

DAYMARK, INC.
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

DHHR - Finance

OCT 5 2010

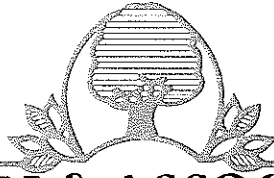
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DAYMARK, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2010

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ROWAN & ASSOCIATES

Professional L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Daymark, Inc.
Charleston, WV

We have audited the accompanying statements of financial position of Daymark, Inc. (a non-profit 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 Daymark, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2009 financial statement and, in our report dated September 2, 2009; we expressed an unqualified opinion on those financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010, on our consideration of Daymark, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Daymark, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the accompanying schedule of receipts and expenditures of state awards is presented for purposes of additional analysis and is not a required part of the 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 basic financial statements taken as a whole.

Rowan & Associates

Dunbar, WV
September 8, 2010

DHHR - Finance

OCT 5 2010

Date Received

DAYMARK, INC
STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2010
With Comparative Totals for 2009

Assets:	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash - Operating	\$ 29,041	\$ 53,133
Restricted Health Account - Cash	<u>109,122</u>	<u>106,901</u>
Total Cash	<u>138,163</u>	<u>160,034</u>
Pledges Receivable - current portion	34,165	57,405
Accounts Receivable net of allowance of \$4,419 and \$3,698	115,244	82,443
Inventory	14,681	-
Prepaid Assets	<u>15,423</u>	<u>10,746</u>
Total Current Assets:	<u>317,676</u>	<u>310,628</u>
Noncurrent Assets:		
Pledges Receivable	116,030	120,098
Land, Building, Furniture, and Equipment less Accumulated Depreciation	<u>631,307</u>	<u>598,364</u>
Total Assets	<u>\$ 1,065,013</u>	<u>\$ 1,029,090</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts Payable	\$ 36,538	\$ 10,284
Governmental Advances and Refunds Payable	70,327	94,423
Accrued Employee Wages & Benefits	67,569	84,106
Line of Credit	88,395	25,000
Health Claims Liability	100,795	94,352
Note Payable - current portion	<u>5,965</u>	<u>5,480</u>
Total Current Liabilities	<u>369,589</u>	<u>313,645</u>
Noncurrent Liabilities:		
Note Payable	<u>38,726</u>	<u>44,692</u>
Total Liabilities	<u>408,315</u>	<u>358,337</u>
Net assets:		
Unrestricted	505,603	513,967
Temporarily Restricted	<u>151,095</u>	<u>156,786</u>
Total Net Assets	<u>656,698</u>	<u>670,753</u>
Total Liabilities and Net Assets	<u>\$ 1,065,013</u>	<u>\$ 1,029,090</u>

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

DAYMARK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
With Comparative Totals for 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Revenues and Other Support:				
Contributions	\$ 87,135	\$ -	\$ 87,135	\$ 142,088
Contributions In-kind	41,797	-	41,797	225,553
United Way	-	69,662	69,662	67,006
Special Events	124,294	-	124,294	118,095
Less Direct Costs	(6,204)	-	(6,204)	(2,967)
Health & Human Services	427,087	-	427,087	398,289
Medicaid	184,985	-	184,985	164,371
DHHR	726,767	-	726,767	782,830
Child Nutrition	9,759	-	9,759	9,380
City of Charleston- C.D.B.G.	20,221	-	20,221	21,000
City of Charleston- Emergency	32,499	-	32,499	32,615
Other	61,571	-	61,571	55,443
Net Assets released from restriction	<u>75,353</u>	<u>(75,353)</u>	<u>-</u>	<u>-</u>
Total Increases to Net Assets	<u>1,785,264</u>	<u>(5,691)</u>	<u>1,779,573</u>	<u>2,013,703</u>
Expenses:				
New Connections	365,394	-	365,394	376,348
Patchwork	478,535	-	478,535	466,747
Turning Point	<u>632,513</u>	<u>-</u>	<u>632,513</u>	<u>621,705</u>
Total Program Costs	1,476,442	-	1,476,442	1,464,800
Administration	312,407	-	312,407	319,753
Fundraising	<u>4,779</u>	<u>-</u>	<u>4,779</u>	<u>2,497</u>
Total Decreases to Net Assets	<u>1,793,628</u>	<u>-</u>	<u>1,793,628</u>	<u>1,787,050</u>
Change in Net Assets	(8,364)	(5,691)	(14,055)	226,653
Net Assets- Beginning of the Year	<u>513,967</u>	<u>156,786</u>	<u>670,753</u>	<u>444,100</u>
Net Assets at the End of the Year	<u>\$ 505,603</u>	<u>\$ 151,095</u>	<u>\$ 656,698</u>	<u>\$ 670,753</u>

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

DAYMARK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
With Comparative Totals for 2009

<u>Description</u>	<u>Program Services</u>					<u>Total</u>
	<u>New Connections</u>	<u>Patchwork</u>	<u>Turning Point</u>	<u>Program Services</u>	<u>Administrative & Fundraising</u>	
Wages	\$ 191,538	\$ 258,283	\$ 342,148	\$ 791,969	\$ 195,068	\$ 987,037
Benefits Expense	53,466	61,193	81,350	196,009	76,652	272,661
Payroll Taxes Expense	22,843	24,954	35,727	83,524	14,286	97,810
Insurance	15,067	15,840	28,057	58,964	1,139	60,103
Rent & Utilities	19,969	15,546	20,341	55,856	3,414	59,270
Client Assistance	8,211	15,614	28,674	52,499	-	52,499
Repairs & Maintenance	10,775	27,556	7,658	45,989	2,356	48,345
Food	9,395	14,276	21,104	44,775	-	44,775
Depreciation	14,739	15,973	11,212	41,924	1,218	43,142
Medicaid Expense	-	-	16,560	16,560	-	16,560
Professional Fees	2,975	3,875	3,880	10,730	3,488	14,218
Household Expense	45	4,726	9,028	13,799	-	13,799
Phone	2,387	3,068	6,613	12,068	1,114	13,182
Office Supplies	2,982	2,172	5,354	10,508	2,485	12,993
Dues & Subscriptions	1,233	3,699	1,905	6,837	2,316	9,153
Conference & Meetings	1,811	2,271	1,417	5,499	2,546	8,045
Staff Travel	1,149	3,971	2,416	7,536	226	7,762
Resource Material	4,975	1,228	993	7,196	-	7,196
Interest	-	-	4,054	4,054	1,991	6,045
Miscellaneous	525	3,187	1,381	5,093	801	5,894
Fundraising	-	-	-	-	4,779	4,779
Community Education	1,254	550	1,036	2,840	1,363	4,203
Postage	-	186	1,008	1,194	1,944	3,138
Employee Recruiting	55	367	597	1,019	-	1,042
TOTAL	\$ 365,394	\$ 478,535	\$ 632,513	\$ 1,476,442	\$ 317,186	\$ 1,793,628
						\$ 1,787,050

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

DAYMARK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010
With Comparative Totals for 2009

	<u>2010</u>	<u>2009</u>
Cash Flows Used for Operating Activities:		
Change in Net Assets	\$ (14,055)	\$ 226,653
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	43,142	40,259
Donated Building and Land - Inkind	(5,800)	(207,534)
(Gain) Loss on Disposal of Fixed Asset	(2,099)	1,636
Non-cash Reduction in Notes Payable	(5,480)	(5,035)
(Increase) Decrease in Accounts and Pledges Receivable	(5,493)	39,360
(Increase) in Inventory	(14,681)	-
(Increase) Decrease in Other Assets	(4,677)	2,106
Increase (Decrease) in Accounts Payable	26,254	(19,926)
(Decrease) Increase in Governmental Advances & Refunds	(24,095)	11,439
(Decrease) in Accrued Employee Benefits	(16,537)	(14,527)
Increase in Health Liability	<u>6,443</u>	<u>12,829</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>(17,078)</u>	<u>87,260</u>
Cash Flows from Investing Activities:		
Purchases of Equipment and Improvements	<u>(68,188)</u>	<u>(93,150)</u>
Cash (Used) by Investing Activities	<u>(68,188)</u>	<u>(93,150)</u>
Cash Flows from Financing Activities:		
Payments on Line of Credit	(36,600)	(40,000)
Proceeds from Line of Credit	<u>99,995</u>	<u>43,000</u>
Cash Provided by Financing Activities	<u>63,395</u>	<u>3,000</u>
Net (Decrease) in Cash and Cash Equivalents	(21,871)	(2,890)
Cash and Cash Equivalents at the Beginning of the Year	<u>160,034</u>	<u>162,924</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 138,163</u>	<u>\$ 160,034</u>
Other Information:		
Non-cash gifts in-kind	\$ 41,797	\$ 225,553
Interest Expense	\$ 1,991	\$ 1,184

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

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of business:

Turning Point-A professional foster care program for youth in state custody of the ages 15-20. Combined, the two residential homes house eleven youth. Both homes offer a set of full-time house parents. The program is designed to assist youth in meeting educational and vocational needs as well as learning rely on themselves and live independently.

Patchwork-Patchwork serves as a shelter and crisis intervention center for youth in high risk situations ages 11 through 17 by providing free, confidential, voluntary, and licensed services 24 hours a day, 7 days a week. Patchwork is licensed to aid ten youth. Services are performed through individual, group, family contact, telephone and walk-in counseling and information and referral. The goals of Patchwork include meeting the needs of youth in a crisis, reunite them with their families while strengthening the family relationship, and assisting in establishing stable living conditions for youth other than institutions while increasing self-esteem. Patchwork has also developed a street outreach program for reaching at risk youth in the community and familiarizing the community with Daymark's programs.

New Connections-A social service program that helps youth between the ages of 16 and 21 obtain their GED and assists them in learning how to live independently. They also work with homeless youth in providing a temporary place to live, life skills training, job search and job skill training, support groups, meals, transportation, and minor emergency financial assistance. The goal of the program is to provide some feeling of stability so they may feel positive about responsible independence.

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Daymark, Inc. and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Daymark, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, any temporary restriction met in the same period that it was received is recognized as unrestricted in the period of receipt.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Contributions:

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give which include all government awards are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are due in the next year are recorded at their net realizable value.

Property and Equipment:

Property and equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Daymark, Inc. follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. During the year ended June 30, 2009, the Patchwork building was donated by the County. The value of this home was appraised at \$325,000. Daymark, Inc. recognized a contribution in the amount of \$207,534 which is the appraised value less the net book value of the leasehold improvements that were previously capitalized and depreciated for this building.

Cash

Daymark, Inc. considers cash, money market funds, and bank deposits that are available on demand to be cash. At June 30, 2010, cash did not exceed Federal Deposit Insurance Corporation or Securities Protection Investor Corporation insurance.

Contributed Facilities and Services:

Contributed facilities and services represent the estimated fair rental value of space used in Daymark's programs. The City of Charleston has donated the interest and principle payments due on a mortgage of one of Daymark's Turning Point homes totaling \$9,535. Another Turning Point home was donated and the estimated rent for that home totaled \$8,484. Contributed services and facilities are reflected in the financial statements at the fair value of the facility or services received. Such donations totaled \$18,019 for the year ended June 30, 2010 and \$18,019 for the year ended June 30, 2009. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Also, contributions of materials and supplies are recognized at fair market value at date of gift. Such donations total \$23,778 and \$-0- for the year ended June 30, 2010 and 2009, respectively.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Advertising:

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

Income Taxes:

Daymark, Inc. is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for Federal income taxes. In addition, Daymark, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. Daymark has no excise or unrelated business income taxes in 2010. The Organization's federal information returns, Form 990, are subject to examination by the IRS, generally for three years after they are filed.

Functional Allocation of Expenses:

The costs of providing Daymark, Inc's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on employee time records, square feet of area used, etc.

Estimates:

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

Fair Value of Financial Instruments:

Daymark, Inc. has a number of financial instruments, none of which are held for trading purposes. Daymark, Inc. estimates that the fair value of all financial instruments at June 30, 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. LEASES

The Organization was committed to the following operating lease agreement at June 30, 2010:

Turning Point: The Charleston Housing Authority has donated use of dwelling, Unit #65, located at Oakhurst Village, Charleston, WV, for an unstipulated period. The estimated value of rent for the year is \$8,484.

Rental expense for the year ending June 30, 2010 was \$8,484 and \$8,484 for the year ending June 30, 2009.

NOTE 3. CONTINGENCIES

Third-party payers may assert claims arising from services provided to clients in the past and from retroactive adjustments. As no third-party payers have assessed adjustments, the management of Daymark, Inc. is unable to estimate the ultimate cost, if any, of the settlement of such potential claims, and accordingly, no additional accrual have been made for them.

NOTE 4. ACCOUNTS RECEIVABLE

Contributions - All pledges receivable are due from United Way of Central WV Inc., or other established charitable organizations. All contributions receivable at June 30, 2010 are believed to be fully collectible; consequently, no allowance for uncollectible amounts is appropriate.

Other - All other accounts receivable are due from various agencies of the City, State, Federal government, or others and at June 30, 2010, there is an allowance of \$4,419 for uncollectible amounts. Accounts are charged off against their appropriate account when they are determined to be uncollectible. Accounts over 90 days at June 30, 2010 and June 30, 2009 are \$20,588 and \$20,987.

NOTE 5. RETIREMENT PLAN

Effective January 1, 1987 Daymark, Inc. established a noncontributory, defined contribution pension plan covering all employees who are at least 21 years old and have more than one year of service. Effective January 1, 2008 Daymark, Inc. amended the plan to be a 401(k) profit sharing plan in which participants can now contribute to the pension plan. Under the new provisions of the Plan, Daymark, Inc. is not required to contribute to the pension plan. Pension expense for the year ended June 30, 2010 and June 30, 2009 was \$43,297 and \$34,261 respectively. The pension expenses above are net of \$5,119 for June 30, 2009 in forfeitures from participants who terminated service to Daymark, Inc. prior to becoming fully vested. Management has elected to offset the forfeitures against the contributions for the year ended June 30, 2009.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. TEMPORARILY RESTRICTED FUNDS

At June 30, 2010 and June 30, 2009 funds with temporary time restrictions are as follows:

	<u>6-30-2010</u>	<u>6-30-2009</u>
United Way of Central WV	\$ 30,097	\$ 31,955
Schoenbaum Annuity Trusts	120,098	123,931
Feasibility Study	<u>900</u>	<u>900</u>
	<u>\$151,095</u>	<u>\$156,786</u>

NOTE 7. COMPARATIVE 2009 AMOUNTS

The amounts shown for the period June 30, 2009 in the accompanying financial statements are included to provide a basis for comparison with 2010 and represent summarized totals only. Accordingly, the 2009 amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

NOTE 8. PROPERTY AND EQUIPMENT

At June 30, 2010 and June 30, 2009, the major classes of property and equipment are summarized as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 96,248	\$ 96,248
Building and improvements	720,728	703,049
Furniture and equipment	<u>200,357</u>	<u>203,665</u>
	1,017,333	1,002,962
Less accumulated depreciation	<u>(386,026)</u>	<u>(404,598)</u>
	<u>\$ 631,307</u>	<u>\$ 598,364</u>

NOTE 9. RECEIPT OF GIFT HELD IN TRUST

During September 1997 Daymark, Inc. was notified that it is the beneficiary of six new fully funded trusts. Through these trusts the donor has promised to give \$12,500 per year until the year 2021 and gradually smaller amounts, as the trusts expire, until the final trust is terminated in year 2030. This gift was recorded at its net present value of \$149,826 in the temporarily restricted net assets. Pledge collections are to be as follows:

	<u>Pledge Collectable</u>	<u>Interest Collectable</u>	<u>Total Collectable</u>
Year ended 6-30-11	3,793	8,707	12,500
Year ended 6-30-12	4,068	8,432	12,500
Year ended 6-30-13	4,362	8,138	12,500
Year ended 6-30-14	4,679	7,821	12,500
Year ended 6-30-15	5,018	7,482	12,500
Thereafter	<u>98,178</u>	<u>55,989</u>	<u>154,167</u>
	<u>\$120,098</u>	<u>\$96,569</u>	<u>\$216,667</u>

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9. RECEIPT OF GIFT HELD IN TRUST - continued

The above table of expected pledge activity was calculated by management based on the net present value technique at a discount rate of 7.25%. In management's judgment, this technique to determine the asset's carrying value is a fair representation of the current value and expected future cash flows. This method of valuation is a Level 3 input as defined in FASB Codification 820.

NOTE 10. LONG TERM DEBT

During the year ended June 30, 1996, Daymark, Inc. financed construction of its Turning Point facility with a loan from the City of Charleston which totaled \$91,557. This loan, which has imputed interest of 8.5 percent, is to be repaid over twenty years beginning July 1, 1996. While the City holds a deed of trust on this property, it has agreed to forgive each monthly payment that Daymark, Inc. has as long as Daymark, Inc. continues to operate its Turning Point program within very general guidelines. Future principle payments are summarized as follows:

Year ended June 30, 2011	5,965
Year ended June 30, 2012	6,492
Year ended June 30, 2013	7,066
Year ended June 30, 2014	7,690
Year ended June 30, 2015	8,370
Thereafter until June 2016	<u>9,108</u>
	<u>\$44,691</u>

NOTE 11. LINE OF CREDIT

Daymark, Inc. has an unsecured \$100,000 line of credit available. As of June 30, 2010, the balance due on the line of credit was \$88,395 with an interest rate of 3.25%.

NOTE 12. GOVERNMENTAL ADVANCES AND REFUNDS PAYABLE

Daymark, Inc. has received certain overpayments from West Virginia Department of Health and Human Resources. Daymark, Inc. has responded to these overpayments by contacting the Department and letting them know of the overpayments. Daymark, Inc. explains the reason for the overpayment and requests that their records be corrected so the money can be returned. This amount is in Governmental Advances and Refunds Payable.

	<u>2010</u>	<u>2009</u>
Overpayments	\$70,327	\$77,048
Grant advances	<u>-0-</u>	<u>17,375</u>
Total	<u>\$70,327</u>	<u>\$94,423</u>

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13. CONCENTRATION OF REVENUE SOURCES

During the year, Daymark, Inc. received significant portions of its total revenue from the following sources:

	<u>2010</u>	<u>2009</u>
Department of Health and Human Resources	41%	38%
Other governmental agencies	40%	43%
United Way of Central WV	<u>4%</u>	<u>3%</u>
	<u>85%</u>	<u>84%</u>

NOTE 14. DEFINED CONTRIBUTION MEDICAL PLAN

As of August 1, 2002, Daymark, Inc. established a plan, which is maintained for the exclusive benefit of employees and is intended to constitute a medical reimbursement plan under Section 105(h) of the Internal Revenue Code. Daymark, Inc. has decided to contribute for each employee an amount of \$1,050 per year and the employee must present qualified medical expenses for reimbursement. The Organization contributes on a monthly basis to a plan administrator to cover the expenses that will be incurred. At June 30, 2010, the Organization has accumulated \$109,122 in a restricted cash account and they have accumulated \$100,795 in possible liabilities for medical reimbursements. The continuation balance of a participant's account is based upon the amount that they have vested, which is determined based on percentages in which one year would be 20% and after 5 years they would be fully vested at 100%. Any unvested forfeited amounts can be used to offset future payments to the plan.

NOTE 15. SUBSEQUENT EVENTS

Management evaluated subsequent events through September 8, 2010 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010 but prior to September 8, 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.

DAYMARK, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2010

State Grantor	Grant Number	Award Amount	Receipts 7/1/2009- 6/30/2010	Expenditures 7/1/-2009- 6/30/2010
 <u>West Virginia Department of Health and Human Services</u>				
 Crisis Counseling and independent living services for youth.				
(7/1/2009-6/30/2010)	G100216	\$ 140,090	\$ 140,090	\$ 140,090

DAYMARK, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services			
Direct Programs			
Transitional Living for Homeless Youth	93.550		\$ 201,964
Basic Center Grant	93.623		136,788
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		<u>88,335</u>
Total Department of Health and Human Services Direct Programs			427,087
Pass-Through from State of WV DOE			
Chafee Foster Care Independence Program	93.674	unknown	1,808
Pass-Through from Capital Resource Agency			
Community Services Block Grant	93.569	unknown	<u>10,000</u>
Total Department of Health and Human Services			<u>438,895</u>
Department of Homeland Security			
Pass Through from United Way Central WV			
Emergency Food and Shelter National Board Program	97.024	unknown	<u>2,281</u>
Department of Housing and Urban Development			
Pass Through from City of Charleston			
Community Development Block Grants/ Entitlement Grants	14.218	unknown	20,221
Emergency Shelter Grants Program	14.231	unknown	<u>32,499</u>
Total Department of Housing and Urban Development			<u>52,720</u>
Department of Agriculture Pass-Through			
WV Department of Education			
School Breakfast Program	10.553	unknown	4,910
National School Lunch Program	10.555	unknown	<u>4,849</u>
Total Child Nutrition Cluster			9,759
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	unknown	<u>17,375</u>
Total Department of Agriculture			<u>27,134</u>
Total Expenditures of Federal Awards			<u>\$ 521,030</u>

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Daymark, Inc. and is presented on GAAP. 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*.



**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
Daymark, Inc.
Charleston, WV

We have audited the financial statements of Daymark, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 8, 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 Daymark, 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 Daymark, 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 and 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 Daymark, 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*

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

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

Rowan & Associates

Dunbar, WV
September 8, 2010

DHHR - Finance

OCT 5 2010

Date Received



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Daymark, Inc.
Charleston, WV

Compliance

We have audited the compliance of Daymark, Inc. 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 June 30, 2010. Daymark, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Daymark, Inc.'s management. Our responsibility is to express an opinion on Daymark, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Daymark, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Daymark, Inc.'s compliance with those requirements.

In our opinion, Daymark, Inc. 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 June 30, 2010.

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Daymark, Inc.'s responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Daymark, Inc.'s responses, and accordingly, we express no opinion on the responses.

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

Rowan & Associates

Dunbar, WV
September 8, 2010

DHHR - Finance

OCT 5 2010

Date Received

DAYMARK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED June 30, 2010

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? NO

Significant deficiencies identified that are not considered material weaknesses? YES

Noncompliance material to the financial statements noted? NO

Federal Awards

Internal Control over major programs:

Material weakness identified? NO

Significant deficiencies identified that are not considered material weaknesses? NO

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? NO

Identification of Major Programs:

CFDA Number 93.550

Transitional Living for Homeless Youth

CFDA Number 93.557

Educational and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth

CFDA Number 10.579

AARA – Child Nutrition Discretionary Grants Limited Availability

Dollar Threshold to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low risk auditee? NO

DAYMARK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED June 30, 2010

2010-1 *Criteria-*

Adequate internal controls require a verification process concerning billings of Medicaid Per Diem amounts.

Condition-

Some Medicaid Per Diem billings had over billed the days and some had under billed the days

Context-

During our initial tests of billing transactions, we discovered there were no verification processes to re-determine the validity of the Medicaid Per Diem billings. The billings were done at month end by reviewing each individual file. During our testing of Medicaid Per Diem billings we found that one individual had been over billed by 18 days. This has subsequently been corrected by Daymark, Inc. Upon additional testing, of billing transactions we found one individual that had been over billed by two days and another individual that was under billed two days which amounts to 2 errors in 22 billings. These have also subsequently been corrected by Daymark, Inc. We determined that as the errors were offsetting, there was no material effect on the financial statements.

Effect-

The effect of under billing is not receiving money for services that have been performed. The effect of over billing would be receiving money for services that had not been performed.

Cause-

Misunderstanding of resident's status

Recommendation-

We recommend that Daymark, Inc. staff keep a list of the clients being served by calendar month where the service or non-resident reason for each client is noted on a daily basis. This monthly recap should be reconciled to the actual billing on a monthly basis.

Management Response-

The Management Team is in agreement with the audit finding and understands the audit concerns. The management team will immediately review the system and make changes as suggested by the auditors and assign the responsibility to the appropriate person.

DAYMARK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED June 30, 2010

2010-2 Criteria-

Grant compliance requirements must be identified and monitored regularly

Condition-

During our audit, we found that the individual previously responsible for monitoring compliance with laws regulations grants and contracts had been relieved of those duties. As we questioned those responsible for implementing the compliance requirements in two out of three major programs they were not aware of the requirements or had no practical way of documenting compliance.

Context-

We found no instances of non compliance with laws, regulations or other grant terms that would have a direct and material effect on major programs or on the financial statements taken as a whole.

Effect-

Failure to comply with the significant legal and contractual terms of each grant could cause Daymark, Inc. to be liable for repayment of certain grant sums.

Cause-

There was no practical, available source of information listing applicable laws, regulations and grant terms and conditions. Further, as mentioned above, there was no one assigned the responsibility for summarizing and monitoring specific requirements of each significant award.

Recommendation-

We recommend that a member of management be assigned responsibility for annually determining what the fiscal and programmatic requirements are for each material award, and preparing a list of those requirements for distribution to all persons charged with implementation of each award's terms and conditions. This individual should also have the responsibility for necessary testing of compliance as often as is appropriate. All failures should be reported to the appropriate level of management.

Management Response-

The Management Team is in agreement with the audit finding and understands the audit concerns. Staff has developed a check list for each grant listing each requirement. Utilizing these checklists, staff will review monthly all requirements for each grant. In addition, the Management Team will review on a quarterly basis and will update the board of directors. All information will be shared with program staff as needed.