



DAYMARK, INC.
(A Not-For-Profit Corporation)

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

DAYMARK, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2020

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13
Schedule of Receipts and Expenditures of State Awards	14
Independent Auditors' 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>	15-18



INDEPENDENT AUDITORS' REPORT

**Board of Directors
Daymark, Inc.
Charleston, WV**

We have audited the accompanying financial statements of Daymark, Inc. (a nonprofit organization), which consist of the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, 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.

Auditors' 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 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 Daymark, Inc. as of June 30, 2020, 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*

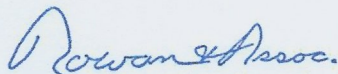
In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2020, on our consideration of Daymark, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Daymark, 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 Receipts and Expenditures of State Awards on page 14 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.

Report on Summarized Comparative Information

We have previously audited Daymark, Inc.'s June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Dunbar, WV
September 22, 2020**

DAYMARK, INC
STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2020
With Comparative Totals for 2019

Assets:	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash - Operating	\$ 1,082,105	\$ 709,675
Cash- Restricted	46,500	33,937
Cash - Health Claims Account	<u>106,319</u>	<u>87,274</u>
Total Cash	<u>1,188,424</u>	<u>796,949</u>
Pledges Receivable	11,500	11,698
Accounts Receivable Net of Allowance for Uncollectable Accounts of \$500 and \$500	221,482	181,086
Prepaid Assets	<u>23,154</u>	<u>31,331</u>
Total Current Assets:	<u>1,444,560</u>	<u>1,021,064</u>
Noncurrent Assets:		
Land, Building, Furniture, and Equipment Net of Accumulated Depreciation	<u>491,148</u>	<u>482,436</u>
Total Assets	<u>\$ 1,935,708</u>	<u>\$ 1,503,500</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts Payable	\$ 39,828	\$ 23,903
Client Deposits	3,058	-
Accrued Employee Wages & Benefits	95,447	83,008
Health Claims Liability	114,093	111,595
PPP Loan Payable	<u>256,765</u>	<u>-</u>
Total Current Liabilities	<u>509,191</u>	<u>218,506</u>
Net assets:		
Net Assets With Donor Restrictions	46,500	33,937
Net Assets With No Donor Restrictions	<u>1,380,017</u>	<u>1,251,057</u>
Total Net Assets	<u>1,426,517</u>	<u>1,284,994</u>
Total Liabilities and Net Assets	<u>\$ 1,935,708</u>	<u>\$ 1,503,500</u>

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

DAYMARK, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
With Comparative Totals for 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenues and Other Support:				
Contributions	\$ 125,008	\$ 46,388	\$ 171,396	\$ 111,522
Contributions In-kind	-	-	-	-
United Way	23,000	-	23,000	23,227
Special Events	45,600	-	45,600	114,074
Less Direct Costs	-	-	-	(11,982)
Medicaid	647,349	-	647,349	417,122
Dept.of Health & Human Services	1,352,933	-	1,352,933	1,128,473
City of Charleston- C.D.B.G.	20,000	-	20,000	20,200
City of Charleston- Emergency	30,400	-	30,400	67,783
Other	6,051	-	6,051	10,226
Net Assets Released from Restrictions	<u>33,825</u>	<u>(33,825)</u>	<u>-</u>	<u>-</u>
Total Increases in Net Assets	<u>2,284,166</u>	<u>12,563</u>	<u>2,296,729</u>	<u>1,880,645</u>
Expenses:				
Program Costs	2,027,213	-	2,027,213	1,632,394
Administration	114,736	-	114,736	126,713
Fundraising	<u>22,693</u>	<u>-</u>	<u>22,693</u>	<u>24,243</u>
Total Decreases in Net Assets	<u>2,164,642</u>	<u>-</u>	<u>2,164,642</u>	<u>1,783,350</u>
Change in Net Assets From Operations	119,524	12,563	132,087	97,295
Interest Income	9,436	-	9,436	6,532
Uncollectible Business Interrupiton Loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,218)</u>
	<u>9,436</u>	<u>-</u>	<u>9,436</u>	<u>(6,686)</u>
Change in Net Assets	128,960	12,563	141,523	90,609
Net Assets - Beginning of the Year	<u>1,251,057</u>	<u>33,937</u>	<u>1,284,994</u>	<u>1,194,385</u>
Net Assets - End of the Year	<u>\$ 1,380,017</u>	<u>\$ 46,500</u>	<u>\$ 1,426,517</u>	<u>\$ 1,284,994</u>

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

DAYMARK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
With Comparative Totals for 2019

Description	Program Services			Total Program Services	Administrative	Fundraising	2020	2019	Description
	New Connections	Patchwork	Turning Point				Expenses	Expenses	
Wages	\$ 180,425	\$ 510,000	\$ 607,813	\$ 1,298,238	\$ 46,871	\$ 12,409	\$ 1,357,518	\$ 1,077,383	Wages
Benefits Expense	31,073	73,910	113,338	\$ 218,321	14,122	2,812	235,255	197,885	Benefits Expense
Payroll Taxes Expense	15,486	47,911	54,353	\$ 117,750	8,552	1,085	127,387	103,321	Payroll Taxes Expense
Rent & Utilities	19,107	17,441	22,686	\$ 59,234	918	-	60,152	55,731	Rent & Utilities
Repairs & Maintenance	7,907	13,101	33,589	\$ 54,597	4,523	-	59,120	55,847	Repairs & Maintenance
Insurance	17,201	18,955	22,096	\$ 58,252	6,442	-	64,694	58,481	Insurance
Food	2,923	23,290	23,481	\$ 49,694	-	-	49,694	47,467	Food
Client Assistance	2,864	24,247	28,598	\$ 55,709	-	-	55,709	51,986	Client Assistance
Depreciation	12,928	8,699	33,153	\$ 54,780	407	-	55,187	40,766	Depreciation
Professional Fees	1,358	1,358	1,359	\$ 4,075	16,400	-	20,475	20,166	Professional Fees
Office Supplies	814	4,939	5,571	\$ 11,324	3,277	-	14,601	11,297	Office Supplies
Conference & Meetings	1,249	5,823	2,544	\$ 9,616	1,785	-	11,401	10,753	Conference & Meetings
Fundraising	-	-	-	\$ -	-	6,387	6,387	10,657	Fundraising
Household Expense	327	4,808	3,480	\$ 8,615	-	-	8,615	8,917	Household Expense
Phone	805	1,400	3,855	\$ 6,060	4,911	-	10,971	9,193	Phone
Dues & Subscriptions	2,033	2,035	2,162	\$ 6,230	-	-	6,230	7,757	Dues & Subscriptions
Employee Recruiting	621	3,149	1,447	\$ 5,217	3,174	-	8,391	9,197	Employee Recruiting
Postage	5	180	65	\$ 250	1,640	-	1,890	1,385	Postage
Resource Material	-	39	56	\$ 95	-	-	95	868	Resource Material
Staff Travel	-	-	-	\$ -	-	-	-	1,165	Staff Travel
Miscellaneous	2,712	3,100	3,344	\$ 9,156	1,714	-	10,870	3,139	Miscellaneous
TOTAL	\$ 299,838	\$ 764,385	\$ 962,990	\$ 2,027,213	\$ 114,736	\$ 22,693	\$ 2,164,642	\$ 1,783,361	TOTAL

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

DAYMARK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020
With Comparative Totals for 2019

	<u>2020</u>	<u>2019</u>
Cash Flows Provided by Operating Activities:		
Change in Net Assets	\$ 141,523	\$ 90,609
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	55,187	40,766
Decrease (Increase) in Accounts and Pledges Receivable	(40,198)	37,088
Decrease (Increase) in Prepaid Assets	8,177	(10,176)
Increase (Decrease) in Accounts Payable & Client Deposits	18,983	(10,063)
Increase (Decrease) in Accrued Employee Benefits	12,439	8,662
(Decrease) Increase in Health Liability	<u>2,498</u>	<u>(29,217)</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>198,609</u>	<u>127,669</u>
Cash Flows to Investing Activities:		
Purchases of Equipment and Improvements	<u>(63,899)</u>	<u>(29,301)</u>
Cash Used by Investing Activities	<u>(63,899)</u>	<u>(29,301)</u>
Cash Flows From Financing Activities		
Small Business Administration PPP Loan Proceeds	<u>256,765</u>	<u>-</u>
Total Cash Provided by Financing Activities	<u>256,765</u>	<u>-</u>
Net Increase (Decrease) in Cash	391,475	98,368
Cash at the Beginning of the Year	<u>796,949</u>	<u>698,581</u>
Cash at the End of the Year	<u>\$ 1,188,424</u>	<u>\$ 796,949</u>

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

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of business:

Turning Point-A professional foster care program for youth in state custody between the ages 15 and 20. Turning Point can house eleven youth. The programs are staffed with House Parents, Youth Workers and relief staff. The program is designed to assist youth in meeting educational and vocational needs as well as learning to rely on themselves and live independently.

Patchwork-Patchwork serves as a shelter and crisis intervention center for youth in high risk situations ages 11 through 17 by providing free, confidential, voluntary, and licensed services 24 hours a day, 7 days a week. Patchwork is licensed to aid five youth. Services are performed through individual, group, family contact, telephone and walk-in counseling and information and referral. The goals of Patchwork include meeting the needs of youth in a crisis, reuniting them with their families while strengthening the family relationship, and assisting in establishing stable living conditions for youth other than institutions while increasing self-esteem.

New Connections-A social service program that helps youth between the ages of 16 and 21 obtain their GED and assists them in learning how to live independently. They also work with homeless youth in providing a temporary place to live, life skills training, job search and job skill training, support groups, meals, transportation, and minor emergency financial assistance.

Method of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Daymark, Inc. and changes therein are classified and reported as follows:

Net assets without donor restrictions – Unrestricted net assets are comprised of funds that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - The restricted category consists of funds that have been limited by donors to a specific time period and/or use of an asset for a particular purpose for a specific number of years. When a restriction is satisfied, assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, any restriction met in the same period that it was received is recognized as being without restrictions in the period of receipt.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Recently Issued Accounting Standards:

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of not-for Profit Entities*. Daymark, Inc. adopted the provisions of this new standard during the year ended June 30, 2019. These standards are designed to simplify and clarify financial statements with particular regard to the terminology used to describe donor restrictions, or lack there-of, on support and net assets. There has been no change in whether or how unrestricted or temporally restricted support or temporarily restricted net assets are accounted for or reported; just the names have been changed to support with or without donor restrictions and net assets with or without donor restrictions. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 15).

The change in the presentation on the Statement of Activities and Changes in Net Assets was that interest and insurance business interruption loss income previously reported as a part of 'Revenues and Other Support' has been moved so that 'changes in net assets operations' can be shown. As interest income and uncollectible business interruption loss are not considered to be integral to operations they must be shown beneath 'changes in net assets from operations'.

Cash:

Daymark, Inc. considers cash on hand, money market funds, and bank deposits that are available on demand to be cash. During the year ended June 30, 2020, cash did not exceed Federal Deposit Insurance Corporation or Securities Protection Investor Corporation insurance.

Contributions:

Contributions, including pledges to give, are recorded as made. All contributions are available without donor restrictions unless specifically restricted by the donor. Restricted contributions or promises to give are recognized with donor restrictions unless that restriction has been met in the same period it was received or made. When a donor restriction expires, that is, when stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities and changes in net assets as net assets released from restrictions.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: continued

Impairment of long-lived assets:

Daymark Inc. reviews the carrying value of long-lived assets (property and equipment) for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized when an asset's carrying value exceeds its fair value as calculated using a discounted future cash flows analysis. No such impairment was recognized in 2020 or 2019.

Income Taxes:

Daymark, Inc. is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for Federal income taxes. In addition, Daymark, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. Daymark has no excise or unrelated business income taxes in 2019 or 2020. Daymark's federal information returns, Form 990, are subject to examination by the IRS, generally for three years after they are filed.

Functional Allocation of Expenses:

The costs of providing Daymark, Inc's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on employee time records, square feet of area used, etc.

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.

Measure of Operations:

Daymark, Inc.'s operating revenues in excess of expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. ACCOUNTS RECEIVABLE

Accounts Receivable - All accounts receivable are primarily due from DHHR for per diem reimbursements, there is an allowance for uncollectible accounts of \$500 at June 30, 2020 and \$2,200 at June 30, 2019. Accounts are charged off against the allowance account when they are determined to be uncollectible. Accounts due over 90 days at June 30, 2020 and June 30, 2019 were \$38,475 and \$273 respectively.

NOTE 3. RETIREMENT PLAN

Daymark, Inc. established a noncontributory, defined contribution pension plan covering all employees who are at least 21 years old and have more than one year of service. Daymark, Inc. amended the plan to be a 401(k) profit sharing plan in which participants can contribute to the pension plan. Under the provisions of the Plan, Daymark, Inc. may, but is not required to contribute to the pension plan. Pension expense for the years ended June 30, 2020 and June 30, 2019 was \$54,678 and \$48,015 respectively.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Daymark, Inc. follows the practice of capitalizing all expenditures for equipment more than \$3,500. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

At June 30, 2020 and June 30, 2019, the major classes of property and equipment are summarized as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 96,248	\$ 96,248
Building and improvements	870,011	832,426
Furniture and equipment	<u>287,229</u>	<u>260,915</u>
	1,253,488	1,189,589
Less accumulated depreciation	<u>(762,340)</u>	<u>(707,153)</u>
	<u>\$ 491,148</u>	<u>\$ 482,436</u>

NOTE 5. LINE OF CREDIT

Daymark, Inc. has a \$200,000 line of credit available on demand that is secured by a deed of trust on the Patchwork house and land. As of June 30, 2020, and 2019 the balance due on the line of credit was \$-0-. Had there been an outstanding balance, the interest rate would have been 3.25% as of June 30, 2020.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED CONTRIBUTION MEDICAL REIMBURSEMENT PLAN

Daymark, Inc. has established a program maintained for the exclusive benefit of employees which is intended to constitute a medical reimbursement plan under Section 105(h) of the Internal Revenue Code. Daymark, Inc. contributes up to \$3,000 per year for each employee to the reimbursement plan. The employee must present qualified medical expenses for reimbursement. On June 30, 2020, the Organization has accumulated \$106,319 in a health claims cash account and they owe employees \$114,093 for eligible medical reimbursements. Contributions for each employee hired before 7-1-19 may be used for 18 months after separation from employment unless they retire, in which case any unspent benefits may be used at any time during the employee's lifetime. Employees hired after June 30, 2019 may use any accumulated benefits for only 90 days after termination.

NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Daymark, Inc. discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, Daymark, Inc. discloses both the change and the reasons of the change.

The organization's financial instruments consist primarily of cash, accounts receivable and accrued liabilities. As all of the above are converted to cash or paid in full within a few day or weeks; Daymark, Inc. estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values recorded in the accompanying financial statements.

NOTE 8. CONTINGENCIES

Third-party payers may assert claims arising from services provided to clients in the past and from retroactive adjustments. As no third-party payers have assessed adjustments, the management of Daymark, Inc. is unable to estimate the ultimate cost, if any, of the settlement of such potential claims, and accordingly, no additional accruals have been made for them.

NOTE 9. COMPARATIVE 2019 AMOUNTS

The amounts shown for the period ended June 30, 2019 in the accompanying financial statements are included to provide a basis for comparison with 2020 and represent summarized totals only. For the year ended June 30, 2019 to be a complete presentation the breakdown between support with, and without donor restrictions would need to be shown, and a complete statement of functional expenses for the year ended June 30, 2019 would need to be included. Accordingly, the 2019 amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10. NET ASSETS WITHOUT DONOR RESTRICTICONS

The Board of Directors of Daymark, Inc. has designated a portion of operating reserves for a property contingency reserve. The balance of property contingency reserve at June 30, 2020 and 2019 was \$154,142.

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and June 30, 2019 funds with donor restrictions are as follows:

	<u>6-30-2020</u>	<u>6-30-2019</u>
<u>Subject to purpose restrictions:</u>		
Improvements – Glotfelty Foundation	\$23,463	\$ 6,600
Tutoring – ECA Foundation	<u>11,012</u>	<u>11,012</u>
	<u>34,475</u>	<u>17,612</u>
<u>Subject to time restrictions:</u>		
United Way of Central WV (next fiscal year)	11,500	11,325
Gala Campaign (to be used in 6/30/2021)	<u>525</u>	<u>5,000</u>
	<u>12,025</u>	<u>16,325</u>
	<u>\$ 46,500</u>	<u>\$ 33,937</u>

NOTE 12. CONCENTRATION OF REVENUE SOURCES AND RECEIVABLES

During the year, Daymark, Inc. received significant portions of its total revenue from the following agencies:

	<u>2020</u>	<u>2019</u>
Department of Health and Human Resources	59%	60%
Medicaid	<u>28%</u>	<u>27%</u>
	<u>87%</u>	<u>87%</u>

NOTE 13. BUSINESS INTERRUPTION LOSS CLAIM

In the fiscal year ended June 30, 2018, Daymark, Inc. suffered a business interruption loss and had an insurance claim in the amount of \$115,282 with an accounts receivable balance of \$96,782 at June 30, 2018. Subsequent to the initial claim, Daymark, Inc. settled with the insurance company in the amount of \$102,064 which created an uncollectible business interruption loss claim in the amount of \$13,218. This amount is reported below the “changes in net assets from operations” as a decrease in net assets for the fiscal year ended June 30, 2019.

NOTE 14. SUBSEQUENT EVENTS

Management evaluated subsequent events through September 22, 2020 the date the financial statements were available to be issued and found no matter that is required to be disclosed in the accompanying financial statements.

DAYMARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 15. ASSET LIQUIDITY

Daymark, Inc's financial assets available within one year of the balance sheet date for general expenditure is as follows:

Total cash	\$ 1,082,104
Vested Health Account	106,320
Pledges Receivable	11,500
Accounts Receivable	<u>221,482</u>
Total Expected to be Available at 6-30-20	1,421,406
Less:	
Current Liabilities	(509,191)
Board designated property contingency reserve	<u>(154,142)</u>
Total cash expected to be available for current operations	<u>\$ 663,333</u>

As part of Daymark, Inc's liquidity management, it has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

DAYMARK, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2020

State Grantor	Grant Number	Award Amount	Receipts 7/1/2019- 6/30/2020	Expenditures 7/1/2019- 6/30/2020
<u>West Virginia Department of Health and Human Services</u>				
Crisis Counseling and Independent Living Skills for Youth. (7/1/2019-6/30/2020)	G200345	\$ 126,081	\$ 126,081	\$ 126,081

(report done on accrual basis)

See Accountant's Audit Report



INDEPENDENT AUDITORS' 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*

**Board of Directors
Daymark, Inc.
Charleston, WV**

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 Daymark, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, statement of 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 September 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Daymark, 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 Daymark's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Internal Control over Financial Reporting (continued)

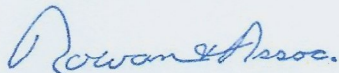
Given these limitations, during our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2020-1 and 2020-2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Daymark, 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 matter that is required to be reported under *Government Auditing Standards*.

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.



Dunbar, WV
September 22, 2020

Daymark, Inc.
Schedule of Findings
6-30-20

2001-01 Reconciliation of Employee Health Reimbursement Arrangement
REPEAT FINDING – see 6-30-18 internal control finding 2018-1

Finding

Every material account, whether asset or liability, should be periodically reconciled to the most reliable source of independent information available. During the course of our work we found that the Employee Health Reimbursement Account (HRA) had not been reconciled with either the special bank account statements that primarily exist to show the deposits and payments related to the HRA, or to the third party HRA provider's (TPP) reports for a minimum of 6 months. As a consequence, employees were paid for benefits they had not earned or their eligibility benefits had expired. Based on the bank statements both the TPP's and Daymarks records were materially inadequate. Consequently, Daymark's liability account for HRA benefits payable was overstated by more than \$15,600.

Cause-

Daymark changed both the way benefits were awarded (monthly, instead of as a lump sum at the beginning of the year), and the term that a given employee could continue to utilize benefits after employment changed dependent on their date of hire. The TPP either didn't know of, or was not able to incorporate these changes into its reporting software.

Result

Due to the failure to reconcile this account monthly, 5 employees have been paid nearly \$5,500 in benefits they did not earn, and management has been receiving incorrect reports.

Recommendation

The most important and independent report comes monthly from the bank. If the bank would add the employee name to its existing report of employee claims, and Daymark could share the amount deposited for each employee monthly with the TPP, it would be easier to reconcile all three sets of records.

2020-02 Separation of Duties

Finding

As it stands, the Director of finance prepares the record of receipts, records the receipts in the books, prepares and makes bank deposits, and controls the blank check stock, and reconciles the bank statements.

Cause,

Over the years it has seemed more practical to have the Director of Finance handle all cash duties except for check preparation, and check signing which does not allow one employee to check the work of another as an ordinary part of her duties in all cases.

Daymark, Inc.
Schedule of Findings
6-30-20

Result

Daymark does not have the best separation of duties with regard to cash.

Recommendation

We would suggest that the Training Director open the mail and prepare the deposit slip listing each for any funds received. The checks, with a copy of the deposit slip listing each check should go to the finance director, and to the Administrative Assistant. We would further suggest that the Administrative Assistant transfer check preparation and distribution duties to the Finance Director, and assume responsibility for the monthly bank reconciliations.