

**Kanawha Institute for Social
Research and Action, Inc.**

**Independent Auditors' Report
and
Financial Statements**

December 31, 2018

DHHR - Finance

DEC - 6 2019

Date Received

Kanawha Institute for Social Research and Action, Inc.

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DHHR - Finance

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Kanawha Institute for Social Research and Action, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Kanawha Institute for Social Research and Action, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

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

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To the Board of Directors
Kanawha Institute for Social Research and Action, Inc.
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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 Kanawha Institute for Social Research and Action, Inc. as of December 31, 2018, 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


Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of grant receipts and expenditures for agreement numbers G180106 and G190257 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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.

To the Board of Directors
Kanawha Institute for Social Research and Action, Inc.
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of Kanawha Institute for Social Research and Action, 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 solely 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 Kanawha Institute of Social Research and Action, Inc.'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 Kanawha Institute for Social Research and Action, Inc.'s internal control over financial reporting and compliance.



Charleston, West Virginia
November 4, 2019

DHHR - Finance

DEC - 6 2019

Date Received

Kanawha Institute for Social Research and Action, Inc.

Statement of Financial Position

December 31, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 66,452
Cash restricted for IDA reserves & CHDO	457,232
Grants and accounts receivable	307,525
Microloans receivable, net of allowance for doubtful accounts	<u>79,754</u>
Total Current Assets	<u>910,963</u>

Property and Equipment

656,179

Total Assets

\$1,567,142

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 26,728
Accrued payroll	22,161
Grants received in advance	<u>1,042,330</u>
Total Current Liabilities	<u>1,091,219</u>

Net Assets

Without donor restrictions	146,617
With donor restrictions	<u>329,306</u>
Total Net Assets	<u>475,923</u>

Total Liabilities and Net Assets

\$1,567,142

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Statement of Activities

Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Contributions – individuals & corporations	\$ 27,161	\$ 87,903	\$ 115,064
Contributions – government	6,662	2,121,618	2,128,280
HCDC income	19,895	-0-	19,895
Other income	18,735	-0-	18,735
Investment income	760	-0-	760
Net assets released from restrictions	<u>2,274,980</u>	<u>(2,274,980)</u>	<u>-0-</u>
Total Revenues, Gains, and Other Support	<u>2,348,193</u>	<u>(65,459)</u>	<u>2,282,734</u>
Expenses and Losses			
Personnel	1,431,770	-0-	1,431,770
Contractual	242,578	-0-	242,578
Insurance	36,373	-0-	36,373
Internet and computer expense	203,306	-0-	203,306
Equipment rental	11,652	-0-	11,652
Training	2,451	-0-	2,451
Food	16,620	-0-	16,620
Office expense	63,177	-0-	63,177
Telephone	32,949	-0-	32,949
Depreciation	204,568	-0-	204,568
Advertising	4,625	-0-	4,625
Utilities	42,842	-0-	42,842
Postage	1,101	-0-	1,101
Travel	53,707	-0-	53,707
Material and supplies	63,788	-0-	63,788
Other	46,131	-0-	46,131
Tax, licenses and permits	11,179	-0-	11,179
Program & program overhead	34,531	-0-	34,531
Occupancy	92,260	-0-	92,260
Bad debt	<u>85,400</u>	<u>-0-</u>	<u>85,400</u>
Total Expenses and Losses	<u>2,681,008</u>	<u>-0-</u>	<u>2,681,008</u>
Change in Net Assets	(332,815)	(65,469)	(398,274)
Net Assets, Beginning of Year	<u>479,432</u>	<u>394,765</u>	<u>874,197</u>
Net Assets, End of Year	<u>\$ 146,617</u>	<u>\$ 329,306</u>	<u>\$ 475,923</u>

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Statement of Cash Flows

Year Ended December 31, 2018

Cash Flow From Operating Activities	
Change in net assets	\$(398,274)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	204,568
Gain on investments	(316)
Bad debt expense	85,400
Gain on sale of equipment	(2,711)
Change in net assets and liabilities	
Decrease in restricted cash	35,207
Increase in grants and accounts receivable	(34,459)
Decrease in accounts payable	(32,516)
Decrease in accrued liabilities and taxes	(276)
Decrease in accrued payroll	(6,265)
Increase in grants received in advance	<u>110,780</u>
Net Cash Used In Operating Activities	<u>(38,862)</u>
Cash Flows From Investing Activities	
Micro loan payments	27,207
Purchase of property and equipment	(33,673)
Proceeds from sale of equipment	2,711
Sale of investments	<u>12,333</u>
Net Cash Provided By Investing Activities	<u>8,578</u>
Cash Flows From Financing Activities	<u>-0-</u>
Net Decrease in Cash	(30,284)
Cash, Beginning of Year	<u>96,736</u>
Cash, End of Year	<u>\$ 66,452</u>

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Statement of Functional Expenses

Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Personnel	\$1,379,898	\$ 51,872	\$1,431,770
Contractual	142,409	100,169	242,578
Insurance	-0-	36,373	36,373
Equipment rental	-0-	11,652	11,652
Training	2,032	419	2,451
Food	14,936	1,684	16,620
Office expense	36,067	27,110	63,177
Telephone	20,872	12,077	32,949
Depreciation expense	-0-	204,568	204,568
Advertising	1,025	3,600	4,625
Utilities	19,628	23,214	42,842
Postage	35	1,066	1,101
Travel expense	76,291	(22,584)	53,707
Materials and supplies	64,381	(593)	63,788
Other	52,537	(6,406)	46,131
Tax, licenses and permits	1,920	9,259	11,179
Internet and computer expense	168,293	35,013	203,306
Occupancy	96,628	(4,368)	92,260
Bad debt	82,400	3,000	85,400
Program & program overhead	<u>237,323</u>	<u>(202,792)</u>	<u>34,531</u>
Total Expenses	<u>\$2,396,675</u>	<u>\$ 284,333</u>	<u>\$2,681,008</u>

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2018

Note A – Summary of Significant Accounting Policies

Organization - The Kanawha Institute For Social Research and Action, Inc. (KISRA) ("Organization") is a nonprofit organization which works to aid in the development and implementation of educational, self-awareness, and socio-economic programs (including the development of safe, affordable, and decent housing for low and middle income families) that enhance the personal development of the individual in the community in and around Charleston, West Virginia. The Organization receives grants from governmental agencies as well as corporate and personal contributions.

Basis of Accounting – The financial statements of Kanawha Institute For Social Research and Action, Inc. (KISRA) have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Revenues and Expenses - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

All contributions and grants are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor or grantor are reported as net assets with donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the Organization have been summarized on a neutral classification basis.

Classes of Net Assets – The financial statements report amounts by class of net assets.

Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, donor-advised funds, or invested in property and equipment.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2018

Note A – Summary of Significant Accounting Policies (Continued)

Property and Equipment – Furniture and equipment items are recorded at cost if purchased or, if donated, at the fair value at the time of the donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2018 was \$204,568. The classification of these capitalized items are classified in the accompanying financial statements as follows:

Furniture and equipment	\$ 954,851
Leasehold improvements	<u>1,422,414</u>
	2,377,265
Less accumulated depreciation	<u>1,768,114</u>
	609,151
Land	<u>47,028</u>
	<u>\$ 656,179</u>

Title to the leasehold improvements would revert to the grantor if intended usage would be discontinued.

Income Taxes - The Organization is a nonprofit organization under section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under section 509(a)(2). The Organization is exempt from income taxes on income derived from their nonprofit activities.

As of December 31, 2018, the tax years that remain subject to examination begin with 2015. Tax returns for 2015, 2016, 2017 and 2018 remain open to examination by taxing authorities. Management believes that all positions taken in those returns would be sustained if examined by taxing authorities.

Statement of Cash Flows – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Advertising – The Organization expenses advertising cost as they are incurred. Advertising expense for the year was \$4,625.

Recently Issued Accounting Standards – In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note K), and disclosures related to functional allocation of expenses were expanded.

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2018

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation – The Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services – No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization receives a significant amount of volunteer hours per year.

Revenue Recognition - All contributions and grants are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor or grantor are reported as net assets with donor restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Note B – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of funds received related to a specific program or purpose in excess of expenditures incurred in these programs. The excess funds received are restricted for the intended purposes. The net assets with donor restrictions at December 31, 2018 are as follows:

Fatherhood	\$141,407
CHDO	540
IDA Match	97,793
Growing Jobs	34,142
CED/HFFI	<u>55,424</u>
	<u>\$329,306</u>

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2018

Note C – Grants and Accounts Receivable

Grants and accounts receivable consist of amounts owed from various grantors as reimbursement of grant-related expenses. The Organization considers grants and accounts receivable at December 31, 2018, to be fully collectible; accordingly, no allowance for doubtful accounts is required. Grants and accounts receivable consist of the following:

Community Engagement Specialist	\$ 70,304
SPOKES	174,992
PREP	24,146
HCDC	2,268
CED AFE	10,779
ARA Prestera	<u>25,036</u>
Total grants and accounts receivable	<u>\$307,525</u>

Note D – Net Assets Released From Restrictions

Net assets were released from donor and grant restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the year ended December 31, 2018 as follows:

Purpose restrictions accomplished:	
ARA Prestera	\$ 68,941
Harambee Learning Center	3,000
GKVF Emergency Services	33,542
Fatherhood Grant	1,255,991
Re-entry	118,742
PREP Grant	40,087
Micro Loan – SBA Technical Grant	45,187
HOME Program	3,326
Healthy Food Financing Initiative	128,597
Paradise Farms	51,266
Community Engagement Specialist	156,814
SPOKES	217,331
B3	17,915
Wellness Program	1,691
Appalachian Food Enterprise	<u>132,550</u>
Total restrictions released	<u>\$2,274,980</u>

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2018

Note E – Concentration of Credit Risk

The Organization receives a significant portion of its revenues from federal and state agencies and corporate contributions. The ability of the donors to continue funding the operations of the Organization is dependent upon current economic conditions.

Additionally, the Organization maintains its bank accounts in financial institutions located in and around Charleston, West Virginia. The balance is insured by the Federal Deposit Insurance Corporation up to current limits in 2018. At December 31, 2018, the Organization's uninsured cash balance totaled \$280,990.

Note F – Operating Leases

The Organization has several noncancelable operating leases for office space that expire at various dates through June 30, 2022. Those leases require the Organization to pay various executory costs. Rental expenses for those leases consisted of \$92,260 for the year.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2018 are as follows:

2019	\$22,248
2020	16,236
2021	16,236
2022	8,118
2023	-0-
Thereafter	<u>-0-</u>
	<u>\$62,838</u>

Note G – Second Mortgage

KISRA participates in the CHDO Home Blend grant program. When a property is sold, KISRA maintains a second mortgage on the property that is forgivable if the purchaser remains in the property for 10 years. No amount is recorded on KISRA's books for these mortgages.

Note H – Micro-Loans Receivable

The Small Business Administration awarded KISRA money to loan out to various small businesses. As of December 31, 2018, KISRA has \$137,442 of these loans outstanding with an allowance for doubtful accounts of \$57,688. Due to collectibility issues, interest income is recorded when payments are received. Allowances for doubtful accounts are based on prior collection experience and current economic factors, which in management's judgment, could influence the ability of the loan recipient to repay the amounts per the credit terms.

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2018

Note I – Grants Received in Advance

Grants received in advance consist of the following:

SPOKES	\$ 45,478
IDA – Reserves	216,348
PREP	27,938
Fatherhood ReForm	751,363
Wellness Program	<u>1,203</u>
	<u>\$1,042,330</u>

Note J – Subsequent Events

Management has evaluated all events through November 4, 2019, the date these financial statements were available to be issued, and determined that no additional disclosures were required.

Note K – Liquidity and Availability of Financial Assets

The following table reflects the Organization’s financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because they have been set aside for a specific program.

Financial assets:	
Cash and cash equivalents	\$ 66,452
Grants and accounts receivable	307,525
Microloans receivable, net	<u>79,754</u>
Financial assets, at year-end	<u>453,731</u>
Less those unavailable for general expenditure within one year, due to:	
Net assets with donor restrictions	<u>329,306</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$124,425</u>

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2018

Note L – Commitments and Contingencies

During the year ended December 31, 2018, KISRA filed a motion for summary judgment against Green Spirit Farms, LLC (GSF). In December 2014, KISRA entered into contract with GSF to obtain and install lighting for a Vertical Growing System. KISRA made two payments to GSF totaling \$222,830.00 for the lighting, KISRA cancelled the order for the lights in February, 2016 and demanded a refund from GSF. The court granted KISRA's motion for summary judgment and on January 7, 2019 issued a Judgment Order in favor of KISRA in the amount of \$248,083.99. As of November 4, 2019, neither the lights, the refund, nor the Judgment Order have been received by KISRA.

The payments for the lights were made with funds from the Department of Health and Human Services under the CED Healthy Food Financing Initiative Project. As of November 4, 2019, KISRA is still waiting on a ruling from the Department of Health and Human Services as to whether the funds paid for the lights will need to be returned to the Department of Health and Human Services.

Supplementary Information

Kanawha Institute for Social Research and Action, Inc.
Schedule of Grant Receipts and Expenditures – Grant G180106

For Grant Period Ended June 30, 2018

Grant Receipts

<u>Invoice Number</u>	<u>Period Covered</u>	<u>Date Received</u>	<u>Amount</u>
Invoice #7	January 2018	3/16/18	\$11,243
Invoice #8	February 2018	4/16/18	11,546
Invoice #9	March 2018	5/2/18	11,458
Invoice #10	April 2018	5/29/18	12,040
Invoice #11	May 2018	7/25/18	16,383
Invoice #12	June 2018	9/10/18	<u>20,713</u>
Total Grant Receipts			<u>83,383</u>

Grant Expenditures

<u>Expenditures</u>	<u>Amount</u>
Personnel	\$ 51,120
Fringe benefits	10,728
Contractual costs	1,516
Other	2,565
Indirect costs	<u>15,200</u>
Total Grant Expenditures	<u>81,129</u> 2,254
Fund Balance at December 31, 2017	<u>(2,254)</u>
Ending Fund Balance	<u>\$ -0-</u>

See independent auditors' report.

Kanawha Institute for Social Research and Action, Inc.
Schedule of Grant Receipts and Expenditures – Grant G190257

For Grant Period Ended June 30, 2018

Grant Receipts

<u>Invoice Number</u>	<u>Period Covered</u>	<u>Date Received</u>	<u>Amount</u>
Invoice #1	July 2018	9/18/18	\$11,121
Invoice #2	August 2018	10/18/18	11,518
Invoice #3	September 2018	1/2/19	11,754
Invoice #4	October 2018	1/18/19	15,907
Invoice #5	November 2018		11,512
Invoice #6	December 2018		<u>11,294</u>
Total Grant Receipts			<u>73,106</u>

Grant Expenditures

<u>Expenditures</u>	<u>Amount</u>
Personnel	\$56,375
Fringe benefits	10,738
Contractual costs	1,186
Other	6,422
Indirect costs	<u>964</u>
Total Grant Expenditures	<u>75,685</u>
Fund Balance at December 31, 2018	<u>\$(2,579)</u>

See independent auditors' report.

**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 of
Kanawha Institute for Social Research and Action, Inc.

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 Kanawha Institute for Social Research and Action, Inc. (KISRA) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kanawha Institute for Social Research and Action, 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 Kanawha Institute for Social Research and Action, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Kanawha Institute for Social Research and Action, 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.

To the Board of Directors of
Kanawha Institute for Social Research and Action, Inc.
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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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kanawha Institute for Social Research and Action, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

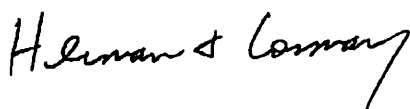
In addition, we noted other matters involving internal control and its operation that we have reported to management of Kanawha Institute for Social Research and Action, Inc. in a separate letter dated November 4, 2019.

Kanawha Institute of Social Research and Action, Inc.'s Response to Finding

Kanawha Institute of Social Research and Action, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Kanawha Institute of Social Research and Action, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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



Charleston, West Virginia
November 4, 2019

**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 of
Kanawha Institute for Social Research and Action, Inc.

Report on Compliance for Each Major Federal Program

We have audited Kanawha Institute for Social Research and Action, Inc.'s (KISRA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KISRA's major federal programs for the year ended December 31, 2018. KISRA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, 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 KISRA'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 KISRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 KISRA's compliance.

Opinion on Each Major Federal Program

In our opinion, KISRA complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended December 31, 2018.

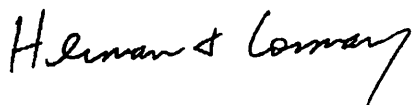
Report on Internal Control over Compliance

Management of KISRA 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 KISRA'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 the 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 KISRA'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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Charleston, West Virginia
November 4, 2019

Kanawha Institute for Social Research and Action, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2018

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Justice Direct Programs Second Chance Act Prisoner Re-entry	16.812	2014-CY-BX-0025	\$ <u>114,410</u>
Total U.S. Department of Justice			<u>114,410</u>
U.S. Department of Health and Human Services Direct Programs:			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FO0009-04-00	226,284
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FO0009-03-00	1,081,395
Community Economic Development Healthy Food Financing Initiative Projects	93.570	90EE1085-01-02	121,160
Community Economic Development Appalachian Food Enterprise	93.570	90EE1217-01-00	132,550
U.S. Department of Health and Human Services Pass-Through Program:			
West Virginia Department of Health and Human Resources Office of Maternal, Child and Family Health PREP	93.092	G180277	32,931
West Virginia Department of Health and Human Resources Office of Maternal, Child and Family Health PREP	93.092	G190648	5,861
MDRC Building Bridges and Bonds	N/A	MDRC	13,860
West Virginia Department of Health and Human Resources Bureau for Children and Families Temporary Assistance for Needy Families	93.558	G190045	127,861
Temporary Assistance for Needy Families	93.558	G180219	89,470
Prestera Center for Mental Health Services Substance Abuse and Mental Health Services Project	93.243	1H79TI026332-01	<u>68,941</u>
Total Department of Health and Human Services			<u>1,900,313</u>
Total Expenditures of Federal Awards			<u>\$2,014,723</u>

See accompanying notes to schedule of expenditures of federal awards.

Kanawha Institute for Social Research and Action, Inc.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of KISRA under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of KISRA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of KISRA.

Note B – 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.

Pass-through entity identifying numbers are presented where available.

Note C - Indirect Cost Rate

KISRA has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Kanawha Institute for Social Research and Action, Inc.
Schedule of Prior Audit Findings
Year Ended December 31, 2018

Section II - Findings - Financial Statement Audit

None.

Section III - Findings and Questioned Costs - Major Federal Program Audit

None

Kanawha Institute for Social Research and Action, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:

unmodified

- Material Weakness identified? Yes No
- Significant Deficiency identified? Yes None reported
- Noncompliance material to financial statements notes? Yes No

Federal Awards

Internal control over major programs:

- Material Weaknesses identified? Yes No
- Significant Deficiency identified? Yes None reported

Type of auditors’ report issued on compliance for major programs:

unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?

Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.086

Fatherhood Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Kanawha Institute for Social Research and Action, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2018

Section II - Findings - Financial Statement Audit

2018-001 Authorized Signatures on File with Bank

Criteria and Condition: Management of the Organization changed, and the authorized signatures on file with the bank for 2 of the bank accounts were not updated. The CEO signed checks but was not authorized to do so per the bank records.

Context: Audit tests revealed that the CEO's signature was not on file with the bank, and thus, the CEO was not an authorized signer.

Cause: Controls were not in place to make sure all signatures were updated when management changed.

Effect: Checks written on these accounts and signed by the CEO are considered questioned costs.

Questioned Costs: \$-0-. During the current year, there were no checks written on these accounts.

Auditor's Recommendation: We recommend the Organization establish a checklist of action items to be completed when management changes.

View of Responsible Officials and Planned Corrective Actions: The Organization agrees with the finding and the auditors' recommendation. The organization has established a checklist of action items to be completed when management changes.

Section III - Findings and Questioned Costs - Major Federal Program Audit

None