

P.R.I.D.E. IN LOGAN COUNTY, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2008

AND

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
P.R.I.D.E. in Logan County, Inc.
Logan, West Virginia

We have audited the accompanying statement of financial position of P.R.I.D.E. in Logan County, Inc. (PRIDE), as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of PRIDE's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 1 to the financial statements, property and equipment purchase with grant funds have been charged to expense in the accompanying financial statements. Donated real property was properly recorded at established fair value at the time the property was donated; however no depreciation has been recorded on such property. In our opinion, acquisitions of property and equipment should be capitalized and depreciated over their estimated useful lives to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the preceding practice are not reasonably determined.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of PRIDE as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2009 on our consideration of PRIDE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of PRIDE taken as a whole. The supplemental Schedule of Federal, State and Other Support, Expenditures and Changes in Net Assets, Schedules of Grant Support, Revenue and Expenditures compared to Grant Budget (non-GAAP basis) are presented for purposes of additional analysis. The Schedule of Expenditures of Federal Amounts is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit organizations. These schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Seattle & Stalaker, PLLC".

Charleston, West Virginia

November 18, 2009

P.R.I.D.E. IN LOGAN COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

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ASSETS

Current assets	
Cash and cash equivalents	\$ 122,472
Grants receivable	324,920
Other receivables	97,983
Prepaid expenses	<u>54,318</u>
Total current assets	599,693
Fixed assets	
Property and equipment	<u>1,701,425</u>
Total assets	<u><u>\$ 2,301,118</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 145,851
Accrued salaries and benefits	250,510
Refundable advances	<u>170,493</u>
Total current liabilities	<u>566,854</u>
Net assets - unrestricted	
Operating	677,839
Property and equipment acquired with grant funds	<u>1,056,425</u>
Total unrestricted net assets	<u>1,734,264</u>
Total liabilities and net assets	<u><u>\$ 2,301,118</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

P.R.I.D.E. IN LOGAN COUNTY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

Changes in unrestricted net assets	
Support and revenue	
Grant revenue	\$ 2,429,075
In-kind contributions	450,684
Food reimbursements	280,005
Program income	130,977
Other income	<u>97,682</u>
Total support and revenue	<u>3,388,423</u>
Expenses	
Salaries and wages	1,345,630
Fringe benefits	548,982
In-kind labor	431,654
Consumable supplies	121,905
Travel	30,171
Training	33,611
Vehicles and equipment	49,809
Repairs and maintenance	43,978
Contractual and consultants	53,184
Telephone and utilities	89,753
Operating expenses	33,034
Insurance	79,966
Occupancy	957
Transportation	74,468
Meals	309,361
Indirect costs	321,962
Other expenses	<u>49,118</u>
Total expenses	<u>3,617,543</u>
INCREASE (DECREASE) IN OPERATING NET ASSETS	(229,120)
Operating net assets, beginning of year	<u>906,959</u>
Operating net assets, end of year	<u><u>\$ 677,839</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

P.R.I.D.E. IN LOGAN COUNTY, INC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

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Cash flows from operating activities	
Increase in net assets	\$ (229,120)
Adjustments to reconcile net changes in operating activities	
(Increase) decrease in assets	
Grants receivable	(112,948)
Other receivables	(36,972)
Prepaid expenses	3,694
Increase (decrease) in liabilities	
Accounts payable	(50,854)
Accrued salaries and benefits	135,366
Refundable advances	<u>(1,334)</u>
Net cash provided (used) by operating activities	<u>(292,168)</u>
Cash flows from investing activities	
Purchase of property and equipment	(70,123)
Operating grants received for	
purchase of property and equipment	<u>70,123</u>
Net cash provided (used) by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(292,168)
Cash and cash equivalents, beginning of year	<u>414,640</u>
Cash and cash equivalents, end of year	<u><u>\$ 122,472</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - P.R.I.D.E. in Logan County, Inc. (PRIDE) is a nonprofit community action agency located in Logan, West Virginia created to provide services to low income individuals, families and the elderly in Logan County, West Virginia. The organization is funded primarily through grants and other agreements with the federal and state government.

TEMPORARILY RESTRICTED NET ASSETS - The temporarily restricted category is comprised of funds whose use has been limited by grants to a specific time period and/or purpose. Temporarily restricted net assets are comprised of cash received for the purchase of real estate, and property and equipment purchased with grant funds that restrict the use and disposition of the property and equipment. PRIDE records a release of these restrictions when the qualifying expenditure is made or over the life of the assets.

UNRESTRICTED NET ASSETS - Unrestricted net assets are comprised of funds whose use is limited only to the extent that the organization's by-laws limit the activities of the organization. Contributions with donor-imposed restrictions that are met in the same year in which the contribution is recognized are reported as changes in unrestricted net assets.

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

REVENUE RECOGNITION - Contributions and grants with donor imposed conditions are reported as revenue when qualifying expenses have been incurred or other conditions have been met. Cash received but not yet expended for these conditional grants is recorded as refundable advances. Use of this cash is restricted to the purposes of the grant contribution. Unrestricted grants and contributions are recorded as revenue in the period received.

PROPERTY AND EQUIPMENT - Property and equipment is charged to expense in the period during which it is purchased in the accompanying financial statements. Accounting principles generally accepted in the United States of America require purchase of property and equipment to be capitalized and depreciated over their estimated useful lives.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To provide a means of accountability over property and equipment purchases, PRIDE also records the cost of such items as an asset with an offset to net assets using the caption "Property and Equipment acquired with grant funds."

Property and equipment donated is recorded as an asset at the fair market value at the date of gift with an offset to contribution income.

Certain land and buildings with an estimated fair value at the time of donation of \$645,000 are included in the property and equipment balance, but no depreciation has been recorded on the buildings as required by accounting principles generally accepted in the United States of America.

The effects of the above described departure on the accompanying financial statements cannot be reasonably determined.

The property and equipment acquired is owned by PRIDE while used in the program for which it was purchased or in other future authorized programs. Funding sources, however, may have a reversionary interest in property and equipment purchased with grant funds; therefore, the disposition, as well as the ownership of any sale proceeds equipment acquired with such grant funds, is subject to funding source regulations.

CONTRIBUTED SERVICES AND SPACE - Contributions of services are recognized if the services received create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. Contributed services which are recognized are valued at the estimated cost that would be incurred by the Agency to purchase similar services. Donated space is valued at the estimated fair rental value.

CONTRIBUTIONS - Contribution income is recognized in the period in which the Agency received restricted or unrestricted assets or unconditional promises of future donation. Contribution income shall be classified as increases in unrestricted, temporarily restricted or permanently restricted net assets based on the existence or absence of such restrictions. Unconditional promises to give that are to be collected within one year shall be recorded at fair value, less any reserve for uncollectable promises, as estimated by management. Unconditional promises to give that are collectible in excess of one year shall be recorded at their discounted net present value and recorded up to the date

INCOME TAXES - PRIDE is a nonprofit corporation classified under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes derived from its nonprofit activities.

P.R.I.D.E. IN LOGAN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

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NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS - For purposes of the statements of cash flows, the organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

INVENTORY - Inventory is considered immaterial and, therefore, is charged to expense in the period during which it is purchased instead of being recognized as an asset and being expensed as it is used.

ADVERTISING COSTS - Advertising costs are expensed as incurred.

NOTE 2 -- CASH AND CASH EQUIVALENTS

PRIDE from time to time maintains cash in checking accounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The balance in PRIDE's accounts at December 31, 2008 was fully FDIC insured.

NOTE 3 -- PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2008 is as follows:

Land	\$ 338,500
Buildings	439,423
Vehicles	725,371
Furniture & equipment	<u>198,131</u>
	1,701,425
Less: Amounts contributed	<u>645,000</u>
Property and equipment acquired with grant funds	<u>\$ 1,056,425</u>

P.R.I.D.E. IN LOGAN COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2008

NOTE 4 -- REFUNDABLE ADVANCES

Refundable advances, which consist of grant funds received by P.R.I.D.E. in Logan County, Inc. but not yet expended for qualifying expenses, is comprised of the following at December 31, 2008:

	<u>Description</u>	
Head Start		\$ 44,698
LIFE		41,888
Senior Renovation Project		39,782
Weatherization		6,656
FRN		124
FAIR		11,134
Lighthouse		7,070
CSBG		6,717
Child Food Care Program		5,788
Title III E		3,119
Title III C2		1,740
Work Force Investment		1,307
Other		<u>470</u>
	Total	<u>\$ 170,493</u>

NOTE 5 -- CONCENTRATIONS OF CREDIT RISK

The organization provides various services to the elderly and low income individuals on a third-party reimbursement basis. The organization bills the various funding sources in accordance with contractual agreements without requiring collateral or any other security. Grants and other receivables have been adjusted for all known uncollectible accounts. An allowance for bad debts has not been set up as the amount is not considered material.

P.R.I.D.E. IN LOGAN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

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NOTE 6 -- FUNCTIONAL EXPENSES

PRIDE incurred expenses in the conduct of the following programs for the year ended December 31, 2008:

Head Start Program: PRIDE provides comprehensive education activities to eligible Pre-Kindergarten students	\$ 1,986,035
Weatherization Program: PRIDE provides services to reduce the energy costs of low-income families, particularly the elderly, people with disabilities, and children, by improving the energy efficiency of their homes.	173,104
Title III Programs: This includes programs for older Americans and covers social support activities including case management, transportation, assessments, etc.	359,616
Child and Adult Care Food Program: This program is funded by the Department of Education and the USDA and provides reimbursement for providing meals and care to children.	215,465
CSBG program: PRIDE provides emergency assistance to low-income, disabled, or elderly individuals and families.	174,243
Community Care programs: PRIDE provides an in-home care program, funded by the Medicaid program that makes personal assistance available to eligible adults	146,325
Other programs that benefit children, senior citizens and families:	<u>562,755</u>
	<u>\$ 3,617,543</u>

The above amounts include a proportionate allocation of all management and general and indirect costs, which totaled approximately \$320,000 for the year ended December 31, 2008.

NOTE 7 -- CONTINGENT LIABILITIES

PRIDE's programs are generally funded from federal, state, and local sources, principal of which are programs of the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, or expenditures which may be disallowed by grantor agencies cannot be determined at this time.

NOTE 8 -- RETIREMENT PLANS

The organization is a participating employer in the West Virginia Public Employees Retirement System. This is a cost sharing, multi-employer public employee retirement system which covers employees of the state of West Virginia and various other governmental and non-profit entities. Under this plan, all full-time employees contribute 4.5% of their salary and the organization contributes 10.5% of the employee's salary. The organization's contribution to the plan for 2008 totaled \$52,427. Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in their annual financial report. Copies can be obtained from the State.

The organization also sponsors a defined contribution pension plan for its union employees and for those employees who are not eligible to participate in the West Virginia Public Employees Retirement System. Contributions to the plan for 2008 were \$8,888.

NOTE 9 -- RETIREE HEALTH PLAN

P.R.I.D.E. in Logan County, Inc. participates in the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple-employer defined benefits post-employment healthcare plan administered by the West Virginia Public Employees Insurance Agency (PEIA). RHBT provides medical benefits to eligible retired employees of participating employers. Eligibility is primarily established through participation in certain defined benefit plans. RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: West Virginia Retiree Health Benefits Trust, Building 5, Room 1001, 1900 Kanawha Blvd. East, Charleston, West Virginia, 25305-0710.

P.R.I.D.E. IN LOGAN COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2008

NOTE 9 -- RETIREE HEALTH PLAN (CONTINUED)

The estimated expense and expense incurred for the vacation leave and OPEB benefits are recorded as a component of accrued salaries and benefits on the statement of financial position. For the year ended December 31, 2008, with the adoption of GASB Statement No. 45, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At December 31, 2008, the current liability related to OPEB cost was \$17,334. The total OPEB expense incurred was \$197,304 and there was no OPEB expense directly related to retirees during 2008. As of the year ended December 31, 2008 there were no retirees receiving these benefits.

NOTE 10 -- DONATED SERVICES AND OTHER

During 2008, the organization received donated services from unpaid volunteers, the use of facilities without charge and other donated items. Such amounts have been recorded as revenue and expenses by the following programs in the accompanying 2008 financial statements:

	Volunteer Labor	Use of Facilities	Other	Total
Head Start	\$ 367,374	\$ 29,973	\$ 3,028	\$ 400,375
CSBG	351	-	-	351
Title III-C Nutrition	13,222	-	-	13,222
Other	16,958	-	19,778	36,736
Total	\$ 397,905	\$ 29,973	\$ 22,806	\$ 450,684

SUPPLEMENTAL INFORMATION

SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
 COMMUNITY SERVICES BLOCK GRANT - GRANT NUMBER 28-0013
 GRANT PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2008

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
State/pass-through	\$ 261,801	\$ 173,956	\$ 87,845
In-kind revenue	-	351	(351)
Other revenue	-	25	(25)
Total support and revenue	<u>261,801</u>	<u>174,332</u>	<u>87,469</u>
Expenses			
Salaries and wages	77,500	77,347	153
Fringe benefits	31,254	10,918	20,336
Contractual	29,085	25,466	3,619
Travel	7,000	2,745	4,255
Equipment	29,999	-	29,999
Occupancy	1,270	770	500
Consumable supplies	10,500	4,315	6,185
Telephone and utilities	6,000	6,256	(256)
Other	47,660	33,654	14,006
Indirect costs	21,533	12,861	8,672
Total expenses	<u>\$ 261,801</u>	<u>\$ 174,332</u>	<u>\$ 87,469</u>
Increase (decrease) in net assets			-
Transfers		<u>-</u>	
Net assets, December 31, 2008		<u>\$ -</u>	

P.R.I.D.E. IN LOGAN COUNTY, INC.
 SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
 WEATHERIZATION PROGRAM
 GRANT PERIOD APRIL 1, 2007 TO MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
State/pass-through	\$ 179,785	\$ 102,166	\$ 77,619
CSBG revenue transfer	2,878	-	2,878
Program income	4,909	12,071	(7,162)
Other revenue	904	7,524	(6,620)
Total support and revenue	<u>188,476</u>	<u>121,761</u>	<u>66,715</u>
Expenses			
Personnel	95,557	76,622	18,935
Insurance	13,000	9,033	3,967
Materials	40,584	44,112	(3,528)
Other	25,873	44,586	(18,713)
Indirect costs	13,462	13,356	106
Total expenses	<u>\$ 188,476</u>	<u>\$ 187,709</u>	<u>\$ 767</u>
Increase (decrease) in net assets		(65,948)	
Transfers		<u>-</u>	
Net assets, June, 2008		<u>\$ (65,948)</u>	

P.R.I.D.E. IN LOGAN COUNTY, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Head Start	93.600		\$ 1,511,852
Passed-through WVSC Metro Area Agency on Aging			
Aging Cluster			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	2836	25,878
Special Programs for the Aging - Title III, Part C Nutrition Servi	93.045	2836	109,090
Special Programs for the Aging - Title III, Part D Disease Prevention and Health Promotion Services	93.043	2836	3,366
National Family Caregiver Support, Title III, Part E	93.052	2836	17,414
Passed-through WV Bureau of Senior Services			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	SH2922	400
Passed- through WV Office of Economic Opportunity			
Low-Income Home Energy Assistance	93.568	2008-1012	24,534
Community Services Block Grant	93.569	2008-0013	173,956
U.S. Department of Energy			
Passed-through WV Office of Economic Opportunity			
Weatherization Assistance for Low-Income Persons	81.042	2008-1012	61,815
U.S. Department of Agriculture, Food and Nutrition Service			
Passed-through WV Department of Education, Office of Child Nutrition			
Child and Adult Food Care Program	10.558	not provided	215,465
Total Expenditures of Federal Awards			<u>\$ 2,143,770</u>

P.R.I.D.E. IN LOGAN COUNTY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

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NOTE 1 -- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of PRIDE and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

P.R.I.D.E. IN LOGAN COUNTY, INC.
SUMMARY SCHEDULE OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2008

Grantor Name/Program Title	Grant/ Fund Account Number	Award Amount	Receivable (Refundable) 12/31/2007	Receipts	Expenditures	Receivable (Refundable) 12/31/2008
WVSC Metro Area Agency on Aging						
Title IIIB Senior Services	2836	\$ 33,859	\$ -	\$ 29,803	\$ 29,803	\$ -
Title IIIB Senior Services	2936	57,636	-	3,363	14,851	11,488
Title IIID - Health Services	2836	221	-	211	211	-
Title IIID - Health Services	2936	221	-	21	21	-
Legislative Initiatives for the Elderly - LIFE	2803	188,357	21,669	84,048	63,683	1,304
Legislative Initiatives for the Elderly - LIFE	2903	170,000	-	99,466	110,224	10,758
State Supplemental Nutrition	2828	20,500	-	11,721	11,721	-
Alzheimer's Respite	ALZ2822	23,880	2,368	16,611	15,746	1,503
Alzheimer's Respite	2950	24,000	-	845	12,797	11,952
Lighthouse In Home Services	LH2822	99,653	5,828	19,507	13,679	-
Lighthouse In Home Services	2950	60,000	-	28,806	21,737	(7,069)
WV Department of Health and Human Resources, Bureau for Children and Families						
Planning and Coordination	G080147	40,000	19,647	40,000	21,524	1,171
Planning and Coordination	G090213	40,000	-	-	17,608	17,608



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
P.R.I.D.E. in Logan County, Inc.
Logan, West Virginia

We have audited the financial statements of P.R.I.D.E. in Logan County, Inc. (PRIDE) as of and for the year ended December 31, 2008, and have issued our report thereon dated November 18, 2009. As described more fully in Note 1 to the financial statements, our report was modified due to a departure from accounting principles generally accepted in the United State of America with regard to the accounting and reporting of property and equipment. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the PRIDE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PRIDE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the PRIDE's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2008-01, 2008-02 and 2008-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01 and 2008-02 to be material weaknesses.

Compliance and Other Matters

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

We noted certain other matters that we have reported to management of PRIDE in a separate letter dated November 18, 2009.

PRIDE's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit PRIDE's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, pass through entities, and other grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.



Charleston, West Virginia
November 18, 2009



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
P.R.I.D.E. in Logan County, Inc.
Logan, West Virginia

Compliance

We have audited the compliance of P.R.I.D.E. in Logan County, Inc. (P.R.I.D.E.) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 P.R.I.D.E.'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. Our audit does not provide a legal determination on P.R.I.D.E.'s compliance with those requirements.

In our opinion, P.R.I.D.E. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of P.R.I.D.E. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered P.R.I.D.E.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 P.R.I.D.E.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the schedule of findings and questioned costs as items 2008-04 and 2008-05 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2008-04 to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, pass through entities, and other grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.



Charleston, West Virginia
November 18, 2009

P.R.I.D.E. IN LOGAN COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008

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07 - 1 General Journal Entries

Condition: We noted instances where sufficient documentation was not provided to support general journal entries recorded in the accounting records. In some instances, the explanation for the entry was vague. In other instances, the supporting documentation was not attached to provide adequate justification for the entry.

Response: Partially resolved, see current year findings.

07 - 2 Support for Salaries

Condition: In reviewing various timesheets and activity reports of the previous Executive Director and Chief Financial Officer, we noted numerous instances where:

- The timesheets and activity reports were not signed by the employee and/or their supervisors
- The descriptions of the activities performed were vague.
- Hours worked per day were not completed.
- Activity reports were not on file.
- The distribution of their salaries was not supported by accurate underlying documentation.

Response: Resolved.

07 - 3 Approval of Payment Vouchers

Condition: We noted numerous instances where approval was not documented on payment vouchers for the payment of goods and services.

Response: Not resolved, see current year findings.

07 - 4 Bank Reconciliations

Condition: We noted that the Organization's bank accounts are not being reconciled on a timely basis and are not correct. The following errors were noted: Deposits totaling \$56,637 were recorded twice; transfers between bank accounts totaling \$18,000 were not recorded; and the reconciled balances did not agree to the general ledger.

Response: Resolved.

07 - 5 Reconciliation of Accounting Records to Supporting Information

Condition: Several audit adjusting entries were required to be made to reflect accurate balances in the Organization's assets, liabilities, revenues, and expenses. These include cash, receivables, prepaid expenses, fixed assets, payables, deferred revenue, net assets, transfers, revenue and expenses.

Response: Not resolved, see current year findings.

07 - 6 Head Start Program

Condition: We noted five instances where federal funds were drawn down in excess of the immediate needs of the Organization.

Response: Resolved.

07 - 7 Head Start Program

Condition: See PY finding 07 - 2

Response: Resolved.

07 - 8 Head Start Program

Condition: Administrative and development costs total 17.26% of the annual total program costs.

Response: Resolved.

07 - 9 CSBG Program

Condition: See PY finding 07 - 2

Response: Resolved.

07 - 10 CSBG Program

Condition: We noted six instances where federal funds were drawn down in excess of the immediate needs of the Organization.

Response: Resolved.

P.R.I.D.E. IN LOGAN COUNTY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Qualified Opinion

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>93.600</u>	<u>Head Start</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X No

P.R.I.D.E. IN LOGAN COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2008

SECTION II

FINANCIAL STATEMENT

FINDINGS SECTION

P.R.I.D.E. IN LOGAN COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2008

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SECTION III

FEDERAL AWARD FINDINGS
AND QUESTIONED COSTS SECTION

P.R.I.D.E. IN LOGAN COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2008

2008-04 GENERAL LEDGER ADJUSTMENTS AND RECONCILIATIONS

Federal Program Information:	Federal Agency and Program Name	CFDA#
	U.S. Department of Health and Human Services	
	Head Start Program	93.600
	Grant Award Number 03CH202143	

Criteria: Sound accounting policies as well as the organization's accounting manual require adequate controls and reconciliations to ensure that financial records are accurate.

Condition: Numerous accounting errors and entries were noted that resulted in audit adjustments. These instances resulted from a lack of timely reconciliations, inadequate controls over the cutoff process and a general lack of controls over the financial reporting process.

Questioned Costs: Unknown

Context: For the year ended December 31, 2008 the Head Start Program had revenue and expenses of \$1,912,227. The net amount of audit adjustments to the Head Start program was \$95,330.

Cause: The organization experienced high turnover in the upper management and accounting departments, and therefore did not properly maintain controls over financial reporting.

Effect: Inadequate record-keeping and internal controls could result in questioned costs.

Recommendation: PRIDE should establish policies and procedures to ensure proper controls over the financial reporting process.

Management's Response/Views of Responsible Officials: *We have started establishing policies and procedures to ensure proper controls over the financial reporting process. We are reconciling Cash and Income Statement accounts monthly. With the implementation of our new MIP accounting software in January, we plan to establish a monthly closing process, which will include general ledger account reconciliations.*

P.R.I.D.E. IN LOGAN COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2008

2008-05 APPROVAL OF PAYMENT VOUCHERS

Federal Program Information:	Federal Agency and Program Name	CFDA#
	U.S. Department of Health and Human Services Head Start Program Grant Award Number 03CH202143	93.600

Criteria: The allowable cost compliance requirements of the Head Start Program require the Organization support disbursements with appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, canceled checks, and correctly charged as to account, amount and period per guidelines promulgated by A-122.

Condition: We noted the following during a review of 38 disbursements:

- For 14 of the 38 disbursements, proper approval was not documented. Through other audit procedures, we determined that these costs were reasonable charges to the head start program and were not questioned costs.
- For 2 of the 38 disbursements, the disbursement amount was greater than \$5,000 and authorization was not obtained from the board of directors. Though other audit procedures, we determined that these costs were reasonable charges to the head start program and were not questioned costs.

Questioned Costs: N/A

Context: For the fourteen disbursements which did not document proper approval, the total disbursements were \$41,549. For the two disbursements which were not approved by the board of directors, the total disbursements were \$ 23,255. The total of all disbursements tested was \$113,483, and disbursements for the year were \$1,915,506.

Cause: Management indicated that the errors were due to management turnover.

Effect: Failure to obtain proper approval for the payment of invoices could result in unauthorized payments.

Recommendation: PRIDE should enforce the policies governing processing of voucher batch outlined in PRIDE's Accounting Manual to ensure all payment vouchers contain evidence of approval prior to processing the invoice for payment.

Management's Response/Views of Responsible Officials: *We have corrected the lack of support documentation and proper authorization for journal entries and disbursements. Due to the numerous changes in management in early 2008, our approval and support procedures were not followed consistently. We currently adhere to our approval requirements and maintain sufficient documentation for all journal entries and disbursements.*