

**Partnership of
African American Churches**

**Independent Auditors' Report
and
Financial Statements**

December 31, 2019



Partnership of African American Churches

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Independent Auditors' Report

To the Board of Directors of
Partnership of African American Churches

Report on the Financial Statements

We have audited the accompanying financial statements of Partnership of African American Churches (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
Partnership of African American Churches
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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 Partnership of African American Churches 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 schedules of grant receipts and expenditures on pages 13-15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
Partnership of African American Churches
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2022, on our consideration of Partnership of African American Churches' 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 Partnership of African American Churches, 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 Partnership of African American Churches' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Herman & Company".

Charleston, West Virginia
February 4, 2022

Partnership of African American Churches

Statement of Financial Position

December 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 66,451
Grants and accounts receivable	<u>277,235</u>
Total Current Assets	<u>343,686</u>

Property and Equipment

234,775

Total Assets

\$578,461

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 32,367
Accrued taxes and withholdings	17,402
Accrued payroll and vacation	21,109
Grants received in advance	<u>232,775</u>
Total Current Liabilities	<u>303,653</u>

Net Assets

Without donor restrictions	<u>274,808</u>
Total Net Assets	<u>274,808</u>

Total Liabilities and Net Assets

\$578,461

See accompanying notes to financial statements.

Partnership of African American Churches

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions – individuals & corporations	\$ 9,636	\$ -0-	\$ 9,636
Contributions – government	-0-	1,202,150	1,202,150
Program fees	29,000	-0-	29,000
Other income	1,224	-0-	1,224
Net assets released from restrictions	<u>1,202,150</u>	<u>(1,202,150)</u>	<u>-0-</u>
Total Revenues, Gains, and Other Support	<u>1,242,010</u>	<u>-0-</u>	<u>1,242,010</u>
Expenses and Losses			
Personnel	716,315	-0-	716,315
Contractual	178,637	-0-	178,637
Professional fees	47,571	-0-	47,571
Training	7,948	-0-	7,948
Office expense	14,602	-0-	14,602
Telephone	13,258	-0-	13,258
Depreciation	7,500	-0-	7,500
Advertising	12,499	-0-	12,499
Utilities	22,486	-0-	22,486
Travel	30,059	-0-	30,059
Material and supplies	98,752	-0-	98,752
Other	7,089	-0-	7,089
Tax, licenses and permits	27,362	-0-	27,362
Program & program overhead	91,597	-0-	91,597
Occupancy	113,058	-0-	113,058
Repairs and maintenance	<u>5,343</u>	<u>-0-</u>	<u>5,343</u>
Total Expenses and Losses	<u>1,394,076</u>	<u>-0-</u>	<u>1,394,076</u>
Change in Net Assets	(152,066)	-0-	(152,066)
Net Assets, Beginning of Year	<u>426,874</u>	<u>-0-</u>	<u>426,874</u>
Net Assets, End of Year	<u>\$ 274,808</u>	<u>\$ -0-</u>	<u>\$ 274,808</u>

See accompanying notes to financial statements.

Partnership of African American Churches

Statement of Cash Flows

Year Ended December 31, 2019

Cash Flow From Operating Activities	
Change in net assets	\$(152,066)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,500
Increase in grants and accounts receivable	(50,090)
Increase in accounts payable	32,367
Increase in accrued taxes and withholdings	17,402
Increase in accrued payroll and vacation	21,109
Increase in grants received in advance	<u>193,083</u>
Net Cash Provided By Operating Activities	<u>66,305</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	<u>(85,156)</u>
Net Cash Used In Investing Activities	<u>(85,156)</u>
Cash Flows From Financing Activities	<u>-0-</u>
Net Decrease in Cash	(18,851)
Cash, Beginning of Year	<u>85,302</u>
Cash, End of Year	<u>\$ 66,451</u>

See accompanying notes to financial statements.

Partnership of African American Churches

Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Personnel	\$ 632,182	\$ 84,133	\$ 716,315
Contractual	159,098	19,539	178,637
Professional fees	45,071	2,500	47,571
Training	6,331	1,617	7,948
Office expense	10,628	3,974	14,602
Telephone	11,536	1,722	13,258
Depreciation expense	5,917	1,583	7,500
Advertising	10,784	1,715	12,499
Utilities	22,486	-0-	22,486
Travel expense	30,059	-0-	30,059
Materials and supplies	93,671	5,081	98,752
Other	5,190	1,899	7,089
Tax, licenses and permits	1,407	25,955	27,362
Occupancy	112,558	500	113,058
Repairs and maintenance	5,013	330	5,343
Program & program overhead	<u>91,597</u>	<u>-0-</u>	<u>91,597</u>
Total Expenses	<u>\$1,243,528</u>	<u>\$150,548</u>	<u>\$1,394,076</u>

See accompanying notes to financial statements.

Partnership of African American Churches

Notes to Financial Statements

December 31, 2019

Note A – Summary of Significant Accounting Policies

Organization - The Partnership of African American Churches (“Organization”) is a not-for-profit, faith based community development corporation based in Charleston, West Virginia. The Organization serves all communities, and intentionally targets African American communities in West Virginia. The Organization focuses on community and individual well-being which involves both policy change and programmatic implementation. Program areas include education, health and substance abuse, intervention, and recovery.

Basis of Accounting – The financial statements of Partnership of African American Churches 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 natural 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, 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.

Partnership of African American Churches

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 \$7,500. The classification of these capitalized items are classified in the accompanying financial statements as follows:

Furniture and equipment	\$ 17,421
Leasehold improvements	70,200
Buildings	<u>148,175</u>
	235,796
Less accumulated depreciation	<u>14,521</u>
	221,275
Land	<u>13,500</u>
	<u>\$234,775</u>

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 \$12,499.

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.

Partnership of African American Churches

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.

Note B – 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:

21 st Century Community Learning Center	\$100,037
Peer Center	17,500
Women’s Recovery Facility	29,775
State Opioid Response	125,000
Juvenile Justice	<u>4,923</u>
Total grants and accounts receivable	<u>\$277,235</u>

Note C – 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:	
21 st Century Community Learning Center	\$ 200,913
Benedum Foundation	102,719
Food programs	73,753
Clay Center	3,267
Department of Health and Human Services	332,061
WVDHHR	418,180
Greater Kanawha Valley Foundation	37,877
Juvenile Justice	<u>33,380</u>
Total restrictions released	<u>\$1,202,150</u>

Partnership of African American Churches

Notes to Financial Statements

December 31, 2019

Note D – 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.

Note E – Operating Leases

The Organization has several noncancelable operating leases for office space that expire at various dates through August 31, 2024. 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	\$240,000
2021	240,000
2022	180,000
2023	180,000
2024	120,000
Thereafter	-0-
	<u>\$960,000</u>

Note F – Grants Received in Advance

At December 31, 2019, the Organization had received grant funds and other funds in advance of expenditures incurred under these activities. Since these funds are restricted for their usage, these amounts are recorded as a liability in the accompanying financial statements.

Grants received in advance consist of the following:

WVDHHR	\$143,758
USDHHS	33,393
Benedum Foundation	34,465
Greater Kanawha Valley Foundation	18,676
Clay Center	2,483
	<u>\$232,775</u>

Partnership of African American Churches

Notes to Financial Statements

December 31, 2019

Note G – Subsequent Events

Management has evaluated all events through February 4, 2022, 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 H – 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	\$ 66,451
Grants and accounts receivable	<u>277,235</u>
Financial assets, available to meet cash needs for general expenditures within one year	<u>\$343,686</u>

Note I – Related Party Transactions

The Organization contracts with a family member of the Executive Director to provide media and technology services. During the year ended December 31, 2019, the Organization paid \$34,718 for these services.

Supplementary Information

Partnership of African American Churches
Schedule of Grant Receipts and Expenditures – Grant G180553
For Grant Period Ended September 30, 2019

Grant Receipts

Amount received	<u>\$422,676</u>
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Grant Expenditures

<u>Expenditures</u>	<u>Amount</u>
Personnel	\$ 58,707
Fringe benefits	6,748
Supplies	13,901
Contractual costs	4,128
Equipment	28,263
Construction	255,620
Other	42,446
Indirect costs	<u>12,863</u>
Total Grant Expenditures	<u>422,676</u>
Ending Fund Balance	<u>\$ -0-</u>

See independent auditors' report.

Partnership of African American Churches
Schedule of Grant Receipts and Expenditures – Grant G190545
For Grant Period Ended September 30, 2019

Grant Receipts

Amount received	<u>\$225,949</u>
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Grant Expenditures

<u>Expenditures</u>	<u>Amount</u>
Personnel	\$153,401
Fringe benefits	16,588
Equipment	1,818
Supplies	1,691
Contractual costs	1,592
Other	14,530
Indirect costs	<u>18,962</u>
Total Grant Expenditures	<u>208,582</u>
Fund Balance at December 31, 2019	17,367
Grant Funds Returned to DHHR	<u>17,367</u>
Ending Fund Balance	<u>\$ -0-</u>

See independent auditors' report.

Partnership of African American Churches
Schedule of Grant Receipts and Expenditures – Grant G200493
For Grant Period Ended September 30, 2019

Grant Receipts

Amount received	<u>\$189,814</u>
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Grant Expenditures

<u>Expenditures</u>	<u>Amount</u>
Personnel	\$ 2,250
Fringe benefits	295
Contractual costs	4,532
Other	45,000
Indirect costs	<u>5,208</u>
Total Grant Expenditures	<u>57,285</u>
Fund Balance at December 31, 2019	135,259
Grant Funds Returned to DHHR	<u>135,259</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
Partnership of African American Churches

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 Partnership of African American Churches (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, and have issued our report thereon dated February 4, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Partnership of African American Churches’ 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 Partnership of African American Churches’ internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership of African American Churches’ 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 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Partnership of African American Churches' 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 Partnership of African American Churches in a separate letter dated February 4, 2022.

Partnership of African American Churches, Inc.'s Response to Findings

Partnership of African American Churches, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Partnership of African American Churches, 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
February 4, 2022

Partnership of African American Churches
Schedule of Findings and Responses
Year Ended December 31, 2019

2019-001

Segregation of Duties

Condition: The Organization has a limited number of personnel with responsibility for accounting and financial reporting matters. As a result, there is a lack of segregation of duties over the initiation, authorization, recording, and reporting of transactions and the preparation and review of financial reports by persons sufficiently independent of the transactions.

Criteria: Segregation of duties is a critical piece of the internal control framework. This key internal control element dictates that duties should be aligned so that no one individual controls too many critical aspects of a process or transaction.

Cause: Limited staff decreases the ability to provide for segregation of some accounting processes.

Effect: Increased potential that fraud and abuse could occur.

Recommendation: Responsibility for initiation, authorization, recording, and reporting of transactions should be segregated to the extent possible. Although complete segregation of duties is not feasible giving the limited staff available, management has been mindful and resourceful in its efforts to segregate duties and is commended for its efforts. We recommend continued review and assessment in this area of internal control, as this key internal control is vital to ensure errors or irregularities are detected and prevented in a timely basis in the normal course of business. It is incumbent upon the board to remain strong and active; additionally, the board should recognize that its scope of oversight of the internal control system applies to all major areas of control, to include: operations, compliance with laws and regulations, and financial reporting.

Management Response: Management and the board will remain vigilant in their efforts to consider the control environment, assess risks, monitor activities, and improve policies and procedures when deficiencies are identified.

Partnership of African American Churches
Schedule of Findings and Responses
Year Ended December 31, 2019

2019-002

Drafting Financial Statements

Condition: The Organization does not have adequately trained staff to prepare the financial statements in accordance with generally accepted accounting principles (GAAP).

Criteria: Reliable financial reporting requires that financial statements conform with GAAP. Preparing financial statements is the culminating step of financial reporting.

Cause: Limited staff and time decreases the ability to prepare financial statements in conformity with GAAP.

Effect: Increased potential that fraud and abuse could occur.

Recommendation: The Organization should ensure employees with responsibility for accounting and financial reporting matters have appropriate training. Employees with responsibility for accounting and financial reporting matters should make any necessary approved adjusting journal entries to ensure the trial balance is a working trial balance from which financial statements can be prepared.

Management Response: The Organization will enroll employees with responsibility for accounting and financial reporting matters in appropriate training courses. The Organization will ensure there is always a member of management or governance with the skills, knowledge and experience to evaluate and assume responsibility for GAAP basis financial statements.