



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

**Independent Auditors' Report
and
Financial Statements**

December 31, 2019

Kanawha Institute for Social Research and Action, Inc.

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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, 2019, 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

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, 2019, 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 schedule of grant receipts and expenditures for agreement number G190257 is presented for purposes of additional analysis and is 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
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, 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
October 22, 2021

Kanawha Institute for Social Research and Action, Inc.

Statement of Financial Position

December 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 97,310
Cash restricted for IDA reserves & CHDO	457,252
Grants and accounts receivable	321,106
Microloans receivable, net of allowance for doubtful accounts	<u>17,408</u>

Total Current Assets

893,076

Property and Equipment

500,163

Total Assets

\$1,393,239

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 40,568
Accrued payroll	27,561
Grants received in advance	<u>972,319</u>

Total Current Liabilities

1,040,448

Net Assets

Without donor restrictions	23,445
With donor restrictions	<u>329,346</u>

Total Net Assets

352,791

Total Liabilities and Net Assets

\$1,393,239

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions – individuals & corporations	\$ 55,935	\$ 44,202	\$ 100,137
Contributions – government	19,657	2,411,557	2,431,214
HCDC income	17,569	-0-	17,569
Other income	16,247	-0-	16,247
Net assets released from restrictions	<u>2,455,719</u>	<u>(2,455,719)</u>	<u>-0-</u>
Total Revenues, Gains, and Other Support	<u>2,565,127</u>	<u>40</u>	<u>2,565,167</u>
Expenses and Losses			
Personnel	1,408,128	-0-	1,408,128
Contractual	401,758	-0-	401,758
Insurance	37,690	-0-	37,690
Internet and computer expense	84,967	-0-	84,967
Equipment rental	17,359	-0-	17,359
Training	2,876	-0-	2,876
Food	16,848	-0-	16,848
Office expense	21,667	-0-	21,667
Telephone	34,425	-0-	34,425
Depreciation	194,718	-0-	194,718
Advertising	10,351	-0-	10,351
Utilities	69,428	-0-	69,428
Postage	1,663	-0-	1,663
Travel	83,600	-0-	83,600
Material and supplies	79,172	-0-	79,172
Other	4,570	-0-	4,570
Tax, licenses and permits	2,474	-0-	2,474
Program & program overhead	45,441	-0-	45,441
Occupancy	159,294	-0-	159,294
Bad debt	7,361	-0-	7,361
In-kind	<u>4,509</u>	<u>-0-</u>	<u>4,509</u>
Total Expenses and Losses	<u>2,688,299</u>	<u>-0-</u>	<u>2,688,299</u>
Change in Net Assets	(123,172)	40	(123,132)
Net Assets, Beginning of Year	<u>146,617</u>	<u>329,306</u>	<u>475,923</u>
Net Assets, End of Year	<u>\$ 23,445</u>	<u>\$ 329,346</u>	<u>\$ 352,791</u>

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Statement of Cash Flows

Year Ended December 31, 2019

Cash Flow From Operating Activities	
Change in net assets	\$(123,132)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	194,718
Bad debt expense	7,361
Change in net assets and liabilities	
Increase in restricted cash	(20)
Increase in grants and accounts receivable	(13,581)
Increase in accounts payable	13,840
Increase in accrued payroll	5,400
Decrease in grants received in advance	<u>(70,011)</u>
Net Cash Provided By Operating Activities	<u>14,575</u>
Cash Flows From Investing Activities	
Micro loan payments	54,985
Purchase of property and equipment	<u>(38,702)</u>
Net Cash Provided By Investing Activities	<u>16,283</u>
Cash Flows From Financing Activities	<u>-0-</u>
Net Increase in Cash	30,858
Cash, Beginning of Year	<u>66,452</u>
Cash, End of Year	<u>\$ 97,310</u>

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Personnel	\$1,399,140	\$ 8,988	\$1,408,128
Contractual	386,967	14,791	401,758
Insurance	-0-	37,690	37,690
Equipment	11,161	6,198	17,359
Training	5,947	(3,071)	2,876
Food	16,412	436	16,848
Office expense	11,945	9,722	21,667
Telephone	21,582	12,843	34,425
Depreciation expense	-0-	194,718	194,718
Advertising	10,351	-0-	10,351
Utilities	52,116	17,312	69,428
Postage	644	1,019	1,663
Travel expense	111,895	(28,295)	83,600
Materials and supplies	79,647	(475)	79,172
Other	2,435	2,135	4,570
Tax, licenses and permits	1,312	1,162	2,474
Internet and computer expense	60,079	24,888	84,967
Occupancy	123,179	36,115	159,294
Bad debt	7,361	-0-	7,361
Program & program overhead	244,805	(199,364)	45,441
In-kind	4,509	-0-	4,509
Total Expenses	<u>\$2,551,487</u>	<u>\$ 136,812</u>	<u>\$2,688,299</u>

See notes to financial statements.

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2019

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, 2019

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, 2019 was \$194,718. The classification of these capitalized items are classified in the accompanying financial statements as follows:

Furniture and equipment	\$ 993,553
Leasehold improvements	<u>1,422,414</u>
	2,415,967
Less accumulated depreciation	<u>1,962,832</u>
	453,135
Land	<u>47,028</u>
	<u>\$ 500,163</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, 2019, the tax years that remain subject to examination begin with 2017. Tax returns for 2017, 2018 and 2019 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 \$10,351.

Recently Issued Accounting Standards - During the year ended December 31, 2019, the Organization adopted to provisions of the following new standards issued by the Financial Accounting Standards Board (FASB): Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): clarifying the Scope and Accounting Guidance for Contributions Received and Contributions made*.

ASU No. 2018-08 provides clarifying guidance on accounting for the grants and contracts of nonprofit organizations as they relate to revenue from contracts with customers and aims to minimize diversity in the classification of grants and contracts that exist under current guidance.

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2019

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, 2019 are as follows:

Fatherhood	\$141,407
CHDO	540
IDA Match	97,833
Growing Jobs	34,142
CED/HFFI	<u>55,424</u>
	<u>\$329,346</u>

Kanawha Institute for Social Research and Action, Inc.
Notes to Financial Statements

December 31, 2019

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, 2019, to be fully collectible; accordingly, no allowance for doubtful accounts is required. Grants and accounts receivable consist of the following:

Community Engagement Specialist	\$ 84,322
SPOKES	178,864
PREP	17,433
HCDC	5,113
ARA Pretera	<u>35,374</u>
Total grants and accounts receivable	<u>\$321,106</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, 2019 as follows:

Purpose restrictions accomplished:	
ARA Pretera	\$ 107,249
GKVF Emergency Services	43,000
Fatherhood Grant	1,399,956
PREP Grant	57,634
Micro Loan – SBA Technical Grant	2,704
Community Engagement Specialist	148,131
SPOKES	399,349
Wellness Program	1,202
Appalachian Food Enterprise	<u>296,494</u>
Total restrictions released	<u>\$2,455,719</u>

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 2019. At December 31, 2019, the Organization's uninsured cash balance totaled \$304,052.

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2019

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, 2019 are as follows:

2020	\$22,634
2021	20,256
2022	10,128
2023	-0-
2024	-0-
Thereafter	<u>-0-</u>
	<u>\$53,018</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, 2019, KISRA has \$82,456 of these loans outstanding with an allowance for doubtful accounts of \$65,048. 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.

Note I – Grants Received in Advance

Grants received in advance consist of the following:

CED/AFE	\$ 22,727
IDA – Reserves	216,368
PREP	21,816
Fatherhood ReForm	<u>711,408</u>
	<u>\$972,319</u>

Kanawha Institute for Social Research and Action, Inc.

Notes to Financial Statements

December 31, 2019

Note J – Subsequent Events

Management has evaluated all events through October 22, 2021, the date these financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 24, 2020, West Virginia Governor, Jim Justice ordered the closure of the physical location of every non-essential business for what may be an extended period of time. The office closed to the public and employees worked remotely as they could. Services to clients were limited. Future potential impacts may include continued disruptions or restrictions on our employees' ability to work and impairment of our ability to obtain contributions and volunteers. The future effects of these issues are unknown.

Note K – Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of December 31, 2019, 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	\$ 97,310
Grants and accounts receivable	335,687
Microloans receivable, net	<u>17,408</u>
Financial assets, at year-end	<u>450,405</u>
Less those unavailable for general expenditure within one year, due to:	
Net assets with donor restrictions	<u>329,346</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$121,059</u>

Kanawha Institute for Social Research and Action, Inc.
Notes to Financial Statements

December 31, 2019

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 October 22, 2021, 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 October 22, 2021, 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.

Note M – Going Concern

As indicated in the accompany financial statements, the Organization showed a decrease in net assets of \$123,132 during the year ended December 31, 2019. As of that date, the Organization's current liabilities exceeded its current assets by \$147,372. Those factors, as well as the Organization's dependence on Government grants indicated substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements were available to be issued.

Management and the Board of Directors have reduced staffing levels to be more in line with current activities and have pursued new revenue sources, including selling assets no longer in use.

As a result, the doubts about the Organization's ability to continue as a going concern were alleviated at October 22, 2021.

Supplementary Information

Kanawha Institute for Social Research and Action, Inc.
Schedule of Grant Receipts and Expenditures – Grant G190257
For Grant Period Ended June 30, 2019

Grant Receipts

<u>Invoice Number</u>	<u>Period Covered</u>	<u>Date Received</u>	<u>Amount</u>
	December 2018	10/8/19	\$ 2,107
Invoice #7	January 2019	10/8/19	8,931
Invoice #8	February 2019	10/8/19	11,405
Invoice #9	March 2019	10/8/19	10,734
Invoice #10	April 2019	10/8/19	12,207
Invoice #11	May 2019	10/8/19	16,617
Invoice #12	June 2019	10/8/19	<u>11,819</u>
Total Grant Receipts			<u>73,820</u>

Grant Expenditures

<u>Expenditures</u>	<u>Amount</u>
Personnel	\$ 38,721
Fringe benefits	7,464
Supplies	1,152
Contractual costs	1,191
Other	8,365
Indirect costs	<u>14,348</u>
Total Grant Expenditures	<u>71,241</u>
	2,579
Fund Balance at December 31, 201	<u>(2,579)</u>
Ending Fund Balance	<u>\$ -0-</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, 2019, 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 October 22, 2021.

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) as a basis for designing 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.

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. 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.

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 October 22, 2021.

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
October 22, 2021

**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, 2019. 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, 2019.

The results of our auditing procedures disclosed an instance 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 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

KISRA's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KISRA's 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 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.

The Board of Directors of
Kanawha Institute for Social Research and Action, Inc.
Page three

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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

KISRA's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KISRA'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.



Charleston, West Virginia
October 22, 2021

Kanawha Institute for Social Research and Action, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2019

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Health and Human Services			
Direct Programs:			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FO0009-04-00	\$1,273,716
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FO0009-05-00	126,240
Community Economic Development Appalachian Food Enterprise	93.570	90EE1217-01-00	303,619
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	G200719	11,805
West Virginia Department of Health and Human Resources Office of Maternal, Child and Family Health PREP	93.092	G190648	45,830
West Virginia Department of Health and Human Resources Bureau for Children and Families			
Temporary Assistance for Needy Families	93.558	G190045	222,139
Temporary Assistance for Needy Families	93.558	G200070	177,211
Prestera Center for Mental Health Services Substance Abuse and Mental Health Services Project	93.243	1H79TI026332-01	<u>107,249</u>
Total Expenditures of Federal Awards			<u>\$2,267,809</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, 2019

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, 2019. 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, 2019

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.

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

Current Status: The recommendation was adopted. No similar findings were noted in the 2019 audit.

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, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

- 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, 2019

Section II - Findings - Financial Statement Audit

None

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

2019-001 Eligibility for Individuals

Criteria and Condition: Eligibility for individuals to participate in and receive benefits from the program should be documented and retained in the individual's file.

Context: Tests of compliance related to eligibility for individuals revealed that some participant files were missing documentation showing participant eligibility.

Cause: Controls were not followed to make sure appropriate documentation was completed and retained in participant files.

Effect: Benefits received by the participant are considered a questioned cost.

Questioned Costs: Known questioned costs total \$25.00. Participant without eligibility documentation on file received benefits totaling \$25.00.

Auditor's recommendation: We recommend the Organization follow its controls related to participant eligibility.

View of Responsible Officials and Planned Corrective Actions: The Organization agrees with the finding and the auditors' recommendation. Prior to the audit, the Organization terminated the employee who did not follow controls related to participant eligibility.

Kanawha Institute for Social Research & Action, Inc.

A-133 Single Audit Report: Corrective Action Plan
Year ended December 31, 2019
Findings and Questioned Costs – Major Federal Program Audit
NEAR Recommendation Code: 004935100

Grant Program/CFDA #: Responsible Fatherhood Opportunities for Reentry and Mobility Grants / CAT NO.: 93.086

Federal Agency: Department of Health and Human Services; Administration for Children & Families

Federal Award: 90F00009

2019-001 Eligibility for Individuals.

Criteria and Condition: Eligibility for individuals to participate in and receive benefits from the program should be documented and retained in the individual's file.

Context: Tests of compliance related to eligibility for individuals revealed that some participant files were missing documentation showing participant eligibility.

Cause: Controls were not follow to make sure appropriate documentation was completed and retained in participant files.

Effect: Benefits received by the participant are considered a questionable cost.

Corrective Action Plan

The management of the organization agrees with the finding, and agrees to follow the controls set in place to determine benefit eligibility. The importance of controls and their effect on programmatic activities was emphasized during the latest staff meeting. In particular, the steps to determine an individual's eligibility to participate and benefit from any of the grant programs administered by the organization were reviewed as a training topic for existing staff.

KANAWHA INSTITUTE FOR SOCIAL RESEARCH & ACTION, INC.



Michael Jones
Interim Chief Executive Officer