

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

REPORT OF AUDITED
FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

REPORT OF AUDITED
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For the Year Ended December 31, 2008

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Chris Gooch

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hazard-Perry County Community Ministries, Inc.
P.O. Box 1506
Hazard, Kentucky 41702

We have audited the accompanying statement of financial position of Hazard-Perry County Community Ministries, Inc. (a nonprofit organization) as of December 31, 2008, 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 Hazard-Perry County Community Ministries, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2009, on our consideration of Hazard-Perry County Community Ministries, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Hazard-Perry County Community Ministries, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

A handwritten signature in cursive script, appearing to read "Chris Gooch".

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

July 24, 2009

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HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2008

<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash		79,877
Investments		8,210
Accounts Receivable		<u>86,285</u>
<u>Total Current Assets</u>		<u>174,372</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Property and Equipment (Net of Accumulated Depreciation)		<u>3,658,411</u>
<u>OTHER ASSETS:</u>		
Cash - Restricted		13,308
Restricted Investment		<u>55,539</u>
<u>Total Other Assets</u>		<u>68,847</u>
<u>Total Assets</u>		<u>3,901,630</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES:</u>		
Accounts Payable		39,858
Accumulated Leave		30,552
Accrued Payroll		10,778
Accrued Payroll Liabilities		22,981
Current Portion of Long - Term Debt		<u>40,166</u>
<u>Total Current Liabilities</u>		<u>144,335</u>
Long-term Liabilities		1,178,577
Less: Current Portion		<u>(40,166)</u>
<u>Total Long-term Liabilities</u>		<u>1,138,411</u>
<u>Total Liabilities</u>		<u>1,282,746</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets		8,209
Fixed Assets, Net of Related Debt		2,533,618
Temporarily Restricted Net Assets		<u>77,057</u>
<u>Total Net Assets</u>		<u>2,618,884</u>
<u>Total Liabilities and Net Assets</u>		<u>3,901,630</u>

The accompanying notes are an integral part of these financial statements.

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HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT:</u>			
Grant and Contributions	77,373	743,884	821,257
<u>REVENUES:</u>			
Program Service Fees	818,369	-	818,369
Interest Income	1,321	-	1,321
Net Assets Released from Restriction	757,973	(757,973)	-
<u>Total Revenues</u>	<u>1,577,663</u>	<u>(757,973)</u>	<u>819,690</u>
<u>Total Public Support and Revenues</u>	<u>1,655,036</u>	<u>(14,089)</u>	<u>1,640,947</u>
<u>EXPENSES:</u>			
Program Services	1,529,951	-	1,529,951
Administrative and General	379,190	-	379,190
<u>Total Expenses</u>	<u>1,909,141</u>	<u>-</u>	<u>1,909,141</u>
<u>Increase (Decrease) in Net Assets</u>	<u>(254,105)</u>	<u>(14,089)</u>	<u>(268,194)</u>
NET ASSETS, Beginning of Year - Restated	2,173,480	167,179	2,340,659
Add: Capital Grants, Current Year	-	546,419	546,419
NET ASSETS, End of Year	<u>1,919,375</u>	<u>699,509</u>	<u>2,618,884</u>

The accompanying notes are an integral part of these financial statements.

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

	<u>Administrative</u>	<u>Program Services</u>	<u>Total</u>
Salaries and Wages	137,129	791,691	928,820
Payroll Taxes and Fringe	30,611	150,520	181,131
Insurance	7,465	56,642	64,107
Medical Expense	1,751	(1,751)	-
Educational Supplies	-	11,488	11,488
Food Supplies	-	94,961	94,961
Rents	1,347	49,858	51,205
Interest Expense	9,188	31,052	40,240
Licenses	558	1,902	2,460
Repairs and Maintenance	177	42,042	42,220
Utilities and Telephone	2,724	74,452	77,176
Office Supplies	4,442	11,372	15,813
Crisis Aid	1,752	20,179	21,931
Travel	14,708	17,517	32,225
Cleaning Supplies		18,141	18,141
Legal and Accounting	32,955	-	32,955
Training/Conferences	19,907	8,653	28,560
Activities		2,516	2,516
Marketing	1,750	14,045	15,794
Postage	1,842	1,094	2,936
Subcontracts	42,459	41,782	84,241
Other	1,102	2,374	3,476
	<u>311,868</u>	<u>1,440,530</u>	<u>1,752,398</u>
<u>Total Expenses Before Depreciation</u>			
Depreciation	<u>67,322</u>	<u>89,421</u>	<u>156,743</u>
<u>Total Expenses</u>	<u>379,190</u>	<u>1,529,951</u>	<u>1,909,141</u>

The accompanying notes are an integral part of these financial statements.

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HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

<u>CASH FLOWS FROM OPERATIONS:</u>			
Decrease in Net Assets			(268,194)
<u>ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATIONS:</u>			
Depreciation	156,743		
Decrease in Investments	101,653		
(Increase) in Accounts Receivable	(12,469)		
Decrease in Prepaid Insurance	9,465		
Increase in Accounts Payable	22,139		
(Decrease) in Accumulated Leave	(8,886)		
(Decrease) in Accrued Payroll	(19,268)		
Increase in Accrued Payroll Liabilities	<u>18,911</u>		<u>268,289</u>
<u>Net Cash Provided by Operations</u>			<u>95</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Net changes in Property and Equipment		(694,920)	
<u>Net Cash Used by Investing Activities</u>			<u>(694,920)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>			
Capital Grant Contributions	546,419		
Loan Principal Payments	(57,751)		
Loan Proceeds	<u>225,000</u>		
<u>Net Cash Provided by Financing Activities</u>			<u>713,668</u>
<u>Net Increase in Cash</u>			<u>18,843</u>
CASH, Beginning of Year			<u>74,342</u>
CASH, End of Year			<u><u>93,185</u></u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION:</u>			
Interest Paid	5,340		
Income Taxes Paid	-		

The accompanying notes are an integral part of these statements.

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 1 – DESCRIPTION OF ORGANIZATION/REPORTING ENTITY

Hazard-Perry County Community Ministries, Inc., a non-profit organization, was incorporated April 24, 1976. The mission of Hazard-Perry County Community Ministries is to respond actively to unmet needs of individuals and families by working in partnership with churches, agencies and individuals interested in the social welfare of the community.

The purpose of the corporation is to lead the community in the development, ownership, operation and maintenance of programs that address homelessness; safe, decent, affordable housing; accessible and comprehensive health care; child development; and family stability.

All programs as referenced above are included in the reporting entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis of accounting.

Depreciation has been calculated using the straight-line method.

Hazard-Perry County Community Ministries, Inc. does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and charged to expense. All receivables deemed uncollectible at December 31, 2008 have been charged to expense.

Income taxes are not provided for in the financial statements since the Entity is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Entity is not classified as a private foundation.

For purposes of the statement of cash flows, cash means cash in checking accounts, money market accounts and passbook savings accounts.

The value of donated materials or services is not reflected in the financial statements.

The cost of consumable inventory is charged to expense when purchased.

Functional expenses have been allocated between Program Services and Administrative based on an analysis of personnel, time and space utilized for the related activities.

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

Investments are carried at fair value.

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HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hazard-Perry County Community Ministries, Inc. implements Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, Hazard-Perry County Community Ministries, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Hazard-Perry County Community Ministries, Inc. is required to present a statement of cash flows.

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

NOTE 3 – CASH

Cash consists of the following:

	Rate of <u>Interest</u>	December 31, 2008 <u>Book Balance</u>	December 31, 2008 <u>Bank Balance</u>
Peoples Bank - New Beginnings	N/A	-	-
Peoples Bank - Payroll Account	N/A	-	-
Peoples Bank - General Operating Account	0.40%	66,799	104,320
Peoples Bank - Christmas Friends Account	N/A	7,096	7,096
Peoples Bank - Passbook Account	1.00%	3,125	3,125
Farmers Bank - Escrow Account	0.85%	13,308	13,308
Community Trust Bank - Crisis Aid Account	N/A	2,027	2,120
Community Trust Bank - Cookie Jar	N/A	734	895
Community Trust Bank - Payroll Account	<u>N/A</u>	<u>96</u>	<u>24,097</u>
		<u>93,185</u>	<u>154,961</u>
 Total cash & investments insured by FDIC	 154,961		
Total cash & investments uncollateralized		<u>-</u>	
		<u>154,961</u>	

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2008

NOTE 3 – CASH (Continued)

Custodial credit risk is the risk that in the event of bank failure the deposits may not be returned or the Hazard-Perry County Community Ministries, Inc. may not recover collateral securities. Hazard-Perry County Community Ministries, Inc. does not require deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). All of the organization's cash deposits were covered by FDIC at December 31, 2008. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Hazard-Perry County Community Ministries, Inc.'s investments consist of uninsured Schwab Equity Funds. Concentrations of credit risk are the risk of loss attributed to the magnitude of the Entity's investments in a single issuer. Thirty-two percent of the organization's cash and investments are held at Peoples Bank and Trust.

NOTE 4 – INVESTMENTS

Investments at December 31, 2008 consisted of the following:

	<u>Interest Rate</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
First Federal Savings and Loan -				
Certificate of Deposit	2.75%	16,074	16,074	16,074
Certificate of Deposit	2.00%	39,465	39,465	39,465
Schwab Equity Fund				
Money market fund		729	729	729
220.9760 shares Ivy Asset Strategy Fund		3,993	3,993	3,993
210.9930 shares Quaker Strategic Growth		2,625	2,625	2,625
30.238 shares Selected American Growth		864	864	864
		<u>63,749</u>	<u>63,749</u>	<u>63,749</u>
Total Investments				

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2008 consisted of the following:

Client Fees	47,604
Food Program	9,308
Cabinet for Health & Family Services (GAP)	6,454
Cabinet for Health & Family Services (CCC)	7,303
Emergency Shelter	4,125
Fiscal Court	8,925
HUD Supportive Housing	<u>2,567</u>
<u>Total</u>	<u>86,285</u>

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2008

NOTE 6 – LEASE IMPROVEMENTS, PROPERTY AND EQUIPMENT

Lease improvements, property and equipment are stated at cost or management's estimate of cost as follows:

	Balance <u>January 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>December 31, 2008</u>
New Chance Property - Eversole Street	108,183	-	-	108,183
Day Care Improvements	234,968	-	-	234,968
Shelter Improvements	88,475	-	-	88,475
HOPP House Lot and Improvements	68,223	-	-	68,223
Vehicles	177,158	-	-	177,158
Furniture and Equipment	340,872	8,028	-	348,900
Jarnigan Place Improvements	481,042	-	-	481,042
Jarnigan Place Furniture and Equipment	25,705	-	-	25,705
Starland Renovation Project		686,892	-	686,892
New Beginnings Daycare	2,615,000	-	-	2,615,000
Landscaping/Exterior Improv - New Beg.	<u>17,124</u>	<u>-</u>	<u>-</u>	<u>17,124</u>
Sub-total	4,156,750	694,920	-	4,851,670
Less: Accumulated Depreciation	<u>(1,036,516)</u>	<u>(156,743)</u>	<u>-</u>	<u>(1,193,259)</u>
<u>Total</u>	<u>3,120,234</u>	<u>538,177</u>	<u>-</u>	<u>3,658,411</u>

NOTE 7 – NOTES PAYABLE

<u>Lender</u>	<u>Date of Note</u>	<u>Interest Rate</u>	<u>Due</u>	<u>Collateral</u>	1/1/2008 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	12/31/2008 <u>Balance</u>	<u>Current Portion</u>
US Dept of Agriculture - Rural Development	1/13/97	4.875%	Annually	Leasehold Mortgage Commercial Property	93,114	-	(5,217)	87,897	9,620
Kentucky Housing Corporation - HOME Loan	9/10/97	0.000%	Demand	Mortgaged Commercial Property	33,875	-	-	33,875	-
Kentucky Housing Corporation - Jarnigan Place	7/12/02	0.000%	Demand	Mortgaged Commercial Property	434,671	-	-	434,671	520
FAHE Loan - Jarnigan Place	7/12/02	3.000%	Demand	Mortgaged Commercial Property	35,137	-	(2,093)	33,044	1,026

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2008

NOTE 7 – NOTES PAYABLE

<u>Lender</u>	<u>Date of Note</u>	<u>Interest Rate</u>	<u>Due</u>	<u>Collateral</u>	<u>1/1/2008 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2008 Balance</u>	<u>Current Portion</u>
Peoples Bank and Trust	12/13/01	4.250%	Demand	Broadway Street Lot and Improvements	-	-	-	-	
Community Trust Bank	5/13/05	3.250%	Demand	Unsecured	83,094	-	(38,503)	44,591	-
Peoples Bank and Trust	1/24/06	2.250%	Demand	Savings Account	-	-	-	-	-
US Dept of Agriculture - MACED	5/16/08	5.000%	Annually	Mortgaged Commercial Property	0	50,000	(2,279)	47,721	1,433
US Dept of Agriculture - MACED	7/18/08	5.000%	Annually	Mortgaged Commercial Property	0	125,000	(1,524)	123,476	2,600
US Dept of Agriculture - Rural Development	2/27/08	4.500%	Annually	Mortgaged Commercial Property	0	50,000	-	50,000	1,489
US Dept of Agriculture - Rural Development	11/21/00	5.125%	Annually	Leasehold Mortgage Accounts Receivable	50,631	-	(1,604)	49,027	4,152
US Dept of Agriculture - Rural Development	2/25/03	4.625%	Annually	Mortgage Commercial Property	<u>280,806</u>	-	(6,531)	<u>274,275</u>	<u>19,326</u>
<u>Totals</u>					<u>1,011,328</u>	<u>225,000</u>	<u>(57,751)</u>	<u>1,178,577</u>	<u>40,166</u>

NOTE 8 – RESTRICTION ON NET ASSETS

Temporarily restricted net assets are assets held for the following:

Scholarship Program	8,210
KHC Escrow	13,308
Kellogg Grant	<u>55,539</u>
	<u>77,057</u>

NOTE 9 – DEFINED CONTRIBUTION PENSION PLAN

Hazard-Perry County Community Ministries, Inc.'s employees were eligible to participate in a defined contribution benefit plan beginning April 1, 2001. The plan is tax deferred. The Board approved February 26, 2001, a 401K plan whereby employer will match .50 for every \$1 of contribution up to 2% of employee's gross salary. Total contributions by Hazard-Perry County Community Ministries, Inc. for 2008 was \$7126. Employee contributions totaled \$14,925.

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2008

NOTE 10 – RISK MANAGEMENT

The Hazard-Perry County Community Ministries, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Hazard-Perry County Community Ministries, Inc. carries commercial insurance for risk of loss. The Hazard-Perry County Community Ministries, Inc. manages and finances these risks by purchasing commercial insurance for their worker's compensation and employer's liability. The Hazard-Perry County Community Ministries, Inc. did not have settled claims that exceeded its commercial insurance coverage in any of the past three years.

NOTE 11 – CONTINGENCIES

The Hazard-Perry County Community Ministries, Inc. receives funding from federal government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Hazard-Perry County Community Ministries, Inc. for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Hazard-Perry County Community Ministries, Inc.'s grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 12 – PRIOR PERIOD RECLASSIFICATION

Following were adjustments affecting prior year ending net assets at January 1, 2008 totalling \$24,835:

- 1) Adjustment for payroll reconciling item, \$1,090 increase.
- 2) Reclassification of prepaid insurance, \$23,745 increase.

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

SUPPLEMENTAL INFORMATION

December 31, 2008

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HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2008

Federal Grantor/Pass-through Grantor/Program Title	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Program or Award Expenditures</u>
U.S. Department of Housing and Urban Development:			
- Passed through Kentucky Housing Corporation -			
Hazard-Perry County Supportive Housing (SHP)	14.235	KY36B60-0012	36,587
	14235	KY36B60-0017	43,902
Hazard-Perry County Permanent Supportive Housing			
Program (PERM SHP)	14.235	KY36B50-0005	31,534
	14.235	KY36B70-0003	18,662
Emergency Shelter Grants	14.231	ES07-0017-01	24,271
	14.231	ES08-0017-01	24,750
Home Investment Partnership - TBRA	14.239	TB05-0017-01	9,307
	14.239	TB06-0017-01	13,302
	14.239	TB07-0017-01	22,021
<u>Total U.S. Department of Housing and Urban Development</u>			<u>224,336</u>
U.S. Department of Agriculture:			
- Passed through Kentucky Department of Education -			
Child and Adult Care Food Program - Child Services	10.558	-	99,092
<u>Total U.S. Department of Agriculture</u>			<u>99,092</u>
U.S. Department of Health and Human Services:			
- Passed through Kentucky Cabinet for Health and Family			
Services -			
CFC Welfare Reform/Giving Advantages to People (GAP)	93.558	600000329	94,915
	93.558		38,909
Community Collaborative For Children (CCC)	93.556	M-06246827 *	94,180
	93.556	08000088971 *	52,793
<u>Total U.S. Department of Health and Human Services</u>			<u>280,797</u>
Federal Emergency Management Agency:			
- Direct -	97.024	-	18,978
Appalachian Regional Commission			
- Direct -	23.001	KY-15436-214 *	446,420
USDA - Rural Development			
- Direct -	10.766	Grant	100,000
	10.766	Loan	50,000
<u>Total USDA - Rural Development</u>			<u>150,000</u>
<u>Total Federal Awards Expended</u>			<u>1,219,623</u>

- Denotes major program.

NOTE A

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hazard-Perry County Community Ministries, Inc. and is presented 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 basic financial statements.

15.

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2008

NONE

HAZARD-PERRY COUNTY
COMMUNITY MINISTRIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2008

- SUMMARY OF AUDIT RESULTS -

1. We have issued an unqualified opinion on the financial statements.
2. No control deficiencies relating to the audit of the financial statements are reported in the audited financial statement report.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No control deficiencies were disclosed in our audit of the internal controls over major programs.
5. We have issued an unqualified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under Section .510(a) of A-133.
7. Hazard-Perry County Community Ministries, Inc. had the following major program:
 - U.S. Department of Health and Human Services
 - Community Collaborative for Children (CCC)
 - CFDA # 93.556
 - Appalachian Regional Commission
 - Starland Renovation Project
 - CFDA # 23.001
8. The dollar threshold used to distinguish between major and non-major programs was \$300,000.
9. The auditee qualified as a low-risk auditee under Section .530 of A-133.

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -

- NONE-

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

- NONE -

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Chris Gooch

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

To the Board of Directors
Hazard-Perry County Community Ministries, Inc.
P.O. Box 1506
Hazard, Kentucky 41702

We have audited the financial statements of Hazard-Perry County Community Ministries, Inc. (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated July 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hazard-Perry County Community Ministries, 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*.

We noted certain matters that we reported to management of Hazard-Perry County Community Ministries, Inc. in a separate letter dated July 24, 2009.

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



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

July 24, 2009

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Chris Gooch

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

Board of Directors
Hazard-Perry County Community Ministries, Inc.
P.O. Box 1506
Hazard, Kentucky 41702

Compliance

We have audited the compliance of Hazard-Perry County Community Ministries, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. Hazard-Perry County Community Ministries, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hazard-Perry County Community Ministries, Inc.'s management. Our responsibility is to express an opinion on Hazard-Perry County Community Ministries, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hazard-Perry County Community Ministries, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hazard-Perry County Community Ministries, Inc.'s compliance with those requirements.

In our opinion, Hazard-Perry County Community Ministries, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

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Internal Control Over Compliance

The management of Hazard-Perry County Community Ministries, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hazard-Perry County Community Ministries, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hazard-Perry County Community Ministries, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

July 24, 2009