

**MERCER COUNTY FELLOWSHIP HOME, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**For Year Ended June 30, 2013**

DHHR - Finance

JUN 30 2014

Date Received

**MERCER COUNTY FELLOWSHIP HOME, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**For Year Ended June 30, 2013**

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# Hollifield & Associates

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

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October 28, 2013

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

## INDEPENDENT AUDITOR'S REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mercer County Fellowship Home, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets—cash basis as of June 30, 2013 and 2012, 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, 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 the cash basis of accounting as described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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 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***

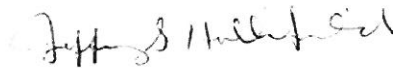
In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Mercer County Fellowship Home, Inc. as of June 30, 2013 and 2012, and its support, revenue, and expenses for the years then ended in accordance with the cash basis of accounting as described in Note A.

**Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, 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* in considering Mercer County Fellowship Home, Inc's internal control over financial reporting and compliance.



Jeffery S. Hollifield, CPA

**MERCER COUNTY FELLOWSHIP HOME, INC.**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -- CASH BASIS**  
**June 30, 2013 and 2012**

| Assets                                  | 2013              | 2012              |
|---|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                   |                   |                   |
| Cash and cash equivalents               | \$ 87,913         | \$ 91,437         |
| Total Current Assets                    | 87,913            | 91,437            |
| <b>NONCURRENT ASSETS</b>                |                   |                   |
| 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           | (198,483)         | (191,867)         |
| Total Capital Assets                    | 68,693            | 75,310            |
| <b>TOTAL ASSETS</b>                     | <b>\$ 156,605</b> | <b>\$ 166,747</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                   |                   |
| <b>CURRENT LIABILITIES</b>              |                   |                   |
| Payroll taxes withheld                  | \$ 746            | \$ 2,555          |
| Current portion of long-term debt       | -                 | 1,353             |
| Total Current Liabilities               | 746               | 3,908             |
| <b>LONG TERM DEBT</b>                   | -                 | -                 |
| <b>TOTAL LIABILITIES</b>                | <b>746</b>        | <b>3,908</b>      |
| <b>NET ASSETS</b>                       |                   |                   |
| Unrestricted                            | 155,859           | 162,839           |
| Total Net Assets                        | 155,859           | 162,839           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 156,605</b> | <b>\$ 166,747</b> |

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, 2013 and 2012**

|                                   | <b>2013</b>       | <b>2012</b>       |
|-----------------------------------|-------------------|-------------------|
| <b>SUPPORT</b>                    |                   |                   |
| WVDHHR                            | \$ 54,385         | \$ 54,558         |
| United Way                        | 10,666            | 16,000            |
| FCB - Hugh Shott Jr. Foundation   | -                 | 2,000             |
| Misc. Donations                   | 11,300            | 4,240             |
| Other Grants                      | -                 | 5,000             |
| Total Support                     | 76,351            | 81,798            |
| <br><b>REVENUE</b>                |                   |                   |
| Rent                              | 6,970             | 5,576             |
| Other                             | 2,115             | 2,550             |
| Dividends                         | -                 | 100               |
| Food Stamp Revenues               | 16,635            | 14,071            |
| Total Revenue                     | 25,720            | 22,297            |
| Total Support and Revenue         | 102,071           | 104,095           |
| <br><b>EXPENSES</b>               |                   |                   |
| Program expenses                  | 65,967            | 68,214            |
| Administrative expenses           | 46,931            | 40,579            |
| Total Expenses                    | 112,898           | 108,793           |
| <br><b>INCREASE IN NET ASSETS</b> |                   |                   |
|                                   | (10,827)          | (4,698)           |
| Net Assets at beginning of year   | 166,686           | 171,384           |
| <b>NET ASSETS AT END OF YEAR</b>  | <b>\$ 155,859</b> | <b>\$ 166,686</b> |

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, 2013**

|                       | <b>Department of<br/>Health &amp; Human</b> |                   |                  | <b>Total</b>      |
|-----------------------|---|-------------------|------------------|-------------------|
|                       | <b>Resource</b>                             | <b>United Way</b> | <b>General</b>   |                   |
| Wages                 | \$ 30,000                                   | \$ 4,730          | \$ -             | \$ 34,730         |
| Payroll taxes         | 5,053                                       | 756               | -                | 5,809             |
| Building Maintenance  | -   | 1,933             | 2,513            | 4,445             |
| Depreciation          | -   | -                 | 6,616            | 6,616             |
| Food Supplies         | -   | -                 | 15,614           | 15,614            |
| Insurance             | 2,879                                       | -                 | -                | 2,879             |
| Accounting & Auditing | -   | -                 | 2,500            | 2,500             |
| Housekeeping supplies | 1,592                                       | -                 | 1,658            | 3,250             |
| Miscellaneous         | -   | -                 | 6,704            | 6,704             |
| Office supplies       | -   | -                 | 6,627            | 6,627             |
| Travel                | -   | 2,546             | -                | 2,546             |
| Utilities             | 16,478                                      | -                 | -                | 16,478            |
| Counselor             | -   | -                 | 4,700            | 4,700             |
|                       | <u>\$ 56,002</u>                            | <u>\$ 9,965</u>   | <u>\$ 46,931</u> | <u>\$ 112,898</u> |

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, 2013 and 2012**

| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  | <u>2013</u>             | <u>2012</u>             |
|---|-------------------------|-------------------------|
| Increase in Net Assets  | \$ (10,827)             | \$ (4,698)              |
| Adjust to reconcile increase in net assets to<br>Net cash provided by operating activities: |                         |                         |
| Depreciation  | 6,616                   | 9,176                   |
| (Increase) Decrease in other assets   | 3,736                   | 1,128                   |
| Increase (Decrease) in payroll taxes withheld   | (1,809)                 | (24)                    |
| Total Adjustments   | <u>8,543</u>            | <u>10,280</u>           |
| Net cash provided by operating activities   | <u>(2,284)</u>          | <u>5,582</u>            |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                         |                         |
| Payment of long term debt   | <u>(1,353)</u>          | <u>(2,087)</u>          |
| Net cash provided by financing activities   | (1,353)                 | (2,087)                 |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                         |                         |
| Dividends received  | <u>113</u>              | <u>100</u>              |
| Net cash provided by investing activities   | 113                     | 100                     |
| Net increase in cash and cash equivalents   | (3,524)                 | 3,595                   |
| Cash and Cash Equivalents at Beginning of Year  | <u>91,437</u>           | <u>87,842</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <u><u>\$ 87,913</u></u> | <u><u>\$ 91,437</u></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, 2013**

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<br>Amount | 06/30/12<br>Interest Rate |
|-------------------------------|----------|--------------------|---------------------------|
| Cash on Hand                  | N/A      | 37                 | N/A                       |
| Food Stamps on Hand           | N/A      | 474                | N/A                       |
| Demand Deposit Account        | Checking | 87,402             | N/A                       |
| Total Cash & Cash Equivalents |          | 87,913             |                           |

**MERCER COUNTY FELLOWSHIP HOME, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
Year Ended June 30, 2013**

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, 2013 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<br>July 1, 2012 | Additions | Retirements &<br>Reclassifications | Balance at<br>June 30, 2013 |
|--------------------------------|----------------------------|-----------|------------------------------------|-----------------------------|
| 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        | 154,489                    | -         | -                                  | 158,630                     |
| Furniture and Fixtures         | 25,647                     | -         | -                                  | 26,820                      |
| Vehicles                       | 11,730                     | -         | -                                  | 13,034                      |
| Total accumulated depreciation | 191,866                    | -         | -                                  | 198,483                     |

**MERCER COUNTY FELLOWSHIP HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Year Ended June 30, 2013**

**NOTE B - CAPITAL ASSETS (CONTINUED)**

Capital assets activity for the year ended June 30, 2013, was as follows:

|                                | Balance at<br>July 1, 2012 | Additions    | Retirements &<br>Reclassifications | Balance at<br>June 30, 2013 |
|--------------------------------|----------------------------|--------------|------------------------------------|-----------------------------|
| Land                           | 9,732                      | -            | -                                  | 9,732                       |
| Building & Improvements        | 212,610                    | -            | -                                  | 212,610                     |
| Furniture and Fixtures         | 31,800                     | -            | -                                  | 31,800                      |
| Vehicles                       | 13,034                     | -            | -                                  | 13,034                      |
| <b>Total capital assets</b>    | <b>\$ 267,176</b>          | <b>\$ -</b>  | <b>\$ -</b>                        | <b>\$ 267,176</b>           |
| Less accumulated depreciation: |                            |              |                                    |                             |
| Land                           | -                          | -            | -                                  | -                           |
| Building & Improvements        | 150,349                    | 4,139        | -                                  | 154,488                     |
| Furniture and Fixtures         | 25,733                     | -            | -                                  | 25,648                      |
| Vehicles                       | 9,124                      | 2,606        | -                                  | 11,730                      |
| <b>Total Accumulated Dep.</b>  | <b>185,206</b>             | <b>6,745</b> | <b>-</b>                           | <b>191,866</b>              |

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

| Balance<br>6-30-12 | Principal<br>Payments | Annual<br>Interest | Balance<br>6-30-12 |
|--------------------|-----------------------|--------------------|--------------------|
| \$ 1,353           | \$ 1,353              | \$ 206             | \$ -               |

**MERCER COUNTY FELLOWSHIP HOME, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 Year Ended June 30, 2013**

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 2012 statements have been reclassified to make those statements comparable to the 2013 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.

| 06/30/13     |              |              |
|--------------|--------------|--------------|
| Deposit Type | Book Balance | Bank Balance |
| Insured      | 87,402       | 87,402       |

| 06/30/12     |              |              |
|--------------|--------------|--------------|
| Deposit Type | Book Balance | Bank Balance |
| Insured      | 89,203       | 89,392       |

NOTE H - SYSTEMS USERS

As of June 30, 2013, 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, 2013**

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, 2013, 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 \$113 were received during the year ended June 30, 2013, 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                  | \$ 87,402        | -           | -               | \$ 87,402        |
| Food Stamps               | -                | -           | 474             | 474              |
| Other cash and cash items | -                | -           | 37              | 37               |
|                           | <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, 2013, these sources accounted for 54,386 (54%) and 10,666 (11%) 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 16,635 or 17% of total support and revenue.

**MERCER COUNTY FELLOWSHIP HOME, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
Year Ended June 30, 2013**

**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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**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  
Mercer County Fellowship Home, Inc.  
Bluefield, WV 24701

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 Mercer County Fellowship Home, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—cash basis as of June 30, 2013, and the related statements of support, revenue, and expenses—cash basis, functional expenses—cash basis, and cash flows—cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2013.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mercer County Fellowship Home, 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 Mercer County Fellowship Home, 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.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (See Schedule of Findings and Responses 2013-1)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mercer County Fellowship Home, 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*.

### **Mercer County Fellowship Home, Inc's Response to Findings**

Mercer County Fellowship Home, Inc's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Mercer County Fellowship Home, Inc's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

Jeffery S. Hollifield, CPA



**MERCER COUNTY FELLOWSHIP HOME, INC.**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2013**

**2013-1**

**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 course of performing their assigned functions.

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.