

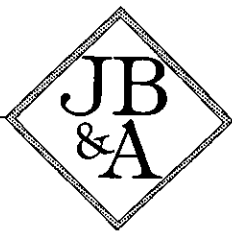
**BURLINGTON UNITED METHODIST  
FAMILY SERVICES, INC.**

**INDEPENDENT AUDITORS' REPORT AND  
RELATED FINANCIAL STATEMENTS**

**JUNE 30, 2009**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
Statement of Financial Position	2
Statement of Activities	3
Schedule of Functional Expenses	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-16
<b>INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION</b>	17
Schedule of Expenditures of State Awards	18
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	19-20
Management Letter	21-22



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 418 • BUCKHANNON, WV 26201 • (304) 472-3600 • FAX (304) 472-3601

## INDEPENDENT AUDITORS' REPORT

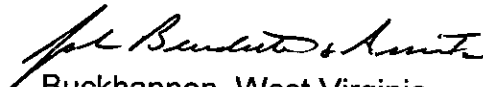
To the Board of Directors  
Burlington United Methodist Family Services, Inc.  
Burlington, West Virginia

We have audited the accompanying statement of financial position of Burlington United Methodist Family Services, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows, for the year then ended. These financial statements are the responsibility of the Organization'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Burlington United Methodist Family Services, Inc. as of June 30, 2009, 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 10, 2009, on our consideration of Burlington United Methodist Family Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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.

  
Buckhannon, West Virginia  
November 10, 2009

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2009**

**ASSETS**

Cash	\$ 1,120,768
Accounts receivable, less allowance for doubtful accounts of \$36,166	1,114,011
Grants Receivable	11,708
Prepaid Expense	139,161
Contributions receivable	120,687
Deposits	12,376
Investments	2,603,663
Inventory - Donations	15,500
Beneficial interest in perpetual trusts	2,019,912
Land, building and equipment, net	<u>8,302,231</u>

**TOTAL ASSETS**

**\$ 15,460,017**

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 587,940
Refundable advance	147,014
Refundable advances - Federal Grants	170,321
Notes payable	651,909
Annuities payable	<u>170,305</u>

Total Liabilities

1,727,489

**NET ASSETS**

Unrestricted net assets:	
Undesignated	8,927,272
Board designated	<u>2,267,433</u>

Total Unrestricted net assets 11,194,705

Temporarily restricted net assets 502,911

Permanently restricted net assets 2,034,912

Total Net Assets 13,732,528

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 15,460,017**

The accompanying notes are an integral part of this financial statement.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>UNRESTRICTED</b>		
	<u>Undesignated</u>	<u>Board Designated Reserve</u>	<u>Total Unrestricted</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Federal government grants	\$ 146,822	\$	\$ 146,822
State, local and private grants	1,299,915		1,299,915
United Methodist Church	40,267		40,267
Gifts and donations	1,078,952		1,078,952
Medicaid	2,605,218		2,605,218
Fees - West Virginia Department of Health and Human Resources	5,309,029		5,309,029
Fees - Other	41,696		41,696
Investment Income	178,512	92,353	270,865
Net unrealized gain (loss) resulting from beneficial interest in perpetual trusts		(426,389)	(426,389)
Net realized and unrealized gain (loss) on long-term investments		(111,535)	(111,535)
Other income	94,659		94,659
Net assets released from restrictions	1,113,256	(81,887)	1,031,369
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>11,908,326</u>	<u>(527,458)</u>	<u>11,380,868</u>
<b>EXPENSES</b>			
Program Services:			
Community based services:			
Program administration	117,536		117,536
Foster care	1,533,038		1,533,038
Adoption services	58,763		58,763
Home findings	242,783		242,783
Youth services	295,401		295,401
Student Intervention	105,428		105,428
Right from the Start	92,374		92,374
Transitional Living	436,774		436,774
Maryland stabilization	45,778		45,778
Sarah's house	50,943		50,943
Family support	19,518		19,518
Targeted case management	82,392		82,392
<b>Total Community Based Services</b>	<u>3,080,728</u>		<u>3,080,728</u>
Group care services:			
Group care program	3,328,053		3,328,053
Group care administration	1,490,835		1,490,835
<b>Total Group Care Services</b>	<u>4,818,888</u>		<u>4,818,888</u>
Spiritual life	57,689		57,689
<b>Total Program Services</b>	<u>7,957,305</u>		<u>7,957,305</u>
Supporting Services:			
Corporate administration	1,284,646		1,284,646
Central services	216,810		216,810
Public relations, marketing and development	310,483		310,483
<b>Total Supporting Services</b>	<u>1,811,939</u>		<u>1,811,939</u>
<b>TOTAL EXPENSES</b>	<u>9,769,244</u>		<u>9,769,244</u>
<b>CHANGE IN NET ASSETS</b>	2,139,082	(527,458)	1,611,624
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>6,788,190</u>	<u>2,794,891</u>	<u>9,583,081</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 8,927,272</u>	<u>\$ 2,267,433</u>	<u>\$ 11,194,705</u>

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
\$	\$	\$
		146,822
		1,299,915
		40,267
345,708		1,424,660
		2,605,218
		5,309,029
		41,696
		270,865
	(553,772)	(980,161)
		(111,535)
		94,659
(1,031,369)		
(685,661)	(553,772)	10,141,435
		117,536
		1,533,038
		58,763
		242,783
		295,401
		105,428
		92,374
		436,774
		45,778
		50,943
		19,518
		82,392
		3,080,728
		3,328,053
		1,490,835
		4,818,888
		57,689
		7,957,305
		1,284,646
		216,810
		310,483
		1,811,939
		9,769,244
(685,661)	(553,772)	372,191
1,188,572	2,588,684	13,360,337
\$ 502,911	\$ 2,034,912	\$ 13,732,528

The accompanying notes are an integral part of this statement.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Community Based Services										Total Community Based Services		
	Program Administration	Foster Care	Adoption Services	DHHR Home Findings	Youth Services	Student Intervention	Right from the Start	Transitional Living	Maryland Stabilization	Sarah's House	Family Support	Targeted Case Management	
Salaries and wages	\$ 47,763	\$ 378,713	\$ 37,144	\$ 182,550	\$ 208,201	\$ 79,296	\$ 57,652	\$ 224,050	\$ 35,715	\$ 25,414	\$	\$ 53,182	\$ 1,329,680
Fringe benefits	19,818	106,499	10,084	56,839	67,441	21,116	13,933	70,189	8,990	9,402		13,440	387,751
Purchased services		6,525						18,102				1,725	26,352
Legal and accounting fees													
Supplies	3,304	8,520	604	73	333	457	776	10,613		880		570	26,130
Media Services													
Training		373	200	59	25		4,875	3,595				15	9,142
Travel	(2,809)	18,943	2,408	2,051	15,619	3,722	1,050	11,175	1,036	2,056	19,518	4,694	79,463
Food and milk								12,114		20			12,134
Educational activities								1,382					1,382
Clothing and shoes	48	68,286			64	489	1,198	2,919				391	71,253
Direct aid to clients		6,568						6					8,726
Foster care payments		838,180											838,180
Telephone	5,016	20,542	3,218	1,106	1,731		1,588	1,685		645		4,616	40,147
Postage and shipping	1,123	2,747	933	13	7	143	719	17		404			6,106
Vehicle operation	(11,308)	11,249	151	32	1,920		2,215	26,715					30,974
Advertising		225	173						37				435
Dues and subscriptions		1,650	813					145		545			3,153
Licensing	85	1,423			390	85	100	235					2,318
Maintenance		3,936	416	50		38	951	1,940		500		351	8,144
Utilities	4,977	6,929	415				1,235	6,673		121		108	20,496
Building and equipment rental	364	31,668	2,065		(681)		2,926	17,492		8,100		3,300	65,234
Insurance													
Equipment	821	1,590						15,777		2,679			20,867
Bank Fees													
Interest expense		7,877					3,156						11,033
Bad debt expense													12,839
Other expense	20	120	139	10	351	72		11,950		177			
<b>Total expenses before depreciation</b>	<b>69,222</b>	<b>1,522,563</b>	<b>58,763</b>	<b>242,783</b>	<b>266,401</b>	<b>105,428</b>	<b>92,374</b>	<b>496,774</b>	<b>45,778</b>	<b>50,943</b>	<b>19,518</b>	<b>82,392</b>	<b>3,021,939</b>
Depreciation of property and equipment	48,314	10,475											58,789
<b>Total expenses</b>	<b>\$ 117,536</b>	<b>\$ 1,533,038</b>	<b>\$ 58,763</b>	<b>\$ 242,783</b>	<b>\$ 266,401</b>	<b>\$ 105,428</b>	<b>\$ 92,374</b>	<b>\$ 496,774</b>	<b>\$ 45,778</b>	<b>\$ 50,943</b>	<b>\$ 19,518</b>	<b>\$ 82,392</b>	<b>\$ 3,080,728</b>

The accompanying notes are an integral part of this statement.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Other Program Services				Supporting Services				Total		
	Total Community Based Service	Group Care	Program Administration Group Care	Total Group Care	Spiritual Life	Total Program Services	Corporate Administration	Central Services		Public Relations Marketing & Development	Total Supporting Services
Salaries and wages	\$ 1,329,680	\$ 2,188,812	\$ 853,972	\$ 3,042,784	\$ 35,183	\$ 4,407,647	\$ 565,110	\$ 100,053	\$ 135,222	\$ 800,385	\$ 5,208,032
Fringe benefits	397,751	566,744	257,984	824,708	3,187	1,225,646	163,075	35,632	35,243	233,950	1,459,586
Purchased services	26,352	58,702	20,124	78,826		105,178			999	999	106,177
Legal and accounting fees							35,535				35,535
Supplies	28,130	20,918	35,077	55,995	432	82,557	21,498	3,294	9,502	34,294	116,851
Media Services											
Training	9,142	2,318	6,524	8,842		17,984	1,748	300	9,561	9,561	9,561
Travel	79,463	5,751	6,401	12,152	56	91,671	7,356		2,048	2,048	20,032
Food and milk	12,134	129,584	678	130,272		142,406		2,715	4,997	15,068	106,739
Educational activities	1,382	2,957	1,649	4,605		5,988					142,406
Clothing and shoes	71,253	27,305		27,305		98,558					5,988
Direct aid to clients	8,726	66,873	12,573	79,446	259	88,431	2,131	309	49,756	52,196	98,558
Foster care payments	838,180					838,180					140,827
Telephone	40,147	28,220	14,895	43,115	2,896	86,158	20,294	7,206	7,201	34,701	838,180
Postage and shipping	6,106		2,969	2,969		9,075	4,325	1,973	7,092	13,390	22,465
Vehicle operation	30,974	28,128	13,989	42,117		73,091	5,642	6,572	7,683	19,897	92,988
Advertising	435		310	310		745	43		1,876	1,919	2,864
Dues and subscriptions	3,153	278	80	358		3,511	1,830	229	397	2,456	5,967
Licensing	2,318	125	1,017	1,142		3,460	25	61		86	3,546
Maintenance	8,144	37,251	47,252	84,503	76	92,723	36,312	8,348	5,946	50,608	143,329
Utilities	20,496	47,311	86,471	133,782	1,466	155,744	13,571	2,579	3,452	19,602	175,346
Building and equipment rental	65,234	292	9,956	10,248		75,482	13,676	3,747	4,299	21,722	97,204
Insurance		3,322	7,054	10,376		31,243	248,114		3,440	248,114	248,114
Equipment	20,867						12,159	775		16,374	47,617
Bank Fees							22,985	26		23,011	23,011
Interest expense							12,845			12,845	12,845
Bad debt expense	11,033		8,178	8,178		19,211					19,211
Other expense	12,839	1,545	5,319	6,864	9,922	29,825	39,949	1,705	6,748	48,402	78,027
<b>Total expenses before depreciation</b>	<b>3,021,939</b>	<b>3,216,446</b>	<b>1,392,452</b>	<b>4,608,898</b>	<b>53,477</b>	<b>7,684,314</b>	<b>1,228,223</b>	<b>175,524</b>	<b>293,414</b>	<b>1,697,161</b>	<b>9,381,475</b>
<b>Depreciation of property and equipment</b>	<b>58,789</b>	<b>111,607</b>	<b>98,383</b>	<b>209,990</b>	<b>4,212</b>	<b>272,991</b>	<b>56,423</b>	<b>41,286</b>	<b>17,089</b>	<b>114,778</b>	<b>387,769</b>
<b>Total expenses</b>	<b>\$ 3,080,728</b>	<b>\$ 3,328,053</b>	<b>\$ 1,490,835</b>	<b>\$ 4,818,888</b>	<b>\$ 57,689</b>	<b>\$ 7,957,305</b>	<b>\$ 1,284,646</b>	<b>\$ 216,810</b>	<b>\$ 310,483</b>	<b>\$ 1,811,939</b>	<b>\$ 9,769,244</b>

The accompanying notes are an integral part of this statement.



**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 372,191
Adjustments to reconcile increase in net assets to operating activities	
Depreciation	387,769
Decrease in market value of long-term investments	426,389
Decrease in market value of beneficial interest in perpetual trust	553,772
Gain on sale of investments	111,535
Bad debt expense	19,211
Change in assets and liabilities	
Decrease in accounts and grants receivable	559,604
Increase in contributions receivable	(91,767)
Increase in deposits	(9,178)
Increase in prepaid expenses	(60,006)
Increase in inventory	(117)
Decrease in accounts payable and accrued expenses	(241,735)
Increase in refundable advance	111,993

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 2,139,661

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(2,915,487)
Proceeds from sales of investments	539,756
Purchase of investments	<u>(1,224,163)</u>

**NET CASH USED IN INVESTING ACTIVITIES** (3,599,894)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on borrowings	(43,484)
Proceeds from long-term borrowings	674,488
Payments on annuity obligations	

**NET CASH USED IN FINANCING ACTIVITIES** 631,004

**NET CHANGE IN CASH** (829,229)

**CASH AND CASH EQUIVALENTS, beginning of year** 1,949,997

**CASH AND CASH EQUIVALENTS, end of year** \$ 1,120,768

**SUPPLEMENTAL DISCLOSURE:**

Interest paid	<u><u>\$ 12,845</u></u>
---------------	-------------------------

The accompanying notes are an integral part of this financial statement.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Nature of Activities and Significant Accounting Policies**

Burlington United Methodist Family Services, Inc. (the Organization) is a non-profit corporation organized under the laws of the State of West Virginia for the purpose of promoting the social, emotional, spiritual and physical well-being of children and their families throughout the State of West Virginia. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar sections of the state statutes. The Organization has been classified by the Internal Revenue Service as a non-private foundation.

**Significant Accounting Policies**

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in determining the collectability of accounts receivable, useful lives of fixed assets, and payments to be made on annuities payable. It is at least reasonably possible that the significant estimates used will change within the next year.

**Basis of Presentation**

Net assets and revenues and gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted** – Resources over which the Board of Trustees has discretionary control. Designated amounts represent those net assets which the Organization has set aside for a particular purpose.

**Temporarily restricted** – Resources subject to donor imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to donors' stipulations. Temporarily restricted net assets on the financial statements consist of contributions receivable of \$120,687 that have been restricted by the donee, \$3,832 which represents income earned on the Daniels Scholarship funds, and \$378,392 of funds for various capital projects. These buildings were not completed during the year.

**Permanently restricted** – Resources from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The donors of these resources permit the appreciation for unrestricted purposes. Permanently restricted net assets on the financial statements consist of all beneficial interest in perpetual trusts of \$2,019,912 and contributions made to the Daniel Scholarship Fund of \$15,000, all of which are held in accounts managed by third party investment professionals.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

The Organization has elected to present temporarily restricted contributions, which become unrestricted in the same time period, within the unrestricted net assets class.

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents includes cash on deposit with financial institutions and brokerage firms, and all highly liquid debt investments purchased with an original maturity of three months or less.

**Property and Equipment**

Expenditures for the acquisition of property and equipment are capitalized at cost. Donated assets are capitalized at fair market value when received. The organization's capitalization threshold is \$500. Depreciation is computed by the straight-line method over estimated useful lives of the assets ranging from three to forty years.

**Donated Goods and Services**

Donated materials, equipment and other assets are reported as contributions and reflected in the accompanying financial statements at their estimated fair market values at the date of gift. Where applicable, donated services by certain professionals which would normally be purchased are reflected as contributed services. No amounts have been recognized in the financial statements for other donated services since no objective basis is available to measure the value of such services. Nevertheless, many volunteers have given significant amounts of their time to the Organization's programs, fund-raising campaigns, and management.

**Revenue Recognition**

Grant revenue resulting from exchange transactions is recognized when the related costs are incurred. Support and revenue designated for future periods consists of grant funds that the Organization has received but for which it has not incurred related expenses and/or satisfied the requirements of the grant agreements.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

**Investments**

Investments in debt securities and equities are measured at fair value in the statement of financial position. Investment income and realized and unrealized gains and losses on investments are included in the change in net assets. Investments in oil and gas rights and other investments are carried at cost.

The Organization reports its investments in accordance with Statement of Financial Accounting Standards (SFAS) No.124, *Accounting for Certain Investments held by Not-for-Profit Organizations*. SFAS No.124 establishes accounting standards for investments in certain equity securities and for all debt securities. The Statement prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

**Beneficial Interest in Perpetual Trusts**

The Organization is the beneficiary of several trusts, the assets of which are not in the possession of the Organization. The principal and net unrealized and realized gains and losses in these trusts are reported as permanently restricted support based on the various donor gifts to the trusts which restrict distribution from the trusts to interest and dividend income. The carrying value of these assets is equal to the market value of the underlying trust assets (which approximates the present value of the future cash flows to be derived from those trust accounts.)

**Expense Allocation**

Expenses which are not specifically identified with a particular service are allocable to the various program services based on time devoted by the Organization's staff in performing program functions.

**Note 2. Cash Concentrations**

As of June 30, 2009, the Organization had deposits the Organization had deposits at one financial institution totaling \$995,483. According to the financial institution, of the amount on deposit \$100,000 was secured by FDIC, and \$895,483 was not secured. The Organization's deposits at the other financial institutions did not exceed federally insured limits.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 3. Investments**

Investments at June 30, 2009, are as follows:

	<b>Cost</b>	<b>Fair Value</b>
Marketable Debt Securities		
Other	1,246,329	1,001,806
Marketable Equity Securities		
Common Stock	10,672	3,600
Mutual Funds	971,844	944,163
Common Trust Funds (United Methodist Foundation)	292,114	270,246
Certificates of Deposit	378,392	378,392
Other Investments		
Oil and Gas Rights	1,454	1,454
Cash Surrender Value of Life Insurance Contracts	4,002	4,002
<b>Total Investments</b>	<b>\$ 2,904,807</b>	<b>\$ 2,603,663</b>

At June 30, 2009, the Organization's investments with United Methodist Foundation (UMF) totaling \$270,246 were held in three discretionary common trust funds managed by the investment advisor of the funds.

	<b>Cost</b>	<b>Fair Value</b>
UMF Fund A – Income Fund	\$ 154,637	\$ 140,975
UMF Fund B1 – Income with Growth Fund	22,436	18,832
UMF Fund B2 – Balanced Fund	115,041	110,439
<b>Total Investments</b>	<b>\$ 292,114</b>	<b>\$ 270,246</b>

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 3. Investments (Continued)**

A brief description of the investment objectives of Funds A, B1, and B2 are as follows:

**UMF Fund A – Income Fund** - The fund invests in fixed income investments designed to produce a high level of current income yield with a minimum investment risk.

**UMF Fund B1 – Income with Growth Fund** – The fund invests 17% in equity and 83% fixed income investments and is designed to produce current income yield with modest capital growth and low investment risk.

**UMF Fund B2 – Balanced Fund**- The fund invests 25% in stock and 75% in bonds. The fund is designed to maximize total investment return, with a balance of current income yield and capital growth, and moderate investment risk.

The Organization paid \$23,011 in investment fees during the year ended June 30, 2009. The Organization does not require collateral to secure its investments.

**Note 4. Property and Equipment**

A summary of land, buildings, and equipment is as follows:

Land and improvements	\$ 2,424,775
Buildings and improvements	7,899,377
Furniture and equipment	947,512
Vehicles	705,224
	-----
	11,976,888
Less accumulated depreciation	(3,674,657)
	-----
Total Property and Equipment	\$ 8,302,231
	=====

Depreciation expense for the year ended June 30, 2009 was \$387,769.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 5. Notes Payable**

Subaru Motor Finance interest at 5.50% per annum. Monthly payments of \$ 382.79 thru November 5, 2010. Secured by 2009 Subaru vehicle.	\$ 16,295
BB&T Bank, interest at 6.79% per annum. Monthly payments of \$ 572.78 thru December 20, 2013. Secured by Chevrolet vehicle.	26,137
Bank of Mount Hope, Inc. interest at 5.24% per annum. Monthly payments of \$ 454.95 thru February 2, 2014 Secured by Subaru vehicle.	22,600
GMAC interest at 0% per annum Monthly payment of \$ 536.42 thru February 28, 2014. Secured by Chevrolet vehicle.	30,040
GMAC interest at 0% per annum Monthly payment of \$ 536.42 thru February 28, 2014. Secured by Chevrolet vehicle.	30,040
Bank of Mount Hope, Inc. interest at 6.99% per annum Monthly payment of \$ 1,528.85 thru February 8, 2039. Secured by real estate.	229,417
Bank of Mount Hope, Inc. interest at 6.99% per annum Monthly payment of \$ 1,981.02 thru March 10, 2039. Secured by real estate.	297,380
Total	651,909
Less current portion	31,773
Noncurrent portion	\$ 620,136

The following is a schedule of maturities as of June 30, 2009:

Year ending June 30, 2010	\$ 31,773
2011	32,986
2012	34,277
2013	35,448
2014	26,476
Later years	491,039
Total	\$ 651,909

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 6. Annuities Payable**

The Organization has entered into various annuity gift contracts. Under these contracts the Organization receives a lump-sum donation which is recorded as an asset at the time of the gift. In exchange for the donation the Organization is obligated to pay equal semi-annual installments at a fixed rate determined at the date of the contract for the life of the annuitant or the joint lives of the annuitant and specified survivor. The present value of the actuarially determined liability resulting from the annuity gifts was recorded at the date of the gift. The excess of the gifts received over the liabilities for future annuity payments was recorded as support for the year ended June 30, 2009.

As of June 30, 2009, the liability is scheduled to extinguish as follows:

During the year ended June 30,

2010	\$ 29,092
2011	31,173
2012	32,612
2013	26,510
2014	27,950
Due thereafter	22,968
	<u>\$ 170,305</u>
	=====

The future required minimum payments under the contracts at June 30, 2009 are as follows:

During the year ended June 30,

2010	\$ 39,587
2011	39,821
2012	40,055
2013	30,750
2014	30,985
Due thereafter	15,464
	<u>\$ 196,662</u>
	=====



**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 7. Employee Benefit Plans**

The Organization has a defined contribution retirement plan which covers substantially all full-time employees. Eligible employees may contribute from 2% to 20% of their gross compensation to the plan. The Organization contributes to the plan based on its financial ability as determined by the Board of Trustees. For the year ended June 30, 2009, the Organization contributed on behalf of each eligible employee, an amount equal to 150% of the employee's contribution up to a 6% of compensation employer contribution. Contributions are paid to a trustee under a trust agreement which provides a fund for benefits to be paid to participants. Total expense under the plan was \$94,643 for the year ended June 30, 2009.

**Note 8. Support and Revenue from Government Units**

The Organization receives a substantial amount of its grant revenues from West Virginia and federal governmental agencies. A significant reduction in the level of this support, if this were to occur, may have a significant impact on the Organization's programs and activities. Grant revenues recognized from these agencies during the year ended June 30, 2009, were \$1,446,737. Revenues are recognized as expenditures are incurred. Revenues receivable under these contracts at June 30, 2009 were \$211,334. A refundable advance to these agencies for program services not yet performed as of June 30, 2009 was \$317,335.

In addition, the Organization has entered into an agreement with the West Virginia Department of Health and Human Resources to provide medical services to eligible clients. Revenues from these services are provided by the West Virginia Department of Health and Human Resources. Revenues earned under this contractual arrangement for the year ended June 30, 2009 were \$7,914,247, which was approximately 69% of total support and revenue of the Organization. Revenues receivable under this contract at June 30, 2009 were \$919,034 less \$36,166 allowance for doubtful accounts.

The Organization's accounts receivable are not collateralized. The Organization believes all contributions receivable are fully collectible and therefore no allowance for uncollectible promises has been recorded. Current year income from bequests and donations are shown on the State of Activities as gifts and donations revenue.

**Note 9. Leasing Agreements**

The Organization has entered into a lease to use improved real estate in Grafton. The original lease expired and a new lease was signed October 2007. The lease requires 60 monthly installments of \$1,700 with annual increase of 3%. The lease is set to expire in October 2012 with an option to renew for another five years.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 9. Leasing Agreements (Continued)**

The Organization has entered into a lease to use improved real estate in Keyser for the Community Based Service office. The lease requires 108 monthly payments of \$3,345 with escalation clauses beginning in the second year based on the increase in real estate taxes. The lease is set to expire in February 2014.

The Organization has entered into leases to use improved real estate in Oakland, Grafton, and Elkins. The leases require monthly payments ranging from \$75 to \$350. The Organization is leasing the real estate on a month to month basis.

The Organization has entered into four leases for mailing equipment that are on a month to month basis. Two of the leases require monthly payments of \$204 and two require monthly payments of \$66.

The Organization has entered into a lease for a fax machine that has expired and is on a quarter to quarter basis. The lease requires quarterly payments of \$269.

The required minimum operating lease payments for each of the five succeeding years are as follows:

During the year ended June 30,		
	2010	\$ 47,508
	2011	47,508
	2012	47,508
	2013	47,508
	2014	47,508
		-----
		\$ 237,540
		=====

Rent expenses for the year ended June 30, 2009 was \$97,204.

**Note 10. Related Party Transactions**

The Organization is associated with the West Virginia Annual Conference of the United Methodist Church (the Annual Conference) which elects the Organization's Board of Trustees. The Organization received \$24,267 of support from the Annual Conference in 2009.

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

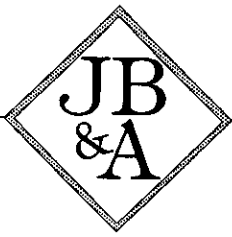
**Note 11. Contingencies**

As of June 30, 2009, a lawsuit was pending against the Organization by plaintiffs who were selected and approved foster care parents. The suit pertains to the placement of a particular foster care child and the actions of the child while in the custody of the plaintiffs. The Organization maintains insurance that management believes will mitigate any potential losses in the event of an unfavorable outcome. Due to the early stages of the lawsuit, the Organization is unable to determine the outcome of this matter.

**Note 12. Subsequent Events**

**Date of Management Evaluation**

Management has evaluated subsequent events through November 10, 2009, the date on which the financial statements were available to be issued.



# JOHN BURDETTE & ASSOCIATES

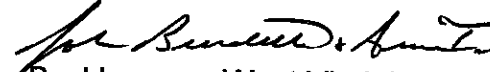
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 418 • BUCKHANNON, WV 26201 • (304) 472-3600 • FAX (304) 472-3601

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors  
Burlington United Methodist Family Services, Inc.  
Burlington, West Virginia

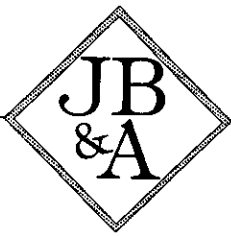
Our report on our audit of the basic financial statements of the Burlington United Methodist Family Services, Inc. for the year ended June 30, 2009 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Expenditures of State Awards is presented for purposes of additional analysis and is 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 basic financial statements taken as a whole.

  
Buckhannon, West Virginia  
November 10, 2009

**BURLINGTON UNITED METHODIST FAMILY SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Grantor Name/ Program Title	Grant Number	Award Amount	Revenue Received 7/1/2008 6/30/2009	Expenditures 7/1/2008 6/30/2009	Due To Grantor 6/30/2009
<b>West Virginia Department of Health and Human Resources Bureau for Children and Families</b>					
WV DHHR - Youth Services Grant Region III (7/1/08-6/30/09)	G090123	\$ 168,400	\$ 168,400	\$ 135,065	\$ 33,332
WV DHHR - Youth Services Grant Region IV (7/1/08-6/30/09)	G090124	219,721	219,721	188,829	30,892
WV DHHR - Home Findings (7/1/08-6/30/09)	G090372	448,651	336,489	285,208	51,281
<b>West Virginia Department of Health and Human Resources Bureau for Behavioral Health &amp; Health Facilities</b>					
WV DHHR - Transitional Living Grant (7/1/08-6/30/09)	G090270	<u>500,000</u>	<u>475,000</u>	<u>475,000</u>	<u>          </u>
<b>Total Grant Grants</b>		<u>\$ 1,336,772</u>	<u>\$ 1,199,610</u>	<u>\$ 1,084,102</u>	<u>\$ 115,505</u>

The accompanying independent auditors' report on supplemental information  
is an integral part of this schedule



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 418 • BUCKHANNON, WV 26201 • (304) 472-3600 • FAX (304) 472-3601

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

To the Board of Directors  
Burlington United Methodist Family Services, Inc.  
Burlington, West Virginia

We have audited the financial statements of Burlington United Methodist Family Services, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United State 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**

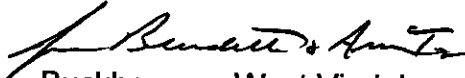
In planning and performing our audit, we considered Burlington United Methodist Family Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Burlington United Methodist Family Services, Inc. in a separate letter dated November 10, 2009.

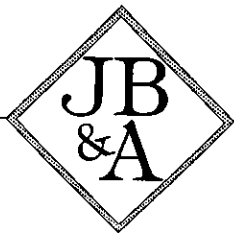
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Burlington Untied Methodist Family Services, Inc.'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*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-thru entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Buckhannon, West Virginia  
November 10, 2009



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 418 • BUCKHANNON, WV 26201 • (304) 472-3600 • FAX (304) 472-3601

## MANAGEMENT LETTER

The Board of Directors and Management  
Of Burlington United Methodist Family Services, Inc.  
Burlington, West Virginia

Our audit of the financial statements of Burlington United Methodist Family Services, Inc. for the year ended June 30, 2009, highlighted areas where we would like to make recommendations which we feel would improve the internal control, accounting procedures, and internal financial information of the Organization. Since our audit was not designed to include a complete review of all systems, procedures and controls, the following comments and or recommendations should not be considered as being all inclusive of the areas where improvements might be accomplished.

### Employee Taxable Compensation and Benefits

It was noted during our audit that there were items paid and/or given to employees that should have been included on form W-2 as taxable compensation. Such items noted included housing allowances, gifts, meals and services provided at a personal residence by the Organization. An employer may only give an employee a gift of up to \$25 tax free, any amount in excess must be included on form W-2 as compensation per Internal Revenue Service regulations.

### Donations and Bequests

Donations and bequests should be recorded in the Organization's books at fair market value on the date of the donation. Proper methods should be used to determine fair market value as per Internal Revenue Service regulations for large donations and bequests. The Organization should improve its controls over such donated items to insure proper accounting and disposition of the property. Also, the Organization must be alert to any restrictions place on donations and comply with any such restrictions.

### Disbursements and Documentation

All disbursements must have a receipt or other document to substantiate the expenditure. Also, all expenditures should have proper approval with signature or initial of person or persons approving the expenditure. Purchase orders should be presented for all applicable purchases as well. Although the above are part of the Organization's control process, it was noted during the audit that not all expenditures had purchase orders and there were some expenditures paid without a properly approved receipt.



## **Cash Deposits**

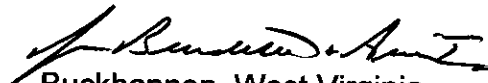
During the audit we noted that the cash balance in one financial institution was well over the FDIC insured limit. Management should implement controls and procedures to limit the Organization's exposure to credit risk.

## **Organization Structure**

Organization structure should allow finance to report to the board of directors if necessary and should be structured to prevent an administrator from circumventing this line of communication. Such a line of communication would help prevent controls from being overridden by top management.

A separate report dated November 10, 2009, as enclosed on pages 18-19 of this audit report, contains our report on reportable conditions in the Organization's internal control structure. This letter does not affect our report dated November 10, 2009, on the financial statements of Burlington United Methodist Family Services, Inc.

After you have had an opportunity to review these comments and recommendations, we would be pleased to discuss those which you desire. We would like to thank you for the opportunity to be of service to the Organization.

  
Buckhannon, West Virginia  
November 10, 2009