THE ARC OF HARRISON COUNTY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017

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Denny & Alastanos PLLC
- CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS -

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Arc of Harrison County, Inc.

We have audited the accompanying financial statements of The Arc of Harrison County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 are appropriate in the circumstances, but not for the purpose of expressing an opinion on 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 The Arc of Harrison County, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, on our consideration of The Arc of Harrison County, 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 the Arc of Harrison County, Inc.'s internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the 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.

Denny & Alastanos, PLLC

Clarksburg, West Virginia
January 12, 2018

THE ARC OF HARRISON COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	$ 425,874	$ 609,234
Grants Receivable	10,906	6,462
Accounts Receivable	226,704	429,733
Deposits and Prepaid Expenses	41,944	39,314
Total Current Assets	705,428	1,084,743
INVESTMENTS, marketable equity securities	378,207	353,096
PROPERTY AND EQUIPMENT		
Land	125,080	125,080
Buildings	1,574,356	1,574,356
Furniture and Equipment	161,005	161,005
	1,860,441	1,860,441
Less: Accumulated Depreciation	569,702	503,201
	1,290,739	1,357,240
RESTRICTED CASH	31,200	31,200
TOTAL ASSETS	**$ 2,405,574**	**$ 2,826,279**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current Maturities of Long Term Debt	$ 15,381	$ 15,009
Accounts Payable and Accrued Expenses	301,240	293,534
Total Current Liabilities	316,621	308,543
LONG TERM DEBT	708,331	723,406
NET ASSETS		
Unrestricted Net Assets	768,457	1,150,270
Temporarily Restricted Net Assets	612,165	644,060
Total Net Assets	1,380,622	1,794,330
TOTAL LIABILITIES AND NET ASSETS	**$ 2,405,574**	**$ 2,826,279**

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

THE ARC OF HARRISON COUNTY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT		
Program Service Fees	$ 3,720,189	$ 4,225,973
Contributions	61,722	6,094
Rent Income	96,267	85,969
Investment Income	11,523	16,916
Grant Revenue	123,099	176,133
Unrealized Gain (Loss) on Investments	16,623	(11,214)
Realized (Loss) on Investment	(15)	-
Other Income	53,480	50,425
Total Unrestricted Revenues	4,082,888	4,550,296
Net assets released from restrictions	31,895	32,554
UNRESTRICTED EXPENSES		
Salaries and Wages	3,203,907	3,155,819
Payroll Taxes and Employee Benefits	632,865	607,080
Travel	130,436	146,482
Contracted Services	81,189	90,314
Telephone and Utilities	86,713	76,476
Medicaid Enhancement Taxes	-	182,857
Depreciation	66,500	69,849
Affiliation Fee	14,510	14,510
Supplies	39,896	44,500
Occupancy	34,376	24,030
Insurance	62,405	65,421
Bad Debt Expense	60,870	8,532
Interest Expense	20,627	21,511
Miscellaneous	62,302	102,607
Total Unrestricted Expenses	4,496,596	4,609,988
(Decrease) in Unrestricted Net Assets	(381,813)	(27,138)
TEMPORARILY RESTRICTED NET ASSETS		
Net Assets Released from Restrictions	(31,895)	(32,554)
(Decrease) in Temporarily Restricted Net Assets	(31,895)	(32,554)
Change in Net Assets	(413,708)	(59,692)
NET ASSETS AT BEGINNING OF YEAR	1,794,330	1,854,022
NET ASSETS AT END OF YEAR	**$ 1,380,622**	**$ 1,794,330**

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

THE ARC OF HARRISON COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	TOTAL
EXPENSES			
Salaries and Wages	$ 2,863,957	$ 339,950	$ 3,203,907
Payroll Taxes and Employee Benefits	572,630	60,235	632,865
Travel	127,061	3,375	130,436
Contracted Services	29,135	52,054	81,189
Telephone and Utilities	57,252	29,461	86,713
Depreciation	52,496	14,004	66,500
Affiliation Fee	-	14,510	14,510
Supplies	14,560	25,336	39,896
Occupancy	25,376	9,000	34,376
Insurance	-	62,405	62,405
Bad Debt Expense	60,870	-	60,870
Interest Expense	-	20,627	20,627
Miscellaneous	30,347	31,955	62,302
Total Expenses	**$ 3,833,684**	**$ 662,912**	**$ 4,496,596**

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

THE ARC OF HARRISON COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	TOTAL
EXPENSES			
Salaries and Wages	$ 2,847,822	$ 307,997	$ 3,155,819
Payroll Taxes and Employee Benefits	557,287	49,793	607,080
Travel	139,816	6,666	146,482
Contracted Services	38,473	51,841	90,314
Telephone and Utilities	49,048	27,428	76,476
Medicaid Enhancement Taxes	182,857	-	182,857
Depreciation	55,845	14,004	69,849
Affiliation Fee	-	14,510	14,510
Supplies	20,340	24,160	44,500
Occupancy	21,030	3,000	24,030
Insurance	-	65,421	65,421
Bad Debt Expense	8,532	-	8,532
Interest Expense	-	21,511	21,511
Miscellaneous	56,863	45,744	102,607
Total Expenses	**$ 3,977,913**	**$ 632,075**	**$ 4,609,988**

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

THE ARC OF HARRISON COUNTY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (413,708)	$ (59,692)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	66,501	69,849
Unrealized (Gain) Loss on Investments	(16,862)	11,214
Realized Loss on Investments	15	-
Decrease (Increase) in Current Assets:		
Grants Receivable	(4,444)	17,122
Accounts Receivable	203,029	(226,297)
Deposits and Prepaid Expenses	(2,630)	(12,482)
(Decrease) Increase in Current Liabilities:		
Accounts Payable and Accrued Expenses	7,706	20,020
Net Cash (Used By) Operating Activities	(160,393)	(180,266)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(43,854)	(14,000)
Increase in Restricted Cash	-	(1,632)
Proceeds from Sale of Investments	35,590	-
Purchase of Property and Equipment	-	(107,769)
Net Cash (Used By) Investing Activities	(8,264)	(123,401)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long Term Debt	(14,703)	(14,070)
Net Cash (Used By) Financing Activities	(14,703)	(14,070)
(Decrease) in Cash and Cash Equivalents	(183,360)	(317,737)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	609,234	926,971
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 425,874**	**$ 609,234**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Payments for Interest	$ 20,627	$ 21,511

The accompanying notes are an integral part of these financial statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Arc of Harrison County, Inc. (ARC) is presented to assist in the understanding and interpretation of the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of these financial statements.

Nature of Activities

The ARC is situated in Clarksburg, West Virginia, and is incorporated under laws of the State of West Virginia. The primary purpose of the organization is to promote opportunities and relationships for persons with developmental disabilities and to educate the community.

The ARC is exempt from federal income taxes as provided by Section 501(c)(3) of the Internal Revenue Code.

Grants and Accounts Receivable

Grants and accounts receivable are unsecured. The ARC routinely assesses the collectibility of its grant and accounts receivables, and as a consequence, believes that its June 30, 2017 and 2016 grant and accounts receivable are fully collectible; accordingly, no allowance for uncollectible accounts is needed. Receivables are written off when they are determined to be uncollectible. Charge offs are based on an account-by-account review.

Property and Equipment

Property and equipment are carried at cost. The Organization has adopted the Internal Revenue Service's tangible property regulations as updated thru Revenue Procedure 2015-20, for financial and tax reporting purposes. These regulations define capitalization and expensing policies for property and equipment acquisitions and repairs and dispositions.

Property and equipment are depreciated by the straight-line and an accelerated method over the following estimated useful lives.

Buildings	25-40 years
Furniture and equipment	5-7 years

Investments

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Contributed Services

A number of unpaid volunteers have made contributions of their time to develop the ARC's programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition as required by the Revenue Recognition for Not-for-Profit Entities Topic of the FASB Accounting Standard Codification.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Estimates
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.

Revenue Recognition
A significant portion of the ARC's revenue is from services rendered to Medicaid program beneficiaries which are reimbursed under a cost reimbursement methodology. The ARC is reimbursed at a tentative rate(s) based on types of services rendered to participants. The Department of Health and Human Services administers this program which is subject to interpretation and to audits which could result in adjustments to revenue.

The ARC's method of accounting for cost reimbursement government contracts is to make no entry on the statement of financial position for the receipt of an approved grant award. Grant related assets are not reflected in the statement of financial position until costs have been incurred and revenue is not recognized in the statement of activities as unrestricted until project costs have been incurred.

Cash Equivalents
For purposes of reporting cash flows, cash is defined as cash held in demand deposit accounts at a federally insured financial institution.

Classification of Net Assets
The ARC has adopted the Presentation of Financial Statements for Not-for-Profit Entities Topic of the FASB Accounting Standard Codification. This standard states that the statement of financial position shall report the amounts for each of three classes of net assets as unrestricted, temporarily restricted, or permanently restricted and the statement of activities shall report the amount of change in net assets for the period as unrestricted, temporarily restricted, or permanently restricted. In addition, the Organization is required to present a statement of cash flows. There were no permanently restricted net assets as of June 30, 2017 and 2016.

Uncertain Income Tax Positions
Accounting Standards Codification Topic 740-10 prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. On July 1, 2009, the Organization adopted the recognition and disclosure provisions of the standard. The adoption of this standard did not have an effect on the Organization's financial position or changes in net assets. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions. The Organization's Federal Return of Organizations Exempt from Income Tax for tax years 2015, 2016 and 2017 remain subject to examination by the Internal Revenue Service.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Contributions

Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions would be reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets would be reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Rent Income

The ARC owns facilities which provide services to adults with mental and physical disabilities. Residents are taught home and community-based independent living skills by professionally trained staff. Rental income from these facilities is recorded by the operating method as it is billed to the residents. There are no long-term commitments relative to these arrangements.

NOTE 2 CONCENTRATIONS

During the year ended June 30, 2017 and 2016, program service fees from the Medicaid program aggregated $3,720,189 and $4,225,973, respectively. A significant reduction in the level of this support, if this were to occur, may have an effect on The ARC's programs and activities. Accounts receivable from the Medicaid program are $226,032 and $429,086 at June 30, 2017 and 2016.

The ARC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The ARC has not experienced any losses in such accounts. The ARC believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 3 OCCUPANCY EXPENSE

The ARC rents office facilities under lease agreements for which there are no long-term commitments. Rent expense under these agreements totaled $34,376 and $24,030 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

The ARC owned four facilities which were built with grant monies received from the West Virginia Housing Development Fund for the year ended June 30, 2017 and 2016. The ARC may be responsible for the full repayment of these loans o grants if it fails to meet certain obligations of the contracts. These contracts stipulate that the facilities are to be used as housing for adults with disabilities for 25 years.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS (continued)

Activity related to these four facilities built with grant funds are recorded on the Statements of Financial Position as temporarily restricted net assets at June 30, 2017 and 2016 of $612,165 and $644,060. Depreciation expense related to these facilities is recorded on the Statement of Activities at June 30, 2017 and 2016 as net assets released from restrictions of $31,895 and $32,554.

NOTE 5 TAX SHELTERED ACCOUNT

Effective May 28, 1993, The ARC instituted a tax-sheltered account (TSA) under Section 403(b) (7) of the Internal Revenue Code. The contributions that the employees make to the TSA are made with pre-tax dollars and along with the earnings are tax-deferred until withdrawn from the account. Employees may contribute up to 20% of their earnings to the plan with a maximum of $18,000 in 2017 and 2016. The ARC makes no matching contributions. The plan is available to all employees.

NOTE 6 NOTE PAYABLE

	2017	2016
WV Housing Development Fund; note payable with no scheduled repayment; interest of 0.00%, secured by real estate, matures in 2036	$330,790	$ 330,790
USDA; installment note obligation payable in monthly installments of $2,600 including interest of 4.125%; secured by real estate, matures in 2035	392,922	407,625
	723,712	738,415
Less current portion	15,381	15,009
	$708,331	$723,406

As of June 30, 2017, maturities are as follows:

Year ending June 30, 2018	$ 15,381
2019	15,925
2020	16,595
2021	17,292
2022	18,019
Later Years	640,500
	$723,712

The loan agreement with the USDA stipulates the establishment of a Debt Service Reserve Fund that is shown as restricted cash on the Statement of Financial Position and is required to deposit $264 per month until a total of $31,200 is achieved. The ARC has made its required deposits through June 30, 2017 and 2016.

NOTE 7 LINE OF CREDIT

The ARC maintained a $350,000 bank line of credit in 2017 and 2016. Bank advances on this credit line are payable on demand and carry an interest rate based on the prime rate index. The line is secured by investments of the ARC and various real estate. Borrowings against these lines were $0 at June 30, 2017 and 2016.

NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820-10, Fair Value Measurement, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fair value of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1–Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities.

Level 2–Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states or political subdivisions, and certain corporate, asset backed securities, and swap agreements.

Level 3–Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and private investments of public entities.

NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of assets measured on a recurring basis at June 30, 2017 and 2016, are as follows:

		Fair value measurements at June 30, 2017 Using		
Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Equity Securities	$ 378,207	$ 378,207	$ 0	$ 0
Total Trading Securities	$ 378,207	$ 378,207	$ 0	$ 0

		Fair value measurements at June 30, 2016 Using		
Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Equity Securities	$ 353,096	$ 353,096	$ 0	$ 0
Total Trading Securities	$ 353,096	$ 353,096	$ 0	$ 0

NOTE 9 SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 12, 2018, the date on which the financial statements were available to be issued. As of the date of evaluation, there were no reportable subsequent events.

NOTE 11 INFORMATION REQUIRED BY WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Schedule of Department of Health and Human Resources Grant Funds for Fiscal Year Ended June 30, 2017 and 2016.

2017

	State Account Number	Allocation for year	Year to date billing	Amount collected by 6-30-17	Under billed on contract	Expended through 6-30-17
Customized Employment	2015-0525-0506-3043-21900-3256-0000 2016-2017	$84,000	$82,854	$71,948	$0	$82,854

	State Account Number	Allocation for year	Year to date billing	Amount collected by 6-30-17	Remaining on contract	Expended through 6-30-17
Supported Employment	2017-0525-0506-2870-21900-3256-0000-13111	$40,000	$40,000	$40,000	$0	$40,000

2016

	State Account Number	Allocation for year	Year to date billing	Amount collected by 6-30-16	Under billed on contract	Expended through 6-30-16
Customized Employment	0525-2015-0506 3043-21900-3256 2015-2016	$114,000	$102,389	$95,927	$11,611	$102,389

	State Account Number	Allocation for year	Year to date billing	Amount collected by 6-30-16	Remaining on contract	Expended through 6-30-16
Supported Employment	0525-2014-0506 2870-21900-3256	$40,000	$40,000	$40,000	$0	$40,000

SCHEDULE OF EXPENDITURES OF STATE AWARDS

THE ARC OF HARRISON COUNTY, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

YEAR ENDED JUNE 30, 2017

	Contract Period	Grant/ Contract	Contract Amount	Recognized Expenditure
State Awards				
West Virginia Department of Health and Human Resources	7/1/2016 - 6/30/2017	2017-0525-0506-2870-21900-3256-0000-13111	$ 40,000	$ 40,000
	7/1/2016 - 6/30/2017	2015-0525-0506-3043-21900-3256-0000	84,000	82,854
Total Grants and Contracts			$ 124,000	$ 122,854

The notes to Schedule of State Awards are an integral part of this schedule.

THE ARC OF HARRISON COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards includes the state grant activity of The ARC of Harrison County, Inc. for the fiscal year ended June 30, 2017 and is presented on the accrual basis of accounting. This schedule is presented for purposes of addition analysis and is not a required part of the financial statements.

Denny & Alastanos PLLC
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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
The Arc of Harrison County, Inc.
Clarksburg, West Virginia

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 The ARC of Harrison County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The ARC of Harrison County, 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 The ARC of Harrison County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The ARC of Harrison County, 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.

Our consideration of 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 a certain deficiency in internal control, described in the accompanying paragraph that we consider to be significant deficiency.

> The Organization has two employees that perform most of the accounting and financial duties. As a result, many aspects of internal control which rely upon an adequate segregation of duties are, for all practical purposes is missing at The ARC of Harrison County, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The ARC of Harrison County, 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*.

Response to Findings

The ARC of Harrison County, Inc.'s response to the findings identified in our audit is described previously. The Organization is aware of the lack of segregation of duties and as a result the Organization has segregated duties to the extent possible. In addition, financial information is reviewed monthly to provide some oversight. The ARC of Harrison County Inc.'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.

Denny & Alastanos, PLLC

Clarksburg, West Virginia
January 12, 2018