

PRIDE COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

YEARS ENDED DECEMBER 31, 2014 AND 2013

AND

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
PRIDE Community Services, Inc.
Logan, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of PRIDE Community Services, Inc. (PRIDE), which comprise the statements of financial position as of December 31, 2014, and 2013, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PRIDE as of December 31, 2014, and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Other Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental Summary Schedule of State Awards, Schedule of Federal, State, and Other Support, Expenditures and Changes in Net Assets, and the Schedules of Grant Support, Revenue and Expenditures Compared to Grant Budget, are presented for purposes of additional analysis and are not a required part of the December 31, 2014 basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the December 31, 2014 basic 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 December 31, 2014 basic 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 December 31, 2014 basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, 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 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 PRIDE's internal control over financial reporting and compliance.



Charleston, West Virginia
May 11, 2015

PRIDE COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 323,039	\$ 180,841
Grants receivable	418,293	412,215
Other receivables	49,676	64,116
Prepaid expenses	44,420	50,079
Total current assets	835,428	707,251
Noncurrent assets		
HOME program housing inventory	258,608	22,795
Property and equipment, net of accumulated depreciation	1,080,679	1,139,423
Total assets	\$ 2,174,715	\$ 1,869,469
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 35,479	\$ 72,866
Accrued salaries and benefits	195,753	177,023
Deferred revenue	192,975	104,950
Refundable advances	9,677	2,230
HOME program loans payable	299,308	22,795
Total current liabilities	733,192	379,864
Noncurrent liabilities		
Other post employment benefits (OPEB)	1,310,449	1,266,370
Total liabilities	2,043,641	1,646,234
Net assets - unrestricted	131,074	223,235
Total liabilities and net assets	\$ 2,174,715	\$ 1,869,469

The Accompanying Notes Are An Integral
Part Of These Financial Statements

PRIDE COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013

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	2014	2013
Changes in unrestricted net assets		
Support and revenue		
Grant revenue	\$ 2,982,017	\$ 2,948,874
In-kind contributions	448,760	430,690
Food reimbursements	294,298	311,455
Program income	14,037	25,690
Client service revenue	517,312	614,590
Other income	100,612	429,464
Total support and revenue	4,357,036	4,760,763
Expenses		
Salaries and wages	1,516,113	1,562,315
Fringe benefits	614,143	654,088
In-kind labor and expenses	448,760	430,688
Consumable supplies	134,569	194,030
Travel	19,211	20,881
Training	45,123	49,945
Repairs and maintenance	167,104	139,091
Contractual and consultants	57,359	319,210
Telephone and utilities	113,438	123,961
Operating expenses	57,129	48,460
Insurance	134,462	94,172
Occupancy	5,339	6,421
Transportation	55,511	56,995
Meal costs	382,096	404,474
Indirect costs	394,049	390,940
Depreciation expense	154,876	138,074
Emergency services	55,754	3,439
Other expenses	50,082	53,987
Total operating expenses	4,405,118	4,691,171
Operating income (loss)	(48,082)	69,592
Non-operating other post employment benefits (OPEB) expense	44,079	24,701
CHANGE IN UNRESTRICTED NET ASSETS	(92,161)	44,891
Net assets beginning of year	223,235	178,344
Net assets, end of year	\$ 131,074	\$ 223,235

The Accompanying Notes Are An Integral
Part Of These Financial Statements

PRIDE COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ (92,161)	\$ 44,891
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
(Gain) / Loss on disposal of capital assets	(6,163)	(1,822)
Depreciation	154,876	138,074
(Increase) decrease in operating assets		
Grants receivable	(6,078)	(94,878)
Other receivables	14,440	(18,973)
Prepaid expenses	5,659	3,430
HOME program housing inventory	(235,813)	(22,795)
Increase (decrease) in operating liabilities		
Accounts payable	(37,387)	(13,962)
Accrued salaries and benefits	18,730	6,718
Deferred revenue	88,025	(52,816)
Refundable advances	7,447	(14,675)
Other post retirement benefits	44,079	24,701
	<u>(44,346)</u>	<u>(2,107)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(102,469)	(172,133)
Proceeds from disposition of equipment	12,500	2,500
	<u>(89,969)</u>	<u>(169,633)</u>
Net cash provided (used) by investing activities		
Cash flows from financing activities		
Borrowings for HOME Program	276,513	22,795
	<u>276,513</u>	<u>22,795</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash and cash equivalents	142,198	(148,945)
Cash and cash equivalents, beginning of year	<u>180,841</u>	<u>329,786</u>
Cash and cash equivalents, end of year	<u>\$ 323,039</u>	<u>\$ 180,841</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - PRIDE Community Services, 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.

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 with a cost of \$1,000 or more are capitalized at cost and depreciated over the estimated useful lives of the assets. Useful lives are 30 to 39 years for buildings, and 4 to 5 years for office equipment and vehicles.

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 that are recognized are valued at the estimated cost that would be incurred by PRIDE to purchase similar services. Donated space is valued at the estimated fair rental value.

PRIDE COMMUNITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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

CONTRIBUTIONS - Contribution income is recognized in the period in which PRIDE 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 uncollectible promises, as estimated by management. Unconditional promises to give that are collectible in excess of one year are recorded at their discounted net present value.

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. For the year ended December 31, 2014, management believes that PRIDE has no material uncertain tax positions to be accounted for in the financial statements. As of December 31, 2014, tax years ending on or after December 31, 2011 remain subject to examination.

CASH AND CASH EQUIVALENTS - For purposes of the statement 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 - Weatherization 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. Inventory for the HOME program is recognized as an asset and is expensed as it is used. Inventory cost is calculated using the average cost method. Inventory is valued at the lower of cost or market.

ADVERTISING COSTS - Advertising costs are expensed as incurred.

SUBSEQUENT EVENTS - In preparing these financial statements, PRIDE has evaluated events and transactions for potential recognition or disclosure through May 11, 2015, the date the financial statements were issued.

RECLASSIFICATIONS - Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

PRIDE COMMUNITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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NOTE 2 -- CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits with banking institutions in checking accounts. Bank balances are insured by federal deposit insurance by the Federal Deposit Insurance Corporation (FDIC). Balances in these accounts sometimes exceed the federal deposit insurance limits; however, management believes the financial institutions to be creditworthy and believes that credit risk associated with these deposits is minimal. Management also obtains collateral for amounts in excess of FDIC limits. At December 31, 2014, the amount of cash in banks was covered by either FDIC insurance or collateral.

NOTE 3 -- PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 338,500	\$ 335,000
Buildings	559,185	528,276
Vehicles and equipment	<u>1,630,604</u>	<u>1,589,034</u>
	2,528,289	2,452,310
Less: Accumulated depreciation	<u>1,447,610</u>	<u>1,312,887</u>
Property and equipment	<u>\$ 1,080,679</u>	<u>\$ 1,139,423</u>

NOTE 4 -- DEFERRED REVENUE

Deferred revenue is comprised of funds received for services to be provided pursuant to a collaborative agreement between PRIDE and the Logan County Board of Education. On an annual basis, the Logan County Board of Education calculates an amount to be paid in ten monthly installments. These funds can be used to pay costs to enhance or supplement the Head Start program. Amounts not yet spent to enhance or supplement the Head Start program at December 31, 2014 and 2013 were \$192,975 and \$104,950, respectively.

PRIDE COMMUNITY SERVICES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 5 -- REFUNDABLE ADVANCES

Refundable advances, which consist of grant funds received by PRIDE but not yet expended for qualifying expenses, is comprised of the following at December 31, 2014 and 2013:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Child Food Care Program	\$ -	\$ 2,230
Other	<u>9,677</u>	<u>-</u>
Total	<u>\$ 9,677</u>	<u>\$ 2,230</u>

NOTE 6 -- FUNCTIONAL EXPENSES

PRIDE incurred expenditures in the conduct of the following programs for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Head Start Program: PRIDE provides comprehensive education activities to eligible Pre-Kindergarten students.	\$ 2,169,648	\$ 2,298,186
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.	213,323	334,096
Title III Programs: This includes programs for older Americans and covers social support activities including case management, transportation, assessments, etc.	314,865	329,233
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.	328,023	332,452

PRIDE COMMUNITY SERVICES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6 -- FUNCTIONAL EXPENSES (Continued)

CSBG program: PRIDE provides emergency assistance to low-income, disabled, or elderly individuals and families and supports other agency programs as needed.	273,916	291,750
Personal Care programs: PRIDE provides an in-home care program, funded by the Medicaid program that makes personal assistance available to eligible adults.	484,314	516,524
Other programs that benefit children, senior citizens and families:	<u>574,122</u>	<u>622,989</u>
	4,358,211	4,725,230
Depreciation expense under GAAP	154,876	138,074
Less: Capitalized assets	<u>(107,969)</u>	<u>(172,133)</u>
Total operating expenses	<u>\$ 4,405,118</u>	<u>\$ 4,691,171</u>

NOTE 7 -- 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.

NOTE 8 -- 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.

PRIDE COMMUNITY SERVICES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9 -- RETIREMENT PLANS

West Virginia Public Employees Retirement System - PRIDE is a participating employer in the West Virginia Public Employees Retirement System (PERS). 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 14.5% of the employee's salary through June 30, 2014. Effective July 1, 2014 the organization's contribution decreased to 14%. 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.

West Virginia Retiree Health Benefits Trust Fund - PRIDE Community Services, Inc. participates in the West Virginia Retiree Health Benefits Trust Fund (RHBT) to provide certain other post employment benefits (OPEB). RHBT is 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 (RHBT), 601 57th Street, SE, Suite 2, Charleston, WV 25304-2345 or <http://www.wvpeia.com>

Funded Status of plans - The funded status of each plan as of the most recent actuarial valuation date, is as follows (total plan assets and accumulated benefit obligation dollar amounts in thousands):

Pension Fund	Total Plan Assets (in thousands)	Accumulated Benefit Obligation (in thousands)	Percentage Funded	Contributions of PRIDE		
				2014	2013	2012
PERS	\$ 4,709,530	\$ 5,911,263	65%-80%	\$ 166,589	\$ 166,683	\$ 163,354
RHBT	\$ 590,230	\$ 3,262,553	< 65%	\$ 71,000	\$ 86,227	\$ 77,290

RHBT / OPEB Liability - All retired employees are eligible to obtain health insurance coverage through PEIA with the retired employee's premium contribution established by the Finance Board. The Finance Board has allowed retirees to obtain health insurance coverage at essentially the same premium rate as active employees with the difference between the retirees' premium contributions and the cost of providing health care to retirees subsidized by the State. It is this subsidy that has created the major portion of the OPEB actuarial liability.

PRIDE COMMUNITY SERVICES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9 -- RETIREMENT PLANS (Continued)

Total OPEB expense consists of amounts currently due to fund the “pay as you go” retiree subsidy and additional amounts billed to participating employers for their portion of the overall plan’s Annual Required Contribution (ARC). The “pay as you go” amounts are included with fringe benefits in the accompanying Statement of Activities. The amounts billed from the RHBT for the ARC are not required to be paid by the participating employers. OPEB costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. In accordance with professional standards, such amounts billed but unpaid are recorded as expenses with a liability for the cumulative amounts billed but unpaid. The annual amount of such ARC billings are identified separately in the Statement of Activities as a non-operating expense. Following is a summary of OPEB expense for the years ended December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Current “pay as you go” amounts	\$ 71,000	\$ 86,227
Amounts billed for the ARC	<u>44,079</u>	<u>24,701</u>
	<u>\$ 115,079</u>	<u>\$ 110,928</u>

At December 31, 2014 and 2013, the liability related to OPEB cost was \$1,310,449 and \$1,266,370. As of the year ended December 31, 2014 there were three retirees receiving these benefits.

The West Virginia Legislature passed legislation to provide alternate funding sources for the RHBT OPEB unfunded liability. In addition, the PEIA Finance Board imposed limits on the retiree subsidy currently provided for PEIA premiums for retirees. Future increases in the subsidy will be limited to no more than 3% per year. These actions are expected to have a material impact on the amounts billed by the RHBT to PRIDE in the future, resulting in credits being issued to reduce the recorded OPEB liability.

Other - The organization also sponsors a defined contribution pension plan for those employees who are not eligible to participate in the West Virginia Public Employees Retirement System. Contributions to the plan for 2014 and 2013 were \$6,335 and \$6,597.

PRIDE COMMUNITY SERVICES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 10 -- DONATED SERVICES AND OTHER

During 2014 and 2013, PRIDE 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 financial statements:

	2014			
	Volunteer Labor	Use of Facilities	Other	Total
Head Start	\$ 79,969	\$ 56,019	\$ 281,630	\$ 417,618
Title IIIB	1,942	3,015	540	5,497
Title III-C1	3,549	-	1,981	5,530
Title III-C2	-	-	15,930	15,930
Title IIID	-	615	-	615
Title IIIE	-	3,570	-	3,570
Total	<u>\$ 85,460</u>	<u>\$ 63,219</u>	<u>\$ 300,081</u>	<u>\$ 448,760</u>

	2013			
	Volunteer Labor	Use of Facilities	Other	Total
Head Start	\$ 106,463	\$ 284,502	\$ -	\$ 390,965
Title IIIB	484	9,600	20	10,104
Title III-C1	7,704	-	-	7,704
Title III-C2	1,904	-	12,055	13,959
Title IIID	565	-	2,240	2,805
Title IIIE	5,153	-	-	5,153
Total	<u>\$ 122,273</u>	<u>\$ 294,102</u>	<u>\$ 14,315</u>	<u>\$ 430,690</u>

NOTE 11 -- HOME PROGRAM

PRIDE has been certified as a Community Housing Development Organization (CHDO) by the West Virginia Housing Development Fund (WVHDF) under the state HOME Investment Partnerships Program (HOME Program). PRIDE has entered into a HOME Program agreement with the WVHDF that provides funds to PRIDE in the form of deferred payment loans to be used for the construction of homes. The loans are secured by a deed of trust and a lien on the constructed homes. Loans only have to be repaid if PRIDE fails to provide affordable housing to low-income families in accordance with the HOME Program regulations. Loans payable to WVHDF at December 31, 2014 and 2013 totaled \$299,308 and \$22,795, respectively. The December 31, 2014 amount includes \$40,700 placed in escrow that PRIDE will receive upon completion of the project, and which is recorded in the caption grants receivable in the statement of financial position.

PRIDE COMMUNITY SERVICES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 11 -- HOME PROGRAM (Continued)

Upon completion of constructed homes, PRIDE must sell the homes to qualified low-income buyers. The buyers borrow a portion of the home purchase price from a third-party lender, and PRIDE makes a loan for the remaining portion. Under the provisions of PRIDE's loan to the homeowner, if the new homeowner maintains the unit as his or her residence for a predetermined period of time (10 to 15 years), none of the loan proceeds will be required to be paid back to PRIDE. However, if the home is sold prior to the end of that predetermined period of time, PRIDE will receive from the sales proceeds a prorated portion of the original loan amount. PRIDE has a second deed of trust, which grants a security interest in the residences sold. These loans are accounted for as program subsidy expense by PRIDE at the time the loan is made. Since the full loan is immediately expensed or will be paid back to PRIDE from sales proceeds, no receivable or allowance for uncollectible loans is recorded. If any amounts are subsequently collected from these loans, they would be accounted for as additions to temporarily restricted net assets at that time.

Upon sale of the homes to qualified buyers, revenue is recognized for the full amount of the WVHDF loan relieved. Cash proceeds received by PRIDE from initial home sales are recorded as additions to temporarily restricted net assets. According to the terms of the HOME Program, PRIDE must use the sales proceeds from a house constructed using the original program funds to construct another house that must be sold to a qualified buyer under the loan program described above. The sale of this second house satisfies the temporary restriction, and the sales proceeds become unrestricted revenue to PRIDE. No second houses were sold during the years ended December 31, 2014 and 2013.

HOME Program housing inventory represents partially or fully completed houses that will be sold to qualified buyers under the program. Initial houses are constructed using original program funds from WVHDF. Second houses are constructed using sales proceeds from initial houses. Housing inventory is comprised of the following:

	December 31,	
	2014	2013
Housing Inventory - Initial Houses	\$ 258,608	\$ 22,795
Housing Inventory - Second Houses	-	-
TOTAL	\$ 258,608	\$ 22,795

SUPPLEMENTAL INFORMATION

PRIDE COMMUNITY SERVICES, INC.
SUMMARY SCHEDULE OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2014

Grantor Name/Program Title	Grant/ Fund Account Number	Award Amount	Receivable (Refundable) 12/31/13	Receipts	Expenditures	Receivable (Refundable) 12/31/14
WVSC Metro Area Agency on Aging						
Title IIIB Senior Services	21436	\$ 32,658	\$ 4,509	\$ 4,509	\$ -	\$ -
Title IIIB Senior Services	21536	31,890	-	-	4,699	4,699
Title IIID - Health Services	21536	221	-	221	221	-
Legislative Initiatives for the Elderly - LIFE	21403	188,644	46,573	114,893	68,320	-
Legislative Initiatives for the Elderly - LIFE	21503	183,055	-	61,107	115,848	54,741
WV Bureau of Senior Services						
In Home Service Funds	1H1425	258,259	54,037	203,967	149,930	-
In Home Service Funds	1H1521	173,401	-	62,637	88,074	25,437
WV Affordable Housing Trust Fund						
WV Affordable Housing Trust Fund	2012-01	12,500	1,758	1,758	-	-

PRIDE COMMUNITY SERVICES, INC.
SCHEDULE OF FEDERAL, STATE, AND OTHER SUPPORT, EXPENDITURES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2014

Federal Grantor	Federal Financial Assistance										DHHHS/Energy	
	Department of Health and Human Services											
	Pass-Thru Grantor	Head Start/ USDA	WVSC Metro Area Agency on Aging				Office of Economic Opportunity					
Title IIB Senior Citizens			Title IIC-1 Nutrition Services	Title IIC-2 Nutrition Services	Title IID Preventative Health	Title IIIA Caregiver	CSBG	Weatherization				
<u>Support and revenue</u>												
Grant revenue	\$ 1,667,743	\$ 69,318	\$ 63,410	\$ 154,570	\$ 4,106	\$ 22,264	\$ 255,984	\$ 178,568				
In-kind contributions	417,622	5,496	5,529	15,929	614	3,570	-	-				
Food reimbursements	51,328	-	-	-	-	-	-	-				
Program income	-	-	3,972	(6,467)	-	-	-	-				
Client service revenue	-	-	-	-	-	-	-	-				
Other income	18,408	-	-	1,000	-	-	-	-				
Total revenue and support	2,155,101	74,814	72,911	165,032	4,720	25,834	269,457	208,424				
<u>Expenditures</u>												
Salaries and wages	730,768	25,496	26,658	34,865	1,788	13,397	106,501	70,300				
Fringe benefits	304,187	9,039	7,800	10,680	717	5,617	45,381	42,960				
In-kind labor and expenses	417,626	5,493	5,528	15,929	614	3,570	-	-				
Consumable supplies and equipment	88,646	-	2,313	3,208	514	-	19,787	49,466				
Travel	3,542	-	-	-	-	-	447	-				
Training	30,481	-	-	-	450	-	11,989	(121)				
Repairs and maintenance	115,031	3,066	14,241	328	-	-	12,165	6,879				
Contractual and consultants	11,180	162	244	244	-	-	2,742	570				
Telephone and utilities	67,194	-	452	511	-	-	6,551	7,070				
Operating expenses	20,638	-	-	-	233	-	11,714	644				
Insurance	67,938	7,727	-	-	-	-	14,906	10,748				
Occupancy	1,596	-	-	-	-	-	412	-				
Transportation	24,632	17,523	-	-	-	-	2,852	3,724				
Meal costs	59,018	(2)	26,099	46,133	-	-	2,412	-				
Emergency Services	-	-	-	-	-	-	7,975	-				
Other expenses	30,972	-	94	-	(47)	-	1,737	1,204				
Subtotal	1,973,449	68,504	83,429	111,898	4,269	22,584	247,571	193,444				
Allocation of indirect costs	196,199	6,310	6,113	8,057	451	3,250	26,345	19,879				
Total expenditures	2,169,648	74,814	89,542	119,955	4,720	25,834	273,916	213,323				
Total support and revenue over expenditures	(14,547)	-	(16,631)	45,077	-	-	(4,459)	(4,899)				
Depreciation expense under GAAP	-	-	-	-	-	-	-	-				
Capitalized Assets	-	-	-	-	-	-	-	-				
Other post retirement benefits (OPEB)	-	-	-	-	-	-	-	-				
Transfer in/(out)	-	-	16,631	(54,149)	-	-	4,459	4,899				
CHANGE IN NET ASSETS	(14,547)	-	-	(9,072)	-	-	-	-				
Beginning net assets	(145)	-	-	9,072	-	-	-	-				
Ending net assets	(14,692)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				

SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
 COMMUNITY SERVICES BLOCK GRANT - GRANT NUMBER 14CSBG-D01
 GRANT PERIOD APRIL 1, 2014 TO JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
Federal revenue	\$ 7,047	\$ 7,047	\$ -
Total support and revenue	<u>7,047</u>	<u>7,047</u>	<u>-</u>
Expenses			
Contractual	-	400	(400)
Training	-	3,814	(3,814)
Consumable supplies	-	2,833	(2,833)
Other expenses	<u>7,047</u>	<u>-</u>	<u>7,047</u>
Total expenses	<u>7,047</u>	<u>7,047</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers in (out)		<u>-</u>	
Net assets, December 31, 2014		<u>\$ -</u>	

SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
 COMMUNITY SERVICES BLOCK GRANT - GRANT NUMBER 14CSBG - F13
 GRANT PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2014

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
Federal revenue	\$ 248,937	\$ 248,937	\$ -
Other revenue	-	13,473	(13,473)
Total support and revenue	<u>248,937</u>	<u>262,410</u>	<u>(13,473)</u>
Expenses			
Salaries and wages	104,644	106,501	(1,857)
Fringe benefits	42,013	45,383	(3,370)
Insurance	15,204	14,907	297
Contractual	500	2,343	(1,843)
Travel	4,500	447	4,053
Training	5,000	8,175	(3,175)
Repairs and maintenance	5,000	12,167	(7,167)
Transportation	-	2,852	(2,852)
Operating expenses	9,500	11,717	(2,217)
Occupancy	1,000	412	588
Consumable supplies	15,697	17,072	(1,375)
Telephone and utilities	7,796	6,554	1,242
Emergency services	5,188	7,976	(2,788)
Other expenses	500	1,717	(1,217)
Meals	6,000	2,412	3,588
Indirect costs	26,395	26,345	50
Total expenses	<u>248,937</u>	<u>266,980</u>	<u>(18,043)</u>
Increase (decrease) in net assets	<u>\$ -</u>	<u>\$ (4,570)</u>	<u>\$ 4,570</u>
Transfers in (out)		<u>4,570</u>	
Net assets, December 31, 2014		<u>\$ -</u>	

SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
 WEATHERIZATION DHHR GRANT - GRANT NUMBER 13WXDHHR11
 GRANT PERIOD JANUARY 1, 2014 - SEPTEMBER 30, 2014

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
Federal revenue	\$ 133,461	\$ 133,461	\$ -
Other revenue	-	10	(10)
Total support and revenue	<u>133,461</u>	<u>133,471</u>	<u>(10)</u>
Expenses			
Salaries and wages	57,200	49,522	7,678
Fringe benefits	13,582	29,668	(16,086)
Insurance	2,987	2,987	-
Contractual	1,494	496	998
Training	-	392	(392)
Repairs and maintenance	3,000	6,007	(3,007)
Transportation	350	3,362	(3,012)
Operating expenses	-	569	(569)
Occupancy	-	258	(258)
Consumable supplies	39,408	34,701	4,707
Telephone and utilities	2,300	5,899	(3,599)
Other expenses	-	689	(689)
Indirect costs	9,990	13,261	(3,271)
Total expenses	<u>130,311</u>	<u>147,811</u>	<u>(17,500)</u>
Increase (decrease) in net assets	<u>\$ 3,150</u>	<u>\$ (14,340)</u>	<u>\$ 17,490</u>
Transfers in (out)		<u>14,340</u>	
Net assets, December 31, 2014		<u>\$ -</u>	

PRIDE COMMUNITY SERVICES, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
WEATHERIZATION DOE GRANT - GRANT NUMBER 2013-WX-1011
GRANT PERIOD JULY 1, 2013 - JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
Federal revenue	\$ 50,807	\$ 50,807	\$ -
Total support and revenue	<u>50,807</u>	<u>50,807</u>	<u>-</u>
Expenses			
Salaries and wages	21,856	20,513	1,343
Fringe benefits	8,128	11,420	(3,292)
Insurance	2,032	2,271	(239)
Contractual	1,016	951	65
Training	-	357	(357)
Repairs and maintenance	400	2,020	(1,620)
Transportation	1,324	2,080	(756)
Operating expenses	-	264	(264)
Consumable supplies	12,208	22,390	(10,182)
Telephone and utilities	200	3,526	(3,326)
Other expenses	-	333	(333)
Indirect costs	<u>3,643</u>	<u>5,748</u>	<u>(2,105)</u>
Total expenses	<u>50,807</u>	<u>71,873</u>	<u>(21,066)</u>
Increase (decrease) in net assets	<u>\$ -</u>	<u>\$ (21,066)</u>	<u>\$ 21,066</u>
Transfers in (out)		<u>21,066</u>	
Net assets, December 31, 2014		<u>\$ -</u>	

SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
 LEGISLATIVE INITIATIVES FOR THE ELDERLY (LIFE) - GRANT NUMBER 21403
 GRANT PERIOD JULY 1, 2013 TO JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
State revenue	\$ 188,644	\$ 188,644	\$ -
Total support and revenue	<u>188,644</u>	<u>188,644</u>	<u>-</u>
Expenses			
Salaries and wages	54,851	52,963	1,888
Fringe benefits	21,322	25,342	(4,020)
Insurance	15,000	16,330	(1,330)
Contractual	-	598	(598)
Travel	1,500	2,442	(942)
Training	3,000	1,537	1,463
Repairs and maintenance	10,500	11,885	(1,385)
Transportation	10,000	7,796	2,204
Operating expenses	2,757	2,603	154
Occupancy	2,064	2,049	15
Consumable supplies	19,500	19,401	99
Telephone and utilities	22,500	18,516	3,984
Other expenses	2,000	3,101	(1,101)
Meals	9,946	9,946	-
Indirect costs	<u>13,704</u>	<u>14,135</u>	<u>(431)</u>
Total expenses	<u>188,644</u>	<u>188,644</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers in (out)		<u>-</u>	
Net assets, December 31, 2014		<u>\$ -</u>	

SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
 OLDER AMERICANS ACT - TITLE III-B, III-D, AND III-E - GRANT NUMBER 21436
 GRANT PERIOD OCTOBER 1, 2013 TO SEPTEMBER 30, 2014

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
Federal revenue	\$ 70,356	\$ 70,356	\$ -
State grant revenue	32,879	32,879	-
In-kind contributions	<u>14,913</u>	<u>11,483</u>	<u>3,430</u>
Total support and revenue	<u>118,148</u>	<u>114,718</u>	<u>3,430</u>
Expenses			
Salaries and wages	47,487	41,769	5,718
Fringe benefits	17,483	16,480	1,003
In-kind contributions	14,913	11,483	3,430
Insurance	6,500	13,727	(7,227)
Contractual	-	527	(527)
Repairs and maintenance	2,500	2,482	18
Transportation	12,265	17,191	(4,926)
Operating expenses	500	233	267
Consumable supplies	3,706	515	3,191
Other expenses	810	19	791
Indirect costs	<u>11,984</u>	<u>10,292</u>	<u>1,692</u>
Total expenses	<u>118,148</u>	<u>114,718</u>	<u>3,430</u>
Increase (decrease) in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers in (out)		<u>-</u>	
Net assets, December 31, 2014		<u>\$ -</u>	

PRIDE COMMUNITY SERVICES, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENDITURES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
OLDER AMERICANS ACT - TITLE III-C
GRANT PERIOD OCTOBER 1, 2013 TO SEPTEMBER 30, 2014

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
Support and revenue			
Federal revenue	\$ 207,674	\$ 207,674	\$ -
Program revenue	6,496	6,496	-
In-kind contributions	<u>25,115</u>	<u>25,115</u>	<u>-</u>
Total support and revenue	<u>239,285</u>	<u>239,285</u>	<u>-</u>
Expenses			
Salaries and wages	61,813	61,813	-
Fringe benefits	19,447	19,447	-
In-kind contributions	25,115	25,115	-
Insurance	791	791	-
Contractual	791	791	-
Repairs and maintenance	14,570	14,570	-
Consumable supplies	5,785	5,785	-
Telephone and utilities	980	980	-
Other expenses	181	181	-
Meals	65,921	65,921	-
Indirect costs	<u>14,409</u>	<u>14,409</u>	<u>-</u>
Total expenses	<u>209,803</u>	<u>209,803</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 29,482</u>	<u>\$ 29,482</u>	<u>\$ -</u>
Transfers in (out)		<u>(29,482)</u>	
Net assets, December 31, 2014		<u>\$ -</u>	

PRIDE COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Head Start			
Head Start	93.600	N/A	\$ 1,667,743
Passed-through WVSU Metro Area Agency on Aging			
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Aging Cluster			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	21436, 21536	34,221
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	21336, 21436	217,980
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	21436, 21536	3,885
National Family Caregiver Support, Title III, Part E	93.052	21436, 21536	19,703
Passed-through WV Governor's Office of Economic Opportunity			
Low-Income Home Energy Assistance	93.568	13WXDHHR11	124,143
CSBG			
Community Services Block Grant	93.569	23069 14CSBG-D01	255,984
Passed-through WV Bureau of Senior Services			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations - Health Benefits/SHIP	93.779	SH21322	2,240
U.S. Office of Personnel Management			
Passed-through WV Bureau of Senior Services			
Intergovernmental Personnel Act (IPA) Mobility Program	27.011	MCAP1408	3,111
U.S. Department of Energy			
Passed-through WV Governor's Office of Economic Opportunity			
Weatherization Assistance for Low-Income Persons	81.042	2013-WX-1011	12,334
Weatherization Assistance for Low-Income Persons	81.042	DOEWX1411	42,091
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	51215	369,676
Passed-through Logan County Board of Education			
National School Lunch Program	10.555	None provided	9,128
U.S. Department of Housing and Urban Development			
Passed-through West Virginia Housing Development Fund			
Home Investment Partnerships Program	14.239	2013-01-01	9,693
U.S. Department of Veterans Affairs			
Passed-through West Virginia Community Action Partnerships, Inc.			
VA Supportive Services for Veteran Families Program	64.033	None provided	90,593
Total Expenditures of Federal Awards			<u>\$ 2,862,525</u>

PRIDE COMMUNITY SERVICES, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

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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.

PRIDE COMMUNITY SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014

<u>Program</u>	<u>Finding / Noncompliance</u>	<u>Questioned Cost</u>
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NONE

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

Board of Directors
PRIDE Community Services, Inc.
Logan, West Virginia

We have audited, 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, the financial statements of PRIDE Community Services, Inc. (PRIDE), which comprise the statement of financial position as of December 31, 2014, 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 May 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PRIDE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PRIDE's internal control. Accordingly, we do not express an opinion on the effectiveness of PRIDE'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-001.

PRIDE'S Response to Findings

PRIDE's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. PRIDE'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 PRIDE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PRIDE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia
May 11, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

Board of Directors
PRIDE Community Services, Inc.
Logan, West Virginia

Report on Compliance for Each Major Federal Program

We have audited PRIDE Community Services, Inc.'s (PRIDE's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of PRIDE's major federal programs for the year ended December 31, 2014. PRIDE'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PRIDE'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 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 PRIDE'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 PRIDE's compliance.

Basis for Qualified Opinion on CFDA 10.558 Child and Adult Care Food Program

As described in the accompanying schedule of findings and questioned costs, PRIDE did not comply with requirements regarding CFDA 10.558 Child and Adult Care Food Program as described in finding number 2014-002 for Special Tests - Review of Day Care Home Providers. Compliance with such requirements is necessary, in our opinion, for PRIDE to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 10.558 Child and Adult Care Food Program

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, PRIDE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 10.558 Child and Adult Care Food Program for the year ended December 31, 2014.

Unmodified Opinion on Compliance for Each of the Other Major Federal Programs

In our opinion, PRIDE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

Other Matters

PRIDE’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. PRIDE’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 PRIDE 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 PRIDE’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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 PRIDE’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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.

PRIDE's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. PRIDE'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Charleston, West Virginia
May 11, 2015

PRIDE COMMUNITY SERVICES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified? yes X no

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

Noncompliance material to financial statements noted? X yes 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? yes X no

Type of auditor's report issued on compliance for major
 programs: Qualified 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>
93.600	Head Start
10.558	Child and Adult Care Food Program

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

Auditee qualified as low-risk auditee? X yes No

PRIDE COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

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SECTION II

FINANCIAL STATEMENT

FINDINGS SECTION

PRIDE COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

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2014-001 ON-SITE REVIEWS OF DAY CARE HOME PROVIDERS

Criteria: Title 7 of the Code of Federal Regulations (CFR) Part 226.16(d)(4)(iii) states: "Sponsoring organizations must review each facility three times each year. In addition: at least two of the three reviews must be unannounced; at least one unannounced review must include observation of a meal service; at least one review must be made during each new facility's first four weeks of program operations; and not more than six months may elapse between reviews."

Condition: From a sample of six home day care providers the following exceptions were found:

- The required minimum number of reviews was not completed for three facilities.
- Reviews performed did not include meal observation for three facilities.
- Two facilities did not receive the required number of unannounced reviews.
- One facility opened during the program year, and it was not reviewed within four weeks of program operations.
- More than six months elapsed between reviews for two facilities.

Questioned Costs: Unknown

Context: Total federal expenditures for the CACFP program were \$367,479 for the year ended December 31, 2014. Total operating expenses for the year ended December 31, 2014 were \$4,405,118.

Cause: The deficiency noted above was due to employee turnover in the program.

Effect: Significant issues that may exist in day care home providers may not be identified on a timely basis.

Recommendation: We recommend that management ensure that all required reviews be performed.

Organization's Response to Finding *Due to a period of significant employee turnover, reviews were not completed as required.*
Corrective Action Plan *Management has implemented the changes needed to complete the reviews as required. Staff were reassigned to direct and monitor the program closely until new staff were properly trained. All issues have been addressed and corrected.*

PRIDE COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

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SECTION III

FEDERAL AWARD FINDINGS
AND QUESTIONED COSTS SECTION

PRIDE COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

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2014-001 ON-SITE REVIEWS OF DAY CARE HOME PROVIDERS

Federal Program Information:	Federal Agency and Program Name	CFDA#
	U.S. Department of Agriculture Child and Adult Care Food Program Grant ID 51215	10.558

Criteria: Title 7 of the Code of Federal Regulations (CFR) Part 226.16(d)(4)(iii) states: "Sponsoring organizations must review each facility three times each year. In addition: at least two of the three reviews must be unannounced; at least one unannounced review must include observation of a meal service; at least one review must be made during each new facility's first four weeks of program operations; and not more than six months may elapse between reviews."

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- More than six months elapsed between reviews for two facilities.

Questioned Costs: Unknown

Context: Total federal expenditures for the CACFP program were \$367,479 for the year ended December 31, 2014.

Cause: The deficiency noted above was due to employee turnover in the program.

Effect: Significant issues that may exist in day care home providers may not be identified on a timely basis.

Recommendation: We recommend that management ensure that all required reviews be performed.

Organization's Response to Finding *Due to a period of significant employee turnover, reviews were not completed as required.*
Corrective Action Plan *Management has implemented the changes needed to complete the reviews as required. Staff were reassigned to direct and monitor the program closely until new staff were properly trained. All issues have been addressed and corrected.*