

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012 and 2011

DHHR - Finance

JUL 16 2014

Date Received

KANAWHA VALLEY FELLOWSHIP HOME, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012 and 2011

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Cash and Investment Activities – modified cash basis	3
Notes to Financial Statements	4-8
Schedule of Receipts and Expenditures of State Awards	9
Independent Auditor's Report on Internal Control Over Financial Reporting on Compliance and other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	10-11
Schedule of Findings	12



Independent Auditors' Report

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

We have audited the accompanying Statement of Cash and Investment Activities – modified cash basis for the Kanawha Valley Fellowship Home, Inc. for the years ended June 30, 2012 and 2011. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement based on our audit.


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

As described in Note 2, this financial statement has been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the Statement of Cash and Investment Activities of Kanawha Valley Fellowship Home, Inc. for the years ended June 30, 2012 and 2011, on the basis of accounting described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, on our consideration of Kanawha Valley Fellowship Home, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Dunbar, WV
December 3, 2012

Kanawha Valley Fellowship Home, Inc.
Statement of Cash and Investment Activities - modified cash basis
For the Years Ended June 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
Receipts:					
Donations	\$ 66,902	\$ -	\$ -	\$ 66,902	\$ 102,454
Grants	97,002	-	17,500	114,502	85,752
WV Dept. of Health	56,843	-	-	56,843	56,500
Residential Room & Board	34,186	-	-	34,186	33,150
United Way of Central WV	21,313	-	-	21,313	20,849
Interest and Dividend Income	8,753	-	-	8,753	7,828
Realized Gain on Investments	7,366	-	-	7,366	1,601
Miscellaneous Income	226	-	-	226	-
Changes in Net Assets	<u>(300,000)</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Receipts:	<u>(7,409)</u>	<u>300,000</u>	<u>17,500</u>	<u>310,091</u>	<u>308,134</u>
Disbursements:					
Construction - Room Additions	-	-	-	-	103,912
Vehicle Purchased	27,702	-	-	27,702	-
Wages	80,395	-	-	80,395	76,276
Utilities	21,419	-	-	21,419	19,701
Program Supplies and Food	14,999	-	-	14,999	16,775
Counseling	19,040	-	-	19,040	15,655
Fundraising	4,383	-	-	4,383	11,838
Employee Benefits and Taxes	6,173	-	-	6,173	8,227
Furniture and Equipment	-	-	-	-	6,617
Accounting	5,484	-	-	5,484	6,448
Insurance	6,520	-	-	6,520	5,553
Office Supplies	5,513	-	-	5,513	4,124
Miscellaneous	3,641	-	-	3,641	3,586
Resident Expense	3,609	-	-	3,609	3,416
Automobile Expense	2,216	-	-	2,216	3,276
Household Supplies	2,289	-	-	2,289	3,083
Repairs & Maintenance	4,962	-	-	4,962	1,591
Donation Costs	547	-	-	547	1,550
Reimbursed Expenses	965	-	-	965	1,392
Telephone	693	-	-	693	942
Marketing / Advertising	125	-	-	125	350
Total Disbursements:	<u>210,675</u>	<u>-</u>	<u>-</u>	<u>210,675</u>	<u>294,312</u>
Excess of Receipts Over Disbursements	(218,084)	300,000	17,500	99,416	13,822
Cash and Investments, Beginning of Year	<u>426,370</u>	<u>-</u>	<u>-</u>	<u>426,370</u>	<u>412,548</u>
Cash and Investments, End of Year	<u>\$ 208,286</u>	<u>\$ 300,000</u>	<u>\$ 17,500</u>	<u>\$ 525,786</u>	<u>\$ 426,370</u>
Supplemental Information:					
Checking Account	\$ 34,660	\$ -	\$ 17,500	\$ 52,160	\$ 29,911
Investment Account (at cost)	<u>173,626</u>	<u>300,000</u>	<u>-</u>	<u>473,626</u>	<u>396,459</u>
Total	<u>\$ 208,286</u>	<u>\$ 300,000</u>	<u>\$ 17,500</u>	<u>\$ 525,786</u>	<u>\$ 426,370</u>

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

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

NOTE 1. NATURE OF ORGANIZATION:

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

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

NOTE 2. ACCOUNTING POLICIES:

Method of Accounting – The financial statements have been prepared on the modified basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The modified basis of accounting differs from GAAP in that the modified basis of accounting recognizes revenue and expenses when they are received or paid and does not recognize amounts earned or incurred in the current period that are receivable or payable in the future. Also, under the modified basis of accounting, property and equipment is expensed as purchased and unrealized investment gains and losses are not recognized in the financial statement.

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

Support - Contributions and grants from individuals, businesses, foundations, trusts, etc. are generally available for unrestricted use in the year received unless specifically restricted by the donor. Contributions classified as temporarily restricted are subject to donor-imposed stipulations that may or will be met by actions of the Home and/or the passage of time. The Home follows the policy of recording contributions as unrestricted if all donor imposed requirements are met during the same year as received.

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

NOTE 2. ACCOUNTING POLICIES: continued

Estimates - The preparation of the financial statement in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3. INCOME TAX STATUS:

The Home is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Home has been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Home has no excise or unrelated business income taxes in 2011 or 2010. The Organization's federal information returns, Form 990, are subject to examination by the IRS, generally for three years after they are filed.

NOTE 4. LEASES:

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

NOTE 5. CONCENTRATIONS:

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

	<u>2012</u>	<u>2011</u>
WV Department of Health	18%	19%

NOTE 6. PROMISSORY NOTE:

The Organization signed a Promissory Note for \$25,000 received from the West Virginia Housing Development Fund on 4/7/06. There is no collateral on this note or interest. The proceeds were specifically designated for renovations of the new Home. The term of the note is for 10 years and if anytime during that 10 year period the Home does not provide the services as outlined in the loan agreement by providing housing and support to homeless persons, the Note will be repayable in

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

NOTE 6. PROMISSORY NOTE: continued

full. After the 10-year period of continuous full compliance, the Note shall be forgiven and not subject to repayment. Recognized interest expense for 2012 and 2011 on this loan was \$-0- as this is a cash basis financial statement.

NOTE 7. CASH AND INVESTMENT:

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

NOTE 8. RESTRICTED CASH:

The Home had the following restricted cash balances at June 30, 2012 and 2011:

Restricted:	<u>2012</u>	<u>2011</u>
Fiscal Year 2013	\$ 14,500	\$ -0-
Kitchen Improvements	<u>3,000</u>	<u>-0-</u>
Total:	<u>\$ 17,500</u>	<u>\$ -0-</u>

NOTE 9. BOARD DESIGNATED INVESTMENTS:

The Kanawha Valley Fellowship Home, Inc. has designated \$ 300,000 of their investments to be contributed to the building of a men's facility. This facility will be used as a treatment center.

Board Designated Investments:

	<u>2012</u>	<u>2011</u>
Building / Treatment Center	\$ 300,000	\$ -0-

NOTE 10. INVESTMENT ACCOUNT:

The Kanawha Valley Fellowship Home, Inc. held the following investments as of June 30, 2012 and 2011 that are reported on the Statement of Cash and Investment Activities – modified cash basis.

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

NOTE 10. INVESTMENT ACCOUNT: continued

	<u>2012</u>	<u>2011</u>
Beginning Balance: at fair market value	\$ 448,655	\$ 388,941
Transfer from (to) Checking Account	35,000	(20,000)
Realized Gain	7,366	1,601
Unrealized (Loss) Gain	(17,040)	44,696
Unrestricted Contributions of Stock	26,212	25,760
Foreign Tax Paid	(164)	(172)
Interest and Dividends	<u>8,753</u>	<u>7,829</u>
 Balance June 30: at fair market value	 <u>\$ 508,782</u>	 <u>\$ 448,655</u>

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

	<u>2012</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Cash Equivalents	\$ 225,200	\$ 225,200	\$ -0-
Stocks and Bonds	148,417	183,393	34,976
Certificate of Deposits	<u>100,009</u>	<u>100,189</u>	<u>180</u>
 Total Investments	 <u>\$ 473,626</u>	 <u>\$ 508,782</u>	 <u>\$ 35,156</u>
	<u>2011</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Cash Equivalents	\$ 82,801	\$ 82,801	\$ -0-
Stocks and Bonds	163,356	215,552	52,196
Certificate of Deposits	<u>150,302</u>	<u>150,302</u>	<u>-0-</u>
 Total Investments	 <u>\$ 396,459</u>	 <u>\$ 448,655</u>	 <u>\$ 52,196</u>

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

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

NOTE 10. INVESTMENT ACCOUNT: continued:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2012 or 2011.

Investment Account

The Investment Account is reported in the financial statement based on cost basis but shown above at market value. The values disclosed above are classified as Level 1 in the valuation hierarchy.

NOTE 11. FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional classifications of expenses are as follows:

	<u>2012</u>	<u>2011</u>
Program Services	\$172,092	\$242,797
Management and General	22,311	24,446
Fundraising	<u>16,272</u>	<u>27,069</u>
	<u>\$210,675</u>	<u>\$294,312</u>

NOTE 12. SUBSEQUENT EVENTS:

Management evaluated subsequent events through December 3, 2012, the date the financial statements were available to be issued.

THE KANAWHA VALLEY FELLOWSHIP HOME, INC.
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

<u>Grant Name</u>	<u>Grant Number</u>	<u>Period Covered</u>	<u>Award Amount</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
WV Department of Health and Human Resources	G120097	7/1/11-6/30/12	\$ 54,500	\$ 54,500	\$ 54,500
					<u>6/30/2012</u> 54,500

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



ROWAN & ASSOCIATES

PROFESSIONAL P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statement of Kanawha Valley Fellowship Home, Inc.; (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 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 Kanawha Valley Fellowship Home, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Home's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Kanawha Valley Fellowship Home, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

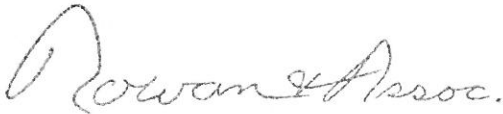
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kanawha Valley Fellowship Home, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings item 2012-1.

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

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



Dunbar, WV
December 3, 2012

KANAWHA VALLEY FELLOWSHIP HOME, INC.
SCHEDULE OF FINDINGS
June 30, 2012

Findings:

2012-1

Criteria-

West Virginia's system of workers compensation is compulsory, meaning that employers are required to provide worker's compensation insurance for their employees. This insurance may be provided through a state fund, or employers may self-insure. Waivers are not permitted.

Condition-

During our audit we found that the workers compensation insurance for the employees had lapsed and not been renewed. Also, it is not the intention for Kanawha Valley Fellowship Home, Inc. to self-insure.

Cause-

Management did not realize the policy had lapsed and since they were paying other insurance providers for different insurance coverage, management had incorrectly assumed that the worker's compensation was being covered.

Effect-

The effect of this noncompliance is that if one of the employees were to be injured on the job, then they would be able to seek financial restitution from Kanawha Valley Fellowship Home, Inc. which would not have any insurance coverage.

Recommendation-

Recommend that Kanawha Valley Fellowship Home, Inc. get worker's compensation coverage immediately. Also, we suggest that management come up with a process that this will not be overlooked in the future.

Management Response-

Upon discovering that Kanawha Valley Fellowship Home, Inc. did not have worker's compensation coverage, management immediately received coverage and it went into effect November 15, 2012.