

**Kanawha Institute for Social  
Research and Action, Inc.**

**Independent Auditors' Report  
and  
Financial Statements**

**December 31, 2015**

DHHR - Finance

JAN 10 2017

Date Received

**Kanawha Institute for Social Research and Action, Inc.**

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# Herman & Cormany

## Certified Public Accountants, A.C.

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Accountants & Consultants

### Independent Auditors' Report

To the Board of Directors of  
Kanawha Institute for Social Research and Action, Inc.

#### Report on the Financial Statements

We have audited the accompanying financial statements of Kanawha Institute for Social Research and Action, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

To the Board of Directors  
Kanawha Institute for Social Research and Action, Inc.  
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are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kanawha Institute for Social Research and Action, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

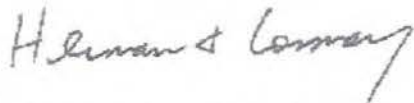
#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of grant receipts and expenditures for agreement numbers G150619 and G160467 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors  
Kanawha Institute for Social Research and Action, Inc.  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of Kanawha Institute for Social Research and Action, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kanawha Institute for Social Research and Action, Inc.'s internal control over financial reporting and compliance.



Charleston, West Virginia  
December 14, 2016

DHHR - Finance

JAN 10 2017

Date Received

**Kanawha Institute for Social Research and Action, Inc.**

**Statement of Financial Position**

**December 31, 2015**

<b>Assets</b>	
Cash and cash equivalents	\$ 31,142
Cash restricted for loans and IDA reserves & CHDO	659,957
Investments	7,221
Grants and accounts receivable	104,490
Work in progress	510,140
Microloans receivable	313,776
Property and equipment	<u>1,264,047</u>
<b>Total Assets</b>	<b><u>\$2,890,773</u></b>
<b>Liabilities and Net Assets</b>	
Accounts payable	42,173
Accrued liabilities & taxes	939
Accrued payroll	24,611
Grants received in advance	671,676
Notes payable	66,892
SBA Intermediary Loan Fund	<u>280,083</u>
<b>Total Liabilities</b>	<b><u>1,086,374</u></b>
<b>Net Assets</b>	
Unrestricted	830,176
Temporarily restricted	<u>974,223</u>
<b>Total Net Assets</b>	<b><u>1,804,399</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$2,890,773</u></b>

See notes to financial statements.



**Kanawha Institute for Social Research and Action, Inc.**

**Statement of Activities**

**Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains, and Other Support</b>			
Contributions – Individuals & corporations	\$ 144,763	\$ 113,367	\$ 258,130
Contributions – Government	56,487	2,716,757	2,773,244
HCDC Income	248,487	-0-	248,487
CHDO Home Sales	-0-	352,187	352,187
Net assets released from restrictions	<u>2,791,188</u>	<u>(2,791,188)</u>	<u>-0-</u>
<b>Total Revenues, Gains, and Other Support</b>	<u>3,240,925</u>	<u>391,123</u>	<u>3,632,048</u>
<b>Expenses and Losses</b>			
Personnel	2,061,274	-0-	2,061,274
Contractual	235,748	-0-	235,748
Insurance	30,308	-0-	30,308
Internet and computer expense	25,508	-0-	25,508
Equipment rental	33,138	-0-	33,138
Training	29,742	-0-	29,742
Food	59,233	-0-	59,233
Office expense	37,439	-0-	37,439
Telephone	43,039	-0-	43,039
Depreciation	242,524	-0-	242,524
Advertising	11,289	-0-	11,289
Utilities	54,688	-0-	54,688
Postage	3,658	-0-	3,658
Cost of goods sold	484,736	-0-	484,736
Travel	101,382	-0-	101,382
Material and supplies	63,802	-0-	63,802
Other	157,787	-0-	157,787
Tax, licenses and permits	9,510	-0-	9,510
Program & program overhead	243,091	-0-	243,091
Occupancy	126,190	-0-	126,190
Interest	<u>6,107</u>	<u>-0-</u>	<u>6,107</u>
<b>Total Expenses and Losses</b>	<u>4,060,193</u>	<u>-0-</u>	<u>4,060,193</u>
<b>Change in Net Assets</b>	(819,268)	391,123	(428,145)
<b>Net Assets, Beginning of Year</b>	<u>1,649,444</u>	<u>583,100</u>	<u>2,232,544</u>
<b>Net Assets, End of Year</b>	<u>\$ 830,176</u>	<u>\$974,223</u>	<u>\$1,804,399</u>

See notes to financial statements.

**Kanawha Institute for Social Research and Action, Inc.**

**Statement of Cash Flows**

**Year Ended December 31, 2015**

<b>Cash Flow From Operating Activities</b>	
Change in net assets	\$(428,145)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	242,524
Loss on investments	149
Change in net assets and liabilities	
Increase in restricted cash	(68,385)
Decrease in grants and accounts receivable	81,429
Decrease in work in progress	475,378
Decrease in accounts payable	(25,270)
Decrease in accrued liabilities and taxes	(1,440)
Decrease in accrued payroll	(3,882)
Increase in grants received in advance	<u>99,157</u>
<b>Net Cash Provided By Operating Activities</b>	<u>371,515</u>
<b>Cash Flows From Investing Activities</b>	
Micro loans	13,334
Purchase of property and equipment	<u>(161,975)</u>
<b>Net Cash Used In Investing Activities</b>	<u>(148,641)</u>
<b>Cash Flows From Financing Activities</b>	
Payments on notes payable	<u>(71,388)</u>
<b>Net Cash Used In Financing Activities</b>	<u>(71,388)</u>
<b>Net Increase in Cash</b>	151,486
<b>Cash, Beginning of Year</b>	<u>(120,344)</u>
<b>Cash, End of Year</b>	<u>\$ 31,142</u>
<b>Supplemental disclosures of cash flow information:</b>	
Interest paid	<u>\$ 6,107</u>

See notes to financial statements.



**Kanawha Institute for Social Research and Action, Inc.**

**Statement of Functional Expenses**

**Year Ended December 31, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Personnel	\$1,964,247	\$ 97,027	\$2,061,274
Contractual	160,003	75,745	235,748
Insurance	-0-	30,308	30,308
Equipment rental	22,672	10,466	33,138
Training	29,433	309	29,742
Food	56,486	2,747	59,233
Office expense	21,620	15,819	37,439
Telephone	34,901	8,138	43,039
Depreciation expense	-0-	242,524	242,524
Advertising	8,584	2,705	11,289
Utilities	34,537	20,151	54,688
Postage	1,212	2,446	3,658
Cost of goods sold	484,736	-0-	484,736
Travel expense	96,760	4,622	101,382
Materials and supplies	48,830	14,972	63,802
Other	142,936	14,851	157,787
Tax, licenses and permits	3,288	6,222	9,510
Interest	1,673	4,434	6,107
Internet and computer expense	20,426	5,082	25,508
Occupancy	115,991	10,199	126,190
Program & program overhead	<u>400,604</u>	<u>(157,513)</u>	<u>243,091</u>
<b>Total Expenses</b>	<b><u>\$3,648,939</u></b>	<b><u>\$411,254</u></b>	<b><u>\$4,060,193</u></b>

See notes to financial statements.

# **Kanawha Institute for Social Research and Action, Inc.**

## **Notes to Financial Statements**

**December 31, 2015**

### **Note A – Summary of Significant Accounting Policies**

**Organization** - The Kanawha Institute For Social Research and Action, Inc. (KISRA) ("Organization") is a nonprofit organization which works to aid in the development and implementation of educational, self-awareness, and socio-economic programs (including the development of safe, affordable, and decent housing for low and middle income families) that enhance the personal development of the individual in the community in and around Charleston, West Virginia. The Organization receives grants from governmental agencies as well as corporate and personal contributions.

**Basis of Accounting** – The financial statements of Kanawha Institute For Social Research and Action, Inc. (KISRA) have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Classification of Support** - The Organization reports gifts of cash and other assets 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.

**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 the reported revenues and expenses. Actual results could differ from those estimates.

**Investments** - Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized and realized gains and losses are included in the change in net assets.

**Fair Value Measurements** - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

**Kanawha Institute for Social Research and Action, Inc.**

**Notes to Financial Statements**

**December 31, 2015**

**Note A – Summary of Significant Accounting Policies (Continued)**

Property and Equipment – Furniture and equipment items are recorded at cost if purchased or, if donated, at the fair value at the time of the donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2015 was \$242,524. The classification of these capitalized items are classified in the accompanying financial statements as follows:

Furniture and equipment	\$ 919,295
Leasehold improvements	<u>1,422,414</u>
	2,341,709
Less accumulated depreciation	<u>1,124,690</u>
	1,217,019
Land	<u>47,028</u>
	<u>\$1,264,047</u>

Title to the leasehold improvements would revert to the grantor if intended usage would be discontinued.

Income Taxes - The Organization is a nonprofit organization under section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under section 509(a)(2). The Organization is exempt from income taxes on income derived from their nonprofit activities.

As of December 31, 2015, the tax years that remain subject to examination begin with 2012. Tax returns for 2012, 2013, 2014 and 2015 remain open to examination by taxing authorities. Management believes that all positions taken in those returns would be sustained if examined by taxing authorities.

Work in Progress – Some of the work in progress represents a building project that was built for resale but has not been sold as of the balance sheet date. The project is being rented until it can be sold. The cost for the project has been accumulated in work in progress and will be expensed when the project is sold. No new projects were started during the year. All of the current projects are part of the CHDO Home program.

Statement of Cash Flows – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Advertising – The Organization expenses advertising cost as they are incurred. Advertising expense for the year was \$11,289.

# Kanawha Institute for Social Research and Action, Inc.

## Notes to Financial Statements

December 31, 2015

### Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation – The Organization 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.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services – No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization receives a significant amount of volunteer hours per year.

Revenue Recognition - All contributions and grants are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor or grantor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

### Note B – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of funds received related to a specific program or purpose in excess of expenditures incurred in these programs. The excess funds received are restricted for the intended purposes. The temporarily restricted assets at December 31, 2015 are as follows:

Fatherhood	\$370,793
CHDO	131,878
IDA Match	60,406
Compeer	9,630
AmeriCorps	11,887
Microloan	137,847
CED/HFFI	150,270
Various other grants	101,512
	<u>\$974,223</u>

**Kanawha Institute for Social Research and Action, Inc.**

**Notes to Financial Statements**

**December 31, 2015**

**Note C – Grants and Accounts Receivable**

Grants and accounts receivable consist of amounts owed from various grantors as reimbursement of grant-related expenses. The Organization considers grants and accounts receivable at December 31, 2015, to be fully collectible; accordingly, no allowance for doubtful accounts is required. Grants and accounts receivable consist of the following:

Care coordinator	\$ 76,181
PREP	3,817
HCDC	<u>24,492</u>
Total grants and accounts receivable	<u>\$104,490</u>

**Note D – Net Assets Released From Restrictions**

Net assets were released from donor and grant restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the year ended December 31, 2015 as follows:

Purpose restrictions accomplished:	
Benedem Grant	\$ 42,463
Harambee Learning Center	52,053
West Side Consultation	7,517
Fatherhood Grant	1,931,138
Re-entry	262,052
IDA Program	139,137
PREP Grant	36,252
Micro Loan – SBA Technical Grant	33,743
CHDO	16,837
Healthy Food Financing Initiative	159,399
Compeer	22,867
Community Engagement Specialist	<u>87,730</u>
Total restrictions released	<u>\$2,791,188</u>

**Kanawha Institute for Social Research and Action, Inc.**

**Notes to Financial Statements**

**December 31, 2015**

**Note E – Concentration of Credit Risk**

The Organization receives a significant portion of its revenues from federal and state agencies and corporate contributions. The ability of the donors to continue funding the operations of the Organization is dependent upon current economic conditions.

Additionally, the Organization maintains its bank accounts in financial institutions located in and around Charleston, West Virginia. The balance is insured by the Federal Deposit Insurance Corporation up to current limits in 2015. At December 31, 2015, the Organization's uninsured cash balance totaled \$338,679.

**Note F – Operating Leases**

The Organization has several noncancelable operating leases for office space that expire at various dates through June 30, 2016. Those leases require the Organization to pay various executory costs. Rental expenses for those leases consisted of \$110,477 for the year.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2015 are as follows:

2016	\$33,192
Thereafter	<u>-0-</u>
	<u>\$33,192</u>

**Note G – Related Parties**

The Organization had an account payable with Ferguson Baptist Church. The amount was related to facilities previously rented from the church on a monthly basis for office space used by the Organization and other miscellaneous administrative expenses that the Organization reimburses the Church for such as printing, postage, payroll, etc. The payable to Ferguson Baptist Church was paid off during the year ended December 31, 2015. Some of the organization's board members are also on the governing body of Ferguson Baptist Church.

There was no interest charged on the money owed to Ferguson Baptist Church.



**Kanawha Institute for Social Research and Action, Inc.**

**Notes to Financial Statements**

**December 31, 2015**

**Note H – Notes Payable**

The Organization's obligations under notes payable consist of the following:

Operating line-of-credit arrangement with an area bank with variable interest at a rate of 3.25%, secured by personal property.	\$ -0-
5.49% note payable, due in monthly installment of \$674, including interest through 2015, secured by real estate.	<u>66,892</u>
Total notes payable	<u>\$66,892</u>

The future scheduled maturities of the debts are as follows:

2016	\$66,892
2017	-0-
2018	-0-
2019	-0-
2020	-0-
Thereafter	<u>-0-</u>
	<u>\$66,892</u>

**Note I – Second Mortgage**

KISRA participates in the CHDO Home Blend grant program. When a property is sold, KISRA maintains a second mortgage on the property that is forgivable if the purchaser remains in the property for 10 years. No amount is recorded on KISRA's books for these mortgages.

**Note J – SBA Intermediary Loan Fund**

The Small Business Administration has awarded KISRA money to loan out to various small businesses. Currently, KISRA has \$313,776 of these loans outstanding with a loan loss reserve of \$163,521, which is included in the balance of cash restricted for loans and IDA reserves and CHDO on the Statement of Financial Position. Due to collectibility issues, interest income is recorded when payments are received. As of December 31, 2015, the balance of the amount owed to the SBA is \$280,083 with monthly payments of \$8,304.

**Kanawha Institute for Social Research and Action, Inc.**

**Notes to Financial Statements**

**December 31, 2015**

**Note K – Grants Received in Advance**

Grants received in advance consist of the following:

IDA – Reserves	\$216,173
PREP	24,586
Microloan – Benedum	7,816
Compeer	25,610
Fatherhood	189,434
Healthy Food Financing Initiative	160,373
Re-Entry	11,351
West Side Consultation Project	<u>36,333</u>
	<u>\$671,676</u>

**Note L - Investments**

Marketable securities and other investments are stated at fair value (of which all are Level 1 investments) and are summarized as follows at December 31, 2015:

	<u>Cost</u>	<u>Market Value</u>	<u>Gain (Loss)</u>
Money market	\$ 32	\$ 32	\$ -0-
Stocks	<u>4,415</u>	<u>7,189</u>	<u>2,774</u>
	<u>\$4,447</u>	<u>\$7,221</u>	<u>\$2,774</u>

Following is a summary of income from investments for the year ended December 31, 2015:

Market value of investments at December 31, 2014	\$7,370
Dividend income	114
Unrealized loss	<u>(263)</u>
Total return on investments	<u>(149)</u>
Market value of investments at December 31, 2015	<u>\$7,221</u>

**Note M – Subsequent Events**

Management has evaluated all events through December 14, 2016, the date these financial statements were available to be issued, and determined that there are no subsequent events that require disclosure.

**Supplementary Information**

**Kanawha Institute for Social Research and Action, Inc.**  
**Schedule of Grant Receipts and Expenditures – Grant G150619**

**For Grant Period Ended December 31, 2015**

**Grant Receipts**

<u>Invoice Number</u>	<u>Period Covered</u>	<u>Date Received</u>	<u>Amount</u>
Invoice #1	November 2014	5/26/16	\$ 6,276
Invoice #2	December 2014	8/4/15	8,594
Invoice #3	January 2015	6/30/15	6,522
Invoice #4	January 2015	6/30/15	384
Invoice #5	February 2015	6/30/15	6,471
Invoice #6	March 2015	6/30/15	6,512
Invoice #7	April 2015	6/25/15	7,085
Invoice #8	May 2015	7/31/15	5,059
Invoice #9	June 2015	7/31/15	<u>6,430</u>
Total Grant Receipts			<u>53,333</u>

**Grant Expenditures**

<u>Expenditures</u>	<u>Amount</u>
Personnel	\$41,795
Fringe benefits	8,200
Materials and supplies	615
Contractual costs	1,501
Other	<u>1,222</u>
Total Grant Expenditures	<u>53,333</u>
Fund Balance at December 31, 2015	<u>\$ -0-</u>

See independent auditors' report.

**Kanawha Institute for Social Research and Action, Inc..**  
**Schedule of Grant Receipts and Expenditures – Grant G160467**

**For Grant Period Ended June 30, 2016**

**Grant Receipts**

<u>Invoice Number</u>	<u>Period Covered</u>	<u>Date Received</u>	<u>Amount</u>
Invoice #1	July 2015	1/8/16	\$ 7,083
Invoice #2	August 2015	1/8/16	8,247
Invoice #3	September 2015	1/8/16	7,626
Invoice #4	October 2015	1/15/16	9,712
Invoice #5	November 2015	1/8/16	11,004
Invoice #6	December 2015	2/3/16	<u>15,200</u>
Total Grant Receipts			<u>58,872</u>

**Grant Expenditures**

<u>Expenditures</u>	<u>Amount</u>
Personnel	\$ 55,530
Fringe benefits	12,739
Materials and supplies	220
Contractual costs	2,179
Other	<u>5,513</u>
Total Grant Expenditures	<u>76,181</u>
Fund Balance at December 31, 2015	<u>\$(17,309)</u>

See independent auditors' report.

# Herman & Cormany

## Certified Public Accountants, A.C.

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Accountants & Consultants

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of  
Kanawha Institute for Social Research and Action, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kanawha Institute for Social Research and Action, Inc. (KISRA) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kanawha Institute for Social Research and Action, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kanawha Institute for Social Research and Action, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Kanawha Institute for Social Research and Action, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.





To the Board of Directors of  
Kanawha Institute for Social Research and Action, Inc.  
Page two

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies 2015-001.

### **Compliance and Other Matters**

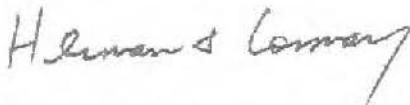
As part of obtaining reasonable assurance about whether Kanawha Institute for Social Research and Action, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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*.

### **Kanawha Institute for Social Research and Action, Inc.'s Response to Findings**

KISRA's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KISRA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia  
December 14, 2016

DHHR - Finance

JAN 10 2017

Date Received

# Herman & Cormany

## Certified Public Accountants, A.C.

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Accountants & Consultants

### **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance**

To the Board of Directors of  
Kanawha Institute for Social Research and Action, Inc.

#### **Report on Compliance for Each Major Federal Program**

We have audited Kanawha Institute for Social Research and Action, Inc.'s (KISRA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KISRA's major federal programs for the year ended December 31, 2015. KISRA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of KISRA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance 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 KISRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of KISRA's compliance.



### **Opinion on Each Major Federal Program**

In our opinion, KISRA complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **Report on Internal Control over Compliance**

Management of KISRA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KISRA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 KISRA's internal control over compliance.

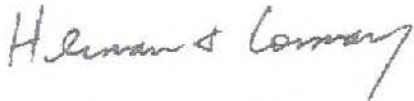
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we considered to be a significant deficiency.

KISRA's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. KISRA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Board of Directors of  
Kanawha Institute for Social Research and Action, Inc.  
Page three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of The Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charleston, West Virginia  
December 14, 2016

DHHR - Finance

JAN 10 2017

Date Received

**Kanawha Institute for Social Research and Action, Inc.**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended December 31, 2015**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development Pass-Through Program: West Virginia Housing Development Fund Home Investment Partnership Program	14.239	KISRA Putnam I (2010-01-27)	\$ <u>16,837</u>
<b>Total Department of Housing and Urban Development</b>			<u>16,837</u>
U.S. Department of Justice Direct Programs Second Chance Act Prisoner Re-entry	16.812	2014-CY-BX-0025	<u>262,052</u>
<b>Total U.S. Department of Justice</b>			<u>262,052</u>
Small Business Administration Direct Programs Micro Loan Program Technical Assistance	59.046	SBAHQ-15-Y-0078	<u>14,211</u>
<b>Total Small Business Administration</b>			<u>14,211</u>
U.S. Department of Health and Human Services Direct Programs: Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FO0009-01-00	\$ <u>435,750</u>
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0029-04-00	<u>1,445,183</u>
Administration for Children and Family Assets for Independent Demonstration Program	93.602	90E10617-01-02	<u>139,137</u>
Community Economic Development Healthy Food Financing Initiative Projects	93.570	90EE1085-01-01	<u>159,399</u>
U.S. Department of Health and Human Services Pass-Through Program: State of WV Department of Health and Human Resources Block Grants for Community Mental Health Services	93.958	G150566	<u>22,867</u>
West Virginia Department of Health and Human Resources Office of Maternal, Child and Family Health PREP	93.092	G150431	<u>36,252</u>
<b>Total Department of Health and Human Services</b>			<u>2,238,588</u>
U.S. Department of Agriculture Pass-Through Program: West Virginia State University WV Minority and Veterans Farmer Program	10.443	CE-1076-0001	<u>82,762</u>
<b>Total U.S. Department of Agriculture</b>			<u>82,762</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$2,614,450</u>

See accompanying notes to schedule of expenditures of federal awards.

**Kanawha Institute for Social Research and Action, Inc.**

**Notes to Schedule of Expenditures of Federal Awards**

**December 31, 2015**

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of KISRA under programs of the federal government for the year ended December 31, 2015. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of KISRA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of KISRA.

**Note B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**Note C - Indirect Cost Rate**

KISRA has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**Kanawha Institute for Social Research and Action, Inc.**

**Schedule of Prior Audit Findings**

**Year Ended December 31, 2015**

**Section II - Findings – Financial Statement Audit**

**2014-001 Fixed Asset Capitalization**

*Condition and Criteria:* During the year expenses were incurred for property and equipment meeting the criteria for capitalization, but the items were expensed and not recorded as fixed assets.

*Auditors' Recommendation:* The auditor recommended that property and equipment meeting the criteria for capitalization should be capitalized. Management concurred with the recommendation and indicated that procedures would be implemented.

*Current Status:* One instance was noted in the current year in which property and equipment meeting the criteria for capitalization was expensed and not recorded as a fixed asset. Finding is repeated in the 2015 audit.

**2014-002 Payroll Accrual**

*Condition and Criteria:* The payroll schedule was changed from a semi-monthly payment schedule with no holdback period to a bi-weekly payment with a three day holdback. Due to the change, there were hours worked during the year that were not paid until the following year and no accrual of the payroll costs were made.

*Auditors' Recommendation:* All payroll hours worked but not paid should be accrued in the year worked. Management concurred with the recommendation and indicated that procedures would be implemented.

*Current Status:* Payroll costs were accrued for hours worked during the year but not paid until the following year. No similar findings were noted in the 2015 audit.

**2014-003 Unauthorized Spending of Restricted Cash**

*Condition and Criteria:* Cash restricted for the IDA Program was transferred to the operating account.

*Auditors' Recommendation:* The restricted funds should be transferred back to the IDA account. Management concurred and stated the funds would be transferred back to the IDA account.

*Current Status:* Funds were not transferred from the operating account back to the IDA account. No additional transfers from the IDA account to the operating account were noted in the 2015 audit.

**Kanawha Institute for Social Research and Action, Inc.**

**Schedule of Prior Audit Findings**

**Year Ended December 31, 2015**

**Section III - Findings and Questioned Costs – Major Federal Program Audit**

**2014-002 Payroll Accrual**

*Condition and Criteria:* The payroll schedule was changed from a semi-monthly payment schedule with no holdback period to a bi-weekly payment with a three day holdback. Due to the change, there were hours worked during the year that were not paid until the following year and no accrual of the payroll costs were made.

*Auditors' Recommendation:* All payroll hours worked but not paid should be accrued in the year worked. Management concurred with the recommendation and indicated that procedures would be implemented.

*Current Status:* Payroll costs were accrued for hours worked during the year but not paid until the following year. No similar findings were noted in the 2015 audit.

**Kanawha Institute for Social Research and Action, Inc.**

**Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2015**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: unmodified

- Significant Deficiency identified?  Yes  No
- Material Weakness identified?  Yes  No
- Noncompliance material to financial statements notes?  Yes  No

**Federal Awards**

Internal control over major programs:

- Significant Deficiency identified?  Yes  No
- Material Weaknesses identified?  Yes  No

Type of auditors’ report issued on compliance for major programs: unmodified

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

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

93.086

Fatherhood Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes  No

**Kanawha Institute for Social Research and Action, Inc.**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2015**

**Section II - Findings - Financial Statement Audit**

**2015-001 Fixed Asset Capitalization**

*Condition and Criteria:* During the year expenses were incurred for property and equipment meeting the criteria for capitalization, but the items were expensed and not recorded as fixed assets.

*Effect:* Expenses were over stated and property and equipment and change in net assets were understated.

*Cause:* The Procedures for capitalizing fixed assets was not followed.

*Context:* A review of the general ledger noted large balance in expense accounts for contractual services.

*Auditors' Recommendation:* Property and equipment meeting the criteria for capitalization should be capitalized.

*Views of Responsible Officials and Planned Corrective Actions:* The Organization will record all fixed assets meeting the criteria for capitalization.

**Section III - Findings and Questioned Costs - Major Federal Program Audit**

**2015-001 Fixed Asset Capitalization**

*Condition and Criteria:* During the year expenses were incurred for property and equipment meeting the criteria for capitalization, but the items were expensed and not recorded as fixed assets.

*Effect:* Expenses were over stated and property and equipment and change in net assets were understated.

*Cause:* The Procedures for capitalizing fixed assets was not followed.

*Context:* A review of the general ledger noted large balance in expense accounts for contractual services.

*Auditors' Recommendation:* Property and equipment meeting the criteria for capitalization should be capitalized.

*Views of Responsible Officials and Planned Corrective Actions:* The Organization will record all fixed assets meeting the criteria for capitalization.