ROARK-SULLIVAN LIFEWAY CENTER, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016
AND
INDEPENDENT AUDITORS' REPORT

ROARK-SULLIVAN LIFEWAY CENTER, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

June 30, 2016

TABLE OF CONTENTS

GRAY GRIFFITH & MAYS a.c.
CERTIFIED PUBLIC ACCOUNTANTS

707 Virginia Street E. • Suite 400 • Charleston, WV 25301 • Phone: 304.345.9400 • Fax: 304.345.7258
www.ggmcpa.net • Email: ggm@ggmcpa.net

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Roark-Sullivan Lifeway Center, Inc.
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Roark-Sullivan Lifeway Center, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets 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 auditors' 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.

Auditors' Responsibility (continued)

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 Roark-Sullivan Lifeway Center, Inc. as of June 30, 2016, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of nonfederal awards, for compliance with the State of West Virginia grant reporting requirements, and the schedule of functional expenses are presented for purposes of additional analysis and are 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 1, 2017 on our consideration of Roark-Sullivan Lifeway Center, Inc.'s internal control over financial reporting and on our test 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Roark-Sullivan Lifeway Center, Inc.'s internal control over financial reporting and compliance.

Gray, Griffith & Mays, a.c.

DHHR - Finance

JUN 6 2017

Date Received

June 1, 2017
Charleston, West Virginia

ROARK-SULLIVAN LIFEWAY CENTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

Current assets:		
Cash	$	10,846
Grants receivable		494,279
Capitalized lease receivable, current portion		27,791
Total current assets		532,916
Property and equipment, at cost:		
Vehicles		62,736
Furniture and fixtures		74,141
Equipment		42,780
Buildings		1,963,561
Building and leasehold improvements		174,647
Land		60,000
		2,377,865
Less: accumulated depreciation		(579,257)
Total property and equipment		1,798,608
Other assets:		
Capitalized lease receivable, long-term		351,927
Deposits		600
Total other assets		352,527
Total assets	$	2,684,051

The notes to the financial statements are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 151,080
Accrued liabilities	351,957
Total current liabilities	503,037
Net assets:	
Unrestricted	1,032,870
Temporarily restricted	1,148,144
Total net assets	2,181,014
Total liabilities and net assets	$ 2,684,051

ROARK-SULLIVAN LIFEWAY CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and other support:			
Government grants	$ 1,690,633	$ -	$ 1,690,633
Contributions	60,364	-	60,364
Fundraising	75,383	-	75,383
In-kind contributions	29,986	-	29,986
Interest income	6	-	6
Other income	27,579	-	27,579
Reclassifications:			
Net assets released from restrictions	60,385	(60,385)	-
Total revenue and other support	1,944,336	(60,385)	1,883,951
Expenses:			
Program services:			
Giltinan Center	523,595	-	523,595
Twin Cities Center	301,209	-	301,209
Liberty Center	125,487	-	125,487
Veterans Assistance	683,733	-	683,733
Outreach	361,130	-	361,130
Total program services	1,995,154	-	1,995,154
General and administrative	181,997	-	181,997
Fundraising expenses	23,537	-	23,537
Total expenses	2,200,688	-	2,200,688
Change in net assets	(256,352)	(60,385)	(316,737)
Net assets, beginning	1,289,222	1,208,529	2,497,751
Net assets, ending	$ 1,032,870	$ 1,148,144	$ 2,181,014

The notes to the financial statements are an integral part of these financial statements.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

Change in net assets	$ (316,737)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	77,334
In-kind contribution receivable	30,013
(Increase) decrease in assets:	
Grants receivable	(153,782)
(Decrease) increase in liabilities:	
Accounts payable	42,933
Accrued liabilities	250,945
Net cash used in operating activities	(69,294)
Net decrease in cash and cash equivalents	(69,294)
Cash and cash equivalents, beginning of year	80,140
Cash and cash equivalents, end of year	$ 10,846

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash payments for interest	$ 391

The notes to the financial statements are an integral part of these financial statements.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Summary of Activities

Roark-Sullivan Lifeway Center, Inc. (the Organization) consists of five facilities within the Charleston, West Virginia and surrounding areas that provide temporary and permanent housing for those experiencing homelessness. The Giltinan Center, the Capitol Street facility and the Veterans Transitional Living Center provide temporary shelter for men 18 years and older who are experiencing homelessness, and who are Veterans in the case of the Veterans Center. Services provided include, but are not limited to, counseling, family preservation support, employment assistance, financial assistance, medical support services, independent living skills training, socialization support and a minimum of six months support once they move to an independent living setting. The Twin Cities Center provides permanent housing for men and women who are physically or mentally disabled. The Liberty Center provides temporary housing for those making the transition from incarceration back into the community. The Organization is supported primarily through donor contributions, grants, and the United Way.

Method of Accounting and Basis of Presentation

The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation follows the standards set by the Financial Accounting Standards Board. Under those provisions, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by time or donor imposed restrictions on use. All other net assets, including board-designated or appropriated amounts, are considered unrestricted, and are reported as part of the unrestricted class.

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 the Organization 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.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets at June 30, 2016.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2016

1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method of Accounting and Basis of Presentation (Continued)

The Organization has elected to present temporarily restricted contributions, which restrictions are fulfilled in the same time period, within the unrestricted net assets class.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include functional expense allocation, depreciation expense and in-kind contribution valuation.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are presented in the Statement of Financial Position at the time all the requirements for collection have been fulfilled. Grants receivable are recognized once notice of award is received and the grant objectives are substantially met and services have been provided and billed. Management believes all receivables are collectible.

Classification of Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2016

1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost as of the date of acquisition or fair value as of the date received in the case of gifts. Contributed property and equipment with donor restrictions on how long the assets must be used are recorded as restricted contributions. All other contributions of property and equipment are recorded as unrestricted contributions when the assets are placed in service. The assets are capitalized when the Organization determines that substantial future benefits will be achieved.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 39 years. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal. Renewals and improvements, which extend the useful lives of assets, are capitalized at cost. The costs of routine maintenance and repairs are charged to expense as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain general and administrative costs have been allocated among the programs and supporting services benefited. However, the majority of costs are allocated based on specific identification of the function to which the cost pertains.

Concentration of Credit Risk

The Organization maintains its cash and short-term investments at a financial institution located in West Virginia. The balances in these accounts, at times, may exceed federally insured limits.

Contributed Services

During the year ended June 30, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the residents' facilities, but these services do not meet the criteria for recognition of contributed services or assets.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2016

1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services (Continued)

The Organization leases the Giltinan Center from the City of Charleston at an annual rate of one dollar. This is a fixed-term lease with annual lease payments below market value. The book value of the lease at June 30, 2016 was $379,718 and is presented as a capital lease receivable. The Organization recognizes $60,000 a year as rent expense.

Advertising

The Organization expenses advertising costs the first time the advertising takes place. Advertising expense is normally nominal.

2 – CONTINGENCY

The Organization failed to pay federal payroll tax obligations in (3) three of (4) four quarters during its fiscal year. Consequently, the Organization has tax deficiencies totaling approximately $180,000 at June 30, 2016 with additional assessments for penalties and interest through the date of the auditors' report of approximately $60,000. Management is attempting to raise funds from contributors and evaluating the prospects for borrowing money from financial institutions to satisfy the tax deficiencies. As of the date of issuance, the assessed penalties and interest total approximately $80,000. Management intends to appeal the assessed penalties, but ultimate success of those efforts is uncertain.

3 – INCOME TAXES

The Organization is recognized by the Internal Revenue Service as exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar sections of state statutes and is determined to not be a private foundation. The Organization's Department of the Treasury information returns are subject to examination, generally for three years after the filing date.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2016

4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Giltinan Center lease	$ 351,926
Capitalized building purchases	796,218
	$1,148,144

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Expiration of time on Giltinan Center lease	$ 27,791
Depreciation expense on capitalized building	26,593
Depreciation expense on capitalized equipment	6,001
	$ 60,385

5 – CONCENTRATION

The Organization receives a significant portion of its revenue from governmental grant programs. The ability of these government agencies to continue funding the operations of the Organization is dependent upon both future legislative appropriations and economic conditions. For the year ended June 30, 2016, governmental grant programs accounted for 90% of revenue and 100% of grants receivable.

6 – LINE OF CREDIT

At June 30, 2016 the Organization had a $30,000 operating line of credit that bore interest at the bank's prime rate, minimum of 3.25% which was the rate at June 30, 2016 and is unsecured. This line of credit expires on April 9, 2018, with the option to renew. At June 30, 2016, there were no outstanding borrowings on the line of credit.

7 – OPERATING LEASE OBLIGATIONS

The Organization leases the Liberty Center and three storage spaces on a month-to-month basis for approximately $1,200 a month, plus certain operating expenses. Total rent expenses for the year ended June 30, 2016 was $20,532.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2016

7 – OPERATING LEASE OBLIGATIONS (Continued)

The Organization leases copiers under non-cancelable operating leases expiring in 2017. Monthly lease payments associated with the copier leases total approximately $121.

Minimum future lease payments as of June 30, 2016 are as follows:

2017	$ 726

Rent expense for the year ended June 30, 2016 was $8,777.

Total rent expense for rental space (including the Giltinan Center in note 8) and equipment was $89,309 during 2016.

8 – GILTINAN CENTER LEASE

The Organization leases the Giltinan Center from the City of Charleston under a 50 year lease agreement which began in 2007 and calls for annual lease payments of $1 which is below the fair market value. A contribution receivable and a release of the temporarily restricted contribution of $27,791 was recognized as of June 30, 2016. As discussed in Note 1, when time restrictions are met, the net present value of the fair value of the remaining contribution is reclassified as net assets released from restriction and the contribution receivable is reduced accordingly. The discount rate applied in determining the net present value was 8%.

Amortization of the fair market value from the date of gift is as follows:

Year Ending	NPV of long-term portion	NPV of current portion receivable
June 30, 2016	$ 351,927	$ 27,791

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2016 and 2015

8 – GILTINAN CENTER LEASE (Continued)

Minimum future fair market rental values from the date of gift of Giltinan Center lease payments as of June 30, 2016 are as follows:

2017	$ 25,733
2018	23,827
2019	22,062
2020	20,428
2021	18,914
Thereafter	268,754
	$ 379,718

9 – NEIGHBORHOOD INVESTMENT PROGRAM CREDITS

For 2016 the Organization received $15,000, in Neighborhood Investment Program Credits (NIPS) to be given to donors who contribute $500 or more. During 2016, the Organization issued $15,000 in NIPS Credits to its donors. The Organization is required to pay a processing fee for issuing NIPS Credits. During 2016, the Organization incurred fees of $900.

10 – SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions occurring after June 30, 2016 through the date of the Auditors' Report, which is the date the financial statements were available to be issued. No significant events were noted requiring adjustment to or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

ROARK-SULLIVAN LIFEWAY CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	PROGRAM SERVICES								
	Giltinan Center	Twin Cities Center	Liberty Center	Veterans Assistance	Outreach	Total Program Services	General and Administrative	Fundraising	Total
Payroll and related overhead	$ 296,549	$ 225,525	$ 91,905	$ 207,773	$ 342,546	$ 1,164,298	$ 11,195	$ -	$1,175,493
Supplies and office	1,603	1,449	24	3,394	-	6,470	18,575	-	25,045
Telephone and cable	3,976	3,315	4,026	9,958	-	21,275	7,755	-	29,030
Depreciation	22,427	11,793	5,769	20,370	16,975	77,334	-	-	77,334
Building and equipment maintenance	8,892	13,302	3	11,923	-	34,120	13,312	-	47,432
Insurance	5,595	9,960	-	-	1,503	17,058	-	-	17,058
Food	13,283	8,477	5,297	4,174	-	31,231	2,925	-	34,156
Shelter supplies	1,969	2,885	749	2,613	-	8,216	423	-	8,639
Needs based and special needs	3,329	1,039	3,248	53,358	-	60,974	50,766	-	111,740
Travel	4	230	7	505	106	852	3,446	-	4,298
Occupancy	31,713	20,252	12,558	46,315	-	110,838	21,810	-	132,648
Staff training	41	-	-	981	-	1,022	1,529	-	2,551
Accounting and professional	4,741	1,891	1,891	3,900	-	12,423	1,902	-	14,325
Contractual	-	-	-	5,486	-	5,486	24,162	-	29,648
Other expense	2,267	1,091	10	5,248	-	8,616	23,806	23,537	55,959
Payments to subrecipients	67,206	-	-	307,735	-	374,941	-	-	374,941
Interest	-	-	-	-	-	-	391	-	391
In-kind	60,000	-	-	-	-	60,000	-	-	60,000
Total expenses	$ 523,595	$ 301,209	$ 125,487	$ 683,733	$ 361,130	$ 1,995,154	$ 181,997	$ 23,537	$2,200,688

See Independent Auditors' Report.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Id. No.	Federal Expenditures
U.S. Department of Health and Human Resources:			
Passed through WV Dept. of Health & Human Resources:			
Behavioral Health Program - (PATH)	93.150	8794-096	$ 67,000
Behavioral Health Program - Peer 2 Peer	93.958	8794-096	82,942
Total U.S. Dept. of Health and Human Services			149,942
U.S. Department of Housing and Urban Development:			
TCC Grant	14.235	N/A	287,609
Homeless Management Information System (HMIS)	14.235	N/A	43,130
Passed through the City of Charleston:			
Emergency Shelter Grant Program - (ESG)	14.231	N/A	29,982
Community Development Block Grant - (CDBG)	14.218	N/A	15,000
Supportive Housing Program - (SHP)	14.235	N/A	36,488
Passed through the City of St. Albans:			
Emergency Shelter Grant Program - (ESG TCC)	14.231	N/A	2,494
Total U.S. Dept. of Housing and Ubran Development			414,703
Department of Veterans Affairs:			
VA Homeless Providers Grant and Per Diem Program	64.024	N/A	214,990 **
Supportive Services for Veterans Families (SSVF)	64.033	N/A	308,174 **
Total Department of Veterans Affairs			523,164
U.S. Department of Labor			
Veterans Employment and Training Service Award	17.805	N/A	9,539
Total Expenditures of Federal Awards			$ 1,097,348

** - Major program

See Independent Auditors' Report and Notes to the Schedule of Expenditures of Federal Awards.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Roark-Sullivan Lifeway Center, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed by the Uniform Guidance.

3 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Organization provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
93.150	PATH	$ 31,000
93.958	After Care	139,384
93.958	Peer 2 Peer	14,488
64.033	SSVF	190,069
		$ 374,941

4 – INSURANCE

Of the federal expenditures presented in the schedule, the Organization spent $17,058 on insurance coverage. Liability insurance provides coverage up to $1,000,000 for each occurrence. Property insurance provides coverage for the stated value of real and personal property. Bonding insurance provides coverage up to $150,000 for employee theft, $50,000 for money orders and counterfeit money, and $5,000 for claim expense.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended June 30, 2015

2015-001 None

See Independent Auditors' Report.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

SCHEDULE OF EXPENDITURES OF NONFEDERAL AWARDS

For the Year Ended June 30, 2016

State Grantor/Program	Account Number	Expenditures Paid
West Virginia Department of Health and Human Resources Giltinan Center	G160056	$ 136,389
West Virginia Department of Health and Human Resources Behavioral Health and Health Facilities	G160449	300,000
West Virginia Department of Health and Human Resources Behavioral Health and Health Facilities	G160330	22,145
West Virginia Department of Health and Human Resources Behavioral Health and Health Facilities	G160470	96,953
West Virginia Coalition to End Homelessness, Inc.		23,299
City of Charleston		55,163
Total		$ 633,949

See Independent Auditors' Report.

GRAY GRIFFITH & MAYS a.c.
CERTIFIED PUBLIC ACCOUNTANTS
707 Virginia Street E. • Suite 400 • Charleston, WV 25301 • Phone: 304.345.9400 • Fax: 304.345.7258
www.ggmcpa.net • Email: ggm@ggmcpa.net

INDEPENDENT AUDITORS' 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
Roark-Sullivan Lifeway Center, Inc.
Charleston, West Virginia

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 Roark-Sullivan Lifeway Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Roark-Sullivan Lifeway Center, 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 Roark-Sullivan Lifeway Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Roark-Sullivan Lifeway Center, Inc.'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 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 than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control over Financial Reporting (Continued)

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roark-Sullivan Lifeway Center, 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2016-002 and 2016-003.

Roark-Sullivan Lifeway Center, Inc.'s Response to Findings

Roark-Sullivan Lifeway Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Roark-Sullivan Lifeway Center, Inc. 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.

Gray, Griffith & Mays, a.c.

June 1, 2017
Charleston, West Virginia

GRAY GRIFFITH & MAYS a.c.
CERTIFIED PUBLIC ACCOUNTANTS

707 Virginia Street E. • Suite 400 • Charleston, WV 25301 • Phone: 304.345.9400 • Fax: 304.345.7258
www.ggmcpa.net • Email: ggm@ggmcpa.net

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Roark-Sullivan Lifeway Center, Inc.
Charleston, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Roark-Sullivan Lifeway Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Roark-Sullivan Lifeway Center, Inc.'s major federal programs for the year ended June 30, 2016. Roark-Sullivan Lifeway Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Roark-Sullivan Lifeway Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Roark-Sullivan Lifeway Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Auditors' Responsibility (Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Roark-Sullivan Lifeway Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Roark-Sullivan Lifeway Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questions costs as item 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

Roark-Sullivan Lifeway Center, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Roark-Sullivan Lifeway Center, Inc. response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Roark-Sullivan Lifeway Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Roark-Sullivan Lifeway Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance , but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Roark-Sullivan Lifeway Center, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

<u>Report on Internal Control over Compliance (Continued)</u>

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 and 2016-003 that we consider to be a significant deficiency.

Roark-Sullivan Lifeway Center, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Roark-Sullivan Lifeway Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gray, Griffith & Mays, a.c.

June 1, 2017
Charleston, West Virginia

ROARK-SULLIVAN LIFEWAY CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Financial Statements:

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
* Material weakness(es) identified?	Yes	X	No	
* Significant deficiency(s) identified not considered to be material weakness?	Yes		No	X
Noncompliance material to financial statements noted?	Yes		No	X

Federal Awards:

Internal control over major programs:				
* Material weakness(es) identified?	Yes		No	X
* Significant deficiency(s) identified not considered to be material weakness?	Yes	X	No	
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200 516 (a)?	Yes	X	No	

Major Programs:

CFDA Number	Name of Federal Program or Cluster
64.024	VA Homeless Providers Grant and Per Diem Program
64.033	Supportive Services for Veterans Families (SSVF)

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	Yes		No	X

ROARK-SULLIVAN LIFEWAY CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

2016-001

Condition: During our audit, numerous proposed adjusting entries supplied and approved by management were required to be made to the Organization's accounting records to reflect accurate balances in the Organization's assets, liabilities, net assets, revenues, and expenses.

Criteria: An effective internal control system should provide management with reasonable assurance that transactions are recorded properly on a timely basis.

Cause: The internal controls previously in place within the Organization were not followed. The general ledger account balances were not compared to the related source documents. Also, oversight performed by Management and Members of the Board through the review of monthly statements and bank reconciliations was not consistent throughout the year.

Effect: The lack of effective review procedures results in an inaccurate and incomplete presentation of the financial position, results of operations, and cash flows of the Organization. Therefore, management is unable to determine the health of the Organization at a given time or plan for future operations.

Recommendation: Account reconciliations should be timely and accurately prepared for presentation to Management and Members of the Board to be reviewed and approved monthly.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The following finding relates to the Department of Veterans Affairs Supportive Services for Veterans Families, CFDA #64.033:

2016-002

Condition: During our audit, documents could not be provided to support various reimbursement requests.

Criteria: An effective internal control system should provide management with reasonable assurance that recorded transactions are properly documented with appropriate support.

Cause: The internal controls previously in place within the Organization were not followed. Documentation was not maintained to support the monthly request for reimbursement of grant funds.

Effect: The lack of effective oversight procedures results in incomplete support documentation.

Recommendation: Documentation must be maintained in an orderly manner to support the reimbursement requests for audit purposes.

See Independent Auditors' Report.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

The following finding relates to the Department of Veterans Affairs Supportive Services for Veterans Families, CFDA #64.033 and VA Homeless Providers Grant and Per Diem Program, CFDA #64.024:

2016-003

Condition: During our audit, we noted the Organization failed to timely file its annual Data Collection Form.

Criteria: An effective system of internal controls and monitoring compliance with federal guidelines should provide reasonable assurance that financial reporting requirements comply with timeliness requirements.

Cause: The Organization experienced turnover with personnel responsible for meeting financial reporting deadlines. No backup or contingency plan was in place to execute timely filings.

Effect: The Organization failed to meet its federal financial reporting deadline. Noncompliance can affect the Organization's ability to obtain federal support for its programs.

Recommendation: Financial reporting requirements should be complied with including timely filings. A contingency plan may be developed to prevent noncompliance in the future.