

WIRT COUNTY COMMITTEE ON AGING, INC.

Financial Statements

September 30, 2012

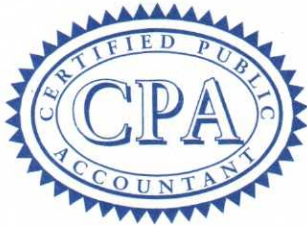
WIRT COUNTY COMMITTEE ON AGING, INC.

Financial Statements

September 30, 2012

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ALICE M. HARRIS, CPA, A.C.

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Directors

Wirt County Committee on Aging, Inc.:

I have audited the accompanying statement of financial position of Wirt County Committee on Aging, Inc., (a West Virginia non-profit corporation) as of September 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. The financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As explained in the notes to the financial statements, the Organization expenses the cost of long-lived property and equipment acquired by purchase, donation or capital lease. In my opinion, accounting principles generally accepted in the United States of America require these assets to be capitalized and depreciated over the estimated useful lives of the assets. It was not practical to determine the effects of the unrecorded long-lived property and equipment and related capital lease debt on the financial statements.

In my opinion, except for the effects of not capitalizing and depreciating long-lived property and equipment, the financial statements referred to above present fairly, in all material respects, the financial position of Wirt County Committee on Aging, Inc., as of September 30, 2012, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Audit Standards*, I have also issued my report dated April 1, 2013 on my consideration of Wirt County Committee on Aging, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of my testing of

Independent Auditor's Report, Continued

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of support, revenue and expenses (Schedule 1 through Schedule 5) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alice M. Harris, CPA

Alice M. Harris, CPA
April 1, 2013

WIRT COUNTY COMMITTEE ON AGING, INC.

Statement of Financial Position

September 30, 2012

ASSETS		
Current assets:		
Cash and cash equivalents	\$	9,837
Accounts and grants receivable		92,868
Prepaid insurance		3,589
Total current assets		106,294
Property and equipment:		
Vehicles		66,232
Building improvements		41,891
Total property and equipment		108,123
Less accumulated depreciation		(88,072)
Net property and equipment		20,051
Total assets		126,345
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$	30,321
Accounts payable		10,320
Accrued wages		18,771
Accrued vacation payable		9,532
Payroll taxes payable		1,518
Total current liabilities		70,462
Total liabilities		70,462
Net assets (deficit):		
Unrestricted		55,883
Temporarily restricted		-
Permanently restricted		-
Total net assets		55,883
Total liabilities and net assets		\$ 126,345

See accompanying notes to financial statements.

WIRT COUNTY COMMITTEE ON AGING, INC.

Statement of Activities

Year ended September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Reclassifications:				
Federal grant awards	\$ 100,277	-	-	100,277
State grant awards	145,165	-	-	145,165
Project income	33,328	-	-	33,328
Medicaid	286,552	-	-	286,552
Community partnership grants	7,500	-	-	7,500
Legislative initiative/elderly	184,690	-	-	184,690
Other income	30,152	27,000	-	57,152
Total support and revenue before reclassifications	787,664	27,000	-	814,664
Reclassifications:				
Net assets released from restrictions	27,000	(27,000)	-	-
Total support, revenue and reclassifications	814,664	-	-	814,664
Expenses:				
Program expenses:				
Personal care	331,387	-	-	331,387
Nutrition	98,899	-	-	98,899
Transportation	2,289	-	-	2,289
Adult day care	30,226	-	-	30,226
Other programs	207,338	-	-	207,338
Total program expenses	670,139	-	-	670,139
Supporting services:				
Management and general	167,567	-	-	167,567
Total expenses	837,706	-	-	837,706
Change in net assets	(23,042)	-	-	(23,042)
Net assets, beginning of year	78,925	-	-	78,925
Net assets, end of year	\$ 55,883	-	-	55,883

See accompanying notes to financial statements.

WIRT COUNTY COMMITTEE ON AGING, INC.
Statement of Functional Expenses
Year ended September 30, 2012

		Personal care	Nutrition	Transportation	Day care	Other programs	Total program expenses	Management and general	Total expenses
Personnel	\$	275,441	35,048	1,099	24,662	92,751	429,001	96,175	525,176
Fringe benefits		42,470	5,401	144	3,800	32,075	83,890	15,645	99,535
Travel and training		9,749	-	739	-	-	10,488	4,365	14,853
Occupancy		-	-	-	-	-	-	29,341	29,341
Equipment		-	1,510	307	-	27,047	28,864	-	28,864
Food and disposable supplies		-	52,782	-	-	-	52,782	-	52,782
Fuel - automobiles		-	4,158	-	-	13,660	17,818	-	17,818
Insurance		-	-	-	1,050	-	1,050	-	1,050
Other program costs		2,093	-	-	-	41,805	43,898	3,600	47,498
Supplies		1,634	-	-	714	-	2,348	3,556	5,904
Auto parts & maintenance		-	-	-	-	-	-	-	-
Professional fees		-	-	-	-	-	-	4,133	4,133
Depreciation		-	-	-	-	-	-	10,752	10,752
Total expenses	\$	331,387	98,899	2,289	30,226	207,338	670,139	167,567	837,706

See accompanying notes to financial statements.

WIRT COUNTY COMMITTEE ON AGING, INC.

Statement of Cash Flows

Year ended September 30, 2012

Cash flows from operating activities:		
Change in net assets	\$	(23,042)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		10,752
(Increase) decrease in:		
Accounts receivable		(32,863)
Other receivables		417
Prepaid insurance		2,506
Increase (decrease) in:		
Accounts payable		5,174
Accrued payroll		(1,989)
Accrued vacation payable		3,014
Payroll payable		(1,545)
Net cash provided by operating activities		<u>(37,576)</u>
Cash flows from financing activities:		
Repayment of line of credit		(5,499)
Net cash used in financing activities		<u>(5,499)</u>
Increase in cash and cash equivalents		(43,075)
Cash and cash equivalents, beginning of year		<u>52,912</u>
Cash and cash equivalents, end of year	\$	<u>9,837</u>
Supplemental cash flow disclosures:		
Cash paid for:		
Income taxes	\$	-
Interest		<u>1,832</u>

See accompanying notes to financial statements.

WIRT COUNTY COMMITTEE ON AGING, INC.
Notes to Financial Statements

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The purpose of Wirt County Committee on Aging, Inc., (a not-for-profit organization) is to study the social service needs of Wirt County and its contiguous counties; and to unify senior citizens into an organization dedicated to working for a common goal of promoting life and health, honor and dignity to citizens 55 years of age and older in Wirt County, West Virginia.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America with the exception that the Organization does not capitalize and depreciate the cost of long-lived property and equipment.

Basis of Presentation - The Organization has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, an organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- . Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- . Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or passage of time.
- . Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the organization. Generally, the donors of the assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Contributed Property and Equipment - Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, then the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, Wirt County Committee on Aging, Inc., considers all highly-liquid investments purchased with maturities of three months or less to be cash and cash equivalents.

Advertising – It is the policy of Wirt County Committee on Aging, Inc. to expense all advertising costs as incurred.

Functional expenses – The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated according to their natural classification.

Inventory – Inventory consists of raw food and supplies and are stated at the lower of cost or market determined by the first-in-first-out method.

WIRT COUNTY COMMITTEE ON AGING, INC.
Notes to Financial Statements, Continued

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, CONTINUED

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

For the year ended September 30, 2012, the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management represents that the Organization is no longer subject to taxes through income tax examinations for years prior to 2009.

Property and Equipment - All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments are expensed during the year of purchase. This policy is not in accordance with accounting principles generally accepted in the United States of America which require that all acquisitions of property and equipment be capitalized and depreciated over the estimated useful life of the assets. The independent auditor's report has been qualified to reflect this departure from accounting principles generally accepted in the United States of America.

Fair Value of Financial Instruments – Wirt County Committee on Aging, Inc. has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at September 30, 2012 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value of all financial instruments has been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WIRT COUNTY COMMITTEE ON AGING, INC.
Notes to Financial Statements, Continued

CONCENTRATIONS OF RISK DISCLOSURE

The Organization is economically dependent on grants from various federal, state and local governments for the operation of their programs. The Organization's ability to receive these grants is somewhat dependent on the national, state and local economy.

ACCOUNTS AND GRANTS RECEIVABLE

The Organization operates in the Wirt County, WV area and receives support from various sources, substantially all of whom are local individuals or government agencies.

LINE OF CREDIT

The Organization obtained a \$60,000 line of credit from Wesbanco Bank. The line of credit is due on demand with interest at Wall Street Prime plus 1% (6.0% at September 30, 2012) This line of credit is secured by accounts receivable. At September 30, 2012, the outstanding balance was \$30-321.

Interest expense paid during the year ended September 30, 2012 totaled \$1,832.

ACCRUED ANNUAL LEAVE

Accrued annual leave includes all obligations for vacation leave at the current rate of employee pay. Employees vest in earned but unused vacation leave up to a maximum of 120 hours. At September 30, 2012 the liability for accrued annual leave totaled \$9,532.

RETIREMENT PLAN

The Organization maintains a retirement plan under Internal Revenue Code Section 403(b). Under the plan employees are permitted to defer a portion of their salaries to be contributed to the retirement plan. Currently, there are no matching provisions for the Organization.

RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Organization manages these risks of loss through the purchase of various insurance policies.

EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 1, 2013, the date which the financial statements were available to be issued.

WIRT COUNTY COMMITTEE ON AGING, INC.
Schedule of Support, Revenue and Expenses - Personal Care
Year ended September 30, 2012

	Title III B	Title III D	Title III E	Medicaid	Waiver	Lighthouse	FAIR	VA Funds	Totals
Support and revenue:									
Federal grant awards	\$ 25,382	534	2,801	-	-	-	-	-	28,717
State grant awards	9,242	156	-	-	-	83,652	44,507	2,218	139,775
Project income	682	-	-	-	-	4,322	3,203	-	8,207
Medicaid	-	-	-	44,704	241,848	-	-	-	286,552
Medication management	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-
Total support & revenue	35,306	690	2,801	44,704	241,848	87,974	47,710	2,218	463,251
Expenses:									
Personnel	-	124	-	27,719	159,755	58,438	28,469	936	275,441
Fringe benefits	-	19	-	4,272	24,618	9,005	4,387	169	42,470
Travel and training	-	-	-	9,749	-	-	-	-	9,749
Occupancy	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Food and disposable supplies	-	-	-	-	-	-	-	-	-
Fuel - automobiles	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Other program costs	-	555	-	1,538	-	-	-	-	2,093
Supplies	-	-	-	1,634	-	-	-	-	1,634
Auto parts & maintenance	-	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Total direct expenses	-	698	-	44,912	184,373	67,443	32,856	1,105	331,387
Indirect cost allocation	-	48	-	10,672	61,506	22,499	10,960	360	106,045
Matching funds, transfers (in)/out	37,568	-	2,792	-	-	-	-	-	40,360
Total expenses	37,568	746	2,792	55,584	245,879	89,942	43,816	1,465	477,792
Net program income (loss)	(2,262)	(56)	9	(10,880)	(4,031)	(1,968)	3,894	753	(14,541)

See accompanying notes to financial statements

WIRT COUNTY COMMITTEE ON AGING, INC.
Schedule of Support, Revenue and Expenses - Nutrition Programs
Year ended September 30, 2012

	Title III C-1	Title III C-2	Totals
Support and revenue:			
Federal grant awards	\$ 29,715	41,739	71,454
State grant awards	-	-	-
Overserving	42	1,348	1,390
Project income	10,306	10,318	20,624
Legislative initiative / elderly	-	-	-
Total support & revenue	40,063	53,405	93,468
Expenses:			
Personnel	9,612	25,436	35,048
Fringe benefits	1,481	3,920	5,401
Travel and training	-	-	-
Occupancy	-	-	-
Equipment	514	996	1,510
Food and disposable supplies	15,420	37,362	52,782
Fuel - automobiles	-	4,158	4,158
Insurance	-	-	-
Other program costs	-	-	-
Supplies	-	-	-
Auto parts & maintenance	-	-	-
Professional fees	-	-	-
Depreciation	-	-	-
Total direct expenses	27,027	71,872	98,899
Indirect cost allocation	3,701	9,793	13,494
Matching funds, transfers (in)/out	-	(12,711)	(12,711)
Total expenses	30,728	68,954	99,682
Net program income (loss)	9,335	(15,549)	(6,214)

See accompanying notes to financial statements.

WIRT COUNTY COMMITTEE ON AGING, INC.
Schedule of Support, Revenue and Expenses - Transportation Programs
Year ended September 30, 2012

	Transportation Programs	Totals
Support and revenue:		
Grant revenue	\$ 546	546
Other revenues	4,015	4,015
Total support & revenue	4,561	4,561
Expenses:		
Personnel	1,099	1,099
Fringe benefits	144	144
Travel and training	739	739
Occupancy	-	-
Equipment	307	307
Food and disposable supplies	-	-
Fuel - automobiles	-	-
Insurance	-	-
Other program costs	-	-
Supplies	-	-
Auto parts & maintenance	-	-
Professional fees	-	-
Depreciation	-	-
Total direct expenses	2,289	2,289
Indirect cost allocation	423	423
Matching funds transfers (in)/out	-	-
Total expenses	2,712	2,712
Net program income (loss)	1,849	1,849

See accompanying notes to financial statements.

WIRT COUNTY COMMITTEE ON AGING, INC.
Schedule of Support, Revenue and Expenses - Adult Day Care Programs
Year ended September 30, 2012

	Adult Day Care	Totals
Support and revenue:		
Adult day care revenue	\$ -	-
Donations	482	482
Total support & revenue	482	482
Expenses:		
Personnel	24,662	24,662
Fringe benefits	3,800	3,800
Travel and training	-	-
Occupancy	-	-
Equipment	-	-
Food and disposable supplies	-	-
Fuel - automobiles	-	-
Insurance	1,050	1,050
Other program costs	-	-
Supplies	714	714
Auto parts & maintenance	-	-
Professional fees	-	-
Depreciation	-	-
Total direct expenses	30,226	30,226
Indirect cost allocation	9,268	9,268
Matching funds transfers (in)/out	(44,800)	(44,800)
Total expenses	(5,306)	(5,306)
Net program income (loss)	5,788	5,788

See accompanying notes to financial statements.

Schedule of Support, Revenue and Expenses - Other Programs
Year ended September 30, 2012

	General fund	Health	Life	Totals
Support and revenue:				
Federal grant awards	\$ 106	-	-	106
State grant awards	-	4,000	-	4,000
Community partnership grants	7,500	-	-	7,500
Legislative initiative / elderly	-	-	184,690	184,690
Other revenues	57,152	-	-	57,152
Total support & revenue	64,758	4,000	184,690	253,448
Expenses:				
Personnel	29,283	850	62,618	92,751
Fringe benefits	11,274	131	20,670	32,075
Travel and training	-	-	-	-
Occupancy	-	-	-	-
Equipment	27,047	-	-	27,047
Food and disposable supplies	-	-	-	-
Fuel - automobiles	-	-	13,660	13,660
Insurance	-	-	-	-
Other program costs	19,445	1,209	21,151	41,805
Supplies	-	-	-	-
Auto parts & maintenance	-	-	-	-
Professional fees	-	-	-	-
Depreciation	-	-	-	-
Total direct expenses	87,049	2,190	118,099	207,338
Indirect cost allocation	11,273	327	24,108	35,708
Matching funds transfers (in)/out	-	-	17,151	17,151
Total expenses	98,322	2,517	159,358	260,197
Net program income (loss)	(33,564)	1,483	25,332	(6,749)

See accompanying notes to financial statements.

**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 of
Wirt County Committee on Aging, Inc.

I have audited the financial statements of Wirt County Committee on Aging, Inc., (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued my report thereon dated April 1, 2013. I conducted my 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.

Internal Control over Financial Reporting

Management of the Wirt County Committee on Aging, Inc is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Wirt County Committee on Aging Inc's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wirt County Committee on Aging Inc's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting. (2012-1). 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.

**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, CONTINUED***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wirt County Committee on Aging, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Alice M. Harris, CPA

Alice M. Harris, CPA
April 1, 2013

**WIRT COUNTY COMMITTEE ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

STATUS OF PRIOR YEAR FINDINGS:

Finding Number 2012-001

Significant Deficiency (Repeat of Prior Year Finding 2010-001)

Capitalization of Assets Purchased with Grant Funds:

For grant reporting purposes, the Organization has elected to expense all capital assets purchased with grant funds rather than recording them as an asset on the statement of financial position and depreciating them over their useful lives.

Managements Response: We have elected to expense property and equipment purchased with grant funds in order to more closely track expenditures made with grant funds. We recognize that this is not in accordance with generally accepted accounting principles. However, due to the reconciliation required to comply with GAAP and the fact that we have limited accounting resources, we do not feel it is economically feasible to change our process of expensing property and equipment when purchased. We accept the fact that our auditor has qualified our audit opinion due to this departure from generally accepted accounting principles and our funding sources understand the reasoning behind our decision not to capitalize these equipment purchases.