

ROARK-SULLIVAN LIFEWAY CENTER, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2017
AND
INDEPENDENT AUDITOR'S REPORT**

DHHR - Finance

MAY 11 2018

Date Received

ROARK-SULLIVAN LIFEWAY CENTER, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

June 30, 2017

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INDEPENDENT AUDITOR'S 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, 2017, 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.

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.

Auditor's 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, 2017, 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 April 26, 2018 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 effectiveness of the Organization's 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 & Mayo, a.c.

April 26, 2018
Charleston, West Virginia

DHHR - Finance

MAY 11 2018

Date Received

ROARK-SULLIVAN LIFEWAY CENTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS

| | |
|---|---------------------|
| Current assets: | |
| Cash | \$ 81,772 |
| Grants receivable | 190,902 |
| Capitalized lease receivable, current portion | <u>25,733</u> |
| Total current assets | <u>298,407</u> |
| 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 | <u>60,000</u> |
| | 2,377,865 |
| Less: accumulated depreciation | <u>(648,113)</u> |
| Total property and equipment | <u>1,729,752</u> |
| Other assets: | |
| Capitalized lease receivable, long-term | 326,194 |
| Deposits | <u>600</u> |
| Total other assets | <u>326,794</u> |
| Total assets | <u>\$ 2,354,953</u> |

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

LIABILITIES AND NET ASSETS**Current liabilities:**

| | |
|---------------------|----------------|
| Accounts payable | \$ 105,499 |
| Accrued liabilities | <u>316,450</u> |

| | |
|---------------------------|----------------|
| Total current liabilities | <u>421,949</u> |
|---------------------------|----------------|

Net assets:

| | |
|------------------------|------------------|
| Unrestricted | 837,185 |
| Temporarily restricted | <u>1,095,819</u> |

| | |
|------------------|------------------|
| Total net assets | <u>1,933,004</u> |
|------------------|------------------|

| | |
|----------------------------------|---------------------|
| Total liabilities and net assets | <u>\$ 2,354,953</u> |
|----------------------------------|---------------------|

ROARK-SULLIVAN LIFEWAY CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2017

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|---------------------|
| Revenue and other support: | | | |
| Government grants | \$ 1,649,360 | \$ - | \$ 1,649,360 |
| Contributions | 50,533 | - | 50,533 |
| Fundraising | 64,336 | - | 64,336 |
| In-kind contributions | 32,209 | - | 32,209 |
| Interest income | 7 | - | 7 |
| Abatement of federal tax penalties | 55,396 | - | 55,396 |
| Other income | 8,853 | - | 8,853 |
| Reclassifications: | | | |
| Net assets released from restrictions | 52,325 | (52,325) | - |
| Total revenue and other support | 1,913,019 | (52,325) | 1,860,694 |
| Expenses: | | | |
| Program services: | | | |
| Giltinan Center | 623,547 | - | 623,547 |
| Twin Cities Center | 320,626 | - | 320,626 |
| Liberty Center | 170,449 | - | 170,449 |
| Veterans Assistance | 583,338 | - | 583,338 |
| Outreach | 326,433 | - | 326,433 |
| Total program services | 2,024,393 | - | 2,024,393 |
| General and administrative | 60,771 | - | 60,771 |
| Fundraising expenses | 23,540 | - | 23,540 |
| Total expenses | 2,108,704 | - | 2,108,704 |
| Change in net assets | (195,685) | (52,325) | (248,010) |
| Net assets, beginning | 1,032,870 | 1,148,144 | 2,181,014 |
| Net assets, ending | \$ 837,185 | \$ 1,095,819 | \$ 1,933,004 |

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, 2017

| | |
|--|------------------|
| Change in net assets | \$ (248,010) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 68,856 |
| In-kind contribution receivable | 27,791 |
| (Increase) decrease in assets: | |
| Grants receivable | 303,377 |
| (Decrease) increase in liabilities: | |
| Accounts payable | (45,581) |
| Accrued liabilities | <u>(35,507)</u> |
| Net cash provided by operating activities | <u>70,926</u> |
| Net increase in cash and cash equivalents | 70,926 |
| Cash and cash equivalents, beginning of year | <u>10,846</u> |
| Cash and cash equivalents, end of year | <u>\$ 81,772</u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

| | |
|----------------------------|------------------|
| Cash payments for interest | \$ <u>31,900</u> |
|----------------------------|------------------|

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, 2017

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, 2017.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

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, 2017

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, 2017, 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, 2017

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, 2017 was \$351,927 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. Advertising expense for the year ended totaled \$900.

2 – CONTINGENCY

The Organization failed to pay in part or in full federal payroll tax obligations in the current and prior fiscal years. Consequently, the Organization has tax deficiencies totaling approximately \$197,000 at June 30, 2017 with additional assessments for penalties and interest through the date of the auditor's report of approximately \$88,000.

In November 2017 the Organization negotiated an agreement with the Internal Revenue Service, resulting in abatement of penalties imposed on the tax deficiencies and established a scheduled payment plan to satisfy the tax deficiencies and related interest assessed on the tax deficiencies. The abatement of penalties totaling approximately \$55,000, has been recognized as other income during 2017.

The Organization was able to secure a loan, from a related party, to pay a significant portion of the tax deficiencies and interest assessed in the amount of approximately \$130,000. The loan is secured by the Capitol Street property that is available-for-sale. The terms of the agreement do not require the Organization to pay periodic payments, nor does it have a stated or imputed interest rate associated with it.

As of the date of the auditor's report, total payments and penalty abatements of approximately \$264,000 have been made, leaving a balance of approximately \$21,000.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

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.

4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | |
|--------------------------------|--------------------|
| Giltinan Center lease | \$ 326,194 |
| Capitalized building purchases | <u>769,625</u> |
| | <u>\$1,095,819</u> |

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 | \$ 25,733 |
| Depreciation expense on capitalized building | <u>26,592</u> |
| | <u>\$ 52,325</u> |

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, 2017, governmental grant programs accounted for 89% of revenue and 100% of accounts receivable.

6 – LINE OF CREDIT

At June 30, 2017 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, 2017 and is unsecured. This line of credit expires on April 9, 2018, with the option to renew. At June 30, 2017, there were no outstanding borrowings on the line of credit.

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017

7 – OPERATING LEASE OBLIGATIONS

The Organization leases the Liberty Center and three storage spaces on a month-to-month basis for approximately \$1,560 a month, plus certain operating expenses. The Organization leases space from the Covenant House on an annual basis, for approximately \$5,230 per year. Total rent expenses for the year ended June 30, 2017 was \$25,169.

The Organization leases copiers, under non-cancelable operating leases expiring in 2017. Monthly lease payments associated with the copier leases total approximately \$363. Rent expense for the year ended June 30, 2017 was \$6,161.

During the year, the operating lease expired and was operated under a month-to-month basis until renewed during the subsequent period.

Total rent expense for rental space (including the Giltinan Center in note 8) and equipment was \$91,330 during 2017.

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 \$25,733 was recognized as of June 30, 2017. 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:

| <u>Year Ending</u> | <u>NPV of long-term portion</u> | <u>NPV of current portion receivable</u> |
|--------------------|---|--|
| June 30, 2017 | \$ 326,194 | \$ 25,733 |

ROARK-SULLIVAN LIFEWAY CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017 and 2016

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, 2017 are as follows:

| | |
|------------|-------------------|
| 2018 | \$ 23,827 |
| 2019 | 22,062 |
| 2020 | 20,428 |
| 2021 | 18,914 |
| 2022 | 17,513 |
| Thereafter | <u>223,450</u> |
| | <u>\$ 326,194</u> |

9 – SUBSEQUENT EVENTS

The Organization's management has evaluated events and transactions occurring after June 30, 2017 through the date of the Auditor's Report, which is the date the financial statements were available to be issued.

In January 2018, the Organization entered into an operating lease agreement with U.S. Bank Equipment Finance. The thirty-six month lease commences January 1, 2018, and terminates December 31, 2020, and provides for lease by the Organization of three copiers. Base annual rent is set at a monthly rental amount of \$396. Total base rent payable over the lease period is \$14,256.

No other 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, 2017

| PROGRAM SERVICES | | | | | | | | | |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------------|-------------------------------|-------------------------|---------------------------|
| | Giltinan Center | Twin Cities Center | Liberty Center | Veterans Assistance | Outreach | Total Program Services | General and Administrative | Fundraising | Total |
| Payroll and related overhead | \$ 345,207 | \$ 238,948 | \$ 109,687 | \$ 231,384 | \$ 228,186 | \$ 1,153,412 | \$ 8,832 | \$ 8,612 | \$1,170,856 |
| Supplies and office | 3,540 | 3,540 | 1,000 | 5,540 | 2,000 | 15,620 | 4,184 | - | 19,804 |
| Telephone and cable | 3,448 | 3,600 | 4,393 | 11,290 | 4,712 | 27,443 | - | - | 27,443 |
| Depreciation | 19,988 | 10,500 | 5,137 | 18,137 | 15,114 | 68,856 | - | - | 68,856 |
| Building and equipment maintenance | 5,874 | 3,391 | - | 8,701 | - | 17,966 | - | - | 17,966 |
| Insurance | 1,575 | 3,248 | 2,468 | 6,823 | 1,600 | 15,714 | 1,043 | - | 16,757 |
| Food | 23,451 | 14,725 | 9,272 | 7,090 | - | 54,538 | - | - | 54,538 |
| Needs based and special needs | 43,461 | 16,563 | - | 44,594 | 22,424 | 127,042 | - | - | 127,042 |
| Occupancy | 37,042 | 20,328 | 23,676 | 43,326 | 5,232 | 129,604 | - | - | 129,604 |
| Accounting and professional | 6,181 | 2,466 | 2,466 | 5,085 | - | 16,198 | 2,479 | - | 18,677 |
| Contractual | 475 | 475 | 5,950 | 10,190 | 4,433 | 21,523 | 3,789 | - | 25,312 |
| Other expense | 2,315 | 2,842 | 6,400 | 13,916 | 2,732 | 28,205 | 8,544 | 14,928 | 51,677 |
| Payments to subrecipients | 71,010 | - | - | 177,262 | 40,000 | 288,272 | - | - | 288,272 |
| Interest | - | - | - | - | - | - | 31,900 | - | 31,900 |
| In-kind | 60,000 | - | - | - | - | 60,000 | - | - | 60,000 |
| Total expenses | <u>\$ 623,547</u> | <u>\$ 320,626</u> | <u>\$ 170,449</u> | <u>\$ 583,338</u> | <u>\$ 326,433</u> | <u>\$ 2,024,393</u> | <u>\$ 60,771</u> | <u>\$ 23,540</u> | <u>\$2,108,704</u> |

See Independent Auditor's Report.

ROARK-SULLIVAN LIFEWAY CENTER, INC.**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2017

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Pass-Through Id. No.</u> | <u>Federal Expenditures</u> |
|---|--------------------|-----------------------------|-----------------------------|
| U.S. Department of Health and Human Services: | | | |
| Passed through WV Dept. of Health & Human Resources: | | | |
| Behavioral Health Program - (PATH) | 93.150 | 8794-096 | \$ 61,238 |
| Behavioral Health Program - (Peer 2 Peer) | 93.958 | 8794-096 | 83,029 |
| Total U.S. Dept. of Health and Human Services | | | <u>144,267</u> |
| U.S. Department of Housing and Urban Development: | | | |
| TCC Grant | 14.267 | N/A | 244,194 ** |
| Homeless Management Information System (HMIS) | 14.267 | N/A | 26,209 ** |
| Passed through the City of Charleston: | | | |
| Emergency Shelter Grant Program - (ESG) | 14.231 | N/A | 40,941 |
| Community Development Block Grant - (CDBG) | 14.218 | N/A | 15,000 |
| Supportive Housing Program - (SHP) | 14.235 | N/A | 21,213 ** |
| Passed through the City of St. Albans: | | | |
| Emergency Shelter Grant Program - (ESG TCC) | 14.231 | N/A | 44,178 |
| Total U.S. Dept. of Housing and Urban Development | | | <u>391,735</u> |
| Department of Veterans Affairs: | | | |
| VA Homeless Providers Grant and Per Diem Program | 64.024 | N/A | 234,155 |
| Supportive Services for Veterans Families (SSVF) | 64.033 | N/A | 297,504 ** |
| Total Department of Veterans Affairs | | | <u>531,659</u> |
| U.S. Department of Labor | | | |
| Veterans Employment and Training Service Award | 17.805 | N/A | <u>9,769</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,077,430</u> |

** - Major program

See Independent Auditor's 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, 2017

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 | \$ 31,536 |
| 93.958 | Peer 2 Peer | 19,068 |
| 93.958 | Block | 20,407 |
| 64.033 | SSVF | 177,261 |
| | | \$ 248,272 |

ROARK-SULLIVAN LIFEWAY CENTER, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

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.

Current Status: Finding still applicable. See finding 2017-001 under Section II Financial Statement Findings.

Federal Award Findings and Questioned Costs

2016-002

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

Current Status: Finding still applicable. See finding 2017-002 under Section III Financial Award Findings and Questioned Costs.

2016-003

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

Current Status: Finding still applicable. See finding 2017-003 under Section III Financial Award Findings and Questioned Costs.

See Independent Auditor's Report.

ROARK-SULLIVAN LIFEWAY CENTER, INC.
SCHEDULE OF EXPENDITURES OF NONFEDERAL AWARDS

For the Year Ended June 30, 2017

| <u>State Grantor/Program</u> | <u>Account Number</u> | <u>Expenditures Paid</u> |
|---|---------------------------|------------------------------|
| West Virginia Department of Health and Human Resources Behavioral Health and Health Facilities | G170449 | \$ 34,412 |
| West Virginia Department of Health and Human Resources Giltinan Center | G170004 | 139,105 |
| West Virginia Department of Health and Human Resources Behavioral Health and Health Facilities | G170238 | 144,988 |
| West Virginia Department of Health and Human Resources Behavioral Health and Health Facilities | G170238 | 139,562 |
| West Virginia Coalition to End Homelessness, Inc. | G170310 | 79,545 |
| City of Charleston | - | <u>34,318</u> |
| Total | | <u>\$ 571,930</u> |

See Independent Auditor's Report.



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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
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, 2017 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 April 26, 2018.

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 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.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 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 2017-002 and 2017-003.

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 the response.

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 & Mayo, a.c.

April 26, 2018
Charleston, West Virginia

DHHR - Finance

MAY 11 2018

Date Received



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**INDEPENDENT AUDITOR'S 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, 2017. 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.

Auditor's 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.

Auditor's 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 on each of its major federal programs for the year ended June 30, 2017.

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 questioned costs as item 2017-002. 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.

Report on Internal Control over Compliance (Continued)

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 2017-002 and 2017-003 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 & Mayo, a.c.

April 26, 2018
Charleston, West Virginia

DHHR - Finance

MAY 11 2018

Date Received

ROARK-SULLIVAN LIFEWAY CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

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:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|--|
| 14.267 | US Department of Housing and Urban Development TCC Grant |
| 14.267 | Homeless Management Information System (HMIS) |
| 14.235 | Supportive Housing Program - (SHP) |
| 64.033 | Department of Veterans Affairs 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, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS**2017-001**

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 CFDA 64.033

2017-002

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.

ROARK-SULLIVAN LIFEWAY CENTER, INC.**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2017

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

The following finding relates to CFDA's 14.267, 14.235, and 64.033

2017-003

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.

See Independent Auditor's Report.



Roark-Sullivan Lifeway Center, Inc.
P.O. Box 1707
Charleston, WV 25326
304.414.0109

Corrective Action Plan

April 25, 2018

US Department of Veteran Affairs

Roark-Sullivan Lifeway Center, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and Address of independent public accounting firm:

Gray Griffith & Mays, A.C.
707 Virginia Street, East, Suite 400
Charleston, WV 25301

Audit Period: July 1, 2016 – June 30, 2017

The findings from the June 30, 2017 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II - Financial Statement Findings - Material Weakness

2017-001

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 CFDA 64.033

2017-002

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.

The following finding relates to CFDA 14.267, 14.235, and 64.033

2017-003

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.



Roark-Sullivan Lifeway Center, Inc.
P.O. Box 1707
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304.414.0109

Corrective Action Plan

April 25, 2018

Action Taken: We hired a new Chief Financial Officer in October 2017, who will be overseeing the financial functions of the organization. He has set up a new accounting system beginning January 1, 2018 to better capture and report the individual grant transactions. Detail financial information is now being shared with the Board on a regular basis. Filing systems are in place and kept up to date with copies of all billing requests. Paid Invoices are being filed on a regular basis. Reconciliations of Bank Balances, Accounts Receivables and Payables and other Balance Sheet Accounts will be kept up to date to assure the accuracy of information supplied to the CEO and Board of Directors.

Sincerely,

John Thompson
Chief Executive Officer

DHHR - Finance

MAY 11 2018

Date Received