

BARTLETT HOUSE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2012

DHHR - Finance

MAY -1 2013

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 24
Statement of Financial Position	2 of 24
Statement of Activities	3 of 24
Statement of Functional Expenses	4 of 24
Statement of Cash Flows	5 of 24
Notes to Financial Statements	6-13 of 24
REPORT ON INTERNAL CONTROL AND COMPLIANCE	14-15 of 24
REPORT ON MAJOR FEDERAL AWARDS	16-17 of 24
Schedule of Expenditures of Federal and State Awards	18 of 24
Schedule of Findings and Questioned Costs	19 of 24
Notes to Schedule of Expenditures of Federal and State awards	20 of 24
MANAGEMENT LETTER	21-24 of 24

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, 2012, 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, 2012, 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 March 20, 2013, 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.

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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Hilarion V. Cann, CPA
Clarksburg, West Virginia
March 20, 2013

DHHR - Finance

MAY -1 2013

Date Received

BARTLETT HOUSE, INC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS	
CURRENT ASSETS	
Cash	\$ 103,797
Investments (Note 2)	5,873
Grant Receivable	65,599
Pledges Receivable, net (Note 12)	122,791
Prepaid Expenses	<u>11,058</u>
Total Current Assets	309,118
 PROPERTY AND EQUIPMENT	
Land	345,921
Building	3,876,048
Furniture and Fixtures	<u>244,750</u>
Total Property and Equipment	4,466,719
Less Accumulated Depreciation	<u>465,457</u>
	4,001,262
TOTAL ASSETS	<u>\$ 4,310,380</u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 50,824
Accrued Payroll Taxes Payable	3,106
Accrued Payroll Payable	4,920
Security Deposits and Prepaid Rent	3,154
Line of Credit (Note 5)	168,066
Current Portion of Capital Lease	<u>13,901</u>
Total Current Liabilities	243,971
 LONG-TERM DEBT	
Long-term Capital Lease (Note 5)	860,475
Refundable Advance (Note 6)	<u>2,200,000</u>
Total Long-term Debt	3,060,475
Total Liabilities	3,304,446
 NET ASSETS	
Unrestricted	883,143
Temporarily Restricted	<u>122,791</u>
	1,005,934
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,310,380</u>

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

BARTLETT HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted
PUBLIC SUPPORT AND REVENUES	
WV Department of Health and Human Resources	\$ 215,993
WV Office of Economic Opportunity	48,000
Community Development Block Grant	41,365
Children's Mental Health Block Grant	25,000
Emergency Food and Shelter Program	13,115
Supportive Housing Program	290,317
Other Grants	49,000
United Way of Monongalia County	73,500
Program Service Revenue	4,462
Capital Campaign Pledges	36,901
Donations	23,805
Other Income	824
Fundraising	23,277
Interest Income	233
Gain on sale of marketable securities	<u>76</u>
Total Support and Revenue	845,868
Net Assets Released from donor restrictions	<u>12,000</u>
	857,868
EXPENSES	
Program Expense	411,150
Management and General	<u>282,795</u>
Total Expenses	693,945
Unrealized (Gain) Loss on Investments	<u>2</u>
(Decrease) Increase in unrestricted net assets	163,921
TEMPORARILY RESTRICTED NET ASSETS	
Pledges, Contributions and Grants	136,434
Allowance for Doubtful Pledges	(13,643)
Net Assets Released from donor restrictions	<u>(12,000)</u>
Increase (decrease) in temporarily restricted net assets	110,791
Total (Decrease) Increase in net assets	274,712
Net Assets, Beginning	<u>731,222</u>
Net Assets, Ending	\$ <u><u>1,005,934</u></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, 2012

	Shelter and Counseling Services	Management and General	Total (Memo Only)
Salaries and Wages	\$ 222,357	\$ 85,109	\$ 307,466
Payroll Taxes and Employee Benefits	36,788	20,436	57,224
Telephone and Utilities	41,131	4,570	45,701
Interest Expense	4,028	448	4,476
Insurance	0	9,961	9,961
Maintenance	8,097	900	8,997
Janitorial	8,900	989	9,889
Travel and Training	2,745	305	3,050
Client Expenses	7,038	0	7,038
Food	343	0	343
Fundraising	0	3,637	3,637
Office Expenses	16,245	1,805	18,050
Professional Fees	0	149,120	149,120
Other Expenses	0	794	794
Property Taxes	0	0	0
	<u>347,672</u>	<u>278,074</u>	<u>625,746</u>
Total Expenses before Depreciation			
Depreciation Expense	<u>63,478</u>	<u>4,721</u>	<u>68,199</u>
Total Expenses	<u>\$ 411,150</u>	<u>\$ 282,795</u>	<u>\$ 693,945</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, 2012

OPERATING ACTIVITIES	
Change in Net Assets	\$ 274,712
Adjustments to Reconcile Change in Net Assets to net cash provided by Operating Activities	
Reflect investments at fair value	(822)
Depreciation	68,199
Gain on sale of Marketable Securities	(76)
(Increase) Decrease in:	
Grant Receivable	(57,626)
Pledges Receivable	(122,791)
Prepaid Expenses	(7,138)
Increase (Decrease) in:	
Accounts Payable	49,200
Accrued Payroll Taxes Payable	2,134
Accrued Payroll Payable	(866)
Security Deposits and Prepaid Rent	<u>3,154</u>
Net Cash Provided by Operating Activities	208,080
INVESTING ACTIVITIES	
Purchase of Furniture and Fixtures	(1,829,629)
Transfer from investment account	0
Purchase of Investments	<u>756</u>
Net Cash Used by Investing Activities	(1,828,873)
FINANCING ACTIVITIES	
Proceeds from Line of Credit	180,004
Proceeds from Capital Lease	0
Proceeds from Refundable Advance	1,369,968
Payments on Long-Term Debt	<u>(24,063)</u>
Net Cash Provided by Financing Activities	1,525,909
NET CASH DECREASE IN CASH	(94,884)
CASH AT BEGINNING OF YEAR	<u>198,681</u>
CASH AT END OF YEAR	\$ <u><u>103,797</u></u>
SUPPLEMENTAL DISCLOSURE	
Interest Paid	\$ <u><u>4,476</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 \$3,637 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)

Pledges Receivable

Pledges Receivable are recognized when the donor makes a pledge to give to the Organization that is, in substance, restricted to the Organization Capital Campaign. Pledges that are restricted by the donor are reported as increases to unrestricted net assets if the restrictions expire or are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

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, 2012 was \$65,599. 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 the 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, 2010, 2011 and 2012 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.

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

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

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2012 was \$1,954. These costs are included in Office Expense on the statement of activities.

Note 2. Investments

Investments as of June 30, 2012 are stated at fair value and consist primarily of corporate bonds and reserve funds.

	Carrying Amount	Fair Value
Mutual Funds	\$ 5,712	\$ 5,712
Cash Reserve Funds	<u>161</u>	<u>161</u>
	<u>\$ 5,873</u>	<u>\$ 5,873</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2012.

	Unrestricted
Interest and Dividends	\$ 156
Realized (Loss) Gain	76
Unrealized (Loss) Gain	<u>(2)</u>
	<u>\$ 230</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, 2012, 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.

BARTLETT HOUSE, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5 Capital Lease (continued)

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.

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

	2013	\$	59,040
Year ending June 30,	2014		59,040
	2015		59,040
	2016		59,040
	2017		59,040
	Thereafter		<u>1,377,608</u>
	Minimum lease payments		1,672,810
	Less amount representing interest		<u>(798,434)</u>
	Present value of net minimum lease payments		874,376
	Less current portion of Capital Lease payments		<u>(13,901)</u>
	Long-term portion of Capital Lease payments	\$	<u>860,475</u>

At July 1, 2011 Bartlett House, Inc had a \$375,000 unsecured line of credit with a bank to be drawn upon as needed through June 30, 2012, with an interest rate of 4%. As of June 30, 2012, the balance outstanding was \$168,066.

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, 2012:

WV Housing Development Fund	<u>\$ 2,200,000</u>
-----------------------------	---------------------

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 \$49,344, the Governor's Office of Economic Opportunity amounted to \$48,000 and the United Way of Monongalia and Preston Counties amounted to \$73,500 for the year ended June 30, 2012.

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 employee's contribution. The plan expenses incurred by the Organization during the year ending June 30, 2012 were \$2,102 and are included in payroll taxes and employee benefits on the state of functional expenses.

Note 9 Fair Value Measurement

Fair Values of assets measured on a recurring basis at June 30, 2012 are as follows:

Fair Value Measurements at Reporting Date Using			
<u>June 30, 2012</u>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable (Level 3)
Long-term investments -			
Mutual Funds	\$ <u>5,873</u>	\$ <u>5,873</u>	\$ <u>-0-</u>
Total	\$ <u>5,873</u>	\$ <u>5,873</u>	\$ <u>-0-</u>

BARTLETT HOUSE, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10 Summary of Grants and Contracts

Bartlett House, Inc. was primarily funded through the following grants and contracts for the period July 1, 2011 to June 30, 2012:

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA #	Contract Period	Grant/Grant/Contract	Total Recognized Expenditures
Supportive Housing Program	14 235	7/01/11 - 6/30/12	WV0040B3E08 0900 & WV004 2B3E080900	\$ 290,317
W. V Housing Development Fund	14 239	7/01/11 - 6/30/12	M05-SG-54001 & M08-SG-54001	\$ 1,369,968
W. V Department of Health and Human Resources		7/01/11 - 6/30/12	G 110141	\$ 166,649
		7/01/11 - 6/30/12	0525-2012-28 885-219-252	\$ 49,344
YWCA of Charleston		7/01/11 - 6/30/12	G 120137	\$ 25,000
WV Office of Economic Opportunity	14 231	7/01/11 - 12/31/12	ESG11-1129	\$ 48,000
City of Morgantown	14 218	7/01/11 - 6/30/12		\$ 41,365
Emergency Food and Shelter Program	97 024	7/01/11 - 6/30/12		\$ <u>13,115</u>
Total Grants and Contracts				<u>\$ 2,003,758</u>

Note 11 Restrictions on Net Assets

Capital Campaign

Temporary restrictions on net assets at June 30, 2012 are related to funds raised through the Capital Campaign, a drive to raise funds to purchase, rehabilitate and furnish temporary and permanent housing for the chronic homeless.

The Organization has completed Phase 1 of the project, in that it has purchased, rehabilitated and furnished 16 individual units and 4 multi-units on the third and fourth floors of the West Run facility. To fund this project support of \$168,267, of which \$31,833 has been collected and spent on rehabilitation and furnishings, a \$2,200,000 interest free loan from the West Virginia Housing Development Fund, a lease with the Monongalia County Commission, which supported the issuance of a \$896,000, borrowing on the Organizations line of credit in the amount of \$168,066 and utilizing the reserves of the Organization.

BARTLETT HOUSE, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 11 Restrictions on Net Assets

Capital Campaign (continued)

Phase II of the project is to begin in the summer of 2013 with a commitment from the West Virginia Housing Development fund for an additional interest free loan in an amount not to exceed \$1,890,000, and an additional grant from the U.S. Department of Housing and Urban Development in the amount of \$423,400 for rehabilitation and operating costs. Cash and pledges receivable are restricted to payment of the cost of acquiring, rehabilitating, and operating the facility and payment on any debt incurred to complete the project

In October 2010, the Organization acquired the land and building that it uses to provide temporary and permanent housing for the chronic homeless. Renovation of Phase one was completed and placed in service on May 7, 2012. The Organization has begun soliciting pledges for this facility through its Capital Campaign. As part of the cost in acquiring and rehabilitating the facility the Organization incurred debt in the amount of \$896,000 through Revenue Bonds issued through the Monongalia County Commission. Cash and pledges are restricted to the payment of this debt, furnishing and operating costs of the West Run facility. Those restrictions are considered to expire when payments are made. Interest on the temporary investment of such support is unrestricted.

Temporarily Restricted Assets

Temporarily restricted net assets are available for the following purposes:

Rehabilitation of West Run Project	\$ <u>122,791</u>
Total temporarily restricted net assets	\$ <u>122,791</u>

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

Purpose restriction accomplished:

Rehabilitation of West Run Project	\$ <u>62,544</u>
Total restrictions released	\$ <u>62,544</u>

Note 12 Pledges Receivable

Pledges Receivable consists of the following:

Restricted to payment of Capital Lease and rehabilitation of West Run project	\$ <u>136,434</u>
Gross restricted pledges receivable	136,434
Less: Allowance of doubtful pledges	13,643
 Net Restricted Pledges Receivable	 \$ <u>122,791</u>

The Organization uses the allowance method to determine uncollectible pledges receivable. An allowance of 10% has been utilized by the Organization. This allowance is based on industry research and management's analysis of specific pledges receivable.

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, 2012, and have issued my report thereon dated March 20, 2013. 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

Management of Bartlett House, Inc is responsible for establishing and maintaining effective 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.

My consideration of 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 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 findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I 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.

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 March 20, 2013.

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
March 20, 2013

DHHR - Finance

MAY -1 2013

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 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, 2012. 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, 2012.

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
March 20, 2013

DHHR - Finance

MAY - 1 2013

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, 2012

Federal Grantor/Pass- Through Grantor/ Program or Cluster Title	CFDA #	Contract Period	Grant/ Contract	Recognized Expenditures
<u>Federal Awards</u>				
<u>U.S. Department of Health and Human Resources</u>				
Supportive Housing Program	14 235	7/01/11 - 6/30/12	WV0040B3E08 \$ 0900 & WV004 2B3E080900	290,317
<u>Passed through:</u>				
W.V. Housing Development Fund	14 239	7/01/11 - 6/30/12	M05-SG- 54001 & M08- SG-54001	\$ 1,369,968
WV Office of Economic Opportunity	14 231	7/01/10 - 6/30/12		48,000
City of Morgantown	14 218	7/01/10 - 6/30/11		<u>41,365</u>
Total Federal Expenditures				<u>\$ 1,749,650</u>

State Awards

W.V. Department of Health and Human Resources

W. V. Department of Health and Human Resources		7/01/11 - 6/30/12	G 110141	\$ 166,649
		7/01/11 - 6/30/12	0525-219	\$ 49,344
YWCA of Charleston		7/01/11 - 6/30/12	G 110078	<u>\$ 25,000</u>
Total Grants and Contracts				<u>\$ 240,993</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, 2012

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

U S Department of Housing and Urban Development
 Supportive Housing Program
 CFDA # 14 235

U S Department of Housing and Urban Development
 Community Development Block Grants
 CFDA # 14 218

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, 2012

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, 2012. 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 March 20, 2013. This letter does not affect my report dated March 20, 2013, 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:

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 has 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 should 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

While examining the detail for the grant allocations in the first quarter of the fiscal year it was noted that the outside accountant made journal entries to reclassify expenses. This could result in an expenditure being utilized for two separate grant reimbursement requests. It is recommended that the outside accountant actually change any posting of expenditures prior to any reimbursement requests are made. In doing this it should greatly reduce, if not eliminate, any possible overlapping of expenditures that could occur and/or any duplicate billings on any grant reimbursement requests.

While testing the reimbursement reports for the Organization's grants it was noted that the organization has changed the way the support for reimbursement of its DHHR grant has changed. Currently there appears to be no detailed support (original documents, not accounting reports) maintained for the amounts being billed. The organization is currently utilizing reports created in its computerized accounting software. When we tried to re-create these reports in the computerized accounting software for some grants and some periods the reports could not be re-created for several significant funding sources from the transaction details as entered into the computerized accounting software. Grant financial management requires grantees organize their financial systems in a manner such that individual grant activity is separately accounted for, and reports, along with supporting documents, are available for monitoring purposes.

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 expenditures are reduced to balance out to the remaining grant amount to be drawn down. No detailed report is kept on the items being excluded nor are the expenses being included to reach the remaining grant balance to be drawn down reviewed by management. Without this oversight this could lead to unapproved amounts being included in a request for reimbursement and subject the Organization to being censured. Also, this will allow the excess expenditures, if needed and they qualify, to possibly be allocated to another grant for reimbursement.

Capital Campaign Contributions

During the fiscal year ending the Organization began a capital campaign to raise funds needed to construct, remodel and debt service for the West Run project. Currently the tracking of pledges received for this capital campaign are maintained in Fund Works, A program utilized separately from the organization's computerized accounting program. These totals are then transferred into the computerized accounting program by journal entry with no detail being listed. After summarizing the information from the pledge cards provided it was noted the amounts in Fund Works were not correct and these entries were being made and maintained by non-accounting personnel. After discovering this, the balances were compared to the amounts that were recorded in the computerized accounting system. These balances were off too since the Fund Works balances were incorrect. It is recommended that the individual pledges be set up as accounts receivable in the computerized accounting system where the balances and transactions for each pledge can be tracked to ensure their accuracy. A separate Pledges Receivable primary account can be created in the computerized accounting system so these Receivables and be maintained separately from other receivables such as grants or rent. By handling pledges receivable in this manner it would eliminate the need to journal entry in the transactions and provide for more accurate accounting data.

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.

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.

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. The secretary is to maintain all official documents of the organization. This includes the board of director meeting minutes. Since the board meeting minutes are legal documents that could be accessed in case of liability these minutes are required to be signed when submitted. Once the minutes are approved at the next board meeting they should then be marked as such and then placed on file at the organization. Currently the board of director meeting minutes are not being signed upon submission nor is a copy kept on file at the organization should the need arise. It is recommended that ALL meeting minutes be signed by the individual submitting them (either the Secretary or the person in lieu of the Secretary) and a copy of each be placed on file at the organization's administrative office.

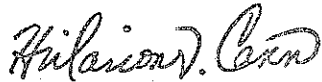
The Board of Director meeting minutes on several occasions reflected items under new business which were discussed and not resolved and noted that these items would be followed up on later. In reviewing subsequent meeting minutes these items were not listed under old business or discussed under any other heading. The board should take due care in both properly disposing of these items and recording the disposal or list these items under old business on the agenda for subsequent meetings until the item is completed. This will help ensure the board to follow-up on any outstanding items and that all old agenda items are cleared.

West Virginia Payroll Withholdings

During my testing of the organizations payroll and related accrued payroll withholdings it was noted that the West Virginia withholdings are being remitted incorrectly. The withholdings are being remitted in the same manner as the 941 deposits, that is after each payroll and no withholding coupon is being sent with the remittance. The problem with this is that a 941 deposit may cross the end of the month into the next month. This is okay for the 941 deposit since it is based upon the date of the payroll, but the West Virginia withholding is based upon a monthly period, not a payroll period. The West Virginia withholding is due by the fifteenth of the following month for the amount of withholding actually withheld in that month. The State currently does not know how to allocate the payments being made since some of them involve a two month period. It is recommended that this process be corrected and the rules for remittance be followed so that notices will not be generated for possible perceived under payments.

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
March 20, 2013

DHHR - Finance

MAY -1 2013

Date Received

BARTLETT HOUSE, INC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 13 Subsequent Event

The organization has evaluated subsequent events through March 20, 2013, the date which the financial statements were available to be issued. The following event occurred after June 30, 2012.

Phase 2 of the project would consist of a complete build-out of the bottom two floors to add an additional 36 beds for Transitional Supportive Housing. This will allow a participant to prepare to transition from emergency shelter to transitional housing. The estimated costs of construction for Phase 2 are \$1,800,000. This would bring the total estimated cost of the project to be \$5,205,971. 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 has applied for and has been given temporary approval of additional funding of \$1,890,000 from the West Virginia Housing Development Fund (WVHDF) for Phase 2. This additional funding will be limited to 80% of the total appraised value of the property, therefore this will limit the total available for drawdown on the additional loan from WDF to \$1,512,000, leaving a balance of approximately \$288,000 of costs to be paid for by other funding. Management feels it is highly probable this funding will ultimately be approved and the organization will have the ability to cover the additional costs through other funding sources.

INTEROFFICE MEMORANDUM

TO: HILARION CANN
FROM: KERI A. DEMASI, EXECUTIVE DIRECTOR
SUBJECT: RESPONSE TO MANAGEMENT LETTER
DATE: 04/28/13
CC: FILE

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 also secured an external accountant to further increase our internal controls and segregation of duties. The outside accountant, although he does not receive the bank statements, conducts an audit of the bank reconciliation.

Greater Morgantown Community Trust: This account changed hands to "Your Community Trust". In the process of this transition, it appears the statements were being sent to the incorrect address. Updated information was provided to ensure statements are received and can therefore be recorded.

Organizational Structure: N/A

Requests for Grant Reimbursement: Bartlett House retains support for all billings. The new accountant suggested simply mailing the invoice and profit and loss reports during billing to cut down on office supplies and postage however keeps the supporting documentation in hand if requested. Several funding agencies requested that we only mail the reports and provide the itemized invoices only during the audits.

Capital Campaign – Bartlett House will explore using Quickbooks versus Giftworks to track pledges.

Expense Request Forms: A date line was added to this form. After a Supply Request Form has been approved, it is attached to a Purchase Order Form for authorization to purchase. The date the order is filled is completed on the Purchase Order Form.

Employee Expense Reports: All employee expense reports include destination, the reason for travel, total mileage, employee signature and Executive Director Signature for approval prior to payment.

Board of Director's Meeting Minutes: The Secretary will sign minutes after they are approved. A file is kept on sight of meeting minutes however the Secretary retains the official signed minutes.

West Virginia Payroll Withholdings – The Office Manager is new this year and was advised to correct the way in which she remitted payroll withholdings.