

BARTLETT HOUSE, INC  
FINANCIAL STATEMENTS  
JUNE 30, 2011

**DHHR - Finance**

**MAR 15 2012**

**Date Received**

Prepared By:  
Hilarion V. Cann, CPA  
159 East Main Street  
Clarksburg, WV 26301  
(304) 623-5657

## INDEX

	Page
INDEPENDENT AUDITOR'S REPORT	1 of 23
Statement of Financial Position	2 of 23
Statement of Activities	3 of 23
Statement of Functional Expenses	4 of 23
Statement of Cash Flows	5 of 23
Notes to Financial Statements	6-12 of 23
REPORT ON INTERNAL CONTROL AND COMPLIANCE	13-14 of 23
REPORT ON MAJOR FEDERAL AWARDS	15-16 of 23
Schedule of Expenditures of Federal and State Awards	17 of 23
Schedule of Findings and Questioned Costs	18 of 23
Notes to Schedule of Expenditures of Federal and State awards	19 of 23
MANAGEMENT LETTER	20-23 of 23

Phone (304) 623-5657  
Fax (304) 623-5657

E-Mail HVCCPA@aol.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bartlett House, Inc.  
Morgantown, West Virginia

I have audited the accompanying statement of financial position of Bartlett House, Inc (a nonprofit organization) as of June 30, 2011, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bartlett House, Inc as of June 30, 2011, 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*, I have also issued my report dated December 24, 2011, on my consideration of Bartlett House, Inc 's internal control over financial reporting and my 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 my 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 my audit.

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My audit was conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Hilarion V. Cann, CPA  
Clarksburg, West Virginia  
December 24, 2011

**DHHR - Finance**

**MAR 15 2012**

**Date Received**

BARTLETT HOUSE, INC  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 198,681
Investments (Note 2)	5,731
Grant Receivable	7,973
Prepaid Expenses	<u>3,920</u>
Total Current Assets	216,305

PROPERTY AND EQUIPMENT

Land	345,921
Building	2,167,777
Furniture and Fixtures	<u>123,392</u>
Total Property and Equipment	2,637,090

Less Accumulated Depreciation	<u>397,258</u>
	2,239,832

TOTAL ASSETS	<u>\$ 2,456,137</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 1,624
Accrued Payroll Taxes Payable	972
Accrued Payroll Payable	5,786
Current Portion of Capital Lease	<u>13,255</u>
Total Current Liabilities	21,637

LONG-TERM DEBT

Long-term Capital Lease (Note 5)	873,246
Refundable Advance (Note 6)	<u>830,032</u>

Total Long-term Debt	1,703,278
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Total Liabilities	1,724,915
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NET ASSETS

Unrestricted	719,222
Temporarily Restricted	<u>12,000</u>
	731,222

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,456,137</u>
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The Notes to Financial Statements are an integral part of these statements

BARTLETT HOUSE, INC  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted
<b>PUBLIC SUPPORT AND REVENUES</b>	
WV Department of Health and Human Resources	\$ 216,052
WV Office of Economic Opportunity	53,218
Community Development Block Grant	46,331
Children's Mental Health Block Grant	25,000
Emergency Food and Shelter Program	5,529
Other Grants	60,000
United Way of Monongalia County	70,000
Donations	25,585
Other Income	783
Fundraising	29,818
Interest Income	776
Gain on sale of marketable securities	<u>66</u>
 Total Support and Revenue	 533,158
 Net Assets Released from donor restrictions	 <u>1,130</u>
	534,288
<b>EXPENSES</b>	
Program Expense	343,878
Management and General	<u>158,106</u>
 Total Expenses	 501,984
 Unrealized (Gain) Loss on Investments	 <u>(822)</u>
 (Decrease) Increase in unrestricted net assets	 33,126
<b>TEMPORARILY RESTRICTED NET ASSETS</b>	
Contributions and Grants	13,130
Net Assets Released from donor restrictions	<u>(1,130)</u>
 Increase (decrease) in temporarily restricted net assets	 12,000
 Total (Decrease) Increase in net assets	 45,126
 Net Assets, Beginning	 <u>686,096</u>
 Net Assets, Ending	 <u>\$ 731,222</u>

The Notes to Financial Statements are an integral part of these statements.

BARTLETT HOUSE, INC  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

	Shelter and Counseling Services	Management and General	Total (Memo Only)
Salaries and Wages	\$ 217,480	\$ 85,864	\$ 303,344
Payroll Taxes and Employee Benefits	38,961	18,646	57,607
Telephone and Utilities	29,290	3,255	32,545
Interest Expense	0	0	0
Insurance	0	10,274	10,274
Maintenance	6,947	772	7,719
Janitorial	7,182	798	7,980
Travel and Training	1,835	204	2,039
Client Expenses	7,855	0	7,855
Food	0	0	0
Fundraising	0	3,390	3,390
Office Expenses	15,745	1,749	17,494
Professional Fees	0	28,917	28,917
Other Expenses	0	599	599
Property Taxes	3,389	0	3,389
	<hr/>	<hr/>	<hr/>
Total Expenses before Depreciation	328,684	154,468	483,152
Depreciation Expense	15,194	3,638	18,832
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ <u>343,878</u>	\$ <u>158,106</u>	\$ <u>501,984</u>

The Notes to Financial Statements are an integral part of these statements

BARTLETT HOUSE, INC  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING ACTIVITIES	
Change in Net Assets	\$ 45,126
Adjustments to Reconcile Change in Net Assets to net cash provided by Operating Activities	
Reflect investments at fair value	(822)
Depreciation	18,832
Gain on sale of Marketable Securities	(66)
(Increase) Decrease in:	
Grant Receivable	10,246
Prepaid Expenses	(1,152)
Increase (Decrease) in:	
Accounts Payable	1,471
Accrued Payroll Taxes Payable	224
Accrued Payroll Payable	<u>3,273</u>
Net Cash Provided by Operating Activities	77,132
INVESTING ACTIVITIES	
Purchase of Furniture and Fixtures	(1,815,398)
Transfer from investment account	0
Purchase of Investments	<u>(29)</u>
Net Cash Used by Investing Activities	(1,815,427)
FINANCING ACTIVITIES	
Proceeds from Line of Credit	0
Proceeds from Capital Lease	896,000
Proceeds from Refundable Advance	830,032
Payments on Long-Term Debt	<u>(9,499)</u>
Net Cash Provided by Financing Activities	1,716,533
NET CASH DECREASE IN CASH	(21,762)
CASH AT BEGINNING OF YEAR	<u>220,443</u>
CASH AT END OF YEAR	\$ <u><u>198,681</u></u>
SUPPLEMENTAL DISCLOSURE	
Interest Paid	\$ <u><u>34,781</u></u>

The Notes to Financial Statements are an integral part of these statements



BARTLETT HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS

Note 1 Description of Entity and Significant Accounting Policies

Description of Entity

Bartlett House, Inc , a nonprofit organization, was founded for the purpose of providing housing, food and counseling to the homeless and needy individuals of Monongalia County, West Virginia. The Organization receives its grants and contract support primarily from the West Virginia Department of Health and Human Resources and other State Agencies (see Note 10 – Summary of Grants and Contracts). In addition to this, support is received from the United Way of Monongalia and Preston Counties, Governor's Office of Economic Opportunity, local grants and contributions from the general public.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

The Organization receives contributed services from a variety of unpaid volunteers assisting at the shelter, in education programs, maintenance projects and legal services. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition as contributed services. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased.

Interest Expense

All interest expense incurred has been expensed.

Functional Allocation of expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Fundraising expenses totaling \$3,390 are included in general and administrative expenses.

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.

BARTLETT HOUSE, INC  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1 Description of Entity and Significant Accounting Policies (continued)

Grants and Contracts

Support received under grants and contracts with the West Virginia Department of Health and Human Resources, Governor's Office of Economic Opportunity, United Way of Monongalia and Preston Counties, and private foundations are recorded as unrestricted net assets because the related costs to such grants and contracts are incurred before reimbursement is received. Grants and contracts receivable represent amounts due for expenditures incurred prior to year end. The amount receivable as of June 30, 2011 was \$7,973. Management feels this amount is fully collectible. The carrying amount approximates fair value.

Income Taxes

Bartlett House, Inc. is exempt from federal income taxes under 501(c) (3) of the Internal Revenue Code and did not conduct any unrelated business activities. Therefore, Bartlett House has made no provision for federal income taxes in accompanying financial statements. In addition, Bartlett House, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization recognizes the effect of income tax positions only if those positions are more than likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at original cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method from five to thirty years.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2011 was \$1,682. These costs are included in Office Expense on the statement of activities.

BARTLETT HOUSE, INC  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2 Investments

Investments as of June 30, 2011 are stated at fair value and consist primarily of corporate bonds and reserve funds

	Carrying Amount	Fair Value
Mutual Funds	\$ 5,639	\$ 5,639
Cash Reserve Funds	<u>92</u>	<u>92</u>
	<u>\$ 5,731</u>	<u>\$ 5,731</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2011

	Unrestricted
Interest and Dividends	\$ 111
Realized (Loss) Gain	66
Unrealized (Loss) Gain	<u>822</u>
	<u>\$ 999</u>

Note 3 Property and Equipment

Fixed assets acquired by Bartlett House, Inc are considered to be owned by Bartlett House, Inc. However, State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds which have a cost of \$500 or more and an estimated useful life of at least two years

Note 4 Compensated Absences

Accrued compensated absences are not included in the financial statements because the amount cannot be reasonably estimated

Note 5 Capital Lease

During the year ended June 30, 2011, the Monongalia County Building Commission issued lease revenue bonds (Bonds) in an aggregate purchase price of \$896,000. The purpose of these Bonds were to assist with the financing the costs of acquisition, construction, and equipping of the Organization's West Run Project

Subsequent to issuance of these Bonds, the Organization entered into two (2) lease agreements with the Monongalia County Building Commission ("Initial lease" and "Subsequent lease"). In accordance with the Initial lease, the Organization leased certain land with improvements (West Run Project) to the Monongalia County Building Commission for \$1.00 and for the consideration provided by the issuance of the Bonds. The Initial lease terminates on October 5, 2040, or at such time as the Bonds are paid in full. The Subsequent lease between the Monongalia County Building Commission (Lessor) and the Organization (Lessee) provides for base lease payments equal to the monthly principal and interest payments required by the Bonds, for a term of 30 years, or until the Bonds are paid in full.

BARTLETT HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5 Capital Lease (continued)

Future minimum lease payments under the Subsequent lease are as follows for years ending June 30:

Year ending June 30,	2012	\$ 59,040
	2013	59,040
	2014	59,040
	2015	59,040
	2016	59,040
	Thereafter	<u>1,431,731</u>
	Minimum lease payments	1,726,931
	Less amount representing interest	<u>(840,430)</u>
	Present value of net minimum lease payments	886,501
	Less current portion of Capital Lease payments	<u>(13,255)</u>
	Long-term portion of Capital Lease payments	<u>\$ 873,246</u>

At July 1, 2010 Bartlett House, Inc had a \$375,000 unsecured line of credit with a bank to be drawn upon as needed through June 30, 2011, with an interest rate of 8.5%. As of June 30, 2011, the balance outstanding was \$-0-

Based on the borrowing rates currently available to the Organization for loans with similar terms and average maturities, the carrying amount of long-term debt approximates fair value

Note 6 Refundable Advance

Refundable advance consisted of the following at June 30, 2011:

WV Housing Development Fund	<u>\$ 830,032</u>
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The Organization has purchased and is in the process of rehabilitating a facility (West Run Project) to provide transitional supportive housing to assist individuals and families to transition from temporary housing to permanent housing. The West Run Project will provide 20 units of permanent housing, 20 units of transitional housing and administrative offices.

To purchase and rehabilitate the West Run Project, the Organization entered into a loan agreement for funds, not to exceed \$2,200,000, under the HOMErent Program ("Loan"). The terms of the Loan are such that payments on the Loan are deferred for a 20 year affordability period and not subject to repayment if the Organization operates and maintains the West Run Project to provide affordable rental housing to low-income individuals and families. The Loan is secured by a Credit Line Deed of Trust granting a second lien on the real property and improvements associated with the West Run Project.

BARTLETT HOUSE, INC  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6 Refundable Advance (continued)

Conditional Promises

The above noted transfer is considered a restricted conditional promise to give in accordance with the requirements of ASC 958. ASC 958 distinguishes between donor-imposed restrictions (temporarily restricted or permanently restricted) and donor-imposed conditions. Restrictions limit use of a donated asset; conditions create barriers that must be overcome before pledges are fulfilled or assets are transferred. A restricted conditional promise to give is defined as a promise to give in which the donor has specified the use of the donated assets and retained a right in those assets dependent upon the recipient accomplishing a specific purpose in the future. Under ASC 958, assets received subject to conditions are accounted for as refundable advances until the conditions are met. The Loan funds received to acquire and rehabilitate the West Run Project have been recorded as a refundable advance, which, if the defined supportive housing conditions are met, will be recognized as revenue, and an increase in unrestricted net assets, at the loan maturity date.

Note 7 Concentration of Risk

The Organization receives a substantial amount of its support from the West Virginia Department of Health and Human Resources under a contract, the Governor's Office of Economic Opportunity and the United Way of Monongalia and Preston Counties from grants. A significant reduction in the level of these supports, if this were to occur, may have a significant impact on the Organization. Support received from the West Virginia Department of Health and Human Resources amounted to \$ 166,649, West Virginia Bureau of Behavioral Health and Health Facilities \$49,403, the Governor's Office of Economic Opportunity amounted to \$48,000 and the United Way of Monongalia and Preston Counties amounted to \$70,000 for the year ended June 30, 2011.

Note 8 Employee Benefit Plan

Bartlett House, Inc. has adopted a 430(b) Plan for the benefit of eligible employees. Bartlett House, Inc. matches up to 100% of the first 3% of an employees' contribution. The plan expenses incurred by the Organization during the year ending June 30, 2011 were \$2,392 and are included in payroll taxes and employee benefits on the state of functional expenses.

Note 9 Temporarily Restricted Assets

Temporarily restricted net assets are available for the following purposes:

Rehabilitation of West Run Project	\$ <u>12,000</u>
Total temporarily restricted net assets	\$ <u>12,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose by donors as follows:

Purpose restriction accomplished:

Christmas Party	\$ 800
Household Supplies	250
Fundraising Activities	<u>80</u>
Total restrictions released	\$ <u>1,130</u>

BARTLETT HOUSE, INC  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 9. Fair Value Measurement

Fair Values of assets measured on a recurring basis at June 30, 2011 are as follows:

<u>June 30, 2011</u>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable (Level 3)
Long-term investments -			
Mutual Funds	\$ <u>5,731</u>	\$ <u>5,731</u>	\$ <u>-0-</u>
Total	\$ <u>5,731</u>	\$ <u>5,731</u>	\$ <u>-0-</u>

Note 10 Summary of Grants and Contracts

Bartlett House, Inc was primarily funded through the following grants and contracts for the period July 1, 2010 to June 30, 2011:

Federal Grantor/Pass- Through Grantor/ Program or Cluster Title	CFDA #	Contract Period	Grant/ Grant/ Contract	Total Recognized Expenditures
W V Housing Development Fund	14 239	7/01/10 - 6/30/11	M05-SG- 54001 & M08- SG-54001	\$ 830,032
W V Department of Health and Human Resources		7/01/10 - 6/30/11	G 110141	\$ 166,649
		7/01/10 - 6/30/11	0525-219	\$ 49,403
YWCA of Charleston		7/01/10 - 6/30/11	G 110078	\$ 25,000
WV Office of Economic Opportunity	14 231	7/01/10 - 12/31/11		\$ 48,000
City of Morgantown	14.228	7/01/10 - 6/30/11		\$ 46,331
Emergency Food and Shelter Program	97 024	7/01/10 - 6/30/11		\$ <u>5,529</u>
Total Grants and Contracts				\$ <u>1,170,944</u>

BARTLETT HOUSE, INC  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 11. Subsequent Event

The organization has evaluated subsequent events through December 24, 2011, the date which the financial statements were available to be issued. The following event occurred after June 30, 2011.

On October 5, 2010 Bartlett House, Inc. entered into a contract initially with Samoa Corporation for the West Run project. Before closing on the property it was transferred to Centurion, LLC. This purchase was for an existing building to house Bartlett House and its' programs. The purchase price was \$1,583,200 with expansion over the two subsequent years. The building currently houses 20 apartments (16 – 1 bedroom units and 4 – 2 bedroom units) which will be utilized to rent to clients who qualify and who make progress towards independence.

During the first year of occupation, Phase 1 improvements will consist of the following projects: upgrades to the fire system, security cameras, enclosure of the center stairwell and waterproofing. The estimated costs of construction for Phase 1 are \$1,622,771. Other costs associated with the purchase of the new facility and construction costs are furnishings, laundry equipment, passenger van and administrative costs (including architect, legal and financing fees). These costs are estimated to be \$200,000. Phase 2 of the project would consist of a complete build-out of the bottom two floors to add an additional 40 apartment units for Transitional Supportive Housing. This will allow a participant to prepare to transition from temporary housing into permanent housing. The estimated costs of construction for Phase 2 are \$1,700,000. This would bring the total estimated cost of the project to be \$5,105,971. The financing for this project is expected to come from the following sources: 1) West Virginia Housing Development Fund - \$2,200,000 to be utilized for Phase 1 as follows: \$60,832 for Architect/Engineering costs, \$132,000 for Developer's fee, \$769,200 for acquisition and \$1,237,968 for construction; 2) Housing and Urban Development grant - \$647,268 to be utilized as follows: \$242,321 for remodeling, \$57,400 for supportive services, \$316,725 for operations, and \$30,822 for administrative costs; 3) Lease Revenue Bonds in the amount of \$896,000 – for acquisition have been issued and are outstanding as of October 5, 2010 with an annual interest rate of 5.2% and a monthly payment of \$4,920.03, including principal and interest through October 5, 2040, and the remaining balance of \$801,985 will come from investments currently held and a capital campaign.

Bartlett House management has been informed that they will receive additional funding for Phase 2 from the Housing and Urban Development Supportive Housing Program in the amount of \$423,400. This grant will be utilized to pay for supportive services (staffing) in the amount of \$64,547, operational costs of \$338,741 and administrative costs of \$20,112. Management is also applying for an additional funding of \$1,500,000 for the West Virginia Housing Development Fund for Phase 2. Management feels it is highly probable this funding will be approved.

REPORT ON INTERNAL CONTROL AND COMPLIANCE



Phone (304) 623-5657  
Fax (304) 623-5657

E-Mail HVCCPA@aol.com

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  
Bartlett House, Inc  
Morgantown, West Virginia

I have audited the financial statements of Bartlett House, Inc as of and for the year ended June 30, 2010, and have issued my report thereon dated December 24, 2011. I conducted my 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 my audit, I considered Bartlett House, Inc 's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bartlett House, Inc 's internal control over financial reporting. Accordingly, I 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 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified a certain deficiency in internal control over financial reporting that I consider to be a significant deficiency in internal control over financial reporting. 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.

Due to the limited number of personnel involved in the operation of the organization, those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the system. The organization is not large enough to make the employment of additional persons for the purpose of segregating duties practical from a cost-benefit standpoint; but I am required, under my professional responsibility, to call the situation to your attention.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bartlett House, Inc 's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Bartlett House, Inc in a separate letter dated December 24, 2011.

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



Hilarion V. Cann, CPA  
Clarksburg, West Virginia  
December 24, 2011

DHHR - Finance

MAR 15 2012

Date Received

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
MAJOR FEDERAL PROGRAMS

Phone (304) 623-5657  
Fax (304) 623-5657

E-Mail HVCCPA@aol.com

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

To the Board of Directors  
Bartlett House, Inc.  
Morgantown, West Virginia

**Compliance**

I have audited Bartlett House, Inc.'s (a not-for-profit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bartlett House, Inc.'s major federal programs for the year ended June 30, 2011. Bartlett House, 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 Bartlett House, Inc.'s management. My responsibility is to express an opinion on Bartlett House, Inc.'s compliance based on my audit.

I conducted my 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 I 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 Bartlett House, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Bartlett House, Inc.'s compliance with those requirements.

In my opinion, Bartlett House, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of Bartlett House, 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 my audit, I considered Bartlett House, 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 my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of Bartlett House, 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the 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.



Hilarion V. Cann, CPA  
Clarksburg, West Virginia  
December 24, 2011

**DHHR - Finance**

**MAR 15 2012**

**Date Received**

SCHEDULE OF EXPENDITURES OF FEDERAL  
AND STATE AWARDS

BARTLETT HOUSE, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass- Through Grantor/ Program or Cluster Title	CFDA #	Contract Period	Grant/ Contract	Recognized Expenditures
<b><u>Federal Awards</u></b>				
<b><u>U.S. Department of Health and Human Resources</u></b>				
<u>Passed through:</u>				
W V Housing Development Fund	14 239	7/01/09 - 6/30/10	M05-SG- 54001 & M08- SG-54001	\$ 830,032
WV Office of Economic Opportunity	14 231	7/01/10 - 12/31/11		48,000
City of Morgantown	14 228	7/01/10 - 6/30/11		<u>46,331</u>
Total Federal Expenditures				<u>\$ 924,363</u>

**State Awards**

**W.V. Department of Health and Human Resources**

W V. Department of Health and Human Resources	7/01/09 - 6/30/10	G 110141	\$ 166,649
	7/01/09 - 6/30/10	0525-219	\$ 49,403
YWCA of Charleston	7/01/09 - 6/30/10	G 110078	<u>\$ 25,000</u>
Total Grants and Contracts			<u>\$ 241,052</u>

The notes to Schedule of Federal and State Awards are an integral part of this schedule

BARTLETT HOUSE, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2011

**I. Summary of auditor's results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)?   X   Yes \_\_\_\_\_ No
- Noncompliance material financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal awards**

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   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 section (510(a) of circular A-133? \_\_\_\_\_ Yes   X   No

**Identification of major programs**

U S Department of Housing and Urban Development  
 Home Investment Partnerships Program  
 CFDA # 14 239

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

The notes to Schedule of Federal and State Awards are an integral part of this schedule



BARTLETT HOUSE, INC.  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011

Note 1     Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of Bartlett House, Inc. under programs of the federal and state government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of states, Local Governments, and Non-Profit Organizations* and West Virginia Title 148, Legislative Rule, Series 18, *Accountability Requirements for State Funds and Grants*. Because the Schedule presents only a selected portion of the operations of the Bartlett House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Bartlett House, Inc.

Note 2     Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

## MANAGEMENT LETTER

Phone (304) 623-5657  
Fax (304) 623-5657

E-Mail HVCCPA@aol.com

MANAGEMENT LETTER

To the Board of Directors  
Bartlett House, Inc  
Morgantown, West Virginia

In planning and performing my audit of the financial statements of Bartlett House, Inc for the year ended June 30, 2011, I considered the Organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. I previously reported on the Organization's internal control in my report dated January 20, 2012. This letter does not affect my report dated January 20, 2012, on the financial statements of Bartlett House, Inc.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various Organization personnel, and I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

Petty Cash

The expenditures from petty cash are input into the accounting system as a reduction to the balance of the general fund, not the petty cash. When recording the petty cash transactions this way the expenditures are not reducing the petty cash account in the Organization's accounting system. The petty cash is never reduced because the reimbursement is written from the general checking account and the expenses are recorded in the general checking also. The Organization should only record the transactions in the petty cash account directly and record the reimbursement of petty cash directly from the general checking account. This will result in the expenditures being recorded in the petty cash account only and help prevent the expenditures from being recorded twice, once in the general checking account and once in the petty cash account. Then the check from the general account can properly replenish the petty cash account.

Oversight of Bank Reconciliations

Recently the organization entered into a contract with an outside accounting firm to review the organizations accounting records on a monthly basis and prepare the grant reports for the various funding agencies. In the past the Treasurer of the Board of Director's reviewed the bank reconciliations, but not in conjunction with the Office Manager's reconciliation, nor did a detailed check register accompany the information forwarded to the Treasurer. For better control over the bank reconciliation function, the organization could have the new outside accounting firm receive the bank statement directly, unopened, and perform a complete reconciliation. This way the individual writing and entering the checks or the individual signing the checks does not also reconcile the bank statement. When the reconciliation is performed the checks clearing the bank should be reviewed for proper authorization and authorized signature. The checks can be randomly tested by matching the checks that cleared the bank to the original documentation. This will help ensure that only authorized transactions are occurring in the bank account. For Fiscal year 2012 the Organization has hired an outside accounting firm to oversee the reconciliations. This should help eliminate some of the duplicate processes currently in place.

### Greater Morgantown Community Trust

The Greater Morgantown Community Trust holds funds invested for the Organization. The Trust provides quarterly reports as to the activity of the Trust funds invested. This activity currently is either not recorded at all or only partially recorded incorrectly in the financial records of the Organization. It is recommended that each quarter when the reports are received from the Trust this activity then be recorded in the financial records of the Organization. This will provide the Board a more complete and accurate financial status of the Organization.

### Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

### Requests for Grant Reimbursement

It was noted when a request is made for reimbursement on certain grants in the later months, when the expenditures exceeded the remaining balance to be drawn down on, the full amount of expenses are included in the request. Then an amount equal to the difference, in the amount remaining and the expenses, is entered as a single line item and deducted so the amount requested equals the remaining draw amount. This could lead to unapproved amounts being included in a request for reimbursement and subject the Organization to being censured. It is recommended that the individual expenditures be reduced so the expenditures requested for reimbursement can be compared properly to the grant budget and approved expenditures. This will allow the excess expenditures, if needed and approved, to possibly be allocated to another grant the expenditure would qualify for. This appears to have been corrected with the new outside accounting firm preparing the monthly reimbursement requests. The outside accounting firm contracted by the shelter should help eliminate this type of reporting.

### Restricted Donations

With the upcoming capital campaign the Organization should establish appropriate accounts to record any restricted donations for certain items such as: 1) the acquisition of the West Run property, 2) donations for specific items such as furniture for each apartment, or 3) any other donation for a specific item. Currently all restricted donations are recorded together in one account. With recording them this way someone will have to keep a separate file to document the kind of restriction and when the funds are spent to release the restrictions on these funds. The board should consider establishing guidelines for donations with restrictions attached to them. They should be recorded in a specific manner so that the restriction can easily be removed once it is met. This will help reduce any possible conflicts that could arise in the future from any donor requesting information on how their restricted donation was utilized.

### Accounts Payable

While testing the organizations accounts payable at year end it was noted that on occasion some vendor invoices are paid in two installments. Usually the first payment is made by creating a check, without utilizing the accounts payable function of the computerized accounting system. Then when the final balance is paid just the remaining portion of the vendor invoice is paid utilizing the accounts payable module of the computerized accounting system. This type of payment activity lends itself to making double payments on a vendor invoice. It is suggested that the full amount of the vendor invoice be entered into the computerized accounting system at the time the invoice is received. Then when the accounts payables are paid management has the option of either paying the invoice in full or just paying a portion of the balance. If just a portion of the invoice is paid then any outstanding remaining balance will remain in the system until it is paid. This will reduce the risk of double paying an invoice and provide more accurate financial information to the Board of Directors.

### Employee Expense Reports

During my testing of the Organization's expenditures a sampling of employee reimbursements were examined. The reports examined were mainly for travel to meetings, taking clients to appointments or picking up supplies or donations for the Organization. Various employee expense reports filed fail to document what the mileage was for or where they traveled to and from or the purpose of the travel. It is suggested that the employee expense reports be completed in their entirety. Items that should be detailed out on the employee expense report include, but are not limited to, the travel destination, the business purpose, who the employee met with, the dates of the travel and the total mileage incurred. Management will then have all the pertinent information to decide whether the expense is to be approved in the form submitted or if any changes or corrections are required. This will help the Organization safeguard against false reporting or any intentional or unintentional misappropriations of the Organization's assets.

### Expense Request Forms

When purchasing supplies or other items, to be utilized by the staff or the Organization, employees are required to submit an "Expense Request" form. The form has lines to list the employee making the request, describe the item being requested, what the requested item will be utilized for, and a signature line for management's approval. There is no date line to complete as to when the purchase of the item is being requested or when the request is filled. It is suggested that date lines be added to this form so that items are completed in a timely manner and in accordance with management's authorization.

### Board of Director's Meeting Minutes

While reading the Minutes from the Board of Director (BOD) meetings several items were noted where improvements or corrections can be made. On one occasion it was noted the BOD went into executive session, but there was no indication when the executive session ended and the regular session started back up. The reader would then be unaware of the BOD returning to regular session. Then if any motions are made after requesting to go into executive session, and there is no indication of returning to regular session, then the motions could be considered void, since motions in executive session are prohibited, except in limited circumstances. To ensure the wishes of the BOD can be fully carried out the minutes should always reflect when the BOD has exited the executive session and returned to regular session. This will enable the reader to be able to distinguish between the motions made in regular session as opposed to any discussions while in executive session. The BOD also needs to take precautions to make certain that NO motions are made or voted on during executive session and report a brief description of what was discussed and if the matter was resolved or requires further discussion or if a motion will be made from the items discussed in executive session. The description given can be brief and limited if that is the desire of the BOD.

In two different instances there were discrepancies noted involving motions being made. In the first instance a motion appears in the minutes as being made by a board member and then voted on. There was no mention of any second being made or if any discussion was held on the motion. In the other occurrence the BOD meeting minutes noted a motion was made, but that was it. There was no indication of who made the motion, if the motion was seconded, if there was a vote on the motion, and if there was a vote the results of the vote. The BOD needs to take great care to ensure the minutes approved and filed are reflective of the proceedings of the meeting. These documents are of public record and should be prepared as if they are going to be scrutinized by the public each month. It is recommended that the minutes be proofread prior to each meeting and once again once the next meeting begins. This will help ensure the accuracy of what actually transpired during the BOD meetings.

After the Executive Director presented the budget to be utilized for the fiscal year 2011-2012 there was a motion made to accept the budget as presented, and then amended the budget to include a bonus for the Executive director. There is no indication if the motion was seconded or a discussion was held. The vote taken on this motion states the motion passed with an all in favor vote. At the same meeting a slate of officers to be voted on for the upcoming fiscal year was presented. This motion also did not indicate a second, but was noted with an all in favor vote result. It would appear that these issues are very important and a second should have been noted and if there was any further discussion on either matter. The minutes do not indicate if the floor was opened up for nominations of officers from the floor. This should always be done unless discussed prior and there is an indication that no one has anyone to add to the slate.

Lastly, during one of the BOD meetings it was noted that a resident indicated they had been allegedly sexually assaulted. The minutes actually list the name of the resident. Even if the allegations prove to be false later ever precaution should be taken to avoid naming the individual. The BOD must remember the BOD meeting minutes are a public document and anyone in the public can read them or attend a meeting. An item such as this should have been discussed in executive session and then just a brief note indicating a matter of alleged sexual assault was discussed and will be or was investigated thoroughly and how the BOD plans to proceed, i.e. the matter will be turned over to the police, or the matter was resolved. This will help protect the Organization should it be determined that an actual crime was committed and further action is to be taken. It will also protect the identity of the individual involved.

I wish to thank the Executive Director and Administrative Assistant for their support, cooperation, and assistance during my audit.

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



Hilarion V. Cann, CPA  
Clarksburg, West Virginia  
December 24, 2011

DHHR - Finance

MAR 15 2012

Date Received

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**INTEROFFICE MEMORANDUM**

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**TO:** HILARION CANN  
**FROM:** KERI A. DEMASI, EXECUTIVE DIRECTOR  
**SUBJECT:** RESPONSE TO MANAGEMENT LETTER DATED DECEMBER 24, 2011  
**DATE:** 03/30/2011  
**CC:** FILE

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**Petty Cash:** The Administrative Assistant will record petty cash transactions as suggested in the management letter. Previously, the Office Manager performed this duty. He is no longer with the organization therefore the error should be corrected going forward.

**Oversight of Bank Reconciliations:** An additional staff member was added to strengthen internal controls as it relates to the bank reconciliations. All checks require 2 signatures (Executive Director AND an Executive Member of the Board of Directors). Bartlett House has secured an external accountant to further increase our internal controls and segregation of duties.

**Greater Morgantown Community Trust:** The Office Manager was repeatedly advised on how to record this account correctly within the accounting system. He is no longer with the organization therefore the error should be corrected going forward. The Administrative Assistant in conjunction with the external accountant will now perform this task.

**Organizational Structure:** N/A

**Requests for Grant Reimbursement:** The new accountant has created a spreadsheet to track and perform the grant line items as they are incurred which could then be reconciled with the "class" feature in Quickbooks which also tracks expenses per grant and prohibits the ability to charge the same expense to two different funding sources. Additionally, the new accountant created a feature which will not allow a user to go back and "re-class" an expense from one grant to another after the month closes... creating another control feature.

**Restricted Donations:** The new account is creating this in Quickbooks. Additionally, external files will be kept the track all restricted donations accordingly.

**Accounts Payable:** The instances described here were related to the capital construction project where 50% of the invoice was due to begin work and the other 50% was not due until completion of the work. Going forward, the full amount of the invoice will be entered into Quickbooks to show the outstanding balance to the vendor.

**Employee Expense Reports:** These reports show the itemization of mileage, meals, etc. In almost all cases, the expense reports are exclusively for mileage reimbursement for picking up donations for the agency. Because the agency has limited employee expense reports, the approving authority knew that the mileage was for donation/food pick-ups therefore it was not detailed within

the report. Going forward, management will ensure the reason for ANY expense contained within this report is clearly defined.

Board of Director's Meeting Minutes: The Board typically outlines when it enters into and exits Executive Session. We can only assume that the instance reflected in the management letter was a clerical error and the secretary forgot to include the times in the typing up of her minutes. Additionally, in reference to who made a motion and who seconded the motion etc. this information is also always documented and assume, once again, that this was a clerical error. Lastly, in reference to listing the name a client in the minutes, this should not have occurred. We will be diligent going forward to ensure this does not occur again.