

**Kanawha Institute for Social
Research and Action, Inc.**

**Independent Auditors' Report
and
Financial Statements**

December 31, 2012

DHHR - Finance

NOV 30 2013

Date Received

Kanawha Institute for Social Research and Action, Inc.

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Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditors' Report

To the Board of Directors of
Kanawha Institute for Social Research and Action, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Kanawha Institute for Social Research and Action, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that



To the Board of Directors
Kanawha Institute for Social Research and Action, Inc.
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are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kanawha Institute for Social Research and Action, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

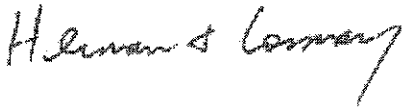
Other Information

Our 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
Kanawha Institute for Social Research and Action, Inc.
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of Kanawha Institute for Social Research and Action, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kanawha Institute for Social Research and Action, Inc.'s internal control over financial reporting and compliance.



Charleston, West Virginia
October 31, 2013

DHHR - Finance

NOV 21 2013

Date Received

Kanawha Institute for Social Research and Action, Inc.

Statement of Financial Position

December 31, 2012

Assets

Cash and cash equivalents	\$ 72,877
Cash restricted for loans and IDA reserves & CHDO	279,591
Grants and accounts receivable	200,496
Work in progress	372,744
Property and equipment	1,225,962
Microloans receivable	240,124
Other assets	<u>4,025</u>
Total Assets	<u>\$2,395,819</u>

Liabilities and Net Assets

Accounts payable	\$ 61,916
Accrued liabilities & taxes	82,403
Grants received in advance	546,151
SBA Intermediary Loan Fund	216,903
Notes payable	<u>173,783</u>
Total Liabilities	<u>1,081,156</u>

Net Assets

Unrestricted	1,017,408
Temporarily restricted	<u>297,255</u>
Total Net Assets	<u>1,314,663</u>

Total Liabilities and Net Assets **\$2,395,819**

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Statement of Activities

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Contributions – individuals & corp.	\$ 32,057	\$ 128,838	\$ 160,895
Contributions – government	74,469	3,461,704	3,536,173
HCDC Income	229,866	-0-	229,866
CHDO Home Sale	-0-	119,457	119,457
Net assets released from restrictions	<u>3,676,085</u>	<u>(3,676,085)</u>	<u>-0-</u>
Total Revenues, Gains, and Other Support	<u>4,012,477</u>	<u>33,914</u>	<u>4,046,391</u>
Expenses and Losses			
Personnel	2,148,497	-0-	2,148,497
Insurance	18,514	-0-	18,514
Internet	8,717	-0-	8,717
Equipment rental	18,165	-0-	18,165
Computer expense	66,635	-0-	66,635
Training	133,700	-0-	133,700
Food	58,548	-0-	58,548
Office supplies	68,879	-0-	68,879
Telephone	10,706	-0-	10,706
Depreciation	118,967	-0-	118,967
Advertising	20,176	-0-	20,176
Utilities	48,577	-0-	48,577
Postage	637	-0-	637
Cost of homes constructed	119,457	-0-	119,457
Travel	160,972	-0-	160,972
Material and supplies	28,332	-0-	28,332
Other	140,541	-0-	140,541
Tax, licenses and permits	26,369	-0-	26,369
Program & program overhead	428,674	-0-	428,674
Occupancy	92,779	-0-	92,779
Interest	<u>16,882</u>	<u>-0-</u>	<u>16,882</u>
Total Expenses and Losses	<u>3,734,724</u>	<u>-0-</u>	<u>3,734,724</u>
Change in Net Assets	277,753	33,914	311,667
Net Assets, Beginning of Year	<u>739,655</u>	<u>263,341</u>	<u>1,002,996</u>
Net Assets, End of Year	<u>\$1,017,408</u>	<u>\$ 297,255</u>	<u>\$1,314,663</u>

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Statement of Cash Flows

Year Ended December 31, 2012

Cash Flow From Operating Activities	
Change in net assets	\$ 311,667
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	118,967
Change in net assets and liabilities	
Increase in restricted cash	(165,402)
Decrease in grants and accounts receivable	33,622
Increase in work in progress	(170,023)
Increase in other assets	(3,824)
Decrease in accounts payable	(59,888)
Increase in accrued liabilities and taxes	63,602
Increase in grants received in advance	409,559
Net Cash Provided By Operating Activities	<u>538,280</u>
Cash Flows From Investing Activities	
Micro loans	(240,124)
Purchase of property and equipment	(291,658)
Net Cash Used in Investing Activities	<u>(531,782)</u>
Cash Flows From Financing Activities	
Proceeds from issuance of debt	150,000
Payments on notes payable	(99,652)
Net Cash Provided By Financing Activities	<u>50,348</u>
Net Increase in Cash	56,846
Cash, Beginning of Year	<u>16,031</u>
Cash, End of Year	<u>\$ 72,877</u>
Supplemental disclosures of cash flow information:	
Interest paid	<u>\$ 16,882</u>

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Statement of Functional Expenses

Year Ended December 31, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Personnel	\$2,054,444	\$ 94,053	\$2,148,497
Insurance	8,341	10,173	18,514
Equipment expense and rental	12,413	5,752	18,165
Computer expense	59,670	6,965	66,635
Training	127,295	6,405	133,700
Food	58,548	-0-	58,548
Office supplies	49,461	19,418	68,879
Telephone	902	9,804	10,706
Depreciation expense	-0-	118,967	118,967
Advertising	15,288	4,888	20,176
Utilities	42,602	5,975	48,577
Postage	-0-	637	637
Cost of homes constructed	119,457	-0-	119,457
Travel expense	154,883	6,089	160,972
Materials and supplies	15,764	12,568	28,332
Other	96,645	43,896	140,541
Tax, licenses and permits	19,957	6,412	26,369
Interest	30	16,852	16,882
Internet	4,582	4,135	8,717
Occupancy	92,779	-0-	92,779
Program & program overhead	<u>624,767</u>	<u>(196,093)</u>	<u>428,674</u>
Total Expenses	<u>\$3,557,828</u>	<u>\$ 176,896</u>	<u>\$3,734,724</u>

See notes to financial statements.

Kanawha Institute For Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2012

Note A – Summary of Significant Accounting Policies

Organization - The Kanawha Institute For Social Research and Action, Inc. (KISRA) ("Organization") is a nonprofit organization which works to aid in the development and implementation of educational, self-awareness, and socio-economic programs (including the development of safe, affordable, and decent housing for low and middle income families) that enhance the personal development of the individual in the community in and around Charleston, West Virginia. The Organization receives grants from governmental agencies as well as corporate and personal contributions.

Basis of Accounting – The financial statements of Kanawha Institute For Social Research and Action, Inc. (KISRA) have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Classification of Support - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 on the statement of activities as net assets released from restrictions.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Property and Equipment – Furniture and equipment items are recorded at cost if purchased or, if donated, at the fair value at the time of the donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2012 was \$118,967. The classification of these capitalized items are classified in the accompanying financial statements as follows:

Furniture and equipment	\$ 368,214
Leasehold improvements	<u>1,388,376</u>
	1,756,590
Less accumulated depreciation	<u>577,656</u>
	1,178,934
Land	<u>47,028</u>
	<u>\$1,225,962</u>

Title to the leasehold improvements would revert to the grantor if intended usage would be discontinued.

Income Taxes - The Organization is a nonprofit organization under section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under section 509(a)(2). The Organization is exempt from income taxes on income derived from their nonprofit activities.

Kanawha Institute For Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2012

Note A – Summary of Significant Accounting Policies (Continued)

Work in Progress – Some of the work in progress represents a building project that was built for resale but has not been sold as of the balance sheet date, the project is being rented until it can be sold. The cost for the project has been accumulated in work in progress and will be expensed when the project is sold. Three new projects were started during the year and none were completed. Additionally, one of the projects completed last year was sold in the current year. All of the current projects are part of the CHDO Home program.

Statement of Cash Flows – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Advertising – The Organization expenses advertising cost as they are incurred. Advertising expense for the year was \$20,176.

Basis of Presentation – The Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services – No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization receives a significant amount of volunteer hours per year.

Note B – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of funds received related to a specific program or purpose in excess of expenditures incurred in these programs. The excess funds received are restricted for the intended purposes. The temporarily restricted assets at December 31, 2012 are as follows:

Fatherhood	\$146,764
CHDO	12,832
IDA Match	56,210
Compeer	9,630
AmeriCorps	11,887
Various other grants	<u>59,932</u>
	<u>\$297,255</u>

Kanawha Institute For Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2012

Note C – Grants and Accounts Receivable

At December 31, 2012, grants receivable of \$151,211 consisted of grants from the WV Department of Health and Human Services, of which \$33,884 had been expended but not reimbursed at December 31, 2012, and a grant from the Corporation for National and Community Service of \$27,480, and various other grants and accounts receivable of \$18,823 and various loans receivable made through various programs of \$2,982. Management has determined that no allowance for doubtful accounts is necessary due to the nature of the receivables.

Note D – Net Assets Released From Restrictions

Net assets were released from donor and grant restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the year ended December 31, 2012 as follows:

Purpose restrictions accomplished:	
AmeriCorps	\$102,545
Benedem Grant	41,169
Harambee Learning Center	66,307
HUD Grant	25,294
KISRA Works/VAWA	31,586
Fatherhood Grant	2,463,824
Growing Jobs	40,444
Re-entry	132,255
IDA Program	44,278
PREP Grant	39,357
Micro Loan – SBA Technical Grant	13,746
CHDO	407,445
Family Planning	127,175
Compeer/Care Coordinator	135,462
Various other grants	5,198
Total restrictions released	<u>\$3,676,085</u>

Note E – Concentration of Credit Risk

The Organization receives a significant portion of its revenues from federal and state agencies and corporate contributions. The ability of the donors to continue funding the operations of the Organization is dependent upon current economic conditions.

Kanawha Institute For Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2012

Note F – Operating Leases

The Organization has several noncancelable operating leases for office space that expire at various dates through June 30, 2015. Those leases require the Organization to pay various executory costs. Rental expenses for those leases consisted of \$22,620 for the year.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2012 are as follows:

2013	\$22,621
2014	11,620
2015	5,301
Thereafter	-0-
	<u>\$39,542</u>

Note G – Related Parties

The Organization has an accounts payable with Ferguson Baptist Church. The amounts are related to facilities previously rented from the church on a monthly basis for office space used by the Organization and other miscellaneous administrative expenses that the Organization reimburses the Church for such as printing, postage, payroll, etc. The total payable to Ferguson Baptist Church at December 31, 2012 was \$26,828. Some of the organization's board members are also on the governing body of Ferguson Baptist Church.

There is no interest charged on the money owed to Ferguson Baptist Church.

Note H – Notes Payable

The Organization's obligations under notes payable consist of the following:

Operating line-of-credit arrangement with an area bank with variable interest at a rate of 3.25%, secured by personal property.	\$ 28,774
5.875% note payable, due in monthly installment of \$494, including interest through 2015, secured by real estate	52,702
5.875% note payable, due in monthly installment of \$674, including interest through 2015, secured by real estate.	71,886
5.45% variable interest rate note payable, due in monthly installments of \$2,297, including interest through 2013 secured by real estate.	<u>20,421</u>
Total notes payable	<u>\$173,783</u>

Kanawha Institute For Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2012

Note H – Notes Payable (Continued)

The future scheduled maturities of the debts are as follows:

2013	\$ 56,131
2014	7,356
2015	110,296
2016	-0-
2017	-0-
Thereafter	-0-
	<u>\$173,783</u>

Note I – Second Mortgage

KISRA participates in the CHDO Home Blend grant program. When a property is sold, KISRA maintains a second mortgage on the property that is forgivable if the purchaser remains in the property for 10 years. No amount is recorded on KISRA's books for these mortgages.

Note J – SBA Intermediary Loan Fund

The Small Business Administration has awarded KISRA money to loan out to various small businesses. Currently, KISRA has \$240,124 of these loans with a loan loss reserve of \$61,940. As of December 31, 2012, the balance of the amount owed to the SBA is \$216,903 with monthly payments of \$2,748.

Note K – Grants Received in Advance

Grants received in advance consist of the following:

IDA – Reserves	\$104,632
Benedum Grant	62,831
Fatherhood	<u>378,688</u>
	<u>\$546,151</u>

Note L – Subsequent Events

Subsequent events were evaluated through October 31, 2013, which is the date the financial statements were available to be issued. The organization believes that there have been no significant subsequent events.

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditor's 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 of
Kanawha Institute for Social Research and Action, Inc

We have audited, in accordance with the 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, the financial statements of Kanawha Institute for Social Research and Action, Inc (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kanawha Institute for Social Research and Action, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kanawha Institute for Social Research and Action, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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



To the Board of Directors of
Kanawha Institute for Social Research and Action, Inc.
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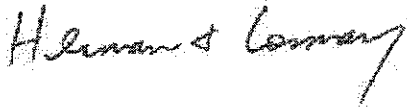
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kanawha Institute for Social Research and Action, Inc.'s financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia
October 31, 2013

DHHR - Finance

10/31/13

Date Received

Herman & Cormany

Certified Public Accountants, A.C.

Accountants & Consultants

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Directors of
Kanawha Institute for Social Research and Action, Inc.

Report on Compliance for Each Major Federal Program

We have audited Kanawha Institute for Social Research and Action, Inc.'s (KISRA) 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 KISRA's major federal programs for the year ended December 31, 2012. KISRA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of KISRA's major federal programs based on our audit of the types of compliance requirements referred to above. 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 KISRA'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 on compliance for each major federal program. However, our audit does not provide a legal determination of KISRA's compliance.



Opinion on Each Major Federal Program

In our opinion, KISRA complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-1. Our opinion on each major federal program is not modified with respect to these matters.

KISRA's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KISRA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of KISRA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KISRA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 KISRA's internal control over compliance.

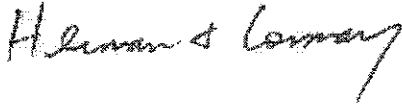
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Board of Directors of
Kanawha Institute for Social Research and Action, Inc.
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Our consideration of internal control over compliance as 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-1, that we consider to be a significant deficiency.

KISRA's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KISRA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Charleston, West Virginia
October 31, 2013

DHHR - Finance

NOV 8 2013

Date Received

Kanawha Institute for Social Research and Action, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2012

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development Direct Programs: Housing Counseling Assistance Program	14.169	HC10-0321-196	\$18,549
U.S. Department of Housing and Urban Development Pass-Through Program: West Virginia Housing Development Fund Home Investment Partnership Program	14.239	RFA #2012-02-06/ KISRA Putnam (2010-01-027)	<u>287,987</u>
Total Department of Housing and Urban Development			<u>306,536</u>
U.S. Department of Justice Direct Programs Second Chance Act Prisoner Re-entry	16.812	2011-CY-BY-0029/ 2009-CY-BX-0007	153,000
U.S. Department of Justice Pass-Through Programs: State of WV Division of Justice and Community Service – Edward Byrne Memorial Formula Grant	16.579	2012-DJ-BX-2370	16,250
Violence Against Women Formula Grant	16.588	10-VAWR-015	<u>2,217</u>
Total U.S. Department of Justice			<u>171,467</u>
U.S. Department of Labor Pass Through Program: State of WV Department of Health and Human Services	17.259	PY2011-SSA	<u>29,195</u>
Total U.S. Department of Labor			<u>29,195</u>
Small Business Administration Direct Programs Micro Loan Program Technical Assistance	59.046	SBAHQ-12-Y-005	<u>13,746</u>
Total Small Business Administration			<u>13,746</u>

Kanawha Institute for Social Research and Action, Inc.
Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended December 31, 2012

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Health and Human Services			
Direct Programs:			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0029-01-01 90FK0029-02-01	2,463,823
Administration for Children and Family Assets for Independent Demonstration Program	93.602	90E10617/01	<u>44,278</u>
			<u>2,508,101</u>
U.S. Department of Health and Human Services			
Pass-Through Program:			
State of WV Department of Health and Human Services			
Block Grants for Community Mental Health Services	93.958	G120098	56,911
West Virginia Department of Health and Human Resources			
Office of Maternal, Child and Family Health PREP	93.092	G110984	<u>39,357</u>
Total Department of Health and Human Services			<u>2,604,369</u>
Corporation for National and Community Service			
Pass-Through Programs:			
West Virginia Commission for National Services – AmeriCorps	94.006	06AFHW0010017	<u>102,545</u>
Total Corporation for National and Community Service			<u>102,545</u>
Total Expenditures of Federal Awards			<u>\$3,227,858</u>

Kanawha Institute for Social Research and Action, Inc.
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2012

Note A – Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of KISRA and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Kanawha Institute For Social Research and Action, Inc.
Schedule of Prior Audit Findings
Year Ended December 31, 2012

Section II – Findings – Financial Statement Audit

No matters were reported.

Section III – Findings and Questioned Costs – Major Federal Program Audit

No matters were reported.

Kanawha Institute for Social Research and Action, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2012

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

- Control deficiencies disclosed? ___ Yes x No
- Control deficiencies reported as a significant deficiency? ___ Yes x No
- Control deficiencies reported as a material weakness? ___ Yes x No
- Noncompliance material to financial statements notes? ___ Yes x No

Federal Awards

Internal control over major programs:

- Control deficiencies identified? x Yes ___ No
- Control deficiencies reported as a significant deficiency? x Yes ___ No
- Control deficiencies reported as material weaknesses? ___ Yes x No

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? x Yes ___ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.086	Fatherhood Program

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

Auditee qualified as low-risk auditee? ___ Yes x No

Kanawha Institute For Social Research and Action, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2012

Section II - Findings – Financial Statement Audit

No matters were reported.

Section III - Findings and Questioned Costs – Major Federal Program Audit

2012-1 Reporting

Condition: Due to confusion on how to report on the semi-annual reports expenses that were approved by the grantor to be incurred in the future but not yet determined, the Organization reported the expenses in question as expended.

Criteria: Expenses reported on the periodic reports should be for expenses paid or incurred for the period.

Effect: The Organization reported expenses on the periodic reports that were not yet expended or obligated.

Cause: Procedures in place to ensure that all expenses were incurred in the current period were not performed due to confusion as to the proper amount to report to the grantor.

Recommendation: The Organization should only report expenses expended or incurred as expended on the semi-annual reports.

Response: The Organization will attempt to more adequately reconcile expense reported periodically to the grantor.