

**COUNCIL ON AGING, INC.
AND SUBSIDIARY**

Independent Auditors' Report
and
Consolidated Financial Statements

For the Year Ended September 30, 2014

**COUNCIL ON AGING, INC.
AND SUBSIDIARY**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Council on Aging, Inc. and Subsidiary
Itmann, West Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Council on Aging, Inc. (a nonprofit organization) and Subsidiary, which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these consolidated 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.

Auditors' Responsibility (Continued)

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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditors' Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Council on Aging, Inc. and Subsidiary, as of September 30, 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Other Information**

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements as a whole. The accompanying schedule of program expenses is presented for purposes of additional analysis as required by the West Virginia Bureau of Senior Citizens and is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. The schedule of functional expenses, consolidating statement of financial position, and consolidating statement of activities and changes in net assets are also presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relate 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 May 26, 2015, on our consideration of Council on Aging, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council on Aging, Inc.'s internal control over financial reporting and compliance.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
May 26, 2015

COUNCIL ON AGING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the Year Ended September 30, 2014

ASSETS	<u>Council on Aging, Inc.</u>	<u>All Care Home and Community Services, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 812,869	\$ 20,494	\$ -	\$ 833,363
Receivables:				
Medicaid, net allowance for doubtful accounts	350,607	27,646	-	378,253
Grants	59,378	-	-	59,378
Related party	-	-	-	-
Prepaid expenses	<u>46,011</u>	<u>421</u>	-	<u>46,432</u>
Total current assets	1,268,865	48,561	-	1,317,426
Capital assets	<u>1,199,038</u>	<u>-</u>	<u>-</u>	<u>1,199,038</u>
Total assets	<u>\$2,467,903</u>	<u>\$ 48,561</u>	<u>\$ -</u>	<u>\$2,516,464</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 17,139	\$ 16	\$ -	\$ 17,155
Accrued salaries and wages	163,745	5,995	-	169,740
Accrued compensated absences	58,444	6,927	-	65,371
Retirement plan contributions	9,313	-	-	9,313
Accrued payroll liabilities	61,432	3,128	-	64,560
Accrued Interest payable	3,624	-	-	3,624
Current portion of long-term debt	<u>8,678</u>	<u>-</u>	<u>-</u>	<u>8,678</u>
Total current liabilities	322,375	16,066	-	338,441
Long-term debt, less current portion	<u>714,771</u>	<u>-</u>	<u>-</u>	<u>714,771</u>
Total liabilities	<u>1,037,146</u>	<u>16,066</u>	<u>-</u>	<u>1,053,212</u>
Net Assets:				
Investment in capital assets	475,589	-	-	475,589
Unrestricted net assets	<u>955,168</u>	<u>32,495</u>	<u>-</u>	<u>987,663</u>
Total net assets	<u>1,430,757</u>	<u>32,495</u>	<u>-</u>	<u>1,463,252</u>
Total liabilities and net assets	<u>\$2,467,903</u>	<u>\$ 48,561</u>	<u>\$ -</u>	<u>\$2,516,464</u>

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

	<u>Council on Aging, Inc.</u>	<u>All Care Home and Community Services, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:				
Medicaid	\$ 4,019,297	\$ -	\$ -	\$ 4,019,297
Federal grants	196,694	-	-	196,694
State grants	580,397	-	-	580,397
Project income	16,553	-	-	16,553
Bus fare and trip ticket revenue	2,456	-	-	2,456
Case management	-	167,335	-	167,335
Non-medicaid	49,924	-	-	49,924
Inter-Project Match Revenue	66,712	-	-	66,712
Gain on Forgiveness of Debt	-	24,538	(24,538)	-
Other revenue	-	475	-	475
Total revenues and other support	<u>4,932,033</u>	<u>192,348</u>	<u>(24,538)</u>	<u>5,099,843</u>
OPERATING EXPENSES:				
Personal care	1,853,031	-	(11,288)	1,841,743
Title 19 (Homemaker)	2,197,224	-	(13,250)	2,183,974
TBI	11,016	-	-	11,016
Medical Transport (formerly Sect. 18)	24,227	-	-	24,227
Title III-B	86,179	-	-	86,179
Title III-D	2,488	-	-	2,488
Title III-C-1	23,151	-	-	23,151
Title III-C-2	229,632	-	-	229,632
Title III-E	14,150	-	-	14,150
Insurance Benefits Counseling	7,070	-	-	7,070
Community Partnership (State Budget Digest)	-	-	-	-
LIFE	159,517	-	-	159,517
Lighthouse	121,856	-	-	121,856
Fair	28,760	-	-	28,760
Marketplace assistance - Wyoming	37,422	-	-	37,422
Marketplace assistance - Raleigh	30,088	-	-	30,088
Costs of new building	11,431	-	-	11,431
All Care Home and Community Services, Inc.	-	194,478	-	194,478
Total operating expenses	<u>4,837,242</u>	<u>194,478</u>	<u>(24,538)</u>	<u>5,007,182</u>
Operating Income	94,791	(2,130)	-	92,661
NONOPERATING INCOME (EXPENSES):				
Interest income	<u>139</u>	<u>6</u>	<u>-</u>	<u>145</u>
Total nonoperating income (expenses)	<u>139</u>	<u>6</u>	<u>-</u>	<u>145</u>
Change in net assets	<u>\$ 94,930</u>	<u>\$ (2,124)</u>	<u>\$ -</u>	<u>\$ 92,806</u>

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended September 30, 2014

	<u>Investment in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
Net assets at beginning of year	\$ 387,113	\$ 983,333	\$ 1,370,446
Change in net assets	<u>88,476</u>	<u>4,330</u>	<u>92,806</u>
Net assets at end of year	<u>\$ 475,589</u>	<u>\$ 987,663</u>	<u>\$ 1,463,252</u>

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2014

Cash flows from operating activities:	
Change in net assets	\$ 92,806
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Decrease in Medicaid accounts receivable	140,138
Decrease in grants receivable	8,860
Increase in prepaid assets and deposits	(12,744)
Decrease in accounts receivable	3,119
Decrease in accounts payable	(8,486)
Increase in accrued salaries and wages	14,054
Decrease in accrued compensated absences	(389)
Increase in retirement plan contributions	222
Increase in accrued payroll liabilities	1,107
Net cash provided by operating activities	<u>238,687</u>
Cash flows from investing activities:	
Increase in capital assets	<u>(811,925)</u>
Net cash used for investing activities	<u>(811,925)</u>
Cash flows from financing activities:	
Increase in short-term borrowings	12,302
Increase in long-term borrowings	<u>714,771</u>
Net cash provided by investing activities	<u>727,073</u>
Net increase in cash and cash equivalents	153,835
Cash and cash equivalents, beginning	<u>679,528</u>
Cash and cash equivalents, ending	<u>\$833,363</u>

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

1 – ORGANIZATION AND NATURE OF OPERATIONS

The Council on Aging, Inc. (The "Council") is a 501(c)3 non-profit organization incorporated in West Virginia whose mission is to serve the senior citizens in their area and improving the quality of life for their clients.

The Council operates Medicaid Reimbursement In-Home Care Programs and Federal and State Grants primarily with the U.S. Department of Health and Human Services and State of West Virginia Bureau of Senior Services federal and state grants passed through to the Council from the Appalachian Area Agency on Aging (the "Agency").

The overall objective of the Title III grant program is to develop a system of coordinated and comprehensive services for older persons - services which will secure and maintain maximum independence and dignity in a home environment for older persons capable of self-care and also remove individual and social barriers to economic and personal independence for older persons.

The objective of the Title IIIB grant program is to provide the elderly with social, outreach, transportation, information and referral services, and nutritional education.

Title IIIC is a nutrition program designed to provide older persons with low cost nutritious meals served primarily in a congregate setting. The Title III C program also furnishes home delivered meals to the homebound.

Title IIID, the Disease Prevention and Health Promotion Services Section of the Older Americans Act, encompasses twelve (12) broad categories of disease prevention and health promotion services.

Title IIIE, also known as respite, provides information and assistance, and in-home relief to caregivers.

The Division of Public Transit of the West Virginia Department of Transportation provides funding from the State of West Virginia for the Council to provide rural public transportation.

The Council also receives state funds through the Agency in connection with a Health Benefit Information, Counseling and Assistant Grant (SHIP), the purpose of which is to help older individuals understand their rights under the Social Security Act, Medicaid Programs, supplemental social security programs and general insurance policies. This information is provided to seniors by a counselor who has general knowledge of these areas.

The Medicaid Reimbursement In-Home Care Program is a state funded program to allow eligible seniors to receive the assistance necessary to allow them to remain in their homes with minimal outside supervision. These services include housekeeping, personal care, or other related matters.

COUNCIL ON AGING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the Year Ended September 30, 2014

1 – ORGANIZATION AND NATURE OF OPERATIONS (Continued)

The Lighthouse program is a state funded program to provide in-home assistance for seniors who do not qualify for other programs.

The FAIR program is a state funded program to provide relief to care givers who care for individuals with Dementia.

The Health Marketplace Partnership program is a federally funded program to provide information for individuals regarding choices in the health exchanges.

All Care Home and Community Services, Inc. provides case management services for home health clients in Wyoming County and other parts of West Virginia.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Council on Aging, Inc. and All Care Home and Community Services, Inc., collectively referred to as the Organization. All significant intercompany accounts and transactions were eliminated in consolidation.

Basis of Accounting

The Organization prepares and maintains their consolidated financial statements and accounts on the accrual basis of accounting, where by revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Financial Statement Presentation

The Organization has implemented the financial statement presentation required by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, it is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. The Council had no permanently restricted net assets as of September 30, 2014.

COUNCIL ON AGING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the Year Ended September 30, 2014

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash to be cash and cash equivalents. Cash on hand and deposits with banking institutions are considered cash while short-term investments with an original maturity of not more than three months are considered cash equivalents.

Investment risk is categorized as follows:

Interest rate risk – The risk that changes in interest rates will adversely affect the value of an investment.

Credit risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk – The risk that, in the event of the failure of the counterparty to a transaction, the Organization will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Recognition of 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 which the support is received. 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, temporarily restricted net assets are classified as unrestricted net assets.

Compensated Absences

Compensated absences consist of unpaid, accumulated accrued paid time off. The Organization owed \$65,371 at September 30, 2014.

COUNCIL ON AGING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the Year Ended September 30, 2014

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables consist of the following:

Medicaid Waiver		<u>\$378,253</u>
Title IIIB	\$ 3,540	
Title IIIC	6,421	
Lighthouse	14,688	
FAIR	3,248	
Title IIID	358	
Life	18,486	
Title IIIE	4,831	
SHIP	1,198	
Health Insurance Marketplace	<u>6,607</u>	
Total grant receivable		<u>\$ 59,377</u>

Allowance for Doubtful Accounts

Management has taken a bad debt expense for doubtful accounts, primarily amounts billed to Medicaid for reimbursement but not collected due to rejected claims. Therefore, management believes that the receivables presented on the balance sheet are fully collectible.

Property and Equipment

Property and equipment costing under \$25,000 are expensed at the time of purchase rather than being capitalized and depreciated over its estimated economic life.

Revenue Recognition

Amounts received from funding agencies under cost-reimbursable grants are recognized as support only to the extent that related expenses have been incurred.

COUNCIL ON AGING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the Year Ended September 30, 2014

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods

Donated noncash assets, such as food items and medical supplies, are recorded at their fair value in the period received and used as other revenue with a corresponding expense.

Income Tax Exemption

Under provisions of the Internal Revenue Code, Section 501(c)3 and the applicable income tax regulations of the State of West Virginia, the Organization is exempt from taxes on income other than unrelated business income. Since the Organization had no net unrelated business income during the year ended September 30, 2014, no provision for income taxes has been made. The Organization's federal income tax returns for 2012, 2011, and 2010 remain subject to examination by the Internal Revenue Service (IRS).

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.

Advertising Costs

The Organization expenses advertising costs as incurred. These costs amounted to \$36,288 for the year ended September 30, 2014.

COUNCIL ON AGING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the Year Ended September 30, 2014

3 – DEPOSITS AND INVESTMENTS

The Organization's deposits are categorized to give an indication of the level of risk assumed by the Organization at September 30, 2014. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Organization or its agent in the Organization's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Category 3 – Uncollateralized.

	<u>Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>
Cash	<u>\$1,057,606</u>	<u>\$ 270,951</u>	<u>\$ 530,000</u>	<u>\$ 256,655</u>	<u>\$ 833,363</u>

4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>9/30/2013 Totals</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/14 Totals</u>
Capital assets not being depreciated:				
Land and land rights	\$ 104,000	\$ -	\$ -	\$ 104,000
Construction in progress	<u>283,113</u>	<u>811,925</u>	<u>-</u>	<u>1,095,038</u>
Total capital assets not being depreciated	<u>\$ 387,113</u>	<u>\$ 811,925</u>	<u>\$ -</u>	<u>\$1,199,038</u>

The Council has two pieces of land recorded as assets. The first parcel had a purchase price of \$54,000 and is currently trying to be sold by the Organization, however management does not believe it will occur within the next year. The second consists of 2.85 acres of land purchased in a \$300,000 real estate property transaction with existing structure, to be renovated for a new Senior Center for Wyoming County. The estimated value of the land was determined to be \$50,000.

COUNCIL ON AGING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the Year Ended September 30, 2014

5 – DEBT OBLIGATIONS

On July 22, 2013, the Council obtained a \$1,500,000 loan payable to the U.S. Department of Agriculture Rural Development to be used for the renovation of the new Senior Center. The principal and interest shall be paid monthly for a period of 40 years at an interest rate of 3.5%. Each month an additional \$581 shall be paid to a reserve account until the amount of \$70,560 is accumulated. The reserve is to be used if funds are not available for debt service. Total obligation as of September 30, 2014 is \$723,448 in principle and \$3,624 in accrued interest.

6 – LEASE AND RENTAL AGREEMENTS

The Council rents its primary facility in Itmann, West Virginia from Pocahontas Land Company for \$1,260 per year. Subsequently, the Council moved into the new facility in Mullens, West Virginia on November 4, 2014. This facility also houses the administrative activities for the Council. It is a standard operating practice in the area for the coal and land holding companies to rent excess facilities to community service organizations at modest lease prices. This lease is on a ten-year lease, however Pocahontas Land Company has agreed to end the lease June 2015.

The Council leases a second facility in Welch, West Virginia for \$500 per month under a cancelable operating term of one year ending December 31, 2014, a third facility in Charleston, West Virginia for \$1,437 per month under a non-cancelable operating term of five years ending July 31, 2015, a fourth facility in Princeton, West Virginia for \$700 per month under a non-cancelable operating term of one year ending August 31, 2015 and a fifth facility in Oceana, West Virginia for \$400 per month non-cancelable operating term of one year ending October 31, 2014.

Future minimum rental payments are as follows:

Year Ending <u>September 30,</u>	
2015	\$ 25,230
2016	-
2017	-
2018	-
Thereafter	<u>-</u>
	<u>\$ 25,230</u>

COUNCIL ON AGING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the Year Ended September 30, 2014

7 – RISK CONCENTRATIONS

Substantially all of the Council on Aging, Inc.'s support and revenues are derived from its Medicaid services and from federal and state grants, the loss of which would have a materially adverse effect on the Council on Aging, Inc. During the year ended September 30, 2014, Medicaid revenues, federal and state grants, and other income accounted for approximately eighty-one percent (79%), sixteen percent (15%) and three percent (6%), respectively, of total support and revenue.

8 – EMPLOYEE BENEFIT PLAN

Effective January 1, 2008, the Council established a 401(k) retirement and savings plan for its employees. The Council makes matching contributions of up to 100% of the first 2% of eligible contributions. The Board of Directors declined to grant profit sharing for year ended September 30, 2014. Total contributions by the Council to the plan for year ended September 30, 2014, amounted to \$35,850.

9 – DISCLOSURE OF INTER-PROGRAM TRANSFERS

In order to match appropriate program revenues with program expenses, inter-program entries were recorded to accurately reflect operating results of the programs. For year ending September 30, 2014, the Life program received \$66,712 in revenues for expenses associated with other programs. The inter-program entries to record these matching revenues/expenses per program were as follows:

<u>Program</u>	<u>Amount</u>
Title III-C-2	\$ 66,712

10 – CONTINGENCIES

Certain of the Council's programs are primarily funded through federal and state grants. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures, which may ultimately be disallowed by grantor agencies, cannot be determined at this time, although Council management believes such amounts, if any, to be immaterial.

COUNCIL ON AGING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the Year Ended September 30, 2014

11 – SUBSEQUENT EVENTS

The Council obtained a \$200,000 loan for the completion of the building construction on November 20, 2014. Management has considered all other subsequent events through May 26, 2015, the date the financial statements were made available.

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

To The Board of Directors
Council on Aging, Inc.
Itmann, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Council on Aging, Inc., (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, 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 May 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council on Aging, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council on Aging, 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.

Internal Control Over Financial Reporting (Continued)

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 the Council on Aging, 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 entity'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 Council on Aging, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
May 26, 2015

SUPPLEMENTARY INFORMATION

COUNCIL ON AGING, INC. AND SUBSIDIARY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2014

	<u>Personal Care</u>	<u>Title - 19 Homemaker</u>	<u>Medical Transportation</u>	<u>TBI</u>	<u>Title III-B</u>	<u>Title III-D</u>
Functional Expenses:						
Salaries and wages	\$ 1,371,210	\$ 1,503,340	\$ 10,187	\$ 9,723	\$ 29,121	\$ 1,737
Payroll taxes	124,217	136,954	844	905	2,679	132
Fringe benefits	109,909	131,083	2,378	388	7,597	66
Training and travel	7,625	9,842	4,675	-	11,903	-
Legal and accounting	8,961	11,404	-	-	-	-
Food expense	701	898	-	-	-	-
Utilities	11,853	16,016	132	-	236	-
Printing and supplies	18,740	23,077	57	-	1,277	255
Licenses and taxes	43	55	-	-	44	-
Membership dues	729	928	-	-	-	-
Contracted services	14,927	17,218	-	-	-	-
Insurance expense	-	-	4,084	-	18,000	25
Mileage expense	28,977	136,635	-	-	-	-
Advertising	12,176	15,494	-	-	-	-
Matching expense - general	-	-	-	-	-	-
Maintenance	724	921	819	-	2,165	-
Rent	16,884	21,489	-	-	-	-
Postage	909	1,163	-	-	-	-
Miscellaneous	14,504	16,087	-	-	100	-
Medical supplies	-	-	-	-	-	-
Bad debt expense	11,361	11,732	232	-	-	-
Equipment	3,392	5,009	451	-	9,458	-
New building	-	-	-	-	-	-
Building capitalization	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-
Indirect costs	<u>95,189</u>	<u>137,879</u>	<u>368</u>	<u>-</u>	<u>3,599</u>	<u>273</u>
Total functional expenses	<u>\$ 1,853,031</u>	<u>\$ 2,197,224</u>	<u>\$ 24,227</u>	<u>\$ 11,016</u>	<u>\$ 86,179</u>	<u>\$ 2,488</u>

COUNCIL ON AGING, INC. AND SUBSIDIARY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2014

	<u>Title III-C-1</u>	<u>Title III-C-2</u>	<u>Benefit Counseling</u>	<u>Community Partnership</u>	<u>Life</u>	<u>Title III-E</u>	<u>Lighthouse</u>
Functional Expenses:							
Salaries and wages	\$ 7,882	\$ 88,100	\$ 5,927	\$ -	\$ 42,303	\$ 11,994	\$ 97,160
Payroll taxes	711	8,008	500	-	3,634	1,074	8,995
Fringe benefits	932	7,848	240	-	13,479	472	3,683
Training and travel	-	10,828	-	-	-	16	83
Legal and accounting	-	-	-	-	-	-	-
Food expense	12,860	95,258	-	-	-	-	-
Utilities	-	132	-	-	-	-	-
Printing and supplies	136	7,428	-	-	11,346	34	185
Licenses and taxes	24	171	-	-	-	-	-
Membership dues	-	-	-	-	-	-	-
Contracted services	-	-	-	-	-	18	96
Insurance expense	-	5,390	-	-	455	-	-
Mileage expense	72	442	-	-	23	-	3,079
Advertising	-	-	-	-	-	-	-
Matching expense - general	-	-	-	-	66,712	-	-
Maintenance	-	1,042	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Postage	-	14	-	-	-	-	-
Miscellaneous	54	388	-	-	1,249	5	25
Medical supplies	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	32
Equipment	17	123	-	-	15,831	-	-
New building	-	-	-	42,000	24,320	-	-
Building capitalization	-	-	-	(42,000)	(24,320)	-	-
Interest Expense	-	-	-	-	-	-	-
Indirect costs	<u>463</u>	<u>4,460</u>	<u>403</u>	<u>-</u>	<u>4,485</u>	<u>537</u>	<u>8,518</u>
Total functional expenses	\$ 23,151	\$ 229,632	\$ 7,070	\$ -	\$ 159,517	\$ 14,150	\$ 121,856

COUNCIL ON AGING, INC. AND SUBSIDIARY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2014

	<u>FAIR</u>	<u>Marketplace Assistance Wyoming</u>	<u>Marketplace Assistance Raleigh</u>	<u>New Building</u>	<u>All Care Home and Community Services, Inc.</u>	<u>Total</u>
Functional Expenses:						
Salaries and wages	\$ 23,505	\$ 29,380	\$ 21,017	\$ 409	\$ 137,067	\$ 3,390,062
Payroll taxes	2,069	2,441	1,976	52	12,006	307,197
Fringe benefits	860	1,340	1,095	-	13,000	294,370
Training and travel	34	-	-	-	150	45,156
Legal and accounting	-	-	-	16,347	3,375	40,087
Food expense	-	-	-	-	-	109,717
Utilities	-	380	528	293	-	29,570
Printing and supplies	75	24	-	-	591	63,225
Licenses and taxes	-	-	-	-	48	385
Membership dues	-	-	-	-	-	1,657
Contracted services	39	-	-	5,253	-	37,551
Insurance expense	-	-	-	-	2,280	30,234
Mileage expense	24	126	1,477	6	10,253	181,114
Advertising	-	3,731	3,995	-	892	36,288
Matching expense - general	-	-	-	-	-	66,712
Maintenance	-	-	-	4,591	-	10,262
Rent	-	-	-	-	-	38,373
Postage	-	-	-	-	59	2,145
Miscellaneous	10	-	-	1,092	1,356	34,870
Medical supplies	-	-	-	-	-	-
Bad debt expense	-	-	-	-	241	23,598
Equipment	-	-	-	7,274	-	41,555
New building	-	-	-	718,095	-	784,415
Building capitalization	-	-	-	(745,605)	-	(811,925)
Interest Expense	-	-	-	3,624	13,160	16,784
Indirect costs	<u>2,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,318</u>
Total functional expenses	\$ 28,760	\$ 37,422	\$ 30,088	\$ 11,431	\$ 194,478	\$ 5,031,720

COUNCIL ON AGING, INC. AND SUBSIDIARY
SCHEDULE OF PROGRAM EXPENDITURES – WEST VIRGINIA BUREAU OF SENIOR CITIZENS
For the Year Ended September 30, 2014

Program	Program Year	Expenditures	Federal Revenues	State Revenues	Total Revenues
Lighthouse	July 1, 2013 to June 30, 2014	\$ 42,000	\$ -	\$ 42,000	\$ 42,000
LIFE	July 1, 2013 to June 30, 2014	\$ 125,635	\$ -	\$ 178,642	\$ 178,642
Community Partner	July 1, 2013 to June 30, 2014	\$ 193,779	\$ -	\$ 185,009	\$ 185,009
FAIR	July 1, 2013 to June 30, 2014	\$ 7,111	\$ -	\$ 4,495	\$ 4,495
SHIP	April 1, 2013 to March 31, 2014	\$ 37,645	\$ -	\$ 47,805	\$ 47,805
Title III B	October 1, 2013 to September 30, 2014	\$ 76,722	\$ 40,530	\$ 26,118	\$ 66,648
Title III D	October 1, 2013 to September 30, 2014	\$ 2,488	\$ 2,079	\$ 367	\$ 2,446
Title III E	October 1, 2013 to September 30, 2014	\$ 14,150	\$ 16,066	\$ 5,355	\$ 21,421
Title III C-1	October 1, 2013 to September 30, 2014	\$ 23,151	\$ 10,267	\$ 16,110	\$ 26,377
Title III C-2	October 1, 2013 to September 30, 2014	\$ 229,631	\$ 58,520	\$ 99,405	\$ 157,925

BASIS OF PRESENTATION

The accompanying schedules of program expenses of the SHIP, Lighthouse, Fair, LIFE, IIIB, IIID, IIIE, C-1, and Community Partnership programs includes the grant activity of the Council on Aging, Inc. that the West Virginia Bureau of Senior Citizens oversees, and is presented on the accrual basis of accounting. Some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.