

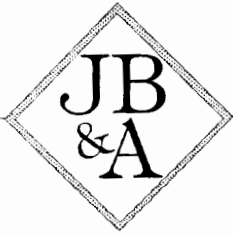
MOUNTAINHEART COMMUNITY SERVICES, INC.

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

DECEMBER 31, 2015

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
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
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	13
Schedule of Budget vs. Actual - CSBG	14
Schedule of Expenditures of State Awards	15
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	16-17
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	18-19
Schedule of Findings and Questioned Costs	20



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, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

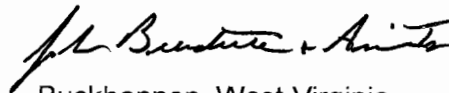
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MountainHeart Community Services, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles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

Other 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and schedule of expenditures of state awards and schedule of budget vs. actual – CSBG are presented for purposes of additional analysis and are 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 22, 2016, 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 22, 2016

MOUNTAINHEART COMMUNITY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Cash and cash equivalents	\$ 652,497
Certificate of deposit	1,081,365
Accounts receivable	149,627
Grants receivable	134,720
Inventory	25,858
Prepaid expenses	23,877
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Total Current Assets	2,067,944
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Property and Equipment	2,418,755
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TOTAL ASSETS	\$ 4,486,699
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt	\$ 28,691
Accounts payable	244,141
Accrued liabilities	367,823
	<hr/>
Total Current Liabilities	640,655
	<hr/>

LONG-TERM DEBT

Long-Term Debt	636,464
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NET ASSETS

Unrestricted	3,209,580
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TOTAL NET ASSETS

3,209,580

TOTAL LIABILITIES AND NET ASSETS

\$ 4,486,699

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

MOUNTAINHEART COMMUNITY SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Donated materials, facilities and services	\$ 2,095,899	\$	\$ 2,095,899
Federal financial assistance	6,396,478		6,396,478
State Grants	939,326		939,326
Interest income	4,401		4,401
Program income	1,168,221		1,168,221
Other income	317,371		317,371
Net assets released from restrictions: Restrictions satisfied by payments Expiration of time restrictions			
TOTAL REVENUE AND OTHER SUPPORT	10,921,696		10,921,696
EXPENSES			
Program services:			
Head Start	5,188,496		5,188,496
Community service block grant	202,268		202,268
Birth to Three	911,499		911,499
Weatherization	245,349		245,349
Earned Income Tax Credit	79,161		79,161
Child Care	3,530,659		3,530,659
Medicaid waiver	81,642		81,642
Prep	24,359		24,359
Other Programs	53,123		53,123
Supporting services: Management and general	518,460		518,460
TOTAL EXPENSES	10,835,016		10,835,016
CHANGE IN NET ASSETS	86,680		86,680
NET ASSETS AT BEGINNING OF YEAR - RESTATED	3,122,900		3,122,900
NET ASSETS AT END OF YEAR	\$ 3,209,580	\$	\$ 3,209,580

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, 2015**

Program Services					
	Head Start	Community Service Block Grant	Birth- to-Three	Weatherization	Earned Income Tax Credit
Personnel costs	\$ 2,308,774	\$ 125,862	\$ 626,062	\$ 105,465	\$ 29,634
Donated services	2,095,899				
Consultants/contractual	66,029	20,239	108,985	29,801	11,052
Travel	51,764	3,156	62,501	250	4,646
Space costs/rent	26,350		47,445	7,300	1,992
Telephone and utilities	87,152	5,525	12,397	4,059	2,283
Materials and consumable supplies	107,495	3,680	27,945	74,492	15,992
Equipment lease and maintenance	111,318	6,595	6,450	18,331	1,435
Depreciation	71,606	7,168		1,015	
Program costs	4,560				
Conferences and training	52,877	19,137	10,387	2,792	1,281
Food	166,359				
Insurance	32,532	5,788	5,750	1,333	56
Other costs	3,619	4,761	51	391	8,357
Advertising/Printing	2,162	357	3,526	120	2,433
Interest					
	\$ 5,188,496	\$ 202,268	\$ 911,499	\$ 245,349	\$ 79,161

MOUNTAINHEART COMMUNITY SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 2,499,404	\$ 69,708	\$ 6,687	\$ 11,308	\$ 119,421	\$ 5,902,325
Donated services						2,095,899
Consultants/contractual	213,826	1,837	14,347	33,982	94,326	594,424
Travel	22,652	4,004	785	3,186	8,729	161,673
Space costs/rent	202,449	1,212			612	287,360
Telephone and utilities	58,649	2,697	459	978	25,428	199,627
Materials and consumable supplies	159,405	475	1,312	729	87,855	479,380
Equipment lease and maintenance	81,230	792	168	500	24,832	251,651
Depreciation	13,625				110,306	203,720
Program costs	153,199					157,759
Conferences and training	94,292	100	539	1,394	8,465	191,264
Food					405	166,764
Insurance	20,458	640	28		11,213	77,798
Other costs	3,346	146	3	336	3,543	24,553
Advertising/Printing	8,124	31	31	710	2,320	19,814
Interest					21,005	21,005
	<u>\$ 3,530,659</u>	<u>\$ 81,642</u>	<u>\$ 24,359</u>	<u>\$ 53,123</u>	<u>\$ 518,460</u>	<u>\$ 10,835,016</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, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 86,680
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	203,720
Loss on sale of assets	4,353
(Increase) decrease in operating assets:	
Accounts and grants receivable	386,642
Inventory	13,322
Prepaid expenses	(1,533)
Increase (decrease) in operating liabilities:	
Accounts payable	(38,191)
Accrued liabilities	(258,373)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>396,620</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of assets	5,850
Purchases of property and equipment	(161,224)
Increase of certificate of deposit	(4,051)
NET CASH USED IN INVESTING ACTIVITIES	<u>(159,425)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	(20,855)
NET CASH USED IN FINANCING ACTIVITIES	<u>(20,855)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	216,340
CASH AND CASH EQUIVALENTS, beginning of year	<u>436,157</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 652,497</u></u>
 SUPPLEMENTAL DISCLOSURE:	
Amount paid for interest	<u><u>\$ 21,005</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, 2015:

Land		\$ 239,080
Buildings and improvements		2,704,103
Vehicles		1,307,403
Equipment, furniture and fixtures		597,883

		4,848,469
Accumulated depreciation		2,429,714

Net property and equipment		\$ 2,418,755
		=====

Note 3. Restrictions on Net Assets

There are no restricted net assets at December 31, 2015.

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, 2015. 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, 2015 consisted of the following:

United Bank, 2.00% note due October, 2030, monthly payments of principal and interest of \$ 1,693.39, secured by real estate.		\$ 238,085
USDA, 3.375% note due June, 2035, monthly payments of principal and interest of \$ 1,018.00, secured by real estate.		186,582
First Century, 3.25% note due May, 2039, monthly payments of principal and interest of \$ 1,224.12, secured by real estate.		240,488

Total		665,155
Less current portion		28,691

Non-current portion		\$ 636,464
		=====

**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, 2015

Year ended December 31, 2016		\$ 28,691
2017		29,444
2018		30,218
2019		31,014
2020		31,832
Thereafter		513,956

Total		\$ 665,155
		=====

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, 2015:

Year Ending December 31		Amount

2016		\$ 158,335
2017		112,759
2018		78,559
2019		62,359
2020		62,359

Total		\$ 474,371
		=====

The rental expense amounted to approximately \$ 287,360 for the fiscal year ended December 31, 2015, 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, 2015, is as follows:

Volunteer labor		\$ 2,095,218
Other		681

Total donated services		\$ 2,095,899
		=====

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 Plan is a defined contribution profit sharing plan covering all employees of the Company. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The board of trustees oversee governance of the plan.

Each year the employer may, in its sole discretion, contribute up to 15% of pretax annual compensation, as defined in the Plan. The employer contributed 10% of annual compensation in 2015. The Plan does not allow contributions from participants. During the year ended December 31, 2015 contributions to the Plan charged to operations were \$ 435,726.

Note 9. Subsequent Events

Management has evaluated subsequent events through September 22, 2016, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**MOUNTAINHEART COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Resources:			
Head Start	93.600		\$ 2,763,463
Pass-through from West Virginia Office of Economic Opportunity			
Community Service Block Grant	93.569	15CSBG-F10	246,600
Low Income Energy Assistance Program	93.568	G150625	112,072
Pass-through WVDHHR Bureau for Children & Families			
Child-Care & Development Block Grant	93.575	G150008	982,252
Child-Care & Development Block Grant	93.575	G150009	1,080,258
Child-Care & Development Mandatory and Matching Funds	93.596	G160004	455,613
Child-Care & Development Mandatory and Matching Funds	93.596	G160005	500,610
Earned Income Tax Credit	93.558	G160572	17,000
Earned Income Tax Credit	93.558	G160571	19,500
Earned Income Tax Credit	93.558	G150496	29,250
Earned Income Tax Credit	93.558	G150497	25,500
Personal Responsibility Education Program	93.092	G150428	21,333
U.S. Department of Energy:			
Pass-through from West Virginia Office of Economic Opportunity			
Weatherization	81.042	DOEWX1508	54,038
Weatherization	81.042	DOEWX1408	55,971
U.S. Department of Agriculture:			
Pass-through West Virginia Department of Education			
Child and Adult Care Food Program	10.558	CCC2015	<u>33,018</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,396,478</u>

BASIS OF PRESENTATION

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

**MOUNTAINHEART COMMUNITY SERVICES, INC.
 SCHEDULE OF BUDGET VS. ACTUAL - CSBG
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Over) Under</u>
Budget Line Item			
Salaries & Wages	\$ 93,444	\$ 85,349	\$ 8,095
Fringe Benefits	18,826	18,361	465
Contractual	32,000	33,232	(1,232)
Equipment	28,272	29,022	(750)
Travel	15,750	21,402	(5,652)
Supplies/Materials	3,754	2,800	954
Other Costs	17,356	19,236	(1,880)
	<u>\$ 209,402</u>	<u>209,402</u>	<u>\$</u>
 Reconciliation to Statement of Functional Expenses			
Add: Depreciation		7,168	
Accrued Expenses/Other		<u>(14,302)</u>	
Total		<u>\$ 202,268</u>	

The accompanying independent auditor's report and notes are integral parts of this schedule.

**MOUNTAINHEART COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Grantor Name/ Program Title</u>	<u>Grant Number</u>	<u>Total Amount</u>	<u>Recognized Prior Year</u>	<u>Receipts 1/1/2015 - 12/31/2015</u>	<u>Expenditures 1/1/2015 - 12/31/2015</u>	<u>Grant Remaining 12/31/2015</u>
WV DHHR - Maternal, Child & Family Health						
Birth To Three - Reg. V 7/1/15 - 6/30/16	G160317	\$ 130,000	\$	\$ 54,600	\$ 54,600	\$ 75,400
Birth To Three - Reg. VI 7/1/15 - 6/30/16	G160318	130,000		54,600	54,600	75,400
Birth To Three - Reg. VII 7/1/15 - 6/30/16	G160319	142,000		59,640	59,640	82,360
Birth To Three - Reg. V 7/1/14 - 6/30/15	G150336	130,000	54,597	75,403	75,403	
Birth To Three - Reg. VI 7/1/14 - 6/30/15	G150337	130,000	54,601	75,399	75,399	
Birth To Three - Reg. VII 7/1/14 - 6/30/15	G150338	142,000	59,637	82,363	82,363	
WV DHHR - Bureau For Children & Families						
Childcare - Reg. V 7/1/15 - 6/30/16	G160004	255,675		255,675	255,675	
Childcare - Reg. VI 7/1/15 - 6/30/16	G160005	<u>281,646</u>		<u>281,646</u>	<u>281,646</u>	
Total		<u>\$ 1,341,321</u>	<u>\$ 168,835</u>	<u>\$ 939,326</u>	<u>\$ 939,326</u>	<u>\$ 233,160</u>

The accompanying independent auditor's report and notes are an integral part of this schedule.

JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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



INDEPENDENT AUDITOR'S 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, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2016.

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.

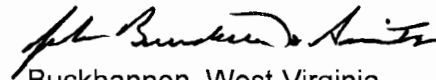
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

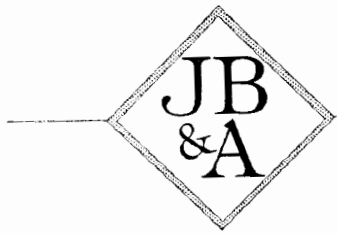
As part of obtaining reasonable assurance about whether MountainHeart Community Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 22, 2016



JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
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 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Buckhannon, West Virginia
September 22, 2016

**MOUNTAINHEART COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's 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 auditor's report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	___ yes	<u>X</u> no

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program Cluster</u>
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>\$ 750,000</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