

MERCER COUNTY FELLOWSHIP HOME, INC.
AUDITED FINANCIAL STATEMENTS
For Year Ended June 30, 2012

DHHR - Finance

JUN 30 2014

Date Received

MERCER COUNTY FELLOWSHIP HOME, INC.
AUDITED FINANCIAL STATEMENTS
For Year Ended June 30, 2012

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-----CERTIFIED PUBLIC ACCOUNTANTS-----

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December 13, 2012

To the Board of Directors of
Mercer County Fellowship Home, Inc.
Bluefield, WV 24701

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of assets, liabilities, and net assets – cash basis of Mercer County Fellowship Home, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of support, revenue, and expenses – cash basis, functional expenses – cash basis, and cash flows – cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in note A, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Mercer County Fellowship Home, Inc. as of June 30, 2012 and 2011, and its support, revenue, and expenses and its cash flows for the years then ended, on the basis of accounting described in note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of Mercer County Fellowship Home, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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* and should be considered in assessing the results of our audit.



Hollifield & Associates, PLLC

MERCER COUNTY FELLOWSHIP HOME, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -- CASH BASIS
June 30, 2012 and 2011

Assets	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 91,437	\$ 87,842
Total Current Assets	91,437	87,842
NONCURRENT ASSETS		
Buildings and Improvements	212,610	212,610
Furniture and fixtures	31,800	31,800
Vehicles	13,034	13,034
Land (not in use)	9,732	9,732
	267,176	267,176
Less accumulated depreciation	(194,380)	(185,204)
Total Capital Assets	72,796	81,972
TOTAL ASSETS	\$ 164,233	\$ 169,814
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payroll taxes withheld	\$ 2,555	\$ 374
Current portion of long-term debt	1,353	1,521
Total Current Liabilities	3,908	1,895
LONG TERM DEBT	-	2,895
TOTAL LIABILITIES	3,908	4,790
NET ASSETS		
Unrestricted	160,325	165,023
Total Net Assets	160,325	165,023
TOTAL LIABILITIES AND NET ASSETS	\$ 164,233	\$ 169,813

The notes to financial statements are an integral part of this statement.

MERCER COUNTY FELLOWSHIP HOME, INC.
STATEMENT OF SUPPORT, REVENUE, AND EXPENSE -- CASH BASIS
Year Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
SUPPORT		
WVDHHR	\$ 54,558	\$ 58,577
United Way	16,000	16,125
FCB - Hugh Shott Jr. Foundation	2,000	
Misc. Donations	4,240	7,745
Other Grants	5,000	5,000
Total Support	<u>81,798</u>	<u>87,447</u>
 REVENUE		
Rent	5,576	4,331
Other	2,550	2,283
Dividends	100	74
Food Stamp Revenues	14,071	15,467
Total Revenue	<u>22,297</u>	<u>22,155</u>
 Total Support and Revenue	<u>104,095</u>	<u>109,602</u>
 EXPENSES		
Program expenses	68,214	74,702
Administrative expenses	40,579	29,046
Total Expenses	<u>108,793</u>	<u>103,748</u>
 INCREASE IN NET ASSETS	 (4,698)	 5,853
 Net Assets at beginning of year	 <u>165,023</u>	 <u>159,170</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 160,325</u>	 <u>\$ 165,023</u>

The notes to financial statements are an integral part of this statement.

MERCER COUNTY FELLOWSHIP HOME, INC.
STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS
Year Ended June 30, 2012

	Department of Health & Human			Total
	Resource	United Way	General	
Wages	30,000	3,193	-	33,193
Payroll taxes	784	-	2,496	3,280
Building Maintenance	-	1,431	5,660	7,091
Depreciation	-	-	9,176	9,176
Food Supplies	-	-	14,071	14,071
Insurance	3,364	-	-	3,364
Accounting & Auditing	-	-	2,000	2,000
Housekeeping supplies	1,592	1,164	-	2,756
Miscellaneous	-	1,712	2,250	3,962
Office supplies	-	6,249	-	6,249
Travel	-	2,225	-	2,225
Utilities	16,500	-	2,523	19,023
Counselor	-	-	1,800	1,800
Interest	-	-	603	603
	52,240	15,974	40,579	108,793

The notes to financial statements are an integral part of this statement.

MERCER COUNTY FELLOWSHIP HOME, INC.
STATEMENT OF CASH FLOWS -- CASH BASIS
Year Ended June 30, 2012 and 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2012</u>	<u>2011</u>
Increase in Net Assets	\$ (4,698)	\$ 5,853
Adjust to reconcile increase in net assets to Net cash provided by operating activities:		
Depreciation	9,176	9,176
(Increase) Decrease in other assets	1,128	(73)
Increase (Decrease) in payroll taxes withheld	(24)	130
Total Adjustments	<u>10,280</u>	<u>9,233</u>
Net cash provided by operating activities	<u>5,582</u>	<u>15,086</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of long term debt	<u>(2,087)</u>	<u>(3,935)</u>
Net cash provided by financing activities	<u>(2,087)</u>	<u>(3,935)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividends received	<u>100</u>	<u>74</u>
Net cash provided by investing activities	<u>100</u>	<u>74</u>
Net increase in cash and cash equivalents	3,595	11,225
Cash and Cash Equivalents at Beginning of Year	<u>87,842</u>	<u>76,617</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 91,437</u>	 <u>\$ 87,842</u>

The notes to financial statements are an integral part of this statement.

MERCER COUNTY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Mercer County Fellowship Home, Inc. is a nonprofit corporation that provides temporary housing to individuals with substance abuse problems. Residents are provided counseling services leading to rehabilitation.

Basis of Accounting - The accompanying financial statements have been prepared using the cash basis of accounting, which recognizes revenue when cash is received and expenses when paid. The cash basis is an accepted basis of accounting other than U.S. generally accepted accounting principles.

Source of Revenue - Mercer County Fellowship Home, Inc., receives revenue in the form of grants from the West Virginia Department of Health and Human Resources, the United Way, and other area organizations when approved. Grants are recognized when grantor eligibility requirements are met and checks are received. Mercer County Fellowship Home, Inc. also receives revenue from rents paid by residents of the home and from private donations.

Support income reported in the financial statements includes revenues that have been received from organizations in the forms of grants or restricted donations, while Revenue income reported in the financial statements includes all other unrestricted donations, funds, or monies earned during the normal course of business.

When both restricted and unrestricted resources are available for use, it is the Home's policy to use restricted resources first, and then the unrestricted resources as needed. See Note D for information describing restricted assets.

Cash Equivalents - The organization considers checking, cash on hand, and food stamps as cash on the statements of cash flows.

Cash - Cash is on deposit with one F.D.I.C. insured institution. During the year the Home did not have any amounts over F.D.I.C. coverage. The cash and cash equivalents consist of the following for purpose of the cash flow statement.

All of the carrying values are the same as market value.

	Type	06/30/12 Amount	06/30/12 Interest Rate
Cash on Hand	N/A	271	N/A
Food Stamps on Hand	N/A	1,774	N/A
Demand Deposit Account	Checking	<u>89,392</u>	N/A
Total Cash & Cash Equivalents		<u>91,437</u>	

MERCER COUNTY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of the assets. The organization policy is to capitalize assets costing greater than \$1,000. The organization owns land, which is not in use.

Major classifications of capital assets of Mercer County Fellowship Home, Inc. along with their respective useful lives at June 30, 2012 are summarized below:

Classification	Useful Lives
Building & Improvements	20-40 years
Office equipment & furniture	5 -10 years
Vehicles	5 years

Use of Estimates - The organization, as do all entities, relies on management's estimates in the preparation of their financial statements. Actual results could differ from those estimates.

Income Taxes - The Fellowship Home has been granted an exemption from income taxes under Section 501-c-3 of the Internal Revenue Code and is not considered a private foundation.

NOTE B - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

	Balance at July 1, 2011	Additions	Retirements & Reclassifications	Balance at June 30, 2012
Land	\$ 9,732	\$ -	\$ -	\$ 9,732
Building & Improvements	212,610	-	-	212,610
Furniture and Fixtures	31,800	-	-	31,800
Vehicles	13,034	-	-	13,034
Total capital assets	\$ 267,176	\$ -	\$ -	\$ 267,176
Less accumulated depreciation:				
Land	-	-	-	-
Building & Improvements	150,349	4,141	-	154,490
Furniture and Fixtures	25,733	2,429	-	28,162
Vehicles	9,123	2,607	-	11,730
Total accumulated depreciation	185,205	9,176	-	194,381

MERCER COUNTY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2012

NOTE B - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance at July 1, 2010	Additions	Retirements & Reclassifications	Balance at June 30, 2011
Land	9,732	-	-	9,732
Building & Improvements	212,610	-	-	212,610
Furniture and Fixtures	31,800	-	-	31,800
Vehicles	13,034	-	-	13,034
Total capital assets	\$ 267,176	\$ -	\$ -	\$ 267,176
Less accumulated depreciation:				
Land	-	-	-	-
Building & Improvements	146,208	4,141	-	150,349
Furniture and Fixtures	23,304	2,429	-	25,733
Vehicles	6,517	2,607	-	9,124
Total Accumulated Dep.	176,029	9,177	-	185,206

NOTE C - LONG TERM DEBT

Vehicle Loan payable to First Community Bank, issued December 26, 2007, for 2006 Chrysler Town and County van in the amount of 13,034 at an annual interest rate of 7.125%; payable in monthly installments of \$259.51, including principal and interest, through December 2012.

Balance 6-30-10	Principal Payments	Annual Interest	Balance 6-30-11
\$ 7,106	\$ 2,690	\$ 513	\$ 4,416

Balance 6-30-11	Principal Payments	Annual Interest	Balance 6-30-12
\$ 4,416	\$ 3,063	\$ 603	\$ 1,353

The principal maturities of the bonds and related annual interest are as follows:

Year	Principal	Interest	Total
2013	1,353	32	1,385
	\$ 1,353	\$ 32	\$ 1,385

MERCER COUNTY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2012

NOTE D - RESTRICTED ASSETS

Support Funds - Under the terms and agreements of the WVDHHR grant, the United Way grant, and the Katharine B. Tierney Grant all monies are to be used for the operating activities of the Mercer County Fellowship Home, Inc.. Under the terms and agreements of the Community Foundation of the Virginias Grant monies are to be spend to purchase and install new carpet. Monies are to be tracked in order to show areas of support aided. Mercer County Fellowship Home, Inc. is currently in compliance with all grants tested.

NOTE E - RISK MANAGEMENT

The Home is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Home carries general liability and property insurance for these various risks. Amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE F - COMPARATIVE STATEMENTS

Certain items on the 2011 statements have been reclassified to make those statements comparable to the 2012 statements.

NOTE G - DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Home's deposits may not be returned to it. The non-pooled deposits are categorized to give an indication of the level of risk assumed by the Mercer County Fellowship Home, Inc. at fiscal year end.

The Home has no policy for interest rate risk.

6/30/2012		
Deposit Type	Book Balance	Bank Balance
Insured	89,203	89,392

6/30/2011		
Deposit Type	Book Balance	Bank Balance
Insured	87,034	87,034

NOTE H - SYSTEMS USERS

As of June 30, 2011, Mercer County Fellowship Home, Inc. served between 10 and 17 residents respectively.

MERCER COUNTY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2012

NOTE I - EQUITY CLASSIFICATIONS

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt -- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets -- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets -- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTE J - DONATED STOCK

Mercer County Fellowship Home, Inc., owns 245 shares of First Community Bank, which were donated to the Home. As of June 30, 2012, this stock had a market value of \$14.00 per share, for a total of \$3,430, however, the value and change in value of these shares of stock are not recorded in the accompanying statements because the statements are prepared on the cash basis of accounting. Dividends in the amount of \$100 were received during the year ended June 30, 2012, from the ownership of these shares of stock.

NOTE K - BUSINESS AND CREDIT CONCENTRATION

The organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

The categories listed below describe how Mercer County Fellowship Home, Inc.'s deposits are protected.

Category 1 - insured by FDIC

Category 2 - insured by FDIC up to the prevailing limit and by securities held by the pledging financial institution's trust department in the Home's name.

Category 3 - unsecured.

	<u>Category</u>			
	1	2	3	Totals
Checking	\$ 89,581	-	-	\$ 89,581
Food Stamps	-	-	1,774	1,774
Other cash and cash items	-	-	271	271
	<u>\$ 89,581</u>	<u>\$ -</u>	<u>\$ 2,045</u>	<u>\$ 91,626</u>

Mercer County Fellowship Home, Inc. relies heavily on grants from the West Virginia Department of Health and Human Resources and the United Way. For the year ended June 30, 2012, these sources accounted for 54,558 (53%) and 16,000 (16%) respectively of total support and revenue. Clients of the home pay rent usually in the form of food stamps, which are in turn used to purchase food for their use. Rental income was 18,452 or 19% of total support and revenue.

MERCER COUNTY FELLOWSHIP HOME, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2012

NOTE L - COMMISSIONERS

Commissioners of Mercer County Fellowship Home, Inc. are nominated by individual board members, if the nomination is accepted their name is placed on the ballot where the entire board can vote. Officers are selected based on a majority vote. The Commissioner of Mercer County Fellowship Home, Inc. at June 30, 2012 were:

Elaine Pedineau	Chairman
Karen Lilly	Secretary
Tish Coleman	Treasurer

NOTE M - SUBSEQUENT EVENTS

Subsequent events were reviewed up to the financial statement date of 12-13-12. Nothing that would have a material affect on the June 30, 2012 financial statements was noted.

Hollifield & Associates

-----CERTIFIED PUBLIC ACCOUNTANTS-----

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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
Mercer County Fellowship Home, Inc.
Bluefield, WV 24701

We have audited the financial statements of Mercer County Fellowship Home, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. (See Schedule of Findings and Response 2012-1) 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.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, the Board of Directors of Mercer County Fellowship Home, the West Virginia Department of Health and Human Resources, the United Way, West Virginia State Auditors Office, and any other grantor organizations or banks determined by Mercer County Fellowship Home, Inc. and is not intended to be and should not be used by anyone other than these specified parties.



Hollifield & Associates, PLLC

MERCER COUNTY FELLOWSHIP HOME, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2012

2012-1

SEGREGATION OF DUTIES

Condition: Responsibility for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction is not assigned to separate individuals. This is a repeat finding from prior years.

Criteria: An internal control system that has appropriate segregation of duties. The organization has implemented controls with the available staff.

Cause: The organization has limited staff to segregate duties properly.

Effect: Because of the failure to segregate duties, internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal

Recommendation: Responsibilities of approval, execution, recording and custody should be distributed among the office staff to the best degree possible. However, we recognize that complete segregation of duties is not economically feasible for the organization.

Response of Officials: The Board will segregate duties as much as possible with the limited staff available.