

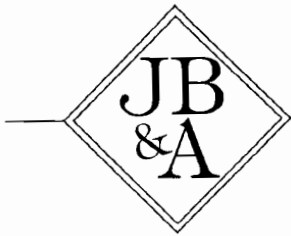
MOUNTAINHEART COMMUNITY SERVICES, INC.

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

DECEMBER 31, 2020

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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, 2020, 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

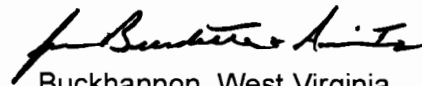
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MountainHeart Community Services, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles 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 28, 2021, 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 28, 2021

**MOUNTAINHEART COMMUNITY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

Cash and cash equivalents	\$ 434,212
Certificate of deposit	1,125,057
Accounts receivable	112,085
Grants receivable	1,478,319
Inventory	35,638
Prepaid expenses	<u>43,091</u>
 Total Current Assets	 <u>3,228,402</u>
 Property and Equipment	 <u>2,793,957</u>
 TOTAL ASSETS	 <u><u>\$ 6,022,359</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt	\$ 29,299
Accounts payable	459,381
Accrued liabilities	<u>861,985</u>
 Total Current Liabilities	 <u>1,350,665</u>

LONG-TERM DEBT

Long-Term Debt	<u>485,703</u>
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NET ASSETS

Without donor restrictions	<u>4,185,991</u>
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TOTAL NET ASSETS	<u>4,185,991</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,022,359</u></u>
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The accompanying notes are an integral part of this financial statement.

MOUNTAINHEART COMMUNITY SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Donated materials, facilities and services	\$ 1,768,891	\$	\$ 1,768,891
Federal financial assistance	11,297,080		11,297,080
State Grants	979,539		979,539
Interest income	14,109		14,109
Program income	1,002,416		1,002,416
Other income	140,913		140,913
Net assets released from restrictions: Restrictions satisfied by payments Expiration of time restrictions			
TOTAL REVENUE AND OTHER SUPPORT	<u>15,202,948</u>		<u>15,202,948</u>
EXPENSES			
Program services:			
Head Start	6,408,976		6,408,976
Community service block grant	322,272		322,272
Birth to Three	987,046		987,046
Weatherization	417,344		417,344
Earned Income Tax Credit	82,865		82,865
Child Care	5,761,951		5,761,951
Medicaid waiver	99,818		99,818
PREP	22,356		22,356
No Heat Emergency Program	540,207		540,207
Parents as Teachers	206,393		206,393
Supporting services: Management and general	<u>349,701</u>		<u>349,701</u>
TOTAL EXPENSES	<u>15,198,929</u>		<u>15,198,929</u>
CHANGE IN NET ASSETS	4,019		4,019
NET ASSETS AT BEGINNING OF YEAR	<u>4,181,972</u>		<u>4,181,972</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,185,991</u>	<u>\$</u>	<u>\$ 4,185,991</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, 2020**

Program Services

	<u>Head Start</u>	<u>Community Service Block Grant</u>	<u>Birth- to-Three</u>	<u>Weatherization</u>	<u>Earned Income Tax Credit</u>
Personnel costs	\$ 3,009,068	\$ 205,912	\$ 705,376	\$ 240,225	\$ 44,342
Donated services	1,768,891				
Consultants/contractual	121,795	11,169	125,114	10,066	6,992
Travel	13,656	913	16,730	(942)	2,634
Space costs/rent	43,714	50	50,444	8,427	1,999
Telephone and utilities	101,924	19,610	15,173	3,746	899
Materials and consumable supplies	707,082	31,633	52,875	88,052	24,866
Equipment lease and maintenance	242,144	2,847	5,437	19,794	363
Depreciation	180,401	10,786	1,153	27,374	
Program costs	9,024	6,090			
Conferences and training	57,672	16,797	5,374	15,457	38
Food	74,262	4,888	208		
Insurance	36,054	4,766	7,184	4,644	185
Other costs	38,752	6,450	686	501	547
Advertising/Printing	4,537	361	1,292		
Interest					
	<u>\$ 6,408,976</u>	<u>\$ 322,272</u>	<u>\$ 987,046</u>	<u>\$ 417,344</u>	<u>\$ 82,865</u>

MOUNTAINHEART COMMUNITY SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Program Services</u>					<u>Supporting Services</u>	
<u>Child Care</u>	<u>Medicaid Waiver</u>	<u>PREP</u>	<u>No Heat Emergency Program</u>	<u>Parents As Teachers</u>	<u>Management and General</u>	<u>TOTAL</u>
\$4,160,443	\$ 11,333	\$ 19,200	\$ 49,853	\$ 188,227	\$ 107,955	\$ 8,741,934
114,373	85,660	731	354,957	(306)	35,592	1,768,891
1,929	778	266	1,729	2,422	158	866,143
318,707	1,215	3	4	25	464	40,273
101,936	149	139	278	6,489	34,829	425,052
312,869	293	1,596	126,892	3,231	37,176	285,172
90,670	222	55	6,355	2,057	22,983	1,386,565
149,716					73,621	392,927
372,923						443,051
64,342	25	95	41	392	407	388,037
35,366	115	84	51	738	14,340	160,640
20,532	28	187	47	3,118	906	79,358
18,145					1,192	103,527
					20,078	25,527
						20,078
<u>\$5,761,951</u>	<u>\$ 99,818</u>	<u>\$ 22,356</u>	<u>\$540,207</u>	<u>\$ 206,393</u>	<u>\$ 349,701</u>	<u>\$ 15,198,929</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 4,019
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	443,051
(Increase) decrease in operating assets:	
Accounts and grants receivable	(309,304)
Inventory	(5,993)
Prepaid expenses	207
Increase (decrease) in operating liabilities:	
Accounts payable	231,211
Accrued liabilities	4,636
	367,827
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(416,780)
Increase of certificate of deposit	(13,095)
	(429,875)
NET CASH USED IN INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	(31,063)
Principal payments on short-term borrowing	(50,000)
	(81,063)
NET CASH USED IN FINANCING ACTIVITIES	
NET DECREASE IN CASH AND CASH EQUIVALENTS	
	(143,111)
CASH AND CASH EQUIVALENTS, beginning of year	
	577,323
CASH AND CASH EQUIVALENTS, end of year	
	\$ 434,212
 SUPPLEMENTAL DISCLOSURE:	
Amount paid for interest	\$ 20,078

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

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Without donor restrictions – Consists of net assets available to support operations and not subject to donor restrictions.

With donor restrictions – Consists of net assets that are subject to donor-imposed restrictions. Some restrictions may be temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

Support that is restricted by the donor is reported as an increase in without donor restrictions 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 with donor restrictions 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), with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the Statement of Activities as net assets released from restrictions. Grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

Gifts of land, buildings, and equipment are presented as without restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions support.

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

Note 1. Summary of Significant Accounting Principles (Continued)

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.

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 in-kind 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 in-kind 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.

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, 2020:

Land		\$ 239,080
Buildings and improvements		2,704,291
Vehicles		2,920,601
Equipment, furniture and fixtures		715,492

		6,579,464
Accumulated depreciation		3,785,507

Net property and equipment		\$ 2,793,957
		=====

Note 3. Restrictions on Net Assets

There are no restricted net assets at December 31, 2020.

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, 2020. 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, 2020 consisted of the following:

United Bank, 3.251% note due October, 2030, monthly payments of principal and interest of \$ 1,574.52, secured by real estate.		\$ 159,678
USDA, 3.375% note due June, 2035, monthly payments of principal and interest of \$ 1,018.00, secured by real estate.		152,036
First Century, 3.25% note due May, 2039, monthly payments of principal and interest of \$ 1,224.12, secured by real estate.		203,288

Total		515,002
Less current portion		29,299

Non-current portion		\$ 485,703
		=====

**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, 2020:

Year ended December 31, 2021	\$ 29,299
2022	30,275
2023	31,203
2024	32,325
2025	33,402
Thereafter	358,498
Total	\$ 515,002

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, 2020:

Year Ending December 31	Amount
2021	\$ 186,691
2022	134,359
2023	113,559
2024	48,559
2025	48,559
Total	\$ 531,727

The rental expense amounted to approximately \$ 425,052 for the fiscal year ended December 31, 2020, 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, 2020, is as follows:

Volunteer labor - Teachers	\$ 1,768,891
	=====

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 2020. During the year ended December 31, 2020 contributions to the Plan charged to operations were \$ 651,307. Eligible employees are permitted to make a maximum elective deferral contribution of 100% of their compensation.

Note 9. Schedule of Expenditures of Federal Awards

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, 2020. 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. MountainHeart Community Services, Inc. elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 10. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 434,212
Certificate of deposits	1,125,057
Grants and accounts receivable	1,590,404

Total	\$ 3,149,673
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Note 11. Subsequent Events

Management has evaluated subsequent events through September 28, 2021, 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, 2020

<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		\$ 4,570,491
Pass-through West Virginia Development Office			
Community Services Block Grant	93.569	20CSBG-F10	182,170
COVID-19 Community Services Block Grant	93.569	CSBG-CVF10	71,476
Community Services Block Grant	93.569	19CSBG-F10	49,296
Community Services Block Grant	93.569	20CSBG-DT10	8,425
Total CSBG			<u>311,367</u>
Low Income Energy Assistance Program	93.568	20NHEP-F10	550,000
Low Income Energy Assistance Program	93.568	DHHRWX1908	74,018
Low Income Energy Assistance Program	93.568	DHHRWX2107	152,951
Total LIEAP			<u>776,969</u>
Pass-through WV Department of Health & Human Resources			
Child-Care & Development Block Grant	93.575	G200033	389,303
Child-Care & Development Block Grant	93.575	G210029	1,443,468
Child-Care & Development Block Grant	93.575	G200032	462,721
Child-Care & Development Block Grant	93.575	G210030	1,477,459
Child-Care & Development Mandatory and Matching Funds	93.596	G200032	667,018
Child-Care & Development Mandatory and Matching Funds	93.596	G200033	652,897
Total Child Care & Development Block Grant Cluster			<u>5,092,866</u>
Earned Income Tax Credit	93.558	G200600	25,500
Earned Income Tax Credit	93.558	G200601	29,250
Earned Income Tax Credit	93.558	G210541	8,500
Earned Income Tax Credit	93.558	G210542	9,750
Total EITC			<u>73,000</u>
Personal Responsibility Education Program	93.092	G200721	22,662
Personal Responsibility Education Program	93.092	G210552	6,460
Total PREP			<u>29,122</u>
Parents As Teachers	93.870	G210484	53,446
Parents As Teachers	93.870	G200288	220,000
Total PAT			<u>273,446</u>
Total U. S Department of Health and Human Resources			<u>11,127,261</u>
U.S. Department of Energy:			
Pass-through West Virginia Development Office			
Weatherization	81.042	DOEWX1907	107,593
Weatherization	81.042	DOEWX2007	33,975
Total Weatherization			<u>141,568</u>
U.S. Department of Agriculture:			
Pass-through West Virginia Department of Education			
Child and Adult Care Food Program	10.558	CCC2020	28,251
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 11,297,080</u></u>

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

**MOUNTAINHEART COMMUNITY SERVICES, INC.
SCHEDULE OF BUDGET VS. ACTUAL - CSBG
FOR THE YEAR ENDED DECEMBER 31, 2020**

Budget Line Item	<u>Budget</u>	<u>Actual</u>	<u>Variance (Over) Under</u>
Salaries & Wages	\$ 110,166	\$ 109,892	\$ 274
Fringe Benefits	38,276	38,055	221
Contractual	11,623	11,623	
Travel	2,702	2,703	(1)
Supplies/Materials	38,259	38,661	(402)
Other Costs	17,490	17,582	(92)
Equipment	9260	9260	0
	<u>\$ 227,776</u>	<u>227,776</u>	<u>\$</u>

Reconciliation to Statement of
Functional Expenses

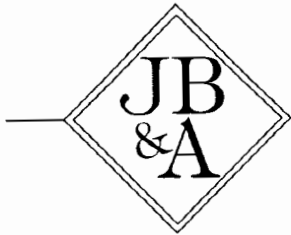
Add: CSBG CARES ACT CSBG-CVF10	71,476
Discretionary Grant 19CSBG - DT10	8,425
Depreciation	10,786
Accrued Expenses/Other	3,809
Total	<u>\$ 322,272</u>

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, 2020**

<u>Grantor Name/ Program Title</u>	<u>Grant Number</u>	<u>Total Amount</u>	<u>Recognized Prior Year</u>	<u>Receipts 1/1/2020 - 12/31/2020</u>	<u>Expenditures 1/1/2020 - 12/31/2020</u>	<u>Grant Remaining 12/31/2020</u>
WV DHHR - Maternal, Child & Family Health						
Birth To Three - Reg. V 7/1/19 - 6/30/20	G200171	\$ 135,000	\$ 56,700	\$ 78,300	\$ 78,300	\$
Birth To Three - Reg. VI 7/1/19 - 6/30/20	G200172	135,000	56,700	78,300	78,300	
Birth To Three - Reg. VII 7/1/19 - 6/30/20	G200173	144,000	60,480	83,520	83,520	
Birth To Three - Reg. V 7/1/20 - 6/30/21	G210164	140,000		58,800	58,800	81,200
Birth To Three - Reg. VI 7/1/20 - 6/30/21	G210165	140,000		58,800	58,800	81,200
Birth To Three - Reg. VII 7/1/20 - 6/30/21	G210166	149,000		62,580	62,580	86,420
WV DHHR - Bureau For Children & Families						
Childcare - Reg. V 7/1/20 - 6/30/21	G210029	282,611		282,611	282,611	
Childcare - Reg. VI 7/1/20 - 6/30/21	G210030	<u>276,628</u>		<u>276,628</u>	<u>276,628</u>	
Total		<u>\$ 1,402,239</u>	<u>\$ 173,880</u>	<u>\$ 979,539</u>	<u>\$ 979,539</u>	<u>\$ 248,820</u>

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



JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020, 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 28, 2021.

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*.

We noted certain other matters that we reported to management of MountainHeart Community Services, Inc. in a separate letter dated September 28, 2021 on pages 21 and 22.

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 28, 2021



JOHN BURDETTE & ASSOCIATES

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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, 2020. 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, 2020.

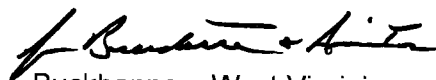
Report on Internal Control Over Compliance

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 28, 2021

**MOUNTAINHEART COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

CFDA Number	Name of Federal Program Cluster
93.600	Head Start
93.575, 93.596	Child Care & Development Block Grant Cluster
93.568	Low Income Energy Assistance Program

Dollar threshold used to distinguish between type A and type B programs:		<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>X</u> yes	___ no

SECTION II - Financial Statements Findings

None

Section III - Federal Award Findings and Questioned Costs

None



JOHN BURDETTE & ASSOCIATES

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MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of MountainHeart Community Services, Inc. for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated September 28, 2021, on the financial statements of MountainHeart Community Services, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

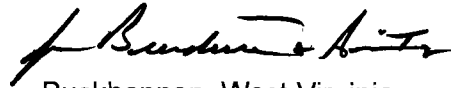
Annual Head Start Report SF-429

The 2019 SF-429 Real Property Status Report was not filed timely by its due date of October 31, 2020. Grants Solutions changed the process in which the reports are filed into Online Data Collection. The Organization could not get login information finalized to file reports with the new process. The Organization ultimately received login information and completed the filing process.

The Organization has always filed reports timely in the past and if not for change in the filing process and difficulty getting login setup would have filed the 2019 report timely as well. Management should monitor and be aware of any changes to the report filing process or requirements.

We wish to thank the Executive Director and her staff for their support and assistance during our audit.

This report is intended solely for the information and use of management, Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Brandon A. Smith". The signature is written in a cursive style with a large initial "B".

Buckhannon, West Virginia
September 28, 2021