



44 YEARS
WORKING ON
BEHALF OF YOUTH
AND THEIR FAMILIES

Daymark, Incorporated
ANNUAL REPORT
2017-2018



A United Way Agency

DHHR - Finance

SEP 24 2018

Date Received

DAYMARK, INCORPORATED

DAYMARK, INC. is a nonprofit, tax exempt, multidimensional agency, which provides free, voluntary, licensed services to troubled youth and their families. Community based and community oriented, it was incorporated in December 1974 through efforts spearheaded by the First Presbyterian Church of Charleston, the Junior League of Charleston and the Kanawha County Commission.

DAYMARK, INC. is a dynamic agency, which has undergone extensive reorganization and growth in recent years. It currently administers three programs: *Patchwork*, a crisis intervention center for youth; *Turning Point*, a professional residential foster care program; and *New Connections*, a non-residential program aimed at enhancing independent living skills for “high risk” older adolescents.

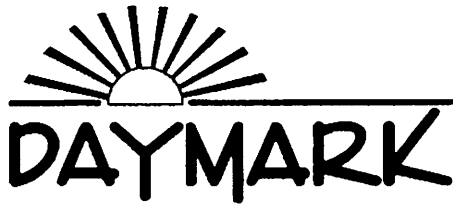
Special thanks to Ernst & Young

for providing the binding and printing
of this annual report

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SEP 24 2018

Date Received



Patchwork 340-3670
Turning Point 340-3633
New Connections 340-3690

1598C Washington Street East Charleston, West Virginia 25311 304/340-3675

Chairman's Report for 2017-2018

Daymark continues to provide outstanding service to youth in crisis. During this past year, Daymark changed 436 lives. Approximately 5,000 nights of safe shelter were provided, and more than 11,000 meals were served to these young people. Phone counseling was rendered to 256 youth/families. Our learning lab provided education to 78 youths, and 17 of our young people graduated from high school with 2 planning to enter college.

Our financial position remains strong through the careful management of our staff. Both staff and our Board of Directors work toward fundraising for the agency, resulting in almost \$200,000 of private funds being obtained. We are grateful for the support of many.

The Daymark Board of Directors is a dedicated, hardworking group of individuals. In April, we sponsored a successful gala following the theme of "Midnight in Paris" in a beautifully decorated setting at Berry Hills Country Club. Monthly meals are prepared and served to the residents by our Board of Directors. This year, for a first time, a graduation party was held for our graduating seniors; it was a festive celebration with ribs, music, cake, and balloons.

The year was not without challenges. In February our Turning Point facility located on Lee Street had an early morning fire. Fortunately, because of the fast action by our staff, all residents were evacuated, but considerable damage was done to the shelter. Residents and staff exhibited flexibility and good humor as they awaited repairs to make the facility again suitable for occupancy. In May the transitional living program at New Connections had to be closed until grant funding can be obtained to reopen the shelter.

We look forward to a successful 2018-19 year, and we thank all our donors for their support enabling us to carry on our mission of serving youth in crisis.

Pat Moyers
Daymark Board Chairman



**DAYMARK, INCORPORATED
2017-2018
OFFICERS**

Pat Moyers	Chairman
Eric Kinder	Vice Chairman
Allison Ballard	Treasurer
Elizabeth Amandus	Secretary

Board of Directors

Paula Bland	Meghan Moses
Adam Carr	Nikki Moses
Roberta Fowlkes	Jamie O'Connor
Felice Joseph	Patrick O'Malley
Tricia Kingery	Beth Sattes
Gretchen Lewis	Lindsey Silbernagel

Youth Representatives

Hannah Iskra

Committee Chairpersons

Development	Nikki Moses
Executive	Pat Moyers
Finance	Allison Ballard
Finance Audit	Jessie Lindsey
Governance	Roberta Fowlkes
Personnel Committee	Eric Kinder
Youth Coordinating	Hannah Iskra

DAYMARK PROFESSIONAL STAFF

ADMINISTRATION

Executive Director
Director of Finance
Administrative Assistant
Director of Training

Vicki Pleasant
Pat Legg
Cheryl Patrick
Beth Scohy

PATCHWORK

Case Manager
Staff Assistant
Counselor
Counselor
Counselor

Mattie Morgan
Charles Brown
Sheri Bond
William Gary
Nicole Wilson

TURNING POINT

Case Manager
Youth Worker
Youth Worker
Youth Worker
Youth Worker
Youth Worker
Youth Worker

Linda Boyer
Darla Bailey
Leitta Goins
Jacob Moyers
Diana Thomas
Lisa Tate
Huey Woodson

NEW CONNECTIONS

Educator

Alexa Ceballos

NEW CONNECTIONS PROGRAM DESCRIPTION

New Connections is a social service program that provides an array of services for 16 to 21 year old youth. The separate but related objectives are enhanced academic attainment and viable independent living. The program serves older adolescents, who because of childhood trauma, abuse or neglect, or continuous individual and/or family stressors have become prime candidates for school failure, illegal or delinquent behaviors, homelessness, problem pregnancies and drug use.

New Connections targets the individual needs of these youth and strives to develop a program of counseling and support services to meet their needs. In addition to the education and transitional living component, the program provides life skills (money management, comparison shopping, securing/retaining housing etc.) training in job skills, educational groups and support groups. Youth are offered meals, transportation and minor emergency financial assistance. The program's goal is to help young people acquire some measure of stability so they will be able to focus their efforts toward more meaningful, positive and responsible independence.

HIGHLIGHTS OF FY 2017-2018

- The program served 78 youth in one or more areas. The clients include custody youth, runaway and homeless youth, and parenting youth.
- Eight (8) youth were served in the Transitional Living Program until it closed in May due to loss of funding.
- Seventy-eight (78) students participated in the New Connection Education Lab.
- Fifteen (15) youth passed at least one part of the TASC during the year.

PLANS FOR FY 2018-2019

- Provide services to youth in crisis and maintain a working relationship with the State Department of Health and Human Resources (DHHR), Juvenile Probation, the school system and other service providers in the community to ensure a seamless delivery of services for at-risk youth.
- Secure funding to re-open the Transitional Living program.

PATCHWORK PROGRAM DESCRIPTION

Patchwork is a staff secure facility providing crisis support services to youth who are truant, runaway, homeless, or victims of child abuse/neglect. Referrals come from West Virginia Department of Health and Human Resources, Juvenile Probation, schools, and other agencies. Patchwork provides emergency services and pharmacological services, mental health assessments/service plans, nursing services, drug testing, and educational/vocational exploration for youth 12 and up. Staff offers eyes on supervision 24 hours a day, seven days a week.

Patchwork is open 24 hours a day, seven days a week, three hundred sixty five days a year and provides services to the homeless/runaway population including counseling, information and referral services, food, clothing, and shelter.

Patchwork also shelters and offers all aforementioned services to youth who are in the custody of the state of West Virginia. These youth remain safe at Patchwork while awaiting placement in other long term programs. Program goals are to: protect and meet the immediate needs of youth, reunite youth with their families (when appropriate) and strengthen family relationships, assist in establishing stable living conditions for youth, provide an alternative to institutionalization and increase youth self-esteem.

HIGHLIGHTS OF 2017-2018

- During the fiscal year, Patchwork provided services to 326 youth/families, more than twice as many as in the previous year.
- Patchwork provided telephone counseling/referral or emergency services to 256 youth/families who called or came to Patchwork but did not spend the night.
- Seventy (70) youth spent 1,950 nights at Patchwork.
- Patchwork served 5,119 meals.
- The agency hired an additional full time employee to provide case management services to Patchwork youth.

PLANS FOR 2018-2019

- Continue to provide services for youth and families in crisis.
- Continue to work toward reuniting and strengthening families if possible, while attempting to resolve crisis scenarios in which youth are involved.
- Continue to work collaboratively with the State Department of Health and Human Resources, the school system and other community based agencies to acquire safe, appropriate housing for homeless youth.

TURNING POINT PROGRAM DESCRIPTION

Turning Point accepts male and female youth, ages 15 – 21 in the custody of the West Virginia Department of Health and Human Resources. The Turning Point home and offices are located in Charleston's historic East End on Lee Street housing all eleven residents in the former Patchwork building.

The Turning Point program is designed to assist youth in meeting their educational and vocational goals while gaining self-reliance and independent living skills. Youth workers provide guidance, support, transportation, and other assistance. All residents are enrolled in high school, TASC (formerly the GED), college or vocational programs. Youth work towards independence, moving through a four phase system where they earn increased freedom with increased responsibility. Youth who graduate from the Turning Point program go on to college, military service, independent living, or return to a family unit.

HIGHLIGHTS OF FY 2017-2018

- Turning Point served 32 youth during the fiscal year.
- Those 32 youth spent 2,854 nights at Turning Point.
- Turning Point served 5,910 meals.
- Two Turning Point youth graduated from high school and went on to college.
- Thirty Turning Point youth completed at least 40 hours of community service.
- Fifteen (15) youth went on to Independent Living in the community.
- On February 5, the Turning Point facility caught fire. Thankfully, no one was hurt but damage to the first floor was extensive, and Turning Point residents had to be housed at New Connections for nearly 3 weeks. Turning Point now has a brand new first floor lounge for interviews/meetings.

PLANS FOR FY 2018-2019

- Continue marketing efforts to include all DHHR referrals throughout the State of West Virginia to continue to keep the Daymark programs at capacity.
- Continue to explore ways to assist youth in making the successful transition to viable independence.

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

DAYMARK, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Daymark, Inc.
Charleston, WV

We have audited the accompanying financial statements of Daymark, Inc. (a nonprofit organization), which comprise of the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daymark, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2018, on our consideration of Daymark, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Daymark, Inc.'s internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Receipts and Expenditures of State Awards on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Daymark, Inc.'s June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Dunbar, WV
September 6, 2018

DHHR - Finance

SEP 24 2018

Date Received

DAYMARK, INC
STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2018
With Comparative Totals for 2017

Assets:	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash - Operating	\$ 583,780	\$ 628,236
Cash - Health Claims Account	<u>114,801</u>	<u>118,795</u>
Total Cash	<u>698,581</u>	<u>747,031</u>
Pledges Receivable	-	30,660
Accounts Receivable Net of Allowance for Uncollectable Accounts of \$2,200 and \$2,200	229,872	165,424
Prepaid Assets	<u>21,155</u>	<u>33,092</u>
Total Current Assets:	<u>949,608</u>	<u>976,207</u>
Noncurrent Assets:		
Land, Building, Furniture, and Equipment Net of Accumulated Depreciation	<u>493,901</u>	<u>501,649</u>
Total Assets	<u>\$ 1,443,509</u>	<u>\$ 1,477,856</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts Payable	\$ 33,966	\$ 42,076
Governmental Advances and Refunds Payable	-	4,884
Accrued Employee Wages & Benefits	74,346	83,376
Health Claims Liability	<u>140,812</u>	<u>135,491</u>
Total Current Liabilities	<u>249,124</u>	<u>265,827</u>
Net assets:		
Unrestricted	1,180,873	1,170,357
Temporarily Restricted	<u>13,512</u>	<u>41,672</u>
Total Net Assets	<u>1,194,385</u>	<u>1,212,029</u>
Total Liabilities and Net Assets	<u>\$ 1,443,509</u>	<u>\$ 1,477,856</u>

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

DAYMARK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
With Comparative Totals for 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues and Other Support:				
Contributions	\$ 86,881	\$ -	\$ 86,881	\$ 91,511
Contributions In-kind	614	-	614	-
United Way	1,038	-	1,038	61,335
Special Events	126,834	2,500	129,334	110,394
Less Direct Costs	(9,054)	-	(9,054)	(10,716)
Health & Human Services	47,001	-	47,001	201,875
Medicaid	376,802	-	376,802	477,660
DHHR	960,609	-	960,609	910,210
City of Charleston- C.D.B.G.	18,483	-	18,483	18,000
City of Charleston- Emergency	38,876	-	38,876	31,974
Insurance Business Interruption Loss	115,282	-	115,282	-
Other	9,655	-	9,655	6,304
Net Assets Released from Restriction	<u>30,660</u>	<u>(30,660)</u>	<u>-</u>	<u>-</u>
Total Increases in Net Assets	<u>1,803,681</u>	<u>(28,160)</u>	<u>1,775,521</u>	<u>1,898,547</u>
Expenses:				
New Connections	334,844	-	334,844	387,430
Patchwork	564,965	-	564,965	457,360
Turning Point	<u>737,425</u>	<u>-</u>	<u>737,425</u>	<u>719,389</u>
Total Program Costs	1,637,234	-	1,637,234	1,564,179
Administration	129,229	-	129,229	158,201
Fundraising	<u>26,702</u>	<u>-</u>	<u>26,702</u>	<u>23,689</u>
Total Decreases in Net Assets	<u>1,793,165</u>	<u>-</u>	<u>1,793,165</u>	<u>1,746,069</u>
Change in Net Assets	10,516	(28,160)	(17,644)	152,478
Net Assets - Beginning of the Year	<u>1,170,357</u>	<u>41,672</u>	<u>1,212,029</u>	<u>1,059,551</u>
Net Assets - End of the Year	<u>\$ 1,180,873</u>	<u>\$ 13,512</u>	<u>\$ 1,194,385</u>	<u>\$ 1,212,029</u>

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

DAYMARK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
With Comparative Totals for 2017

Description	Program Services			Total Program Services	Administrative	Fundraising	2018	2017	Description
	New Connections	Patchwork	Turning Point				Expenses	Expenses	
Wages	\$ 181,659	\$ 330,336	\$ 432,837	\$ 944,832	\$ 52,978	\$ 10,792	\$ 1,008,602	\$ 958,721	Wages
Benefits Expense	48,015	79,026	104,144	231,185	14,260	2,398	247,843	249,487	Benefits Expense
Payroll Taxes Expense	17,520	32,451	41,502	91,473	8,700	826	100,999	92,793	Payroll Taxes Expense
Rent & Utilities	20,631	15,459	21,460	57,550	4,628	-	62,178	68,816	Rent & Utilities
Repairs & Maintenance	13,557	23,563	22,150	59,270	7,580	-	66,850	65,946	Repairs & Maintenance
Insurance	20,560	14,800	16,643	52,003	5,586	-	57,589	57,280	Insurance
Food	6,575	23,130	25,588	55,293	-	-	55,293	55,908	Food
Client Assistance	5,303	22,226	27,745	55,274	-	-	55,274	62,112	Client Assistance
Depreciation	9,585	2,138	22,760	34,483	972	-	35,455	40,513	Depreciation
Professional Fees	422	1,656	1,307	3,385	16,359	-	19,744	23,358	Professional Fees
Office Supplies	2,698	3,466	4,758	10,922	4,301	-	15,223	9,947	Office Supplies
Conference & Meetings	3,037	6,492	2,489	12,018	2,662	-	14,680	10,882	Conference & Meetings
Fundraising	-	-	-	-	-	12,686	12,686	9,721	Fundraising
Household Expense	23	4,971	7,253	12,247	-	-	12,247	10,518	Household Expense
Phone	1,376	400	1,765	3,541	5,433	-	8,974	8,712	Phone
Dues & Subscriptions	2,060	1,226	1,222	4,508	2,324	-	6,832	4,708	Dues & Subscriptions
Employee Recruiting	803	1,977	3,130	5,910	-	-	5,910	3,594	Employee Recruiting
Postage	-	56	54	110	1,704	-	1,814	1,780	Postage
Resource Material	914	827	40	1,781	-	-	1,781	854	Resource Material
Staff Travel	103	495	160	758	889	-	1,647	2,361	Staff Travel
Miscellaneous	-	139	418	557	843	-	1,400	5,814	Miscellaneous
Community Education	3	131	-	134	10	-	144	241	Community Education
Medicaid Expense	-	-	-	-	-	-	-	2,003	Medicaid Expense
TOTAL	\$ 334,844	\$ 564,965	\$ 737,425	\$ 1,637,234	\$ 129,229	\$ 26,702	\$ 1,793,165	\$ 1,746,069	TOTAL

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

DAYMARK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018
With Comparative Totals for 2017

	<u>2018</u>	<u>2017</u>
Cash Flows Provided by Operating Activities:		
Change in Net Assets	\$ (17,644)	\$ 152,478
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	35,455	40,513
(Increase) Decrease in Accounts and Pledges Receivable	(33,788)	29,467
Decrease in Other Assets	11,937	9,867
(Decrease) Increase in Accounts Payable	(8,110)	17,629
(Decrease) in Governmental Advances & Refunds	(4,884)	(119)
(Decrease) in Accrued Employee Benefits	(9,030)	(7,225)
Increase in Health Liability	<u>5,321</u>	<u>21,217</u>
Net Cash Flows (Used) Provided by Operating Activities	<u>(20,743)</u>	<u>263,827</u>
Cash Flows to Investing Activities:		
Purchases of Equipment and Improvements	<u>(27,707)</u>	<u>(23,669)</u>
Cash Used by Investing Activities	<u>(27,707)</u>	<u>(23,669)</u>
Net (Decrease) Increase in Cash	(48,450)	220,424
Cash at the Beginning of the Year	<u>747,031</u>	<u>526,607</u>
Cash at the End of the Year	<u>\$ 698,581</u>	<u>\$ 747,031</u>
Other Information:		
Non-cash gifts in-kind	\$ 614	\$ -
Interest Expense - paid in cash	\$ -	\$ 16

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

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of business:

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

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

New Connections-A social service program that helps youth between the ages of 16 and 21 obtain their GED and assists them in learning how to live independently. They also work with homeless youth in providing a temporary place to live, life skills training, job search and job skill training, support groups, meals, transportation, and minor emergency financial assistance.

Basis of presentation:

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

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

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

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Cash

Daymark, Inc. considers cash on hand, money market funds, and bank deposits that are available on demand to be cash. During the year ended June 30, 2018, cash did not exceed Federal Deposit Insurance Corporation or Securities Protection Investor Corporation insurance.

Contributions:

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

Impairment of long-lived assets:

Daymark Inc. reviews the carrying value of long-lived assets (property and equipment) for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized when an asset's carrying value exceeds its fair value as calculated using a discounted future cash flows analysis. No such impairment was recognized in 2018 or 2017.

Income Taxes:

Daymark, Inc. is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for Federal income taxes. In addition, Daymark, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. Daymark has no excise or unrelated business income taxes in 2017 or 2018.

Functional Allocation of Expenses:

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

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Estimates:

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

NOTE 2. ACCOUNTS RECEIVABLE

Accounts Receivable - All accounts receivable are due from various agencies of the City, State, Federal government, or others and, there is an allowance for uncollectible accounts of \$2,200 at June 30, 2018 and \$2,200 at June 30, 2017. Accounts receivable includes a business interruption loss claim receivable in the amount of \$96,782 that management believes to be fully collectible. Accounts are charged off against the allowance account when they are determined to be uncollectible. Accounts due over 90 days at June 30, 2018 and June 30, 2017 were \$4,323 and \$4,764 respectively.

NOTE 3. RETIREMENT PLAN

Daymark, Inc. established a noncontributory, defined contribution pension plan covering all employees who are at least 21 years old and have more than one year of service. Daymark, Inc. amended the plan to be a 401(k) profit sharing plan in which participants can contribute to the pension plan. Under the provisions of the Plan, Daymark, Inc. may, but is not required to contribute to the pension plan. Pension expense for the years ended June 30, 2018 and June 30, 2017 was \$47,446 and \$54,598 respectively.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Daymark, Inc. follows the practice of capitalizing all expenditures for equipment in excess of \$3,500. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

At June 30, 2018 and June 30, 2017, the major classes of property and equipment are summarized as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 96,248	\$ 96,248
Building and improvements	829,626	825,296
Furniture and equipment	<u>240,216</u>	<u>216,838</u>
	1,166,090	1,138,382
Less accumulated depreciation	<u>(672,189)</u>	<u>(636,733)</u>
	<u>\$ 493,901</u>	<u>\$ 501,649</u>

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LINE OF CREDIT

Daymark, Inc. has a \$200,000 line of credit available payable on demand that is secured by a deed of trust on the Patchwork house and land. As of June 30, 2018, and 2017 the balance due on the line of credit was \$-0-. Had there been an outstanding balance, the interest rate would have been 5% as of June 30, 2018.

NOTE 6. GOVERNMENTAL ADVANCES AND REFUNDS PAYABLE

Daymark, Inc. has received certain overpayments from West Virginia Department of Health and Human Resources and advances on federal grants. Daymark, Inc. has responded to these overpayments by contacting the West Virginia Department of Health and Human Resources and letting them know of the overpayments. Daymark, Inc. explains the reason for the overpayment and requests that their records be corrected so the money can be returned. The following Governmental Advances and Refunds Payable are less than 12 months old as of June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Overpayments	<u>\$ -0-</u>	<u>\$ 4,884</u>
	<u>\$ -0-</u>	<u>\$ 4,884</u>

NOTE 7. DEFINED CONTRIBUTION MEDICAL REIMBURSEMENT PLAN

Daymark, Inc. has established a program maintained for the exclusive benefit of employees which is intended to constitute a medical reimbursement plan under Section 105(h) of the Internal Revenue Code. Daymark, Inc. contributes \$3,000 to \$4,000 per year for each employee to the reimbursement plan. The employee must present qualified medical expenses for reimbursement. At June 30, 2018, the Organization has accumulated \$114,801 in a health claims cash account and they have accumulated \$140,812 in liabilities for medical reimbursements. Contributions for each employee vest ratably over a five year period. Any unvested amounts as of the employee's termination date can be used to offset future payments to the plan.

NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS: continued

The organization's financial instruments consist primarily of cash, accounts receivable and accrued liabilities.

The Financial Accounting Standards Board ("FASB") issued a statement that defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted priced for identical or similar assets or liabilities in inactive markets;
- Inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2018.

Receivables

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

Accruals

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

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS: continued

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Receivables	\$ -0-	\$ 133,090	\$ -0-	\$ 133,090
Accruals	-0-	249,124	-0-	249,124

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Pledges Receivable	\$ -0-	\$ 30,660	\$ -0-	\$ 30,660
Receivables	-0-	165,424	-0-	165,424
Accruals	-0-	265,827	-0-	265,827

NOTE 9. CONTINGENCIES

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

NOTE 10. COMPARATIVE 2017 AMOUNTS

The amounts shown for the period ended June 30, 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and represent summarized totals only. Accordingly, the 2017 amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

**DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. TEMPORARILY RESTRICTED FUNDS

At June 30, 2018 and June 30, 2017 funds with restrictions are as follows:

	<u>6-30-2018</u>	<u>6-30-2017</u>
United Way of Central WV (time restriction)	\$ -0-	\$ 30,660
Friends Campaign (to be used in 6/30/2019)	2,500	-0-
Tutoring - ECA Foundation	<u>11,012</u>	<u>11,012</u>
	<u>\$ 13,512</u>	<u>\$ 41,672</u>

NOTE 12. CONCENTRATION OF REVENUE SOURCES AND RECEIVABLES

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

	<u>2018</u>	<u>2017</u>
Department of Health and Human Resources	55%	48%
Other governmental agencies	<u>27%</u>	<u>39%</u>
	<u>82%</u>	<u>87%</u>

NOTE 13. SUBSEQUENT EVENTS

Management evaluated subsequent events through September 6, 2018, the date the financial statements were available to be issued.

DAYMARK, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2018

State Grantor	Grant Number	Award Amount	Receipts 7/1/2017- 6/30/2018	Expenditures 7/1/2017- 6/30/2018
<u>West Virginia Department of Health and Human Services</u>				
Crisis Counseling and Independent Living Services for Youth.				
(7/1/2016-6/30/2018)	G180292	\$ 126,081	\$ 126,081	\$ 126,081

(report done on accrual basis)

See Accountant's Audit Report



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

**Board of Directors
Daymark, Inc.
Charleston, WV**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Daymark, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Daymark, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Daymark's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

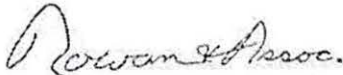
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as described by reference number 2018-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Daymark, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dunbar, WV
September 6, 2018

DHHR - Finance

SEP 24 2018

Date Received

DAYMARK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

2018-1

Criteria-

Daymark Inc. has an employee health reimbursement arrangement that is administered by a third party provider. We have found that the third party provider is not providing sufficient reporting for Daymark Inc. to reconcile the activity for internal control purposes as well as accuracy on an ongoing basis.

Condition-

During our audit we found that Daymark Inc. was not being provided with monthly activity reports or account summaries of the health reimbursement arrangement and the liability had not been reconciled for the fiscal year.

Context-

Daymark Inc. provides their employees a health reimbursement arrangement in which the company funds \$3,000 to \$4,000 per eligible employee annually. This amount accrues and the employees can be reimbursed for qualified medical expenses during their time of employment and for certain periods of time after employment has ended based upon time of service.

Cause-

There was insufficient review and reconciliation of the health reimbursement arrangement liability during the fiscal year. The third party provider that administers the health reimbursement arrangement did not provide activity and summary reports to Daymark Inc. on a consistent or timely basis. At fiscal year end, reports were provided that had discrepancies in them that management had to work with the third party provider to correct the discrepancies.

Effect-

Lack of reconciliation and controls over the health reimbursement arrangement could lead to Daymark Inc. to pay for health claims that do not belong to their employees and the accrued liability could be over or understated.

Recommendation-

We recommend Daymark Inc. require appropriate reports from the third party provider and internally track the activity of the health reimbursement arrangement. These amounts need to be tracked to the health reimbursement bank account as well as the liability account and verified against the summary report that should be provided by the third party provider.

DAYMARK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

2018-1 – continued:

Management Response:

Daymark, Inc. has asked that appropriate reports from the third party provider be provided on a monthly basis. Daymark, Inc. will track the activity internally on an Excel spreadsheet (which has been prepared starting with July, 2018) and will reconcile it with the health reimbursement bank account as well as the liability account and verify it against the summary report that will be provided by the third party provider.