

**THE UPSHUR UNITED METHODIST
COOPERATIVE PARISH**

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

DECEMBER 31, 2014

DHHR - Finance

JAN - 3 2017

Date Received

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Upshur United Methodist Cooperative Parish

Report on the Financial Statements

We have audited the accompanying financial statements of The Upshur United Methodist Cooperative Parish (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that 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 The Upshur United Methodist Cooperative Parish as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal and state funds is presented for purpose 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of The Upshur United Methodist Cooperative Parish'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 The Upshur United Methodist Cooperative Parish's internal control over financial reporting and compliance.

Detrick, Bartlett, P.A.C.

June 29, 2015

THE UPSHUR UNITED METHODIST COOPERATIVE PARISH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

Assets	
Current Assets	
Cash	\$ 82,198
Employee receivable	3,244
Prepaid insurance	<u>1,043</u> \$ 86,485
Property and Equipment	
Property and equipment	745,716
Accumulated depreciation	<u>(203,227)</u> <u>542,489</u>
Total assets	<u>628,974</u>
Liabilities	
Current Liabilities	
Current portion of long-term debt	13,186
Accounts payable	2,716
Accrued expenses	<u>889</u>
Total liabilities	<u>16,791</u>
Net Assets	
Unrestricted	<u>612,183</u>
Total net assets	<u>\$ 612,183</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

**THE UPSHUR UNITED METHODIST COOPERATIVE PARISH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Support and Revenues

Grant income	\$ 49,059	
Clothes Closet Sales	75,487	
Work team income	26,600	
Conference income	16,660	
Rental income	6,600	
Neighbors Hall House income	867	
Exchange and youth program income	3,028	
Reimbursements	11,407	
Gifts and donations	96,134	
Interest income	8	\$ 285,850
	<u>8</u>	

Expenses

Salaries and wages	79,097	
Payroll taxes	8,797	
Other fringe benefits	10,991	
Supplies	6,364	
Equipment maintenance and repairs	6,668	
Building and grounds maintenance	10,779	
Utilities	34,701	
Neighbor's Hall House expense	3,346	
Work team expense	16,571	
Public relations	2,939	
Education and travel	2,138	
License and permits	545	
Interest expense	771	
Professional fees	9,016	
Housing expense	7,470	
Depreciation	23,612	
Grant expense	611	
Miscellaneous	201	<u>224,617</u>

Change in net assets	61,233
Net assets - beginning	<u>550,950</u>
Net assets - ending	<u>\$ 612,183</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

THE UPSHUR UNITED METHODIST COOPERATIVE PARISH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash Flows from Operating Activities	
Change in net assets	\$ 61,233
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	23,612
(Increase) decrease in:	
Prepaid insurance	(59)
Increase (decrease) in:	
Accounts payable	(222)
Accrued expenses	849
Net cash provided by operating activities	<u>\$ 85,413</u>
Cash Flows from Capital Investment Activities	
Acquisition of property and equipment	<u>(62,909)</u>
Net cash (used in) investing activities	(62,909)
Cash Flows from Financing Activities	
Repayment of long-term debt	<u>(32,229)</u>
Net cash (used in) financing activities	<u>(32,229)</u>
Net (decrease) in cash and cash equivalents	(9,725)
Cash and cash equivalents at beginning of year	<u>91,923</u>
Cash and cash equivalents at end of year	<u>\$ 82,198</u>
Supplemental Disclosures of Cash Flow Information	
Cash paid during the year for:	
Interest	<u>\$ 771</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

THE UPSHUR UNITED METHODIST COOPERATIVE PARISH

NOTES TO FINANCIAL STATEMENTS

1. Description of Entity and Summary of Significant Accounting Policies

Description of Entity

The Upshur United Methodist Cooperative Parish (Parish) is a 501(c)(3) non-profit organization. The Upshur United Methodist Cooperative Parish is duly constituted by the West Virginia United Methodist Conference policy on cooperate parish ministries (1964 strategy statement reaffirmed and revised in 1990). The purpose of this organization is to minister to all needs to all people within its area by a program of activities that can best be carried on by the cooperation of all churches.

Summary of Significant Accounting Policies

Basis of Accounting and Reporting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In order to ensure observance of limitations and restrictions placed on the use of the resources available, the Parish maintains its financial accounts in accordance with the principles and practices of fund accounting. This is the procedure by which resources for various purposes are classified into funds that are in accordance with activities or objectives specified.

In the accompanying financial statements, funds are reported in the statements of financial position and activities according to three classes of assets: unrestricted net assets (including undesignated and designated), temporarily restricted net assets, and permanently restricted net assets of the Parish.

Unrestricted, undesignated net assets – This group is used to account for the portion of expendable funds that are available for support of the Parish's general operations.

Unrestricted, designated net assets – This group is used to account for the portion of expendable funds that the Parish has designated for specific purposes.

Temporarily restricted net assets – This group represents resources restricted by donors for the purchase of specific items. Temporarily restricted net assets are available for Parish expenditures once donor restrictions are met.

The accompanying independent auditor's report is an integral part of these notes.

THE UPSHUR UNITED METHODIST COOPERATIVE PARISH NOTES TO FINANCIAL STATEMENTS (CONT'D)

Permanently restricted net assets – This group represents resources which have been segregated and permanently restricted based on donor intent.

Cash and Cash Equivalents

Cash is held on deposit with banking institutions covered by federal depository insurance. For purposes of the statement of cash flows, the Parish considers cash and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Income Tax Status

The Parish is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service Code of 1986 and is not a private foundation as defined in Code Section 509(a). Accordingly, no provision for income taxes has been made in the financial statements.

All required Federal Business Income Tax Returns for the Parish have been filed up to and including December 31, 2014. The Parish's federal income tax returns for 2013, 2012 and 2011 remain subject to examination by the Internal Revenue Service (IRS). The Parish believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The accompanying independent auditor's report is an integral part of these notes.

THE UPSHUR UNITED METHODIST COOPERATIVE PARISH

NOTES TO FINANCIAL STATEMENTS (CONTD)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Donated Materials and Services

Donated services are recognized as contributions in accordance with FASB Codification (ASC) 958-605, "Revenue Recognition", if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Parish. Volunteers have donated significant amounts of time for the Parish's programs that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Prepayments

This account consists of prepaid insurance based on the effective dates of the policies.

Advertising Costs

The Upshur United Methodist Cooperative Parish expenses advertising costs as they are incurred.

Pension Plan

The Parish provides a defined benefit and defined contribution pension plan for all half-time clergy members. The defined benefit plan provides a monthly benefit at retirement based upon years of credited service to the Church. The defined contribution plan provides a retirement account balance established and funded by annual conferences. The Parish had one employee, Director Alicia Rapping, covered by the pension arrangement during the fiscal year. The cost of the plan for the year ended December 31, 2014 was \$1,750.

Donated Assets

Donated noncash assets are recorded as contributions at their fair values at the date of donation.

The accompanying independent auditor's report is an integral part of these notes.

**THE UPSHUR UNITED METHODIST COOPERATIVE PARISH
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

2. Deposits and Investments

The Parish's deposits are categorized to give an indication of the level of risk assumed by the Parish at December 31, 2014. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Parish or its agent in the Parish's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Parish's name.

Category 3 - Uncollateralized.

	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
Cash and cash equivalents	<u>\$ 93,855</u>	<u>\$ 93,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,198</u>

The Parish had no investments as of December 31, 2014.

3. Property and Equipment

Property and equipment are stated at cost or at the fair value at the date of donation. All assets are capitalized. Property and equipment consists of the following at December 31, 2014:

Land	\$ 79,500
Building and improvements	612,403
Equipment	36,270
Vehicles	<u>17,543</u>
 Total property and equipment at cost	 <u>\$ 745,716</u>

The accompanying independent auditor's report is an integral part of these notes.

**THE UPSHUR UNITED METHODIST COOPERATIVE PARISH
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

Assets are being depreciated on a straight-line basis over the following number of years:

Building and improvements	5 – 39 years
Equipment	5 – 7 years
Vehicles	5 years

Depreciation expense was \$23,612 for the fiscal year ended December 31, 2014.

4. Long-Term Debt

Long-term debt activity for the year ended December 31, 2014 was as follows:

	<u>Beginning</u> <u>Balance</u> <u>December 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u> <u>December 31, 2014</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due After</u> <u>One Year</u>
Notes payable	\$ <u>45,415</u>	\$ <u>-</u>	\$ <u>32,229</u>	\$ <u>13,186</u>	\$ <u>13,186</u>	\$ <u>-</u>

Premier Bank

6.50%; installment obligation; payable in monthly installments of \$691; secured by real estate; maturing 11/22/2015.

\$ 7,186

Randall Tenney and Shirley Tenney

0%; installment obligation; payable in monthly installments of \$2,000; secured by real estate; maturing 3/1/2015.

6,000

Total

13,186

Less: Current maturities

13,186

Non-current maturities

\$ -

The accompanying independent auditor's report is an integral part of these notes.

**THE UPSHUR UNITED METHODIST COOPERATIVE PARISH
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

Maturities of long-term debt based on current financing arrangements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 13,186</u>	<u>\$ 231</u>	<u>\$ 13,417</u>

5. Subsequent Events

The Parish's management evaluated the effect subsequent events would have on the financial statements through June 29, 2015, which is the date the financial statements were available to be issued.

The accompanying independent auditor's report is an integral part of these notes.



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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
The Upshur United Methodist Cooperative Parish

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 The Upshur United Methodist Cooperative Parish (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 June 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Upshur United Methodist Cooperative Parish'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 The Upshur United Methodist Cooperative Parish's internal control. Accordingly, we do not express an opinion on the effectiveness of The Upshur United Methodist Cooperative Parish's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Upshur United Methodist Cooperative Parish'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*.

The Upshur United Methodist Cooperative Parish's Response to Finding

The Upshur United Methodist Cooperative Parish's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Upshur United Methodist Cooperative Parish'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 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.

Tedrick, Bartlett, PLLC

June 29, 2015

**THE UPSHUR UNITED METHODIST COOPERATIVE PARISH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

2014-001 Segregation of Duties

Criteria: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

Condition: Responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction should be assigned to different individuals.

Cause: Responsibilities for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction are not assigned to different individuals.

Effect: The lack of complete segregation of duties increases the risk that errors or irregularities in recording, processing, summarizing and reporting financial data could occur and not be detected in a timely manner.

Recommendation: Responsibilities of approval, execution, recording and custody be distributed among the accounting staff to the degree possible. We recommend that the Board should remain involved in the financial affairs of the Parish to provide oversight and independent review functions and to continue exercising due diligence and professional skepticism in relation to the Parish's financial operations.

Entity's Response: To the extent possible, the Parish has segregated its duties. Any further segregation of duties would not be economically feasible.

Upshur Cooperative Parish Inc
Profit & Loss
November 2013 through December 2014

	Nov '13 - Dec 14
Income	0.00
Expense	
6010 · Salaries & Wages	23,083.24
6030 · FICA/MED	1,765.88
6040 · Workers Comp.	523.60
6310 · Office & Computer Supplies	72.45
6750 · Telephone	3,038.81
6790 · Utilities & rent exp for HNH	2,000.00
6930 · Charities and Donations	309.18
6950 · Continuing Ed./Workshops/Travel	5,597.13
6970 · Professional Fees	1,660.00
Total Expense	<u>38,050.29</u>
Net Income	<u>-38,050.29</u>

**THE UPSHUR UNITED METHODIST COOPERATIVE PARISH
SCHEDULE OF FEDERAL AND STATE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Financial Awards Recognized</u>
Federal Awards				
U.S. Department of Health and Human Services				
West Virginia Department of Health and Human Resources/Bureau for Behavioral Health and Health Facilities	Hall Neighbor Consumer Operated Services Drop-In Center	93.958	G130591	\$ <u>11,009</u>
Total federal funds				\$ <u>11,009</u>
State Awards				
West Virginia Department of Health and Human Resources/Bureau for Behavioral Health and Health Facilities	Recovery Coach		G140080	\$ <u>38,050</u>
Total state funds				\$ <u>38,050</u>

The accompanying independent auditor's report and notes are integral parts of this schedule.

**THE UPSHUR UNITED METHODIST COOPERATIVE PARISH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Note 1 Basis of Presentation:

The accompanying Schedule of Federal and State Funds is prepared on the accrual basis of accounting which is the same basis used in the preparation of the financial statements.