

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011 and 2010

DHHR - Finance

AUG - 6 2013

Date Received

KANAWHA VALLEY FELLOWSHIP HOME, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011 and 2010

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Independent Auditor's Report

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

We have audited the accompanying statements of cash and investment receipts and disbursements for the Kanawha Valley Fellowship Home for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.* An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to in the first paragraph presents fairly, in all material respects, the cash and investment receipts and disbursements of Kanawha Valley Fellowship Home, Inc. for the years ended June 30, 2011 and 2010, on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of equipment purchased with OBHS funds on page 8 and the Schedule of Receipts and Expenditures of State Awards on page 9 are presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, on our consideration of Kanawha Valley Fellowship Home, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Rowan & Associates
Dunbar, WV
October 28, 2011

Kanawha Valley Fellowship Home, Inc.
Statement of Cash and Investment Receipts and Disbursements
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Receipts:</u>		
Donations	\$ 102,454	\$ 95,691
Grants	85,752	94,257
WV Dept. of Health	56,500	54,242
Residential Room & Board	33,150	27,226
United Way of Central WV	20,849	22,638
Interest and Dividend Income	7,828	5,237
Realized Gain on Investments	1,601	-
Miscellaneous Income	-	60
Total Receipts:	<u>308,134</u>	<u>299,351</u>
<u>Disbursements:</u>		
Construction - Room Additions	103,912	-
Wages	76,276	83,554
Utilities	19,701	16,474
Program Supplies and Food	16,775	17,515
Counseling	15,655	15,217
Fundraising	11,838	12,259
Employee Benefits and Taxes	8,227	7,546
Furniture and Equipment Purchased	6,617	1,200
Accounting	6,448	4,735
Insurance	5,553	4,129
Office Supplies	4,124	2,160
Miscellaneous	3,586	2,103
Resident Expense	3,416	1,184
Automobile Expense	3,276	6,133
Household Supplies	3,083	3,315
Repairs & Maintenance	1,591	1,929
Donation Costs	1,550	1,197
Reimbursed Expenses	1,392	1,500
Telephone	942	2,229
Marketing / Advertising	350	1,015
Total Disbursements:	<u>294,312</u>	<u>185,394</u>
Excess of Receipts Over Disbursements	13,822	113,957
Cash and Investments, Beginning of Year	<u>412,548</u>	<u>298,591</u>
Cash and Investments, End of Year	<u>\$ 426,370</u>	<u>\$ 412,548</u>
Supplemental Information:		
Checking Account	\$ 29,911	\$ 31,107
Investment Account (at cost)	<u>396,459</u>	<u>381,441</u>
Total	<u>\$ 426,370</u>	<u>\$ 412,548</u>

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

**KANAWHA VALLEY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. NATURE OF ORGANIZATION:

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

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

NOTE 2. ACCOUNTING POLICIES:

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

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

Donated Services and Materials - The Home has been the recipient of numerous donations of volunteer time and various donated materials, however since no cash is received or paid they have not been recognized in the accompanying financial statements.

KANAWHA VALLEY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INCOME TAX STATUS:

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

NOTE 4. LEASES:

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

NOTE 5. CONCENTRATIONS:

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

	<u>2011</u>	<u>2010</u>
WV Department of Health	19%	18%

NOTE 6. PROMISSORY NOTE:

The Organization signed a Promissory Note for \$25,000 received from the West Virginia Housing Development Fund on 4/7/06. There is no collateral on this note or interest. The proceeds were specifically designated for renovations of the new Home. The term of the note is for 10 years and if anytime during that 10 year period the Home does not provide the services as outlined in the loan agreement by providing housing and support to homeless persons, the Note will be repayable in full. After the 10-year period of continuous full compliance, the Note shall be forgiven and not subject to repayment. Recognized interest expense for 2011 and 2010 on this loan was \$-0- as this is a cash basis financial statement.

NOTE 7. CASH AND INVESTMENT:

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

**KANAWHA VALLEY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. INVESTMENT ACCOUNT:

The Kanawha Valley Fellowship Home, Inc. held the following investments at fair value as of June 30, 2011 and 2010 that are reported on the statement of cash and investment receipts and disbursements.

	<u>2011</u>	<u>2010</u>
Beginning Balance:	\$ 388,941	\$ 285,262
Transfer (to) from Checking Account	(20,000)	62,000
Realized Gain	1,601	- 0-
Unrealized Gain	44,696	11,113
Unrestricted Contributions of Stock	25,760	25,464
Foreign Tax Paid	(172)	(135)
Interest and Dividends	<u>7,829</u>	<u>5,237</u>
 Balance June 30:	 <u>\$ 448,655</u>	 <u>\$ 388,941</u>

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

	<u>2011</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Cash Equivalents	\$ 82,801	\$ 82,801	\$ -0-
Stocks and Bonds	163,356	215,552	52,196
Certificate of Deposits	<u>150,302</u>	<u>150,302</u>	<u>-0-</u>
 Total Investments	 <u>\$ 396,459</u>	 <u>\$ 448,655</u>	 <u>\$ 52,196</u>

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

**KANAWHA VALLEY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 9. SUBSEQUENT EVENTS:

Management evaluated subsequent events through October 28, 2011, the date the financial statements were available to be issued.

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS:

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 hierarchy are described as follows:

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2011 or 2010.

Investment Account

The Investment Account is reported in the financial statement on cash basis but is disclosed in the notes at market value. These values disclosed in the notes are classified as Level 1 in the valuation hierarchy.

**KANAWHA VALLEY FELLOWSHIP HOME, INC.
STATEMENT OF EQUIPMENT PURCHASED WITH OFFICE OF
BEHAVIORAL HEALTH SERVICES FUNDS
YEAR ENDED JUNE 30, 2011**

During the fiscal year 2011, the Kanawha Valley Fellowship Home, Inc. used no OBHS funds to purchase equipment.

**THE KANAWHA VALLEY FELLOWSHIP HOME, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2011**

<u>Grant Name</u>	<u>Grant Number</u>	<u>Period Covered</u>	<u>Award Amount</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
WV Department of Health and Human Resources	G110032	7/1/10-6/30/11	\$ 54,500	\$ 54,500	\$ 54,500
					<u>6/30/2011</u>

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



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

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

We have audited the financial statement of Kanawha Valley Fellowship Home, Inc.; (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Kanawha Valley Fellowship Home, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kanawha Valley Fellowship Home, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

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

deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-1 that we 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.

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

Compliance and Other Matters

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

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

Rowan & Associates
Dunbar, WV
October 28, 2011

KANAWHA VALLEY FELLOWSHIP HOME, INC.
SCHEDULE OF FINDINGS
June 30, 2011

Findings:

2011-1 Repeat Finding

Criteria-

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

Condition-

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

Context-

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

Cause-

Ineffective management oversight.

Effect-

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

Recommendation-

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

Management Response-

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