia. The Home is a 24-hour residential program consisting of intensive alcoholism counseling, group therapy, alcoholism education, job placement assistance, social activities, family counseling, behavior reinforcement, and weekly sponsorship of Alcoholics Anonymous meetings. The Home also provides education and assistance to employers in the community, and information and referral to the general public on alcoholism.

The services are provided primarily of residents of Kanawha County, West Virginia however referrals are accepted from neighboring counties where no such services are available.

NOTE 2. ACCOUNTING POLICIES:

Method of Accounting – The financial statements have been prepared on the cash and investment receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting recognizes revenue and expenses when they are received or paid and does not recognize amounts earned or incurred in the current period that are receivable or payable in the future.

Property and Equipment – Under the cash and investment receipts and disbursements basis of accounting, property and equipment is expensed as purchased and no capitalization of such amounts is made in the financial statements.

Donated Services and Materials – The Home has been the recipient of numerous donations of volunteer time and various donated materials, however since no objective basis for valuation of these donations exists they have not been recognized in the accompanying financial statements.

Advertising – Advertising costs are expensed as incurred. No advertising costs have been capitalized in the accompanying balance sheet.

KANAWHA VALLEY FELLOWSHIP HOME, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INCOME TAX STATUS:

The Home is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Home has been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

NOTE 4. LEASES:

Facility Lease – The Home’s facility is located at 1121 Virginia Street East in Charleston, West Virginia and is leased from the First Presbyterian Church at the rate of \$1 per year. The term of the lease is for 10 years and commenced on September 1, 2004 and ends August 31, 2014. The lease can be renewed for two successive terms of five years each. The lease will automatically renew for each renewal term unless the Home sends a written notice 120 days prior to the initial expiration of the lease or any expiration of any renewal term.

NOTE 5. CONCENTRATIONS:

A portion of the Organization’s revenue was derived from the following sources:

	<u>2010</u>	<u>2009</u>
WV Department of Health	18%	19%
Regional Development Authority	-0-%	16%

NOTE 6. PROMISSORY NOTE:

The Organization signed a Promissory Note for \$25,000 received from the West Virginia Housing Development Fund on 4/7/06. There is no collateral on this note or interest. The proceeds were specifically designated for renovations of the new Home. The term of the note is for 10 years and if anytime during that 10 year period the Home does not provide the services as outlined in the loan agreement by providing housing and support to homeless persons, the Note will be repayable in full. After the 10-year period of continuous full compliance, the Note shall be forgiven and not subject to repayment. Recognized interest expense for 2010 and 2009 on this loan was \$-0- as this is a cash basis financial statement.

NOTE 7. CASH AND INVESTMENT:

The Home considers all checking accounts and investment accounts to be Cash and Investments.

KANAWHA VALLEY FELLOWSHIP HOME, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 8. INVESTMENT ACCOUNT:

The Kanawha Valley Fellowship Home, Inc. held the following investments at fair value as of June 30, 2010 and 2009 that are reported on the statement of cash and investment receipts and disbursements.

	<u>2010</u>	<u>2009</u>
Beginning Balance:	\$ 285,262	\$ 207,711
Transfer from Checking Account	62,000	65,000
Realized Loss	-0-	(300)
Unrealized Loss	11,113	(3,613)
Unrestricted Contributions of Stock	25,464	10,920
Foreign Tax Paid	(135)	(84)
Interest and Dividends	<u>5,237</u>	<u>5,628</u>
Balance June 30:	<u>\$ 388,941</u>	<u>\$ 285,262</u>

The investment account is made up of the following amounts at June 30.

	<u>2010</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Cash Equivalents	\$ 134,185	\$134,185	\$ -0-
Stocks and Bonds	147,006	154,506	7,500
Certificate of Deposits	<u>100,250</u>	<u>100,250</u>	<u>-0-</u>
Total Investments	<u>\$ 381,441</u>	<u>\$ 388,941</u>	<u>\$ 7,500</u>

	<u>2009</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Depreciation</u>
Cash Equivalents	\$ 219,507	\$219,507	\$ -0-
Stocks and Bonds	<u>69,368</u>	<u>65,755</u>	<u>(3,613)</u>
Total Investments	<u>\$ 288,875</u>	<u>\$ 285,262</u>	<u>\$ (3,613)</u>



KANAWHA VALLEY FELLOWSHIP HOME, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. SUBSEQUENT EVENTS:

Management evaluated subsequent events through November 19, 2010 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010 but prior to November 19, 2010 that provided additional evidence about conditions that existed at June 30, 2010 have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2010.

KANAWHA VALLEY FELLOWSHIP HOME, INC.  
STATEMENT OF EQUIPMENT PURCHASED WITH OFFICE OF  
BEHAVIORAL HEALTH SERVICES FUNDS  
YEAR ENDED JUNE 30, 2010

During the fiscal year 2010, the Kanawha Valley Fellowship Home, Inc. used no OBHS funds to purchase equipment.

THE KANAWHA VALLEY FELLOWSHIP HOME, INC.  
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2010

<u>Grant Name</u>	<u>Grant Number</u>	<u>Period Covered</u>	<u>Award Amount</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
WV Department of Health and Human Resources	G100031	7/1/09-6/30/10	\$ 54,500	\$ 54,500	\$ 54,500
					<u>6/30/2010</u>

NOTE: Grant Receipts and Expenditures are reported on the accrual basis of accounting.



**ROWAN & ASSOCIATES**

Professional Firm  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors  
Kanawha Valley Fellowship Home, Inc.  
Charleston, West Virginia

We have audited the financial statement of Kanawha Valley Fellowship Home, Inc.; (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Kanawha Valley Fellowship Home, 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 the Kanawha Valley Fellowship Home, 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 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 questioned costs that we consider to be significant deficiencies in internal control over financial reporting; 2010-1, 2010-2. 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 Kanawha Valley Fellowship Home, 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*

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

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

Dunbar, WV  
November 19, 2010

KANAWHA VALLEY FELLOWSHIP HOME, INC.  
SCHEDULE OF FINDINGS  
June 30, 2010

Findings:

2010-1

*Criteria-*

Adequate internal controls require documentation of review of bank reconciliations as well as income received to provide checks and balances in the internal control structure.

*Condition-*

Several bank statements were not readily available with cancelled checks when performing the audit. Also, there were not copies of donor checks.

*Context-*

During our audit we found that the Home did not make copies of any of the contributions except for a select few that were part of the neighborhood investment tax incentive. Several of the original bank statements were missing which would have had the review verification on them.

*Effect-*

All contributions received are either restricted or unrestricted. Without copies of the donor checks or supporting documentation received from the donor, the Home is unable to determine after the fact if a donor contribution was restricted or not when spending the money. Check and balances in the internal control structure is to have one individual check the work of another to prevent a single individual from having complete control over an accounting process. Not documenting the review of the bank reconciliations circumvent this control over receipts and disbursements.

*Cause-*

Ineffective management oversight.

*Recommendation-*

All reviewed bank statements should be signed off on and properly filed. Also all donor receipts (whether check or other supporting documentation) over a designated dollar amount should be copied to verify any restriction that the donor may have imposed.

*Management Response-*

We have already implemented the procedure to have our Treasurer sign off on body of all bank statements and we will photo copy all donations and supporting documentation for amounts of \$250 and more.

KANAWHA VALLEY FELLOWSHIP HOME, INC.  
SCHEDULE OF FINDINGS  
June 30, 2010

Findings:

2010-2

*Criteria-*

A policy made by the board of directors requires two signatures on any check over the amount of \$2,500.

*Condition-*

Two signatures are required by policy on all checks over \$2,500. This increases internal control for any disbursement items that are unusual or infrequent to the business.

*Context-*

During our audit we found two out of five checks greater than \$2,500 that we selected for testing that did not have two signatures.

*Effect-*

The effect of this is non compliance with the Home's policy that had been implemented in the past. Failure to comply with the Home's policy creates more opportunities for irregular activities.

*Cause-*

Ineffective management oversight.

*Recommendation-*

All checks that are over \$2,500 are to be reviewed (with supporting documentation attached) and signed by two authorized checks signers.

*Management Response-*

All checks of \$2,500 or more will be signed by two authorized bank signers.