

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

REPORT OF AUDITED  
FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

REPORT OF AUDITED  
FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report .....	1 - 2
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7 - 12
<u>Supplemental Information</u>	
Schedule of Expenditures of Federal Awards.....	14
Summary Schedule of Prior Audit Findings.....	15
Schedule of Findings and Questioned Costs .....	16 - 17
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	18 - 19
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	20 - 21

## Chris Gooch

Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700

FAX: (606) 436-5701

### 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, 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 Hazard-Perry County Community Ministries, Inc. as of December 31, 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 August 16, 2010, 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.

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 black ink, appearing to read "Chris Gooch", written in a cursive style.

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

August 16, 2010

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2009

<u>ASSETS</u>	
<u>CURRENT ASSETS:</u>	
Cash	61,856
Investments	29,852
Accounts Receivable	<u>90,519</u>
<u>Total Current Assets</u>	<u>182,227</u>
<u>PROPERTY AND EQUIPMENT:</u>	
Property and Equipment (Net of Accumulated Depreciation)	<u>3,531,305</u>
<u>OTHER ASSETS:</u>	
Cash - Restricted	15,598
Restricted Investment	<u>40,142</u>
<u>Total Other Assets</u>	<u>55,740</u>
<u>Total Assets</u>	<u>3,769,272</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES:</u>	
Accounts Payable	19,033
Accumulated Leave	42,259
Accrued Payroll	20,738
Accrued Payroll Liabilities	23,271
Current Portion of Long - Term Debt	<u>44,689</u>
<u>Total Current Liabilities</u>	<u>149,990</u>
Long-term Liabilities	1,174,417
Less: Current Portion	<u>(44,689)</u>
<u>Total Long-term Liabilities</u>	<u>1,129,728</u>
<u>Total Liabilities</u>	<u>1,279,718</u>
<u>NET ASSETS:</u>	
Unrestricted Net Assets	8,209
Fixed Assets, Net of Related Debt	2,437,569
Temporarily Restricted Net Assets	<u>43,776</u>
<u>Total Net Assets</u>	<u>2,489,554</u>
<u>Total Liabilities and Net Assets</u>	<u>3,769,272</u>

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

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT:</u>			
Grant and Contributions	<u>86,640</u>	<u>954,894</u>	<u>1,041,534</u>
<u>REVENUES:</u>			
Program Service Fees	665,007	-	665,007
Investment Income	1,822	-	1,822
Net Assets Released from Restriction	<u>757,973</u>	<u>(757,973)</u>	<u>-</u>
<u>Total Revenues</u>	<u>1,424,802</u>	<u>(757,973)</u>	<u>666,829</u>
<u>Total Public Support and Revenues</u>	<u>1,511,442</u>	<u>196,921</u>	<u>1,708,363</u>
<u>EXPENSES:</u>			
Program Services	1,505,751	-	1,505,751
Administrative and General	<u>333,584</u>	<u>-</u>	<u>333,584</u>
<u>Total Expenses</u>	<u>1,839,335</u>	<u>-</u>	<u>1,839,335</u>
<u>Increase (Decrease) in Net Assets</u>	(327,893)	196,921	(130,972)
<u>Change in value of Investments</u>	1,642	-	
NET ASSETS, Beginning of Year	<u>1,919,375</u>	<u>699,509</u>	<u>2,618,884</u>
NET ASSETS, End of Year	<u>1,593,124</u>	<u>896,430</u>	<u>2,489,554</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, 2009

	<u>Administrative</u>	<u>Program Services</u>	<u>Total</u>
Salaries and Wages	217,207	761,215	978,422
Payroll Taxes and Fringe	15,874	184,288	200,162
Employee expense	10	835	845
Insurance	11,297	10,735	22,033
Consulting Expense	-	2,500	2,500
Educational Supplies	-	5,226	5,226
Food Supplies	-	87,994	87,994
Rents	-	27,552	27,552
Interest Expense	9,098	37,371	46,469
Licenses	560	197	757
Vehicle expense	-	2,280	2,280
Repairs and Maintenance	-	30,008	30,008
Utilities and Telephone	2,541	84,322	86,863
Office Supplies	3,117	14,097	17,214
Crisis Aid	-	27,357	27,357
Travel	4,427	8,960	13,387
Cleaning Supplies	-	12,584	12,584
Legal and Accounting	17,000	-	17,000
Training/Conferences	2,766	2,871	5,636
Activities	1,722	752	2,474
Childcare Supplies	-	4,218	4,218
Marketing	-	6,763	6,763
Postage	784	958	1,743
Subcontracts	-	78,746	78,746
Christmas Friends	-	1,233	1,233
Other	<u>6,919</u>	<u>788</u>	<u>7,708</u>
<u>Total Expenses Before Depreciation</u>	293,323	1,393,849	1,687,172
Depreciation	<u>40,261</u>	<u>111,902</u>	<u>152,163</u>
<u>Total Expenses</u>	<u><u>333,584</u></u>	<u><u>1,505,751</u></u>	<u><u>1,839,335</u></u>

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

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

CASH FLOWS FROM OPERATIONS:

Decrease in Net Assets (129,330)

ADJUSTMENTS TO RECONCILE INCREASE IN  
NET ASSETS TO NET CASH PROVIDED BY  
OPERATIONS:

Depreciation	152,163	
(Increase) in Investments	(6,246)	
(Increase) in Accounts Receivable	(4,234)	
(Decrease) in Accounts Payable	(20,818)	
Increase in Accumulated Leave	11,707	
Increase in Accrued Payroll	9,960	
Increase in Accrued Payroll Liabilities	284	142,816

Net Cash Provided by Operations 13,486

CASH FLOWS FROM INVESTING ACTIVITIES:

Net changes in Property and Equipment (25,057)

Net Cash Used by Investing Activities (25,057)

CASH FLOWS FROM FINANCING ACTIVITIES:

Loan Principal Payments	(23,094)	
Loan Proceeds	18,934	

Net Cash Provided by Financing Activities (4,160)

Net Increase in Cash (15,731)

CASH, Beginning of Year 93,185

CASH, End of Year 77,454

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest Paid	46,469	
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, 2009

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, 2009 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.

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2009

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:

		December 31, 2009	December 31, 2009
	<u>Rate of</u> <u>Interest</u>	<u>Book</u> <u>Balance</u>	<u>Bank</u> <u>Balance</u>
Peoples Bank - General Operating Account	0.40%	51,357	64,859
Peoples Bank - Christmas Friends Account	N/A	6,513	6,513
Farmers Bank - Escrow Account	0.85%	15,598	13,308
Community Trust Bank - Crisis Aid Account	N/A	3,049	3,049
Community Trust Bank - Cookie Jar	N/A	837	855
Community Trust Bank - Payroll Account	<u>N/A</u>	<u>100</u>	<u>7,348</u>
		<u>77,454</u>	<u>95,932</u>
Total cash & investments insured by FDIC	95,932		
Total cash & investments uncollateralized	<u>-</u>		
		<u>95,932</u>	

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2009

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, 2009. 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, 2009 consisted of the following:

	<u>Interest Rate</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
First Trust Bank -				
Certificate of Deposit	2.00%	19,968	19,968	19,968
Savings	1.25%	20,174	20,174	20,174
Schwab Equity Fund				
Money market fund		20,730	20,730	20,730
221.8910 shares Ivy Asset Strategy Fund		4,944	4,944	4,944
210.9930 shares Quaker Strategic Growth		3,043	3,043	3,043
30.472 shares Selected American Growth		<u>1,136</u>	<u>1,136</u>	<u>1,136</u>
Total Investments		<u>69,994</u>	<u>69,994</u>	<u>69,994</u>

In 2009 non-current investments included money market funds, and stocks in publicly traded companies managed by outside investment firm. Changes in the market values from the prior year are shown as "Change in value of investments" in the statement of activities in accordance with Statement of Financial Accounting Standards No. 124. Realized gains and losses from the sale of investments are separately reported, where applicable. Investment income is net of management fees, which totaled \$30 for the year ended December 31, 2009. The values of stocks purchased and net gains and losses are shown net of the broker's transaction fees, where applicable. Income from the investments supports program service activities. Fair market values of public company stocks are determined by quoted prices in active markets for identical assets (Level 1).

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2009

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2009 consisted of the following:

Client Fees	10,711
Food Program	6,746
Cabinet for Health & Family Services (CCC)	30,292
TWIST	672
KRCC - FISHN Child Care Contract	3,301
KHC Program Grants	31,165
EKABC Grant	1,248
PSHP Grant	797
ARC Substance Abuse Grant	<u>5,588</u>
<u>Total</u>	<u><u>90,519</u></u>

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			Balance
	<u>January 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2009</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	348,900	25,057	-	373,957
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	4,851,670	25,057	-	4,876,727
Less: Accumulated Depreciation	<u>(1,193,259)</u>	<u>(152,163)</u>	<u>-</u>	<u>(1,345,422)</u>
<u>Total</u>	<u><u>3,658,411</u></u>	<u><u>(127,106)</u></u>	<u><u>-</u></u>	<u><u>3,531,305</u></u>

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2009

NOTE 7 – NOTES PAYABLE

<u>Lender</u>	<u>Date of Note</u>	<u>Interest Rate</u>	<u>Due</u>	<u>Collateral</u>	<u>1/1/2009 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2009 Balance</u>	<u>Current Portion</u>
US Dept of Agriculture - Rural Development	1/13/97	4.875%	Annually	Leasehold Mortgage Commercial Property	87,897	-	(5,333)	82,564	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	-
FAHE Loan - Jarnigan Place	7/12/02	3.000%	Demand	Mortgaged Commercial Property	33,044	-	(2,158)	30,886	962
Community Trust Bank	5/13/05	3.250%	Demand	Unsecured	44,591	18,934	-	63,525	-
US Dept of Agriculture - MACED	5/16/08	5.000%	Annually	Mortgaged Commercial Property	47,721	-	(4,071)	43,650	2,293
US Dept of Agriculture - MACED	7/18/08	5.000%	Annually	Mortgaged Commercial Property	123,476	-	(3,814)	119,662	6,086
US Dept of Agriculture - Rural Development	2/27/08	4.500%	Annually	Mortgaged Commercial Property	50,000	-	(1,376)	48,624	2,250
US Dept of Agriculture - Rural Development	11/21/00	5.125%	Annually	Leasehold Mortgage Accounts Receivable	49,027	-	(1,603)	47,424	4,152
US Dept of Agriculture - Rural Development	2/25/03	4.625%	Annually	Mortgage Commercial Property	<u>274,275</u>	<u>-</u>	<u>(4,739)</u>	<u>269,536</u>	<u>19,326</u>
			<u>Totals</u>		<u>1,178,577</u>	<u>18,934</u>	<u>(23,094)</u>	<u>1,174,417</u>	<u>44,689</u>

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2009

NOTE 8 – RESTRICTION ON NET ASSETS

Temporarily restricted net assets are assets held for the following:

Scholarship Program	8,210
KHC Escrow	15,598
Kellogg Grant	<u>19,968</u>
	<u>43,776</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 2009 were \$5,506. Employee contributions totaled \$15,642.

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. The Organization received notice after the financial statement date discontinuing Community for Collaborative For Children (CCC) program services administered through HPCCM, Inc. beginning in the 2010-11 grant year cycle. This constitutes an annual future funding loss approximating \$140,000.

NOTE 12 – SUBSEQUENT EVENTS

Hazard-Perry County Community Ministries, Inc. has evaluated subsequent events through August 16, 2010 the date financial statements were available to be issued.

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

SUPPLEMENTAL INFORMATION

December 31, 2009

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Expenditures
U.S. Department of Housing and Urban Development:			
- Passed through Kentucky Housing Corporation -			
Hazard-Perry County Supportive Housing (SHP)	14.235	KY0018B4I000801	48,198
	14235	KY36B60-0017	43,918
Hazard-Perry County Permanent Supportive Housing Program (PERM SHP)	14.235	KY0013B4I000801	8,905
	14.235	KY36B70-0003	15,892
Emergency Shelter Grants	14.231	ES09-0017-01	26,526
	14.231	ES08-0017-01	24,751
Home Investment Partnership - TBRA	14.239	TB06-0017-01	14,378
	14.239	TB07-0017-01	24,224
KY HEARTH ARRA	14.257	KH09-0017-01	32,244
Permanent Supportive Housing Initiative (PSHPI)	14235	PS09-0017-01	8,812
			<u>247,848</u>
<u>Total U.S. Department of Housing and Urban Development</u>			
U.S. Department of Agriculture:			
- Passed through Kentucky Department of Education -			
Child and Adult Care Food Program - Child Services	10.558	097J75999	97,693
			<u>97,693</u>
<u>Total U.S. Department of Agriculture</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	PON2-736-0800007590 *	57,112
	93.558	PON2-736-0800007590 *	45,153
Community Collaborative For Children (CCC)	93.556	PON2-736-0800008897	84,839
	93.556	PON2-736-0800008897	40,625
			<u>227,729</u>
<u>Total U.S. Department of Health and Human Services</u>			
Federal Emergency Management Agency:			
- Direct -	97.024	Phase 27	19,295
- Direct -	97.024	Phase 27 - Stimulus	8,204
			<u>27,499</u>
<u>Total Federal Emergency Management Agency</u>			
Appalachian Regional Commission			
- Direct -	23.001	CO-16745	9,587
			<u>9,587</u>
<u>Total USDA - Rural Development</u>			
U.S. Department of the Treasury			
- Passed through Kentucky Domestic Violence Association			
Eastern Kentucky Building Coalition - Tax Preparation Service	21.003	V-90250	24,706
	21.003		1,248
			<u>25,954</u>
<u>Total U.S. Department of the Treasury</u>			
<u>Total Federal Awards Expended</u>			<u>636,310</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.

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2009

NONE

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2009

- SUMMARY OF AUDIT RESULTS -

1. We have issued an unqualified opinion on the financial statements.
2. No material noncompliance was disclosed in our audit of the financial statements.
3. No control deficiencies were disclosed in our audit of the internal controls over major programs.
4. We have issued an unqualified opinion on compliance for major programs.
5. The audit did not disclose any audit findings which we are required to report under Section .510(a) of A-133.
6. Hazard-Perry County Community Ministries, Inc. had the following major programs:
  - U.S. Department of Health and Human Services
    - CFC Welfare Reform/Giving Advantages to People (GAP)
    - CFDA # 93.558
  - U.S. Department of Agriculture
    - Child/Adult Care Food Program – Child Services
    - CFDA # 10.558
7. The dollar threshold used to distinguish between major and non-major programs was \$300,000.
8. The auditee qualified as a low-risk auditee under Section .530 of A-133.

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -

**2009-1**

Criteria:

Financial statements as presented for audit should include transactions of the Organization for the entire reporting period.

Condition:

The Organization ended its accounting services contract in March 2009, who provided financial statements, bookkeeping and payroll services. Management elected to perform these services in-house. However, the financial statements presented for audit for the year ended December 31, 2009 did not include transactions for the first two and one-half months of the reporting period. Significant audit adjusting entries were made at the end of the fiscal year for accounts receivable, accounts payable, depreciation and payroll.

HAZARD-PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2009

Context:

In our engagement entrance conference we became aware (for which management was previously aware) that transactions had not been posted or reconciled to Hazard-Perry County Community Ministries, Inc.'s accounting system for the first two and one-half months of the reporting period. We later received the general ledger presented to us for audit and acknowledged that transactions for this period were not included. In order to ensure the financial statements were materially stated, we compiled and prepared adjusting entries for the first two and one-half months of the reporting period from financial statement records requested and received by the former accounting service contractor, bank statements and other underlying documents. When auditing end of year account balances we determined significant adjustments were necessary in order for the financial statements not to be misleading.

Effect:

If significant transactions for the reporting period were omitted, the financial statements may be materially misstated.

Cause:

Management was transitioning the new accounting and payroll reporting system in-house and concentrating on current operating transactions. Management's intent was to post and reconcile all balance sheet accounts and ensure all profit and loss accounts were reasonably stated at and through the time of transition but was not able by time of the audit fieldwork date. Management made the decision to spend time ensuring December 31, 2009 financial statement cash account balances agreed to underlying documentation.

Recommendation:

Management should ensure that financial statements are complete and can be timely reconciled to underlying support documentation.

Management's Response:

Management has instituted procedures to ensure completeness and timely reconciliation to underlying support documentation of the financial statements presented for audit. The organization notes the subsequent year financial statement system is in-house for the entire year. The organization has hired additional accounting personnel.

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

- NONE -

**Chris Gooch**

Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700

FAX : (606) 436-5701

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

To the Board of Directors of  
Hazard-Perry County Community Ministries, Inc.  
PO 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, 2009, and have issued our report thereon dated August 16, 2010. 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 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 *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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant

deficiencies in internal control over financial reporting as 2009-1. 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.

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 29, 2010.

Hazard-Perry County Community Ministries, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Hazard-Perry County Community Ministries, Inc.'s response and, accordingly, we express no opinion on it.

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

August 16, 2010

**Chris Gooch**

Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700

FAX: (606) 436-5701

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, 2009. 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, 2009.

### Internal Control Over Compliance

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 the 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 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 of Hazard-Perry County Community Ministries, Inc.'s internal control over compliance.

*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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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

August 16, 2010