

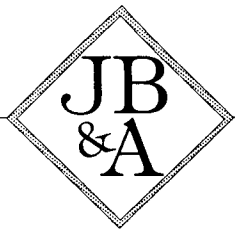
**MOUNTAINHEART COMMUNITY SERVICES, INC.**

**INDEPENDENT AUDITORS' REPORT AND  
RELATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

## TABLE OF CONTENTS

	PAGE
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-12
Schedule of Expenditures of Federal Awards	13
<b>SUPPLEMENTAL INFORMATION</b>	
<b>INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION</b>	14
Schedule of Budget vs. Actual - CSBG	15
Schedule of Expenditures of State Awards	16
<b>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></b>	17-18
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	19-20
Schedule of Findings and Questioned Costs	21



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 418 • BUCKHANNON, WV 26201 • (304) 472-3600 • FAX (304) 472-3601

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
MountainHeart Community Services, Inc.  
Oceana, West Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of MountainHeart Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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 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

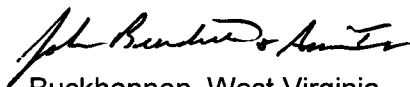
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MountainHeart Community Services, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014, on our consideration of MountainHeart Community Services, 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 MountainHeart Community Services, Inc.'s internal control over financial reporting and compliance.



Buckhannon, West Virginia  
September 24, 2014

**MOUNTAINHEART COMMUNITY SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**

**ASSETS**

Cash and cash equivalents	\$ 795,170
Certificate of deposit	1,064,706
Accounts receivable	87,111
Grants receivable	521,451
Inventory	47,170
Prepaid expenses	4,680
	<hr/>
Total Current Assets	2,520,288
	<hr/>
Property and Equipment	2,267,567
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 4,787,855</b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current portion of long-term debt	\$ 17,993
Accounts payable	394,963
Accrued liabilities	637,622
	<hr/>
Total Current Liabilities	1,050,578

**LONG-TERM DEBT**

Long-Term Debt	438,378
	<hr/>

**NET ASSETS**

Unrestricted	3,298,899
	<hr/>

<b>TOTAL NET ASSETS</b>	<b>3,298,899</b>
	<hr/>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,787,855</b>
	<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

**MOUNTAINHEART COMMUNITY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Donated materials, facilities and services	\$ 2,704,025	\$	\$ 2,704,025
Federal financial assistance	6,369,987		6,369,987
State Grants	958,802		958,802
Interest income	14,082		14,082
Program income	1,219,690		1,219,690
Other income	174,153		174,153
Net assets released from restrictions: Restrictions satisfied by payments Expiration of time restrictions			
	<u>11,440,739</u>	<u></u>	<u>11,440,739</u>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>			
 <b>EXPENSES</b>			
Program services:			
Head Start	5,445,304		5,445,304
Community service block grant	237,232		237,232
Birth to Three	860,851		860,851
Weatherization	373,351		373,351
Earned Income Tax Credit	76,982		76,982
Child Care	3,516,608		3,516,608
Medicaid waiver	68,522		68,522
Prep	51,847		51,847
Other Programs	49,747		49,747
Supporting services: Management and general	354,866		354,866
	<u>11,035,310</u>	<u></u>	<u>11,035,310</u>
<b>TOTAL EXPENSES</b>			
 <b>CHANGE IN NET ASSETS</b>	 405,429		 405,429
<b>NET ASSETS AT BEGINNING OF YEAR - RESTATED</b>	<u>2,893,470</u>	<u></u>	<u>2,893,470</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 3,298,899</u>	<u>\$</u>	<u>\$ 3,298,899</u>

The accompanying notes are an integral part of this financial statement.

**MOUNTAINHEART COMMUNITY SERVICES, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Program Services**

	Head Start	Community Service Block Grant	Birth- to-Three	Weatherization	Earned Income Tax Credit
Personnel costs	\$ 2,022,220	\$ 145,239	\$ 596,423	\$ 166,216	\$ 28,869
Donated services	2,704,025				
Consultants/contractual	34,038	22,431	117,092	33,601	8,232
Travel	52,491	741	64,508	1,173	3,921
Space costs/rent	30,634		31,008	18,000	7,222
Telephone and utilities	83,052	5,577	13,304	11,560	3,000
Materials and consumable supplies	118,905	22,101	18,003	104,829	11,559
Equipment lease and maintenance	124,441	22,167	4,509	27,794	627
Depreciation	60,143	6,376		2,957	
Program costs	5,040				
Conferences and training	51,835	1,555	7,887	1,134	1,987
Food	120,759				
Insurance	35,462	6,429	6,609	6,050	54
Other costs	2,168	4,572	147	37	10,684
Advertising/Printing	91	44	1,361		827
Interest					
	<u>\$ 5,445,304</u>	<u>\$ 237,232</u>	<u>\$ 860,851</u>	<u>\$ 373,351</u>	<u>\$ 76,982</u>

**MOUNTAINHEART COMMUNITY SERVICES, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Program Services</u>				<u>Supporting Services</u>	<u>TOTAL</u>
	<u>Child Care</u>	<u>Medicaid Waiver</u>	<u>Prep</u>	<u>Other Programs</u>	<u>Management and General</u>	
Personnel costs	\$ 2,529,526	\$ 48,807	\$ 13,730	\$ 23,172	\$ 70,536	\$ 5,644,738
Donated services						2,704,025
Consultants/contractual	134,298	447	27,501	8,548	96,697	482,885
Travel	21,167	4,231	2,234	3,868	4,002	158,336
Space costs/rent	223,757	606			306	311,533
Telephone and utilities	74,681	11,042	386		12,459	215,061
Materials and consumable supplies	113,095	804	7,450	13,487	61,645	471,878
Equipment lease and maintenance	166,653	727	78	1	32,820	379,817
Depreciation	8,835				42,020	120,331
Program costs	173,400					178,440
Conferences and training	43,556	70	437	329	557	109,347
Food						120,759
Insurance	23,178	727	27		13,082	91,618
Other costs	365	1,061	4	342	1,766	21,146
Advertising/Printing	4,097				765	7,185
Interest					18,211	18,211
	<u>\$ 3,516,608</u>	<u>\$ 68,522</u>	<u>\$ 51,847</u>	<u>\$ 49,747</u>	<u>\$ 354,866</u>	<u>\$ 11,035,310</u>

The accompanying notes are an integral part of this financial statement.



**MOUNTAINHEART COMMUNITY SERVICES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 405,429
Adjustments to reconcile change in net assets to net provided by in operating activities:	
Depreciation	120,331
(Increase) decrease in operating assets:	
Accounts and grants receivable	(158,694)
Inventory	(17,018)
Prepaid expenses	16,696
Increase (decrease) in operating liabilities:	
Accounts payable	186,367
Accrued liabilities	41,536
	<u>594,647</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(384,120)
Increase of certificate of deposit	(13,477)
	<u>(397,597)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on long-term debt	(12,327)
Principal payments on short-term debt	(94,000)
	<u>(106,327)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	90,723
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>704,447</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 795,170</u></u>
 <b>SUPPLEMENTAL DISCLOSURE:</b>	
Amount paid for interest	<u><u>\$ 18,211</u></u>

The accompanying notes are an integral part of this financial statement.

**MOUNTAINHEART COMMUNITY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Principles**

**Nature of Activities**

Mountain Heart Community Services, Inc. (formerly known as Wyoming County Opportunity Council, Inc.) is a non-profit community action agency which provides services to low income individuals, families and the elderly in Wyoming County, West Virginia. The Agency's headquarters is located in Oceana, West Virginia. Mountain Heart Community Services, Inc. also operates a number of Head Start Centers throughout Wyoming County. In addition, MountainHeart Community Services, Inc. has contracted with the West Virginia Department of Health and Human Resources to provide a resource and referral service to parents who need child care, technical assistance to providers of child care and brokering of state assisted payments to child care providers for Region V and VI of the State of West Virginia. The Organization is funded primarily through grants and other agreements with the federal and state government.

**Basis of Accounting**

The financial statements of Mountain Heart Community Services, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. 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.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. In addition, all property and equipment purchased with grant monies must be used and disposed of in accordance with the grantor agency's policies. Maintenance and repairs are expensed as incurred.

**Materials and Supplies Inventory**

Materials and supplies inventory are recorded at the lower of cost or estimated fair market value on a first-in first-out basis.

**MOUNTAIN HEART COMMUNITY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 1. Summary of Significant Accounting Principles (Continued)**

**Donated Facilities**

The Organization has been donated either land and/or the buildings for several of their Head Start sites. The lease payments for the use of these facilities is often below market value; thus the Organization recognized this difference as inkind donations.

**Donated Materials**

Donations for materials and supplies are valued at their estimated fair market value as determined by the donor and the Organization and recorded as inkind contributions and related expenses.

**Cost Allocation**

The Organization has adopted a cost allocation plan whereby each program is charged its fair share of the general administration costs of the Agency as a direct charge. Salaries, wages and fringe benefits are allocated to the programs based on a time study performed by the Agency. Supplies, postage, printing, utilities, telephone, insurance, travel, contractual, building maintenance, equipment and vehicle expenses are allocated to the programs based on square footage of building space used by the programs.

**Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 released from restriction. Federal grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

**Income Taxes**

Mountain Heart Community Services, Inc. is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, are generally subject to examination by the Internal Revenue Service for three years after they are filed

**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.

**MOUNTAIN HEART COMMUNITY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 2. Property and Equipment**

Property and equipment consisted of the following at December 31, 2013:

Land	\$ 210,100
Buildings and improvements	2,393,052
Vehicles	1,252,424
Equipment, furniture and fixtures	581,710
	-----
	4,437,286
Accumulated depreciation	2,169,719
	-----
Net property and equipment	\$ 2,267,567
	=====

**Note 3. Restrictions on Net Assets**

There are no restricted net assets at December 31, 2013.

**Note 4. Revolving Line of Credit**

The Organization has a \$ 100,000 revolving line of credit, of which \$ -0- was drawn down and outstanding as of December 31, 2013. Bank advances on the credit line are payable upon demand and carry an interest rate of prime. The credit line is unsecured.

**Note 5. Long-Term Debt**

Long-term debt at December 31, 2013 consisted of the following:

United Bank, 3.15% note due December, 2030, monthly payments of principal and interest of \$ 1,693.39, secured by real estate.	\$ 264,296
USDA, 3.375% note due June, 2035, monthly payments of principal and interest of \$ 1,018.00, secured by real estate.	192,075
	-----
Total	456,371
Less current portion	17,993
	-----
Non-current portion	\$ 438,378
	=====

**MOUNTAIN HEART COMMUNITY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 5. Long-Term Debt (Continued)**

The following schedule represents the maturities as of December 31, 2013

Year ended December 31, 2014	\$ 17,993
2015	18,582
2016	19,189
2017	19,817
2018	20,465
Thereafter	342,332
	-----
Total	\$ 438,378
	=====

**Note 6. Operating Leases**

The Organization leases certain buildings under long-term leases for its Head Start classrooms and Day Care office space. These leases are operating leases, ranging from five to fifteen years with renewal options at the end of the lease terms.

The following is a schedule by years of future minimum rental payments required under the operating leases as of December 31, 2013:

Year Ending December 31	Amount
-----	-----
2014	\$ 164,156
2015	124,135
2016	116,935
2017	109,735
2018	107,935
	-----
Total	\$ 622,896
	=====

The rental expense amounted to approximately \$ 311,533 for the fiscal year ended December 31, 2013, which is reflected in the space costs line item of the statement of functional expenses within the various program services based of the respective program's use.

**Note 7. Donated Services**

The value of donated services included in the financial statements and the corresponding expenses for the year ended December 31, 2013, is as follows:

Volunteer labor	\$ 2,703,007
Other	1,018
	-----
Total donated services	\$ 2,704,025
	=====

All of these donated services were used under the Head Start program.

**MOUNTAIN HEART COMMUNITY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 8. Profit-Sharing**

The Organization has a profit-sharing plan that covers all employees not covered by a collective bargaining agreement with a least one year of service who have attained the age of twenty-one years at the plan's anniversary date. Contributions to the Plan are at the discretion of the Board of Directors. During the year ended December 31, 2013, contributions to the Plan charged to operations were \$ 419,680.

**Note 9. Subsequent Events**

Management has evaluated subsequent events through September 24, 2014, the date which the financial statements were available to be issued.

**MOUNTAINHEART COMMUNITY SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2013**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Resources:</b>		
Head Start	93.600	\$ 2,587,649
Pass-through from Governor's Office of Community and Industrial Development		
Community Service Block Grant	93.569	230,735
Low Income Energy Assistance Program	93.568	173,217
Pass-through WVDHHR Bureau for Children & Families		
Child-Care & Development Block Grant	93.575	1,695,625
Child-Care & Development Mandatory and Matching Funds	93.596	1,287,620
Earned Income Tax Credit	93.558	73,000
Personal Responsibility Education Program	93.092	51,504
<b>U.S. Department of Energy:</b>		
Pass-through from Governor's Office of Community and Industrial Development		
Weatherization	81.042	206,621
<b>U.S. Department of Agriculture:</b>		
Pass-through West Virginia Department of Education		
Child and Adult Care Food Program	10.558	<u>64,016</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 6,369,987</u></u>

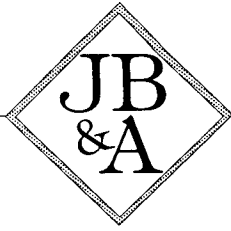
**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards included the federal grant activity of MountainHeart Community Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The accompanying independent auditors' report and notes are an integral part of this financial statement.

**SUPPLEMENTAL INFORMATION**





# JOHN BURDETTE & ASSOCIATES

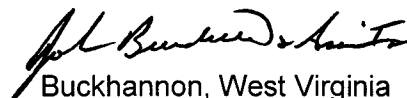
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors  
MountainHeart Community Services, Inc.  
Oceana, West Virginia

Our report on our audit of the basic financial statements of the MountainHeart Community Services, Inc. for the year ended December 31, 2013 appears on pages 1 and 2. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of Budget vs. Actual – CSBG and Schedule of Expenditures of State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Buckhannon, West Virginia  
September 24, 2014

**MOUNTAINHEART COMMUNITY SERVICES, INC.  
SCHEDULE OF BUDGET VS. ACTUAL - CSBG  
FOR THE YEAR ENDED DECEMBER 31, 2013**

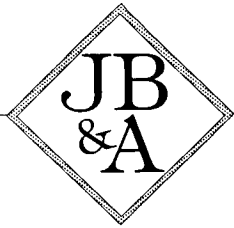
Budget Line Item	<u>Budget</u>	<u>Actual</u>	<b>Variance (Over) Under</b>
Salaries & Wages	\$ 110,137	\$ 104,703	\$ 5,434
Fringe Benefits	21,882	21,105	777
Contractual	16,425	21,943	(5,518)
Travel	4,000	2,498	1,502
Supplies/Materials	21,815	20,047	1,768
Other Costs	29,990	33,953	(3,963)
	<u>\$ 204,249</u>	<u>204,249</u>	<u>\$</u>
 Reconciliation to Statement of Functional Expenses			
Add: Depreciation		6,376	
2012 Carry over		26,486	
Accrued Expenses/Other		<u>121</u>	
Total		<u>\$ 237,232</u>	

The accompanying independent auditors' report on supplemental information and notes are integral parts of this schedule.

**MOUNTAINHEART COMMUNITY SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Grantor Name/ Program Title</u>	<u>Grant Number</u>	<u>Total Amount</u>	<u>Recognized Prior Year</u>	<u>Receipts 1/1/2013 - 12/31/2013</u>	<u>Expenditures 1/1/2013 - 12/31/2013</u>	<u>Grant Remaining 12/31/2013</u>
<b>WV DHHR - Maternal, Child &amp; Family Health</b>						
Birth To Three - Reg. V 7/1/13 - 6/30/14	G140411	\$ 130,000	\$	\$ 64,996	\$ 64,996	\$ 65,004
Birth To Three - Reg. VI 7/1/13 - 6/30/14	G140412	130,000		64,996	64,996	65,004
Birth To Three - Reg. VII 7/1/13 - 6/30/14	G140417	142,000		71,002	71,002	70,998
Birth To Three - Reg. V 7/1/12 - 6/30/13	G130195	130,000	65,000	65,000	65,000	
Birth To Three - Reg. VI 7/1/12 - 6/30/13	G130196	130,000	65,000	65,000	65,000	
Birth To Three - Reg. VII 7/1/12 - 6/30/13	G130197	142,000	71,000	71,000	71,000	
<b>WV DHHR - Bureau For Children &amp; Families</b>						
Childcare - Reg. V 7/1/13 - 6/30/14	G140084	263,606		263,606	263,606	
Childcare - Reg. VI 7/1/13 - 6/30/14	G140085	<u>293,202</u>		<u>293,202</u>	<u>293,202</u>	
<b>Total</b>		<u>\$ 1,360,808</u>	<u>\$ 201,000</u>	<u>\$ 958,802</u>	<u>\$ 958,802</u>	<u>\$ 201,006</u>

The accompanying independent auditors' report on supplemental information and notes  
are an integral part of this schedule.



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of  
MountainHeart Community Services, Inc.  
Oceana, 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 MountainHeart Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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 September 24, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MountainHeart Community Services, 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 MountainHeart Community Services, Inc.'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.

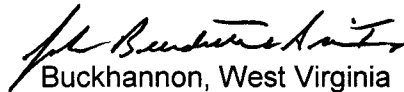
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

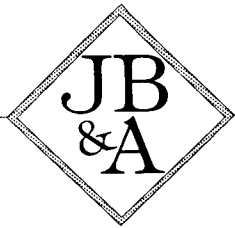
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MountainHeart Community Services, 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*.

**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.

  
Buckhannon, West Virginia  
September 24, 2014



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors  
MountainHeart Community Services, Inc.  
Oceana, West Virginia

### Report on Compliance for Each Major Federal Program

We have audited MountainHeart Community Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MountainHeart Community Services, Inc.'s major federal programs for the year ended December 31, 2013. MountainHeart Community Services, Inc.'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 MountainHeart Community Services, Inc.'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MountainHeart Community Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In our opinion, MountainHeart Community Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

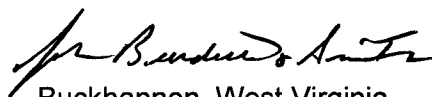
### Report on Internal Control Over Compliance

Management of MountainHeart Community Services, Inc. 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 MountainHeart Community Services, Inc.'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MountainHeart Community Services, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose



Buckhannon, West Virginia  
September 24, 2014

**MOUNTAINHEART COMMUNITY SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**SECTION I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued		Unmodified
Material weakness identified?	___ yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	___ yes	<u>X</u> none reported
Noncompliance material to financial statements noted?	___ yes	<u>X</u> no

**Federal Awards**

Internal control over major programs?		
Material weakness identified?	___ yes	<u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	___ yes	<u>X</u> 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	<u>X</u> no

Identification of major programs

CFDA Number	Name of Federal Program Cluster
93.600	Head Start
93.575, 93.596	Child-Care for Families at Risk of Welfare Dependency

Dollar threshold used to distinguish between type A and type B programs:		<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	___ yes	<u>X</u> no

**SECTION II - Financial Statements Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None