

DAYMARK, INC.
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

DHHR - Finance

JUL -3 2014

Date Received

DHHR - Finance

JUL -2 2014

Date Received

DAYMARK, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2013

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14
Schedule of Receipts and Expenditures of State Awards	15
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	16-17
Schedule of Findings and Questioned Costs	18



INDEPENDENT AUDITORS' REPORT

Board of Directors
Daymark, Inc.
Charleston, WV

We have audited the accompanying financial statements of Daymark, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2013, 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.

Auditors' 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 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 Daymark, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

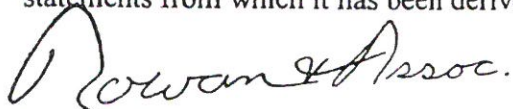
In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2013, on our consideration of Daymark, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Daymark, Inc.'s internal control over financial reporting and compliance.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Receipts and Expenditures of State Award on page 15 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.

Report on Summarized Comparative Information

We have previously audited Daymark, Inc.'s June 30, 2012 financial statements, and in our report dated September 11, 2012, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Dunbar, WV
September 3, 2013

DHHR - Finance

JUL -2 2014

Date Received

DAYMARK, INC
STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2013
With Comparative Totals for 2012

Assets:	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash - Operating	\$ 105,399	\$ 82,505
Cash - Health Claims Account	<u>74,291</u>	<u>66,071</u>
Total Cash	<u>179,690</u>	<u>148,576</u>
Pledges Receivable	45,756	41,046
Accounts Receivable Net of Allowance for Uncollectable Accounts of \$2,393 and \$2,393	150,177	155,252
Inventory	-	1,161
Prepaid Assets	<u>17,993</u>	<u>17,966</u>
Total Current Assets:	<u>393,616</u>	<u>364,001</u>
Noncurrent Assets:		
Land, Building, Furniture, and Equipment Net of Accumulated Depreciation	<u>539,168</u>	<u>575,881</u>
Total Assets	<u>\$ 932,784</u>	<u>\$ 939,882</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts Payable	\$ 25,385	\$ 22,956
Governmental Advances and Refunds Payable	65,028	68,673
Accrued Employee Wages & Benefits	75,327	66,884
Line of Credit	63,159	90,659
Health Claims Liability	78,061	66,638
Note Payable - Current Portion	<u>7,690</u>	<u>7,066</u>
Total Current Liabilities	<u>314,650</u>	<u>322,876</u>
Noncurrent Liabilities:		
Note Payable (Net of Current Portion)	<u>17,478</u>	<u>25,168</u>
Total Liabilities	<u>332,128</u>	<u>348,044</u>
Net assets:		
Unrestricted	553,156	530,238
Temporarily Restricted	<u>47,500</u>	<u>61,600</u>
Total Net Assets	<u>600,656</u>	<u>591,838</u>
Total Liabilities and Net Assets	<u>\$ 932,784</u>	<u>\$ 939,882</u>

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

DAYMARK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
With Comparative Totals for 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Revenues and Other Support:				
Contributions	\$ 48,569	\$ 14,000	\$ 62,569	\$ 132,319
Less Charitable Trust Default	-	-	-	(102,737)
Contributions In-kind	29,183	-	29,183	27,029
United Way	-	67,118	67,118	62,775
Special Events	213,471	-	213,471	182,789
Less Direct Costs	(36,111)	-	(36,111)	(18,799)
Health & Human Services	215,667	-	215,667	240,841
Medicaid	383,321	-	383,321	403,796
DHHR	868,013	-	868,013	813,123
Child Nutrition	-	-	-	7,893
City of Charleston- C.D.B.G.	18,880	-	18,880	18,900
City of Charleston- Emergency	32,490	-	32,490	32,490
Other	7,638	-	7,638	11,564
Net Assets Released from Restriction	95,218	(95,218)	-	-
Total Increases in Net Assets	<u>1,876,339</u>	<u>(14,100)</u>	<u>1,862,239</u>	<u>1,811,983</u>
Expenses:				
New Connections	468,153	-	468,153	444,335
Patchwork	480,562	-	480,562	517,356
Turning Point	709,826	-	709,826	723,992
Total Program Costs	<u>1,658,541</u>	-	<u>1,658,541</u>	<u>1,685,683</u>
Administration	151,550	-	151,550	140,076
Fundraising	43,330	-	43,330	18,013
Total Decreases in Net Assets	<u>1,853,421</u>	-	<u>1,853,421</u>	<u>1,843,772</u>
Change in Net Assets	22,918	(14,100)	8,818	(31,789)
Net Assets - Beginning of the Year	<u>530,238</u>	<u>61,600</u>	<u>591,838</u>	<u>623,627</u>
Net Assets - End of the Year	<u>\$ 553,156</u>	<u>\$ 47,500</u>	<u>\$ 600,656</u>	<u>\$ 591,838</u>

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

DAYMARK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
With Comparative Totals for 2012

Description	Program Services			Administrative	Fundraising	2013 Expenses	2012 Expenses	Description	
	New Connections	Patchwork	Turning Point						
Wages	\$ 258,396	\$ 257,840	\$ 388,682	\$ 904,918	\$ 69,018	\$ 10,285	\$ 984,221	\$ 974,944	Wages
Benefits Expense	81,161	86,506	116,559	284,226	19,194	1,619	305,039	304,082	Benefits Expense
Payroll Taxes Expense	27,235	25,638	38,311	91,184	9,212	801	101,197	100,317	Payroll Taxes Expense
Insurance	20,842	19,115	20,144	60,101	5,596	-	65,697	63,937	Insurance
Rent & Utilities	19,141	7,573	21,669	48,383	3,272	-	51,655	50,365	Rent & Utilities
Client Assistance	4,874	11,200	29,795	45,869	-	-	45,869	56,864	Client Assistance
Repairs & Maintenance	9,392	10,353	10,371	30,116	-	-	32,951	34,873	Repairs & Maintenance
Food	7,450	8,830	34,616	50,896	-	-	50,896	44,174	Food
Depreciation	17,374	20,694	10,152	48,220	2,053	-	50,273	47,861	Depreciation
Medicaid Expense	-	10,447	8,219	18,666	-	-	18,666	20,582	Medicaid Expense
Professional Fees	850	716	1,874	3,440	16,430	-	19,870	26,830	Professional Fees
Household Expense	-	2,767	9,239	12,006	-	-	12,006	13,526	Household Expense
Phone	957	1,523	3,240	5,720	5,164	-	10,884	13,955	Phone
Office Supplies	3,944	2,541	5,688	12,173	2,808	-	14,981	15,555	Office Supplies
Dues & Subscriptions	1,738	1,933	2,466	6,137	708	-	6,845	13,905	Dues & Subscriptions
Conference & Meetings	13,528	2,430	2,903	18,861	6,106	-	24,967	9,922	Conference & Meetings
Staff Travel	276	3,413	382	4,071	2,025	-	6,096	5,216	Staff Travel
Resource Material	819	619	1,377	2,815	-	-	2,815	8,871	Resource Material
Interest	-	-	2,469	2,469	3,302	-	5,771	3,941	Interest
Miscellaneous	-	60	200	260	2,655	-	2,915	6,208	Miscellaneous
Fundraising	-	-	-	-	-	30,625	30,625	14,324	Fundraising
Community Education	100	5,634	373	6,107	36	-	6,143	2,379	Community Education
Postage	-	51	561	612	1,136	-	1,748	1,612	Postage
Employee Recruiting	76	679	536	1,291	-	-	1,291	-	Employee Recruiting
TOTAL	\$ 468,153	\$ 480,562	\$ 709,826	\$ 1,658,541	\$ 151,550	\$ 43,330	\$ 1,853,421	\$ 1,843,772	TOTAL

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

DAYMARK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013
With Comparative Totals for 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From (Used) for Operating Activities:		
Change in Net Assets	\$ 8,818	\$ (31,789)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	50,273	47,861
Non-Cash Reduction in Notes Payable	(7,066)	(6,492)
Decrease in Accounts and Pledges Receivable	365	94,001
Decrease in Inventory	1,161	464
(Increase) Decrease in Other Assets	(27)	7,641
Increase in Accounts Payable	2,429	6,073
(Decrease) Increase in Governmental Advances & Refunds	(3,645)	14,366
Increase (Decrease) in Accrued Employee Benefits	8,443	(15,672)
Increase (Decrease) in Health Liability	<u>11,423</u>	<u>(17,105)</u>
Net Cash Flows Provided by Operating Activities	<u>72,174</u>	<u>99,348</u>
Cash Flows to Investing Activities:		
Purchases of Equipment and Improvements	<u>(13,560)</u>	<u>(18,336)</u>
Cash Used by Investing Activities	<u>(13,560)</u>	<u>(18,336)</u>
Cash Flows to Financing Activities:		
Payments on Line of Credit	(95,000)	(96,051)
Proceeds from Line of Credit	<u>67,500</u>	<u>45,000</u>
Cash Used by Financing Activities	<u>(27,500)</u>	<u>(51,051)</u>
Net Increase in Cash and Cash Equivalents	31,114	29,961
Cash and Cash Equivalents at the Beginning of the Year	<u>148,576</u>	<u>118,615</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 179,690</u>	<u>\$ 148,576</u>
Other Information:		
Non-cash gifts in-kind	\$ 29,183	\$ 27,029
Interest Expense	\$ 3,302	\$ 5,801

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

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of business:

Turning Point-A professional foster care program for youth in state custody between the ages 15 and 20. Combined, two residential homes house eleven youth. The programs are staffed with House Parents, Youth Workers and relief staff. The program is designed to assist youth in meeting educational and vocational needs as well as learning to rely on themselves and live independently.

Patchwork-Patchwork serves as a shelter and crisis intervention center for youth in high risk situations ages 11 through 17 by providing free, confidential, voluntary, and licensed services 24 hours a day, 7 days a week. Patchwork is licensed to aid five youth. Services are performed through individual, group, family contact, telephone and walk-in counseling and information and referral. The goals of Patchwork include meeting the needs of youth in a crisis, reunite them with their families while strengthening the family relationship, and assisting in establishing stable living conditions for youth other than institutions while increasing self-esteem.

New Connections-A social service program that helps youth between the ages of 16 and 21 obtain their GED and assists them in learning how to live independently. They also work with homeless youth in providing a temporary place to live, life skills training, job search and job skill training, support groups, meals, transportation, and minor emergency financial assistance. Daymark's Street Outreach program provides services to youth living on the streets, at risk of living on the streets, and in unstable situations by reaching out to them. The Street Outreach program seeks to increase young people's safety, well-being, and self-sufficiency, and to help them build permanent connections with caring adults with the goal of getting them off the streets.

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Daymark, Inc. and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Daymark, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, any temporary restriction met in the same period that it was received is recognized as unrestricted in the period of receipt.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Contributions:

Contributions, including pledges to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give which include all government awards are recognized as income when the conditions on which they depend are substantially met. Unconditional promises to give that are due in the next year are recorded at their estimated net realizable value.

Property and Equipment:

Property and equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Daymark, Inc. follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Cash

Daymark, Inc. considers cash, money market funds, and bank deposits that are available on demand to be cash. During the year ended June 30, 2013, cash did not exceed Federal Deposit Insurance Corporation or Securities Protection Investor Corporation insurance.

Contributed Facilities, Services, and Goods:

Contributed facilities and services represent the estimated fair rental value of space used in Daymark's programs. The City of Charleston has donated the interest and principle payments due on a mortgage of one of Daymark's Turning Point homes totaling \$9,535. Contributed services and facilities are reflected in the financial statements at the fair value of the facility or services received. Such donations totaled \$25,095 for the year ended June 30, 2013 and \$13,777 for the year ended June 30, 2012. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No services met these criteria during the years ended June 30, 2013 or June 30, 2012. Also, contributions of materials and supplies are recognized at fair market value at date of gift. Such donations total \$4,088 and \$13,252 for the years ended June 30, 2013 and 2012, respectively.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Inventories:

Inventories are recorded at cost or at estimated fair value at the date of gift.

Income Taxes:

Daymark, Inc. is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for Federal income taxes. In addition, Daymark, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. Daymark has no excise or unrelated business income taxes in 2012 or 2013. The Organization's 2011, 2012, and 2013 federal information returns, Form 990, are subject to examination by the Internal Revenue Service.

Functional Allocation of Expenses:

The costs of providing Daymark, Inc's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on employee time records, square feet of area used, etc.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. PLEDGES and ACCOUNTS RECEIVABLE

Pledges Receivable - All pledges receivable are due from United Way of Central WV Incorporated. All contributions receivable at June 30, 2013 and 2012 are believed to be fully collectible; consequently, no allowance for uncollectible amounts is appropriate.

Accounts Receivable - All accounts receivable are due from various agencies of the City, State, Federal government, or others and, there is an allowance for uncollectible accounts of \$2,393 at June 30, 2013. Accounts are charged off against the allowance account when they are determined to be uncollectible. Accounts over 90 days at June 30, 2013 and June 30, 2012 were \$7,080 and \$11,538.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. RETIREMENT PLAN

Effective January 1, 1987 Daymark, Inc. established a noncontributory, defined contribution pension plan covering all employees who are at least 21 years old and have more than one year of service. Effective January 1, 2008 Daymark, Inc. amended the plan to be a 401(k) profit sharing plan in which participants can contribute to the pension plan. Under the provisions of the Plan, Daymark, Inc. may, but is not required to contribute to the pension plan. Pension expense for the years ended June 30, 2013 and June 30, 2012 was \$49,572 and \$43,431 respectively.

NOTE 4. PROPERTY AND EQUIPMENT

At June 30, 2013 and June 30, 2012, the major classes of property and equipment are summarized as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 96,248	\$ 96,248
Building and improvements	745,804	734,244
Furniture and equipment	<u>172,362</u>	<u>194,234</u>
	1,014,414	1,024,726
Less accumulated depreciation	<u>(475,246)</u>	<u>(448,845)</u>
	<u>\$ 539,168</u>	<u>\$ 575,881</u>

NOTE 5. LINE OF CREDIT

Daymark, Inc. has a \$200,000 line of credit available payable on demand that is secured by a deed of trust on the Patchwork house and land. As of June 30, 2013, and 2012 the balance due on the line of credit was \$63,159 and \$90,659 respectively, with an interest rate of 3.25% for both years.

NOTE 6. LONG TERM DEBT

During the year ended June 30, 1996, Daymark, Inc. financed construction of its Turning Point facility with a loan from the City of Charleston which totaled \$91,557. This loan, which has an imputed interest rate of 8.5 percent, is to be repaid over twenty years beginning July 1, 1996. While the City holds a deed of trust on this property, it has agreed to forgive each monthly payment as long as Daymark, Inc. continues to operate its Turning Point program within very general guidelines. Future principal payments are summarized as follows:

Year ended June 30, 2014	\$ 7,690
Year ended June 30, 2015	8,370
Year ended June 30, 2016	<u>9,108</u>
	<u>\$25,168</u>

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. GOVERNMENTAL ADVANCES AND REFUNDS PAYABLE

Daymark, Inc. has received certain overpayments from West Virginia Department of Health and Human Resources and advances on federal grants. Daymark, Inc. has responded to these overpayments by contacting the West Virginia Department of Health and Human Resources and letting them know of the overpayments. Daymark, Inc. explains the reason for the overpayment and requests that their records be corrected so the money can be returned. These following amounts are in Governmental Advances and Refunds Payable.

	<u>2013</u>	<u>2012</u>
Overpayments	\$ 65,028	\$ 67,609
Transitional Living Program	<u>-0-</u>	<u>1,064</u>
	<u>\$ 65,028</u>	<u>\$ 68,673</u>

Governmental advances and refunds payable outstanding:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 10,721	\$ 14,366
More than five years	<u>54,307</u>	<u>54,307</u>
	<u>\$ 65,028</u>	<u>\$ 68,673</u>

NOTE 8. DEFINED CONTRIBUTION MEDICAL REIMBURSEMENT PLAN

As of August 1, 2002, Daymark, Inc. established a plan, which is maintained for the exclusive benefit of employees and is intended to constitute a medical reimbursement plan under Section 105(h) of the Internal Revenue Code. Daymark, Inc. has decided to contribute for each employee an amount of \$1,000 per year and the employee must present qualified medical expenses for reimbursement. The Organization contributes on a monthly basis to a plan administrator to cover the expenses that will be incurred. At June 30, 2013, the Organization has accumulated \$ 74,291 in a health claims cash account and they have accumulated \$ 78,061 in liabilities for medical reimbursements. The continuing balance of a participant's account is based upon the amount that they have vested, which is determined based on percentages in which the 1st year would be 20% and after 5 years they would be fully vested at 100%. Any unvested forfeited amounts can be used to offset future payments to the plan.

NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Daymark, Inc. discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, Daymark, Inc. discloses both the change and the reasons of the change.

Daymark, Inc. estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements. The estimated fair value amounts have been determined by Daymark, Inc. using appropriate valuation methodologies.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS: continued

The organization's financial instruments consist primarily of cash, pledges receivables, receivables and accrued liabilities.

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:

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.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2013.

Pledges Receivable

Pledges receivable consist current pledges valued at the face amount of the gift and are classified as Level 2 of the valuation hierarchy.

Receivables

Receivables are valued at their estimated net collectible amount and are classified as Level 2 of the valuation hierarchy.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS: continued

Accruals

Accruals are valued at present value and are classified as Level 2 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Pledges Receivable	\$ -0-	\$ 45,756	\$ -0-	\$ 45,756
Receivables	-0-	150,177	-0-	150,177
Accruals	-0-	332,128	-0-	332,128

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Pledges Receivable	\$ -0-	\$ 31,546	\$ 9,500	\$ 41,046
Receivables	-0-	155,252	-0-	155,252
Accruals	-0-	348,044	-0-	348,044

NOTE 10. CONTINGENCIES

Third-party payers may assert claims arising from services provided to clients in the past and from retroactive adjustments. As no third-party payers have assessed adjustments, the management of Daymark, Inc. is unable to estimate the ultimate cost, if any, of the settlement of such potential claims, and accordingly, no additional accruals have been made for them.

NOTE 11. COMPARATIVE 2012 AMOUNTS

The amounts shown for the period ended June 30, 2012 in the accompanying financial statements are included to provide a basis for comparison with 2013 and represent summarized totals only. Accordingly, the 2012 amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12. TEMPORARILY RESTRICTED FUNDS

At June 30, 2013 and June 30, 2012 funds with restrictions are as follows:

	<u>6-30-2013</u>	<u>6-30-2012</u>
United Way of Central WV (time restriction)	\$ 33,500	\$ 31,300
Schoenbaum Annuity Trusts (time restriction)	-0-	9,500
Tutoring - ECA Foundation	14,000	-0-
Street Outreach	-0-	19,554
Kitchen Repairs	-0-	1,246
	<u>\$ 47,500</u>	<u>\$ 61,600</u>

NOTE 13. CONCENTRATION OF REVENUE SOURCES AND RECEIVABLES

During the year, Daymark, Inc. received significant portions of its total revenue from the following sources and receivables:

	<u>2013</u>	<u>2012</u>
Department of Health and Human Resources	46%	42%
Other governmental agencies	34%	37%
United Way of Central WV	4%	4%
	<u>84%</u>	<u>87%</u>

NOTE 14. SUBSEQUENT EVENTS

Management evaluated subsequent events through September 3, 2013, the date the financial statements were available to be issued.

NOTE 15. RECEIPT OF GIFT HELD IN TRUST

During September 1997 Daymark, Inc. was notified that it is the beneficiary of six funded trusts. Through these trusts the donor has promised to give \$12,500 per year until the year 2021 and gradually smaller amounts, as the trusts expire, until the final trust is terminated in year 2030. This gift was originally recorded at its net present value of \$149,826 in the temporarily restricted net assets.

Due to adverse market conditions, the trust has exhausted its funds and there was a final distribution of \$9,500 during the year ended June 30, 2013. The trust was not able to satisfy any future distribution requirements. For fiscal year ending June 30, 2012, the financial statements recognized \$102,737 as a contra income amount that adjusts the net present value of the trust to the estimated collectible amount.

DAYMARK, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 Year Ended June 30, 2013

State Grantor	Grant Number	Award Amount	Receipts 7/1/2012- 6/30/2013	Expenditures 7/1/2012- 6/30/2013
<u>West Virginia Department of Health and Human Services</u>				
Crisis Counseling and Independent Living Services for Youth.				
(7/1/2012-6/30/2013)	G130484	\$ 140,090	\$ 140,090	\$ 140,090
Transition to Independence Process: A WV Community of Practice				
(9/30/2012-9/29/2013)	G130736	\$ 47,000	\$ 19,219	\$ 19,219

(report done on accrual basis)



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*

Board of Directors
Daymark, Inc.
Charleston, WV

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 Daymark, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 3, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Daymark, 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 Daymark'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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as described by reference number 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Daymark, 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*.

Daymark Inc.'s Response to Finding

Daymark Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Daymark, 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.



Dunbar, WV
September 3, 2013

DHHR - Finance

JUL -2 2014

Date Received

DAYMARK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2013-1 *Criteria-*

Part of the mission of Daymark, Inc. is the protection of children, and one aspect is the protection of the children's money. We have found that the children's money collected for rent was not managed effectively.

Condition-

During our testing of Daymark's rent collection procedures we found that monies were not deposited for as long as three months after being collected and recorded in the receipt book. We also found that the amount of rent revenue recorded in the general ledger was understated by \$715 compared to the amount that is documented for rent due during the fiscal year ended June 30, 2013.

Context-

The Transitional Living program has 5 apartments on site. Daymark, Inc. charges a small amount of rent which helps the client understand the rent process and teaches independent living skills. Each client pays \$75 a month for rent. If a client is not employed upon entering into the program, a waiver can be issued until the client is employed and is able to pay rent. At full capacity, total rent would not exceed \$4,500 per fiscal year which is not material to Daymark, Inc.'s financial statements.

Cause-

Lack of a system for recognizing a receivable for each month's rent as it becomes due so that past due amounts can be promptly investigated.

Effect-

The effect of improper collection procedures could lead to diversion of funds collected from youth in Daymark's care.

Recommendation-

We recommend that monies collected for rent should be deposited in a bank account within a reasonable amount of time and someone other than the person who deposits the funds should reconcile the amount recorded in the receipt book to the bank statement. We also recommend the rent should be recorded in accounts receivable so management can investigate any late receipts.

Management Response-

We agree with the recommendation that rent should be recorded in accounts receivable by the Director of Finance. The New Connections Staff Assistant will receive all monies and provide all receipts to clients. The Case Manager will issue all waivers. The Financial Director will reconcile all waivers and receipts each month. Rent money will be deposited in a timely manner.