

**Religious Coalition for
Community Renewal, Inc.**

Financial Statements

**Year Ended December 31, 2011
(With Comparative Totals for 2010)**

DHHR - Finance

OCT 4 2012

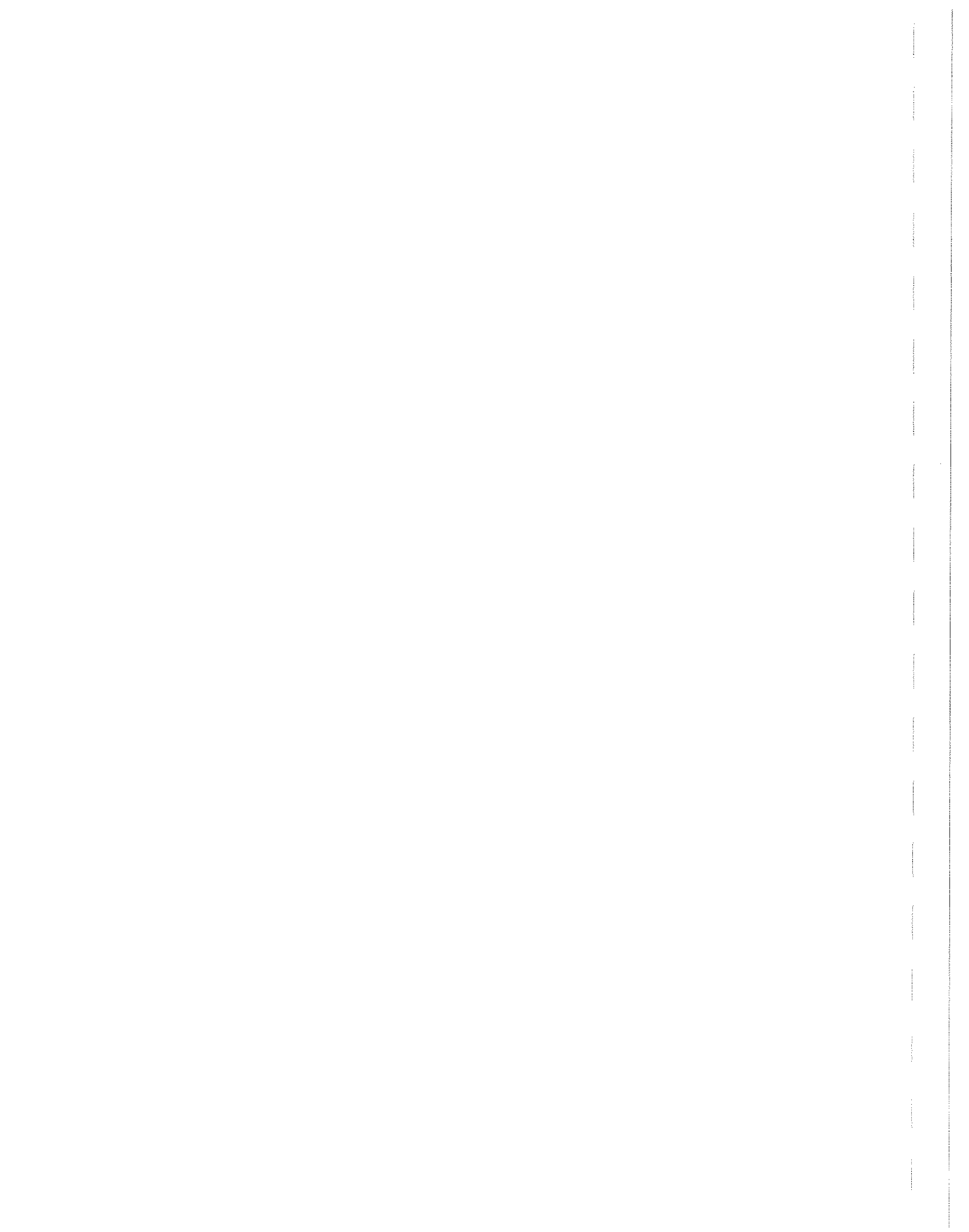
Date Received



Religious Coalition for Community Renewal

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**To the Board of Directors
Religious Coalition for Community Renewal, Inc.
Charleston, West Virginia**

We have audited the accompanying statements of financial position of Religious Coalition for Community Renewal, Inc. (a non-profit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Religious Coalition for Community Renewal, 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 2010 financial statement and, in our report dated August 30, 2011; 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 Religious Coalition for Community Renewal, Inc. as of December 31, 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 United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2012, on our consideration of Religious Coalition for Community Renewal, 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 Religious Coalition for Community Renewal, 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 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 our opinion, the schedule of expenditures of federal awards and schedule of receipts and expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.


Dunbar, WV
September 18, 2012

DHHR - Finance

OCT 4 2012

Date Received

Religious Coalition For Community Renewal, Inc.
Statement of Financial Position
December 31, 2011
With Comparative Totals for 2010

Assets

	<u>2011</u>	<u>2010</u>
Current Assets		
Cash	\$ 617	\$ -
Restricted Health Account - Cash	4	1,219
Total Cash	<u>621</u>	<u>1,219</u>
Grants Receivable	63,915	26,142
Other Receivables	5,501	1,415
Other current assets	2,709	-
Loans Receivable - to be forgiven	38,257	36,246
Housing properties in process	436,939	34,742
Total Current Assets	<u>547,942</u>	<u>99,764</u>
Property & Equipment		
Property & equipment	1,903,077	1,887,105
Accumulated depreciation	(1,034,056)	(988,428)
Net Property & Equipment	<u>869,021</u>	<u>898,677</u>
Non-current Assets		
Loans Receivable - to be forgiven	246,155	284,412
Land held for investment	5,000	30,000
Total Non-current Assets	<u>251,155</u>	<u>314,412</u>
Total Assets	<u>\$ 1,668,118</u>	<u>\$ 1,312,853</u>

Liabilities & Net Assets

Current Liabilities		
Current portion of long-term debt	\$ 24,363	\$ 19,528
Deferred revenue & grants received in advance	3,443	48,443
Accounts payable	84,184	71,238
Bank overdrafts	17,710	1,537
Security deposits	10,978	10,780
Accrued payroll liabilities, taxes, and vacation	28,786	27,638
Health claims liability	24,342	13,416
Short-term note payable	-	48,154
Total Current Liabilities	<u>193,806</u>	<u>240,734</u>
Long-term debt, less current portion	<u>766,935</u>	<u>360,800</u>
Total Liabilities	<u>960,741</u>	<u>601,534</u>
Net Assets		
Unrestricted	439,321	453,585
Temporarily restricted	268,056	257,734
Total Net Assets	<u>707,377</u>	<u>711,319</u>
Total Liabilities & Net Assets	<u>\$ 1,668,118</u>	<u>\$ 1,312,853</u>

The accompanying notes are an integral part of these financial statements

Religious Coalition For Community Renewal, Inc.
Statement of Activities
For the Year Ended December 31, 2011
With Comparative Totals for 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Revenues and Other Support:				
Individual gifts	\$ 106,209	\$ -	\$ 106,209	\$ 77,178
Inkind contributions	11,088	-	11,088	-
Foundation grants	2,400	20,000	22,400	22,566
Government contracts	238,316	27,430	265,746	144,728
Rent	153,337	-	153,337	141,258
Low income housing sold	-	-	-	677,820
Special events	19,381	-	19,381	29,370
Miscellaneous income	14,279	-	14,279	14,961
Housing counseling	40,104	-	40,104	36,065
Unrealized loss on land held for investment	(25,000)	-	(25,000)	-
Net assets released from temporary restrictions	<u>37,108</u>	<u>(37,108)</u>	<u>-</u>	<u>-</u>
Total Increases to Net Assets	<u>597,222</u>	<u>10,322</u>	<u>607,544</u>	<u>1,143,946</u>
 Expenses:				
Samaritan Inn	201,588	-	201,588	205,567
Smith Street Station	141,440	-	141,440	137,370
Jubilee Housing	96,402	-	96,402	557,866
Management and general	163,236	-	163,236	163,745
Fundraising	<u>8,820</u>	<u>-</u>	<u>8,820</u>	<u>1,367</u>
Total Decreases to Net Assets	<u>611,486</u>	<u>-</u>	<u>611,486</u>	<u>1,065,915</u>
 Change in Net Assets	 (14,264)	 10,322	 (3,942)	 78,031
 Net Assets, Beginning of Year	 <u>453,585</u>	 <u>257,734</u>	 <u>711,319</u>	 <u>633,288</u>
 Net Assets, End of Year	 <u>\$ 439,321</u>	 <u>\$ 268,056</u>	 <u>\$ 707,377</u>	 <u>\$ 711,319</u>

The accompanying notes are an integral part of these financial statements

Religious Coalition For Community Renewal, Inc.
Statement of Functional Expenses
For the Years Ended December 31, 2011
With Comparative Totals for 2010

	Samaritan Inn	Smith Street Station	Jubilee Housing	Total Program Expenses	Management & General	Fundraising	2011 Total Expenses	2010 Total Expenses
Salaries	\$ 86,779	\$ 25,667	\$ 25,000	\$ 137,446	\$ 74,155	\$ 5,219	\$ 216,820	\$ 218,927
Payroll taxes and benefits	40,809	11,491	17,293	69,593	20,339	1,790	91,722	90,716
Costs of homes sold	-	-	-	-	-	-	-	434,093
CHDO and WVAHTF loans forgiven	-	-	26,345	26,345	-	-	26,345	19,874
Professional fees	169	-	1,532	1,701	14,866	-	16,567	14,463
Supplies	535	237	-	772	735	-	1,507	2,742
Telephone	3,062	1,153	-	4,215	2,513	-	6,728	6,936
Occupancy	17,626	53,926	200	71,752	11,529	-	83,281	81,278
Maintenance and repairs	5,398	11,193	194	16,785	2,808	-	19,593	11,725
Travel and meetings	922	-	177	1,099	1,159	-	2,258	3,050
Interest, penalties, and fees	-	-	1,358	1,358	13,992	-	15,350	43,207
Depreciation	12,522	31,320	45	43,887	12,749	-	56,636	57,297
Insurance	3,130	882	1,081	5,093	694	-	5,787	8,454
Food, clothing, & other program expense	27,057	1,528	9,421	38,006	-	-	38,006	36,259
Office & supplies expense	2,035	1,502	619	4,156	4,647	-	8,803	11,163
Marketing, memberships & publications	-	-	2,534	2,534	569	1,811	4,914	3,582
Miscellaneous	1,544	2,541	10,603	14,688	2,481	-	17,169	22,149
Total	\$ 201,588	\$ 141,440	\$ 96,402	\$ 439,430	\$ 163,236	\$ 8,820	\$ 611,486	\$ 1,065,915

The accompanying notes are an integral part of these financial statements

Religious Coalition For Community Renewal, Inc.
Statement of Cash Flow
For the Year Ended December 31, 2011
With Comparative Totals for 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (3,942)	\$ 78,031
Non cash items included in change in net assets		
Depreciation	56,636	57,297
CHDO & other loans made less amount forgiven	36,246	(152,976)
Unrealized loss on land held for investment	25,000	-
Decrease (increase) in assets		
Other current assets	(2,709)	9,750
Grants receivable	(37,773)	(1,788)
Accounts receivable	(4,086)	(1,415)
Housing properties in process	(402,197)	426,593
Increase (decrease) in liabilities		
Accounts payable	916	(8,290)
Bank overdrafts	17,710	-
Security deposits	198	385
Health claims liability	10,926	(9,279)
Accrued payroll taxes and vacation	13,178	(7,014)
Deferred revenue	(46,537)	(380,264)
	<u>(336,434)</u>	<u>11,030</u>
Net Cash (Used) Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchase of property & equipment	(26,980)	(4,999)
Net Cash (Used by) Investing Activities	<u>(26,980)</u>	<u>(4,999)</u>
Cash Flows from Financing Activities		
Proceeds from long-term debt	445,278	155,000
Principal payments on long-term debt	(34,308)	(9,443)
Repayments on short-term borrowings	(48,154)	(170,658)
Net Cash Provided (Used by) Financing Activities	<u>362,816</u>	<u>(25,101)</u>
Net (Decrease) Increase in Cash	(598)	(19,070)
Cash balance, beginning of year	<u>1,219</u>	<u>20,289</u>
Cash balance, end of year	<u>\$ 621</u>	<u>\$ 1,219</u>
Supplemental disclosures of cash flow information		
Interest paid	<u>\$ 2,660</u>	<u>\$ 11,001</u>

The accompanying notes are an integral part of these financial statements

Religious Coalition for Community Renewal, Inc.

December 31, 2011

Notes to Financial Statements

Note A – Summary of Significant Accounting Principles

Nature of Operations – Religious Coalition for Community Renewal, Inc. (Religious Coalition for Community Renewal, Inc.) is an organization dedicated to helping the homeless by providing shelter and rehabilitation services. Religious Coalition for Community Renewal, Inc. also provides low-income housing and a program to assist eligible persons in the purchase of a home. The Organization is classified by the Internal Revenue Service as a tax-exempt organization under the provisions of Section 501 (c) (3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509 (a) (2) of the Internal Revenue Service Code and qualifies for the 50% charitable contributions deduction for individual donors. Religious Coalition for Community Renewal, Inc. has no excise or unrelated business income taxes in 2011 or 2010. The Organization's federal information returns, Form 990, are subject to examination by the IRS, generally for three years after they are filed.

The programs of Religious Coalition for Community Renewal, Inc. include the Samaritan Inn, Smith Street Station, and Jubilee Housing. The Samaritan Inn program provides transitional housing and job skills training to an average of 10 to 14 homeless men at a time. The Smith Street Station program provides transitional housing, consisting of 29 low income rental units, and program services to the residents in order to help provide a solution to the homeless problem in Charleston. The Jubilee Housing program provides assistance to low income home buyers in the form of counseling, low interest rate loans, down payment assistance, and the development of low income housing for buyers.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting.

Unrestricted Net Assets – Unrestricted net assets are comprised of funds whose use is limited only to the extent that the organization's by-laws limit the activities of the organization.

Temporarily Restricted Net Assets – The temporarily restricted category is comprised of funds whose use has been limited by donors to a specific time period and/or purpose. When a restriction is satisfied, 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.

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

Religious Coalition for Community Renewal, Inc.
December 31, 2011
Notes to Financial Statements

Note A – Summary of Significant Accounting Principles - continued

Property and equipment – Property and equipment with a cost of \$500 or more is capitalized at cost and depreciated using the straight-line method and various accelerated methods over the estimated useful lives of the assets.

Useful lives range from 3 to 30 years. Donated assets are recorded at fair market value at the time of donation.

Revenue Recognition – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Donated services are recognized only if the services either (a) create a non-financial asset; or (b) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if they were not donated. Such services total \$6,384 and \$-0- for the year ended December 31, 2011 and 2010, respectively. Also, contributions of materials, supplies, and property and equipment are recognized at fair market value at date of gift. Such donations total \$4,704 and \$-0- for the year ended December 31, 2011 and 2010, respectively.

Revenue resulting from performance of governmental contracts is recognized only when earned.

Note B – Cash

For purposes of the statement of cash flows, cash consists of cash on hand and bank deposits that are available on demand.

Note C – Housing Properties in Process

As part of the Religious Coalition for Community Renewal, Inc.'s efforts to provide low-income housing, several properties throughout the area have been identified as sites to construct residential housing units. Religious Coalition for Community Renewal, Inc. has acquired several parcels of land and begun construction with funding from the City of Charleston. As of December 31, 2011 and 2010, \$436,939 and \$34,742 respectively had been expended on these projects and will not be recognized as income or expense until the properties are sold.

Note D – CHDO Partnership Program Loans Receivable

Religious Coalition for Community Renewal, Inc. has been designated a Community Housing Development Organization (CHDO). As such, it is able to make loans to qualifying individuals for a portion of their home purchase price. Federal funds originating from the U.S. Department of Housing and Urban Development (HUD) are received from the City of Charleston, and have typically been used to help in the purchase of one of Religious Coalition for Community Renewal, Inc.'s available housing units.

Religious Coalition for Community Renewal, Inc.

December 31, 2011

Notes to Financial Statements

Note D – CHDO Partnership Program Loans Receivable – continued

Under the provisions of the Religious Coalition for Community Renewal, Inc. loan to the homeowner, if the new homeowner maintains the unit as his or her residence for a predetermined period of time, none of the loan will ever have to be paid back. However, if the home is sold prior to that predetermined period of time, Religious Coalition for Community Renewal, Inc. will receive from the sales proceeds a prorated portion of the original loan amount. Religious Coalition for Community Renewal, Inc. has a second deed of trust, which grants a security interest in the residences sold. These loans are forgiven and recorded as expense by Religious Coalition for Community Renewal, Inc. over the predetermined period of time, which ranges from 10 to 20 years. Since the full loan amounts will either be forgiven or paid back to Religious Coalition for Community Renewal, Inc. from sales proceeds, no allowance for uncollectible loans is recorded.

Note E – Grants Receivable

Grants receivable are due from various agencies of the City and Federal government. All grants receivable at December 31, 2011 are believed to fully collectible; consequently, no allowance for uncollectible amounts is appropriate. Also, as of December 31, 2011, amounts over 90 days were \$-0-.

Note F – Fair Value of Financial Instruments

Religious Coalition for Community Renewal, Inc. discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, the Religious Coalition for Community Renewal, Inc. discloses both the change and the reasons of the change.

Religious Coalition for Community Renewal, Inc. estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements. The estimated fair value amounts have been determined by Religious Coalition for Community Renewal, Inc. using appropriate valuation methodologies.

The organization's financial instruments consist primarily of cash, land held for investment, receivables and accrued liabilities.

The Financial Accounting Standards Board ("FASB") issued a statement that defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarch are described as follows:

Religious Coalition for Community Renewal, Inc.
December 31, 2011
Notes to Financial Statements

Note F – Fair Value of Financial Instruments - continued

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted priced for identical or similar assets or liabilities in inactive markets;
- Inputs that are derived principally from or corroborated by observable market data.

If the asset or liabilities has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2011.

Land held for investment

Land held for investment is valued at market value. The land held for investment is classified as Level 2 of the valuation hierarchy. Management elected to offer all land held for investment for sale. Based on the real estate agents advice, the most RCCR could expect to receive was \$25,000 less than what it was appraised for when received as a contribution.

The real estate agent's opinion may produce a fair value that may not be indicative of net realizable value or reflective of future values. Furthermore, although management believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

Receivables

Receivables are valued at their estimated net collectible amount and are classified as Level 2 of the valuation hierarchy.

Religious Coalition for Community Renewal, Inc.

December 31, 2011

Notes to Financial Statements

Note F – Fair Value of Financial Instruments - continued

Accruals

Accruals are valued at present value and are classified as Level 2 of the valuation hierarchy.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Land held for investment	\$ -0-	\$ 5,000	\$ -0-	\$ 5,000
Receivables	-0-	69,416	-0-	69,416
Accruals	-0-	155,022	-0-	155,022

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Land held for investment	\$ -0-	\$ 30,000	\$ -0-	\$30,000
Receivables	-0-	27,557	-0-	27,557
Accruals	-0-	112,292	-0-	112,292

Note H – Property and Equipment

A summary of property and equipment at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 208,298	\$ 208,298
Buildings and improvements		
Samaritan Inn	321,040	311,341
Smith Street Station	928,202	928,202
General Office	334,156	334,156
Office Equipment	106,382	100,109
Vehicles	4,999	4,999
	<u>1,903,077</u>	<u>1,887,105</u>
Less accumulated depreciation	<u>1,034,056</u>	<u>988,428</u>
	<u>\$ 869,021</u>	<u>\$ 898,677</u>

Note I – Long term Debt

The following summarizes the long-term debt of Religious Coalition for Community Renewal, Inc. at December 31, 2011:

Religious Coalition for Community Renewal, Inc.
December 31, 2011
Notes to Financial Statements

Note I – Long term Debt - continued

Charleston Urban Renewal Authority – In 1991, Religious Coalition for Community Renewal, Inc. entered into an agreement with the Charleston Urban Renewal Authority for the use of a building, the Smith Street Station, valued at \$915,000. Religious Coalition for Community Renewal, Inc. agreed to pay to the Charleston Urban Renewal Authority \$350,000 and monthly payments are \$972 per month at 0% interest. The property was recorded at estimated fair value and a liability for the total payments was recorded as long-term debt with the difference recorded as a contribution. As of December 31, 2011, Religious Coalition for Community Renewal, Inc. was four months behind on payments.	\$ 102,804
BB&T – Loan payable in 23 monthly payments of \$491 at a rate of 5.5% with a final balloon payment due in November 10, 2013. Secured by a deed of trust on Religious Coalition for Community Renewal, Inc. properties.	70,618
BB&T – Loan payable in 59 monthly payments of \$333 at a rate of 6.5% with a final balloon payment of all remaining principal and accrued interest due in April 2013. Secured by a second deed of trust on Religious Coalition for Community Renewal, Inc. properties. Payments on this loan ceased during the prior year, consequently additional interest and penalties have accrued which add to the payoff at the end of the loan term.	22,526
West Virginia Housing Development Fund – Original loan of \$60,000 for the purchase of Religious Coalition for Community Renewal, Inc.’s administrative building payable in 300 monthly payments of \$200 due December 2024 at 0% interest. Secured by a first lien shared with and equal in priority to the first lien deed of trust held by BB&T on the property.	31,200
City of Charleston M.O.E.C.D. – On April 13, 2010, Religious Coalition for Community Renewal, Inc. borrowed \$155,000 from the city of Charleston secured by a lien on Religious Coalition for Community Renewal, Inc.’s administrative building. No payments are due on this loan for 24 months, at which time Religious Coalition for Community Renewal, Inc. shall make monthly payments in the amount of \$646 for a period of 20 years at 0% interest rate.	155,000

Religious Coalition for Community Renewal, Inc.
December 31, 2011
Notes to Financial Statements

Note I – Long term Debt - continued

City of Charleston – Conditionally granted a total of \$722,916 without interest having a term of two years for the purchase and construction of properties throughout the Charleston area on which Religious Coalition for Community Renewal, Inc. is to construct residential housing units for low income housing. These loans are secured by the project real estate and fixtures. The City will forgive the balance of each loan in full after closing of the properties, provided that Religious Coalition for Community Renewal, Inc. is not in default.

	<u>409,150</u>
Total installment debt	791,298
Less: current portion	<u>24,363</u>
Long-term debt	<u>\$ 766,935</u>

Maturities of long-term debt for the next five years are as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2012	\$ 24,363
2013	518,982
2014	21,817
2015	21,817
2016	21,817
Thereafter	<u>182,502</u>
	<u>\$ 791,298</u>

Note J – Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following:

	<u>2011</u>	<u>2010</u>
CHDO Loans Receivable	\$ 228,821	\$ 253,666
Affordable Housing Sewer Extension	27,430	-0-
Greater Kanawha Valley Foundation	<u>11,805</u>	<u>4,068</u>
	<u>\$ 268,056</u>	<u>\$ 157,734</u>

Note K – Subsequent Events

Management evaluated subsequent events through September 18, 2012, the date the financial statements were available to be issued.

Religious Coalition for Community Renewal, Inc.
December 31, 2011
Notes to Financial Statements

Note L – Pension Plan

Religious Coalition for Community Renewal, Inc. has a defined contribution employee retirement plan that covers all employees who have received \$5,000 or more in compensation during any two prior years and who are reasonably expected to receive \$5,000 in the current year. Religious Coalition for Community Renewal, Inc. contributes two percent of each eligible employee's gross pay to the plan. The total cost of the retirement plan for 2011 and 2010 was \$4,169 and \$7,861 respectively. Religious Coalition for Community Renewal, Inc. is delinquent in making required pension plan contributions for part of 2009, all of 2010, and part of 2011 year ends for both employer contributions and amounts withheld from employee paychecks.

The worst possible consequence of this failure to deposit contributions and withholdings is that the plan can be disqualified which would cause all contributions in the plan to be taxable to the participants. While Religious Coalition for Community Renewal, Inc. is primarily responsible for paying any statutory and regulatory fines imposed, a certain key employee and the corporate officers may also be held personally liable. While these penalties may be material, management is unable to reasonably estimate the total that could be assessed.

Note M – Defined Contribution Medical Plan

Religious Coalition for Community Renewal, 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. Religious Coalition for Community Renewal, Inc. has decided to contribute specified amounts for each employee and the employee must present qualified medical expenses for reimbursement. The organization is delinquent in contributions to the plan. At December 31, 2011, Religious Coalition for Community Renewal, Inc. has accumulated \$ 4 in a restricted cash account and they have accumulated \$24,342 in possible liabilities for medical reimbursements. Upon employment termination, the continuation balance of a participant's account is \$-0-. Any unvested forfeited amounts can be used to offset future payments to the plan.

Note N – Comparative 2010 Amounts

The amounts shown for the period December 31, 2010 in the accompanying financial statements are included to provide a basis for comparison with 2011 and represent summarized totals only. Accordingly, the 2010 amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Religious Coalition for Community Renewal, Inc.
December 31, 2011
Notes to Financial Statements

Note O – Management Plan to Improve Cash Flows

In order to improve cash flow, the management of the Religious Coalition for Community Renewal, Inc. (Religious Coalition for Community Renewal, Inc.) is following a plan for Community Housing Development Organization (CHDO) single family home development that was approved by the Board of Directors as a part of the Strategic Plan. The Strategic Plan includes development of twelve (12) homes over a two year period using approved CHDO funds from the West Virginia Housing Development Fund and the City of Charleston. Completion of these homes will result in unrestricted funds of about \$428,500 and resolution of a lien on the administrative building.

Four homes are under construction and all four have sold by August 30, 2012. Religious Coalition for Community Renewal, Inc. has been able to build these homes without utilizing construction loans.

In order to help cover operating expenses, Religious Coalition for Community Renewal, Inc. has received in 2011 a continuing state grant to provide financial support for the Samaritan Inn. In addition, management will continue to look for new opportunities for grant funding and reduced spending.

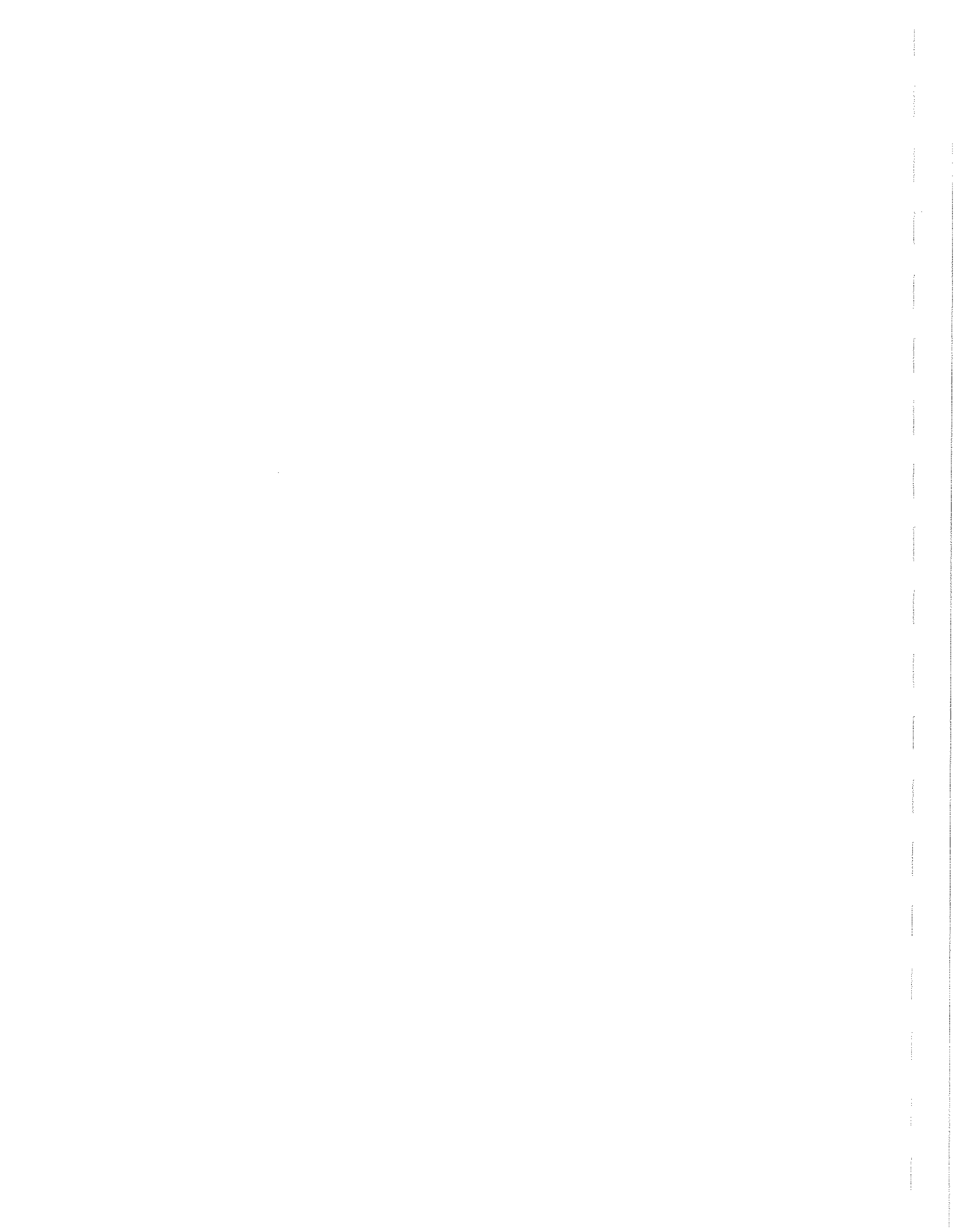
Religious Coalition For Community Renewal, Inc.
Schedule of Expenditures for Federal Awards
For the Year Ended December 31, 2011

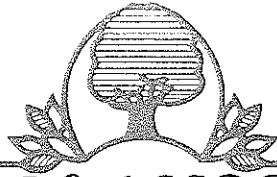
<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development			
Direct Programs			
Supportive Housing Program	14.235	n/a	\$ 72,555
Pass Through from City of Charleston			
Supportive Housing Program - Outreach	14.235	unknown	19,476
Emergency Solutions Grant Fund - Samaritan Inn	14.231	unknown	12,569
Emergency Solutions Grant Fund - Samaritan Inn	14.231	unknown	18,607
Community Development Block Grants - Sewer Extension	14.218	unknown	27,430
Community Development Block Grants - Utilities	14.218	unknown	26,944
Home Investment Partnership - CHDO	14.239	unknown	376,307
Total Pass Through from City of Charleston			<u>481,333</u>
Total Department of Housing and Urban Development			<u>553,888</u>
Department of Health and Human Services			
Pass Through from WV Department of Health and Human Services			
Block Grants for Prevention and Treatment of Substance Abuse - Transitional Living Program	93.959	G120144	<u>37,217</u>
Pass Through from Roark-Sullivan Lifeway Center, Inc.			
Block Grants for Community Mental Health Services - Offender Re-entry	93.958	unknown	<u>10,215</u>
Total Department of Health and Human Services			<u>47,432</u>
Total Expenditures of Federal Awards			<u>\$ 601,320</u>

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Religious Coalition for Community Renewal, Inc. and is presented based on Generally Accepted Accounting Principles. 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*

**Religious Coalition For Community Renewal, Inc.
 Schedule of Expenditures of State Awards
 For the Year Ended December 31, 2011**

<u>State Grantor</u>	<u>Grant Number</u>	<u>Award Amount</u>	<u>Receipts 1/1/2011- 12/31/2011</u>	<u>Expenditures 1/1/2011- 12/31/2011</u>
<u>West Virginia Department of Health and Human Services</u>				
Transitional Living Prgram - Samaritan Inn				
(1/1/2011-6/30/2011)	G110918	\$ 50,000	\$ 40,732	\$ 40,732
(7/1/2011-6/30/2012)	G120144	\$ 100,000	\$ 37,217	\$ 37,217





ROWAN & ASSOCIATES

Professional L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Religious Coalition for Community Renewal, Inc.
Charleston, WV

We have audited the financial statements of Religious Coalition for Community Renewal, Inc. (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated September 18, 2012. 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

Management of Religious Coalition for Community Renewal, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Religious Coalition for Community Renewal, 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 Religious Coalition for Community Renewal, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of finding and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of finding and questioned costs to be material weaknesses (2011-1, 2011-2, 2011-5).

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies (2011-3, 2011-4, 2011-6, 2011-7, 2011-8).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Religious Coalition for Community Renewal, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questions costs as items (2011-1, 2011-4, 2011-5).

Religious Coalition for Community Renewal, Inc.'s response to the findings identified is in a separate report. We did not audit Religious Coalition for Community Renewal, 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.



Dunbar, WV
September 18, 2012

DHHR - Finance

OCT 4 2012

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
Religious Coalition for Community Renewal, Inc.
Charleston, WV**

Compliance

We have audited the compliance of Religious Coalition for Community Renewal, 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 its major federal program for the year ended December 31, 2011. Religious Coalition for Community Renewal, Inc.'s major federal program is 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 its major federal program is the responsibility of Religious Coalition for Community Renewal, Inc.'s management. Our responsibility is to express an opinion on Religious Coalition for Community Renewal, 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 Religious Coalition for Community Renewal, 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 Religious Coalition for Community Renewal, Inc.'s compliance with those requirements.

In our opinion, Religious Coalition for Community Renewal, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control over Compliance

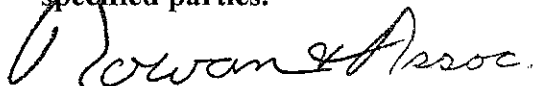
Management of Religious Coalition for Community Renewal, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Religious Coalition for Community Renewal, 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 Religious Coalition for Community Renewal, 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.

Religious Coalition for Community Renewal, 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 Religious Coalition for Community Renewal, 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.


Dunbar, WV
September 18, 2012

DHHR - Finance

OCT 4 2012

Date Received

**Religious Coalition for Community Renewal, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011**

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? YES

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)? YES

Identification of Major Programs:

CFDA Number 14.239

Home Investment Partnerships Program

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

Auditee qualified as low risk auditee? NO

Religious Coalition for Community Renewal, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

2011-1

Criteria-

The Employee Retirement Income Security Act of 1974, or ERISA, protects the assets of millions of Americans so that funds placed in retirement plans during their working lives will be there when they retire. ERISA is a federal law that sets minimum standards for pension plans. One of those standards is timely deposit of employee and employer contributions.

Condition-

Only 2 months of the amounts withheld from employee paychecks have been remitted and none of the employer contributions required by the adopted plan document have been paid to the plan trustee since 2009.

During our audit procedures concerning liabilities, we found that Religious Coalition for Community Renewal, Inc. had not remitted employee retirement withholdings dating back to May 2009 in the amount of \$12,900. Also, employer contributions in the amount of \$12,030 have not been made. Delinquent deposits are subject to interest and losses calculated by the Department of Labor.

Generally employee withholdings must be paid within 10 days of the date the payroll check was issued, and employer contributions are due prior to the time the employer files its tax return including extensions.

Cause-

Management has not developed a process to prioritize or plan cash requirements in accordance with the mandates of ERISA or related regulations properly promulgated by the US Department of Labor. This has resulted in management decisions to not pay the above withheld or promised amounts.

Effect-

The effect of not paying retirement withholdings according to existing laws and regulations can be plan disqualification, assessment of significant interest and penalties, or other actions in the discretion of the US Department of Labor and the US Department of Treasury, Internal Revenue Service.

Recommendation-

We recommend that Religious Coalition for Community Renewal, Inc.'s management consult with legal counsel qualified in labor law to evaluate the potential liability of this failure and assist in appropriate remediation action. We would also recommend that management develop a process to prioritize and plan cash requirements in accordance with the mandates of state and federal law and regulations.

Religious Coalition for Community Renewal, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

2011-2 Criteria-

One of the most basic and critical internal controls is that proper segregation of duties should not allow one individual in the normal course of their duties to be able to initiate a transaction, approve a transaction, and process a transaction.

Condition-

During our testing of Religious Coalition for Community Renewal, Inc.'s payroll processing procedures we found that one individual:

- Receives, reviews, and records all timesheets
- Is responsible for entering and changing each employee's rate of pay.
- Enters all other relevant data into the payroll/accounting system.
- Approves and submits each payroll for electronic payment.
- Reconciles all Company bank accounts.

The only management review consists of noticing a lump sum total payroll amount on the monthly bank statement. We were not able to find any documentation of any further management inquiry into the validity or accuracy of the amount.

Cause-

Lack of effective management oversight, and improper design of payroll processing procedures.

Effect-

The effect of improper segregation of duties could lead to incorrect payments or payments made to fictitious employees that are not detected within a timely manner which could result in material financial loss.

Recommendation-

We recommend that Religious Coalition for Community Renewal, Inc. improve this control by adding an additional approval process to the electronic transmission of the payroll. The Executive Director should receive a detailed report showing the name, rate of pay, gross pay, all withholdings and net pay by employee with totals for the pay period. Once this is determined to be accurate, only the executive director or other authorized individual who has not participated in the preparation process should actually release the funds for payment. This release authorization usually consists of a username and password that can be entered from any location that a secure internet connection is available.

Religious Coalition for Community Renewal, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

2011-3 *Criteria-*

Proper transaction classification and authorization along with clear and proper reporting are essential to providing the board with useful tools for measuring the Organization's financial progress, and highlighting problems so they can be corrected.

Condition-

The Organization currently requires only one signature for check disbursements regardless of the size or nature of the payment. Also, accounts are not consistently classified, and all liabilities are not being recorded in a timely way. This has resulted in management receiving misleading and incomplete financial reports on a regular basis.

Cause

With regard to there being no requirement for there to be a second signature on checks over a certain amount, checks that are made payable to the primary check signor, or in other unusual transactions, there is no policy in place to require a second review before payment is released. The second signature is appropriate documentation of such second review. With regard to unrecorded liabilities, management has not been clear on insisting that all invoices be recorded as soon as they are received. With regard to inconsistent accounting classification of similar transactions, there is no written reference or definitions of how transactions should be recorded for the individual charged with making such decisions to use.

Effect-

The effect of incorrect and incomplete financial reports is that management and those charged with governance are unable to access the progress or true financial position of the organization.

Recommendation-

We recommend that the check signing policy be revised to require a second signature on all checks above a minimum amount to be determined by the Board of Directors, on all checks made payable to any other authorized check signor, and on any other check the board may determine to be useful. With regard to failure to record all known liabilities, we recommend the board of directors approve an explicit policy of recording each invoice or other obligation (i.e. employee expense reimbursements) as soon as it is received, and that the executive director receive an affirmation statement from the bookkeeper that all known obligations have been properly recorded within 10 days after the end of each month.

Religious Coalition for Community Renewal, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

2011-4

Criteria-

OMB Circular A-122 requires that the amount charged to each federal award for salaries and wages be based on personnel activity reports (timesheets) approved by a responsible official(s) of the organization.

Condition-

Timesheets used by employees whose labor benefits more than one grant did not report the time spent on the various grants benefited. As a consequence, proper allocation of salaries and related costs was not possible in the financial records of the Organization or for grant reporting purposes.

Cause-

The Organization has never adopted all requirements of OMB Circular A-122 so employee timesheets make no provision for properly recording and reporting the employee's work.

Effect-

Salaries and related costs may be materially over or underreported to any specific award or other funding source.

Recommendation-

We recommend that timesheets be redesigned such that, when an employee works for more than one program, or function (i.e. admin or fundraising) during a pay period, each benefited area can be appropriately recorded, and recognized when allocating salaries and related costs. We would recommend that the provisions of OMB Circular A-110, Attachment B item 8m titled *support of salaries and wages* be carefully reviewed prior to beginning the redesign process.

2011-5

Criteria-

OMB Circulars A-110 and A-122 require that only actual expenditures that benefit a federal program may be charged to the program

Condition-

During our testing we found that more total dollars were charged to programs for various expenses than were never actually spent or incurred

Religious Coalition for Community Renewal, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

2011-5 *continued*

Cause-

Grant reporting is generally done by grant managers who are not trained in accounting and reporting requirements, and who are generally unaware of whether a particular cost has already been claimed by another grant manager. The accountant who is in charge of company-wide reporting does not assume responsibility for coordinating grant reporting. As no one keeps track of grant totals reported there is no way of detecting excess claims.

Effect-

Charging same cost to multiple programs could result in demand for repayment of costs claimed.

Questioned Costs-

Grant: HUD Supportive Housing Program
Reporting Period: January 1, 2011 – December 31, 2011
Grant Number: WV 0016B3E031003 / WV 0016B3E030802
CFDA Number: 14.235
Amount: \$ 29,528

Recommendation-

We recommend that either the bookkeeper prepare the expenditures section of all grant reports, or at least review them and add each grant expenditure to a worksheet that totals the expenditures for all grants. The total of all grant expenditures claimed should never exceed actual expenditures for any given month or quarter, regardless of the fiscal year of any specific award. The comparison of expenditures should apply to each line item as well as total expenditures.

2011-6

Criteria-

The Department of Health and Human Resources (DHHR) grant award for the Samaritan Inn Transitional Living Program outlines specific goals to be met as conditions of accepting the award.

Religious Coalition for Community Renewal, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

2011-6 continued

Condition-

To ensure the contractual terms of the grant and the program goals in general are being met, documentation of the services provided and individual progress toward attaining those goals should be documented in each resident's file. During our audit procedures concerning grant compliance we analyzed the files of 9 out of 18 residents for the year to ensure proper documentation to support the program goals/measurable objectives outlined in the DHHR grant. We chose 5 of the goals outlined in the grant and checked the residents' files for proper supporting documentation. We found documentation of only 2 of the nine met the criteria of the 5 goals.

Cause-

There is no system in place to monitor compliance progress.

Effect-

If there is no documentation to support the services provided to the residents, whether or not performed, there is no evidence to support compliance with the grant terms and program goals. Failure to comply with contractual grant terms could cause Religious Coalition for Community Renewal, Inc. to be liable for repayment of certain grant funds.

Recommendation-

We recommend that the forms and files of the residents be updated to provide the necessary documentary evidence to support the services provided and the residents' progress toward successful completion or failure of the program. We also recommend a periodic internal audit of randomly selected resident files by a member of management to ensure the completeness of documentation supporting program goals and services provided.

2011-7

Criteria-

A significant part of basic internal control is the maintenance of supporting documentation of transactions entered into the accounting system.

Condition-

Lack of evidence to support revenue recorded in the accounting system. During our audit we were unable to reconcile the income recorded for fundraising income. There was no documentation that tracked the sale of tickets, sponsors, ticket sales the night of the event, etc. Also, the Organization uses Kroger Care Cards for food purchases for the Samaritan

Religious Coalition for Community Renewal, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

2011-7

Condition- continued

Inn program. These cards are refilled as needed. The receipts attached to the disbursements for refilling the cards are for purchases related to the prior card refill payment. There is usually a small balance left on the Kroger Care Cards and the refill payment is set for a specific amount of \$250.

Cause-

There is no system in place to account for special event ticket numbers sold, or given away and consequently no way to find unreported ticket sales. With regard to the prepaid grocery cards, no attempt has been made to account for the accumulated unutilized balances.

Effect-

Lack of a reliable ticket sales tracking system creates the possibility that potentially material amounts of contributions will be missed. The effect of issuing a check for a fixed amount instead of only the amount of receipts submitted is that any difference is totally undocumented and is consequently an unallowable charge to either state or federal awards.

Recommendation-

We recommend that additional documentation be kept to track the receipt of contributions and ticket sales throughout the fundraising process. This could be accomplished with a spreadsheet that lists the sponsor's name, board members that are selling tickets, etc. A sign-in sheet could be maintained the night of the event that documents cash collected, etc. Appropriate segregation of duties is necessary to insure the integrity and reliability of the tracking and documentation process. The cash and checks collected the night of the event should be counted by 2 people and each should sign off on the documentation of the total cash and checks collected.

For prepaid grocery cards we recommend the refill amount would only be for the actual receipts presented. That should increase the card back to a \$250 balance. Any significant or recurring shortages should be investigated.

**Religious Coalition for Community Renewal, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011**

2011-8

Criteria-

One of the principal duties of management is to plan for and protect against unexpected disaster. Such protection is typically provided by insurance against a variety of risks one of which can be unexpected employee dishonesty.

Condition-

It is common practice to maintain a fidelity bond to provide insurance coverage for loss due to employee theft or dishonesty while handling company finances. During our audit, we discovered that the Religious Coalition for Community Renewal, Inc. did not have a fidelity bond on keep employee positions

Cause-

Management oversight.

Effect-

While we have no intention of implying mistrust of your executive director, bookkeeper, or other employees handling cash or company finances, any loss associated with theft or fraud would not be covered by the liability insurance.

Recommendation-

We recommend that a fidelity bond be obtained and that the bond be set at no less than \$100,000. We would further suggest a rider to the policy that would cover the costs of dishonesty discovery and investigation.





September 26, 2012

Rowan and Associates
200 Westmoreland Office Center
Dunbar, West Virginia 25064

Audit Year Ending December 31, 2011

Management Plan to Improve Operations

In order to improve cash flow, the management of the Religious Coalition for Community Renewal, Inc. (RCCR) is following a plan for Community Housing Development Organization (CHDO) single family home development that was approved by the Board of Directors as part of a four year Strategic Plan. The current CHDO plan includes the development of twelve (12) homes over a two year period using approved CHDO funds from the West Virginia Housing Development Fund and the City of Charleston. At the end of August 2012 four (4) homes were completed and sold. Three (3) houses are under construction and contain sales commitment contracts. Two (2) modular homes have been ordered and delivered. Completion and sale of the twelve (12) homes will result in unrestricted funds of about \$428,500 and resolution of a lien on the administrative building.

Response to Audit Findings

Criteria 2011-1

The Employee Retirement Withholdings and Employee Contributions are current through August 2012. Cash flow was an issue during 2011, however, as mentioned a Strategic Plan developed by the board is being followed and cash flow has improved substantially during 2012 based on following that plan. Also, management is watching to make sure these accounts remain current.

Criteria 2011 – 2

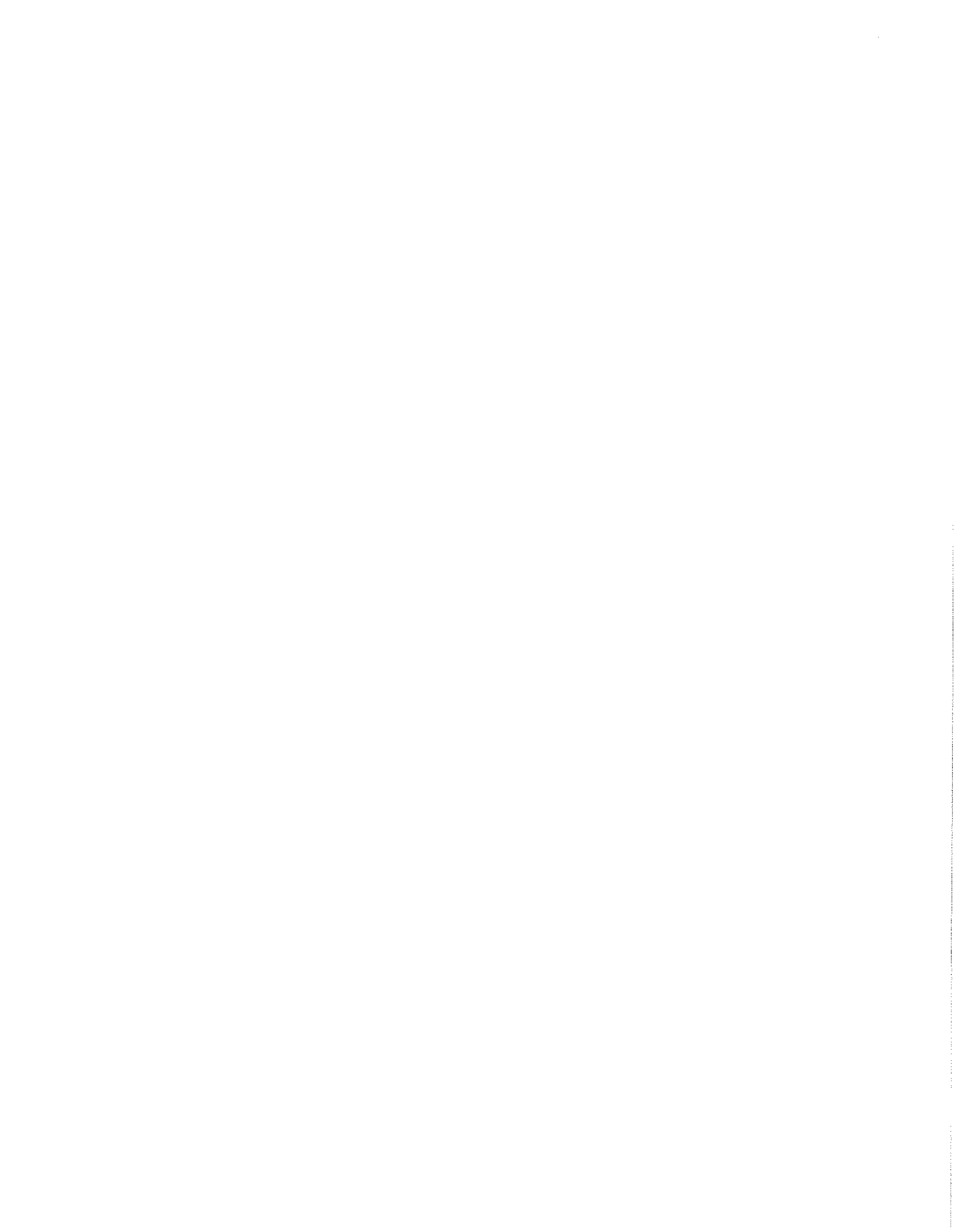
With a small staff of 7 employees, segregation of duties is very difficult to accomplish. However, management has checks and balances to make sure that all funds are being accounted for and all expenditures are valid and appropriate.

Criteria 2011-3

Management currently reviews and approves all expenditures. Larger checks are typically associated with grants to pay development costs or for equipment. There are reporting systems in place with the grantors that validate these large expenditures. The board has approved resolutions allowing the Executive Director to manage the funds associated with these grants.

Criteria 2011-4

Current time sheets used for reimbursement of salaries have been approved by the grantors for their particular grant.



Management reviewed expenditures for wages included on current grants for Samaritan Inn where the auditors had concern. One grant allows for wages and benefits and this was not taken into consideration in the audit review. The fact that these grants represent different time frames, overlap years, and some are reimbursements and others are expended through draws makes it difficult to determine exact expenditures in a given calendar year. We did find one grant that included essential services for \$4,500 which was overlooked as salaries. In order to avoid running into this situation, management has developed a spreadsheet to track the Samaritan Inn grants and the expenditures on those grants monthly to make sure there is no overlap in the future.

Criteria 2011-5

Management review of grant expenditures determined that we feel that grants were used as designated. The one concern that was presented was a foundation grant in 2010 and 2011 where food was requested. However, the grant came each year with a letter stating the grant was "to support Samaritan Inn" and did not say it was only for food.

Criteria 2011-6

Management reviewed the concern about having incomplete files for residents at Samaritan Inn. One finding was missing exit interviews, which was a result of a resident leaving without notice. Also, residents who only stayed a very short period of time may not have been at the Inn long enough to have complete files.

In order to do a better job with client files, a procedure is being developed and will be complete and in place by December 31, 2012. The procedures will also include a review process by management to verify that all required information is in each file.

Criteria 2011-7

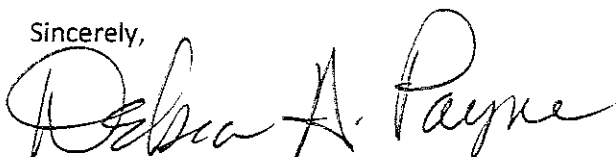
Management reviewed the concern with tracking fundraising. Based on recommendations from the 2010 audit, funds received at a major fundraising event are counted by the Board Treasurer and the Executive Director and signed off on the evening of the event. Tickets are marked as C-complementary, S-sponsor, or blank for paid tickets so that we can get a count of how many tickets are purchased. Also, when tickets are distributed they are tracked by ticket number so that we know who has taken tickets to sell. That information has not been kept in the past after we finalized our fundraiser, however, we will create a report that keeps that information for the file.

Kroger Cares cards are used to purchase food for Samaritan Inn and Homebuyer Education classes. We use these as a way of maintaining our budget for food expenditures and so far this has resulted in reduced spending for food. We will however, check to see if there is an online transaction report for each card and print that out if it is available.

Criteria 2011-8

Management will check the cost of a fidelity bond in the amount of \$100,000 and provide that to the Board for review.

Sincerely,



Debra A. Payne
Executive Director

