

BI-COUNTY NUTRITION PROGRAM, INC.

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

SEPTEMBER 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Bi-County Nutrition Program, Inc.
Nutter Fort, West Virginia

We have audited the accompanying statement of financial position of Bi-County Nutrition Program, Inc. (a nonprofit organization) as of September 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not observe the taking of inventory at September 30, 2011, stated at \$18,552, since that date was prior to the time we were initially engaged as auditors for the Organization. We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventories taken as of September 30, 2011, the financial statements referred to above present fairly, in all material respects, the financial position of Bi-County Nutrition Program, Inc. as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2012, on our consideration of Bi-County Nutrition Program, 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 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 our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal and state funds is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

February 17, 2012

**BI-COUNTY NUTRITION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011**

ASSETS

Current Assets

Cash	\$ 71,800	
Grants and contracts receivable	11,020	
Inventory	18,552	
Prepaid expenses	<u>5,716</u>	\$ 107,088

Property and Equipment

Property and equipment	753,243	
Accumulated depreciation	<u>(496,446)</u>	<u>256,797</u>

TOTAL ASSETS

\$ 363,885

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 20,442	
Payroll taxes and benefits payable	1,394	
Accrued payroll	5,971	
Compensated absences	<u>6,084</u>	\$ 33,891

Long-Term Liabilities

Compensated absences		<u>6,084</u>
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Total liabilities

39,975

Unrestricted net assets

323,910

TOTAL LIABILITIES AND NET ASSETS

\$ 363,885

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

BI-COUNTY NUTRITION PROGRAM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Support			
Federal and state assistance		\$ 438,275	
NSIP		52,999	
United Way		73,369	
LIFE		23,270	
Contributions		<u>59,894</u>	\$ 647,807
 Revenues			
Program income		130,270	
Interest income		120	
(Loss) on sale of assets		(3,423)	
Miscellaneous		<u>5,160</u>	<u>132,127</u>
Total support and revenue			779,934
 Expenses			
Program expense:			
Title IIC – congregate		179,466	
Title IIC – home delivered		462,115	
Other programs		31,623	
LIFE		23,270	
Management and general		<u>109,566</u>	<u>806,040</u>
Change in net assets			(26,106)
Beginning unrestricted net assets			<u>350,016</u>
Ending unrestricted net assets			\$ <u>323,910</u>

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

**BI-COUNTY NUTRITION PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Title III-C</u>		<u>Other Programs</u>	<u>LIFE</u>	<u>Management and General</u>	<u>Totals (Memorandum Only)</u>
	<u>Congregate</u>	<u>Home Delivered</u>			<u>General</u>	
Salaries and wages	\$ 62,205	\$ 159,953	\$ -0-	\$ -0-	\$ 55,543	\$ 277,701
Fringe benefits and taxes	7,632	19,624	-0-	-0-	6,814	34,070
Training	-0-	-0-	-0-	-0-	398	398
Office	-0-	-0-	-0-	-0-	19,980	19,980
Repairs and maintenance	-0-	-0-	-0-	-0-	13,961	13,961
Occupancy	8,648	22,487	-0-	-0-	3,460	34,595
Depreciation	9,296	24,165	6,279	-0-	1,233	40,973
Raw food	68,062	175,016	25,344	23,270	-0-	291,692
Disposables	10,210	26,255	-0-	-0-	-0-	36,465
Transportation	7,052	18,132	-0-	-0-	6,296	31,480
Professional services	1,928	4,958	-0-	-0-	-0-	6,886
Insurance and audit	4,433	11,525	-0-	-0-	1,772	17,730
Volunteer recognition	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>109</u>	<u>109</u>
	<u>\$ 179,466</u>	<u>\$ 462,115</u>	<u>\$ 31,623</u>	<u>\$ 23,270</u>	<u>\$ 109,566</u>	<u>\$ 806,040</u>

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

BI-COUNTY NUTRITION PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Cash Flows From Operating Activities

Change in net assets	\$ (26,106)	
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	40,973	
In-kind donations	(20,242)	
(Loss) on disposal of asset	3,423	
In-kind expenses	20,242	
(Increase) decrease in:		
Grant and contracts receivable	9,126	
Inventory	(319)	
Prepaid expenses	2,894	
Increase (decrease) in:		
Accounts payable	5,603	
Compensated absences	1,386	
Accrued payroll	707	
Payroll taxes and benefits payable	(892)	
Net cash provided by operating activities	\$ 36,795	

Cash Flows From Investing Activities

Acquisition of property and equipment	(44,282)	
Sale of equipment	<u>1,390</u>	
Net cash (used in) investing activities	(42,892)	

Net (decrease) in cash	(6,097)	
Cash – beginning of year	<u>77,897</u>	
Cash – end of year	\$ <u>71,800</u>	

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

BI-COUNTY NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

1. Description of Entity and Summary of Significant Accounting Policies

Description of Entity

Bi-County Nutrition Program, Inc. is a nonprofit corporation which is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Entity was incorporated on March 4, 1983, and its Articles of Incorporation were amended on October 19, 1983.

The Corporation's operations consist of a program for providing congregate and home delivered meals under Title III-C of the Older Americans Act in Harrison and Doddridge Counties of West Virginia. The Entity also operates various nutrition sites located in Nutter Fort, Shinnston, West Union, Salem, Bridgeport, and Lost Creek.

Summary of Significant Accounting Policies

Basis of Accounting and Reporting

Bi-County Nutrition Program, Inc. uses the accrual basis of accounting. The Entity maintains its accounting records and prepares its financial reports in accordance with the grantor funding cycles.

Cash

Cash is held on deposit with banking institutions covered by federal depository insurance. For the purpose of the statement of cash flows, the Organization considers cash and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

Basis of Presentation

The Organization has adopted FASB ACS 958-605-25-2, *Contributions Received* (formerly SFAS No. 116). The Organization has also adopted FASB ACS 958-205, *Presentation of Financial Statements* (formerly SFAS No. 117). Under FASB ACS 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. There are no permanently or temporarily restricted assets as of September 30, 2011.

The accompanying independent auditor's report is an integral part of these notes.

BI-COUNTY NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions would be reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets would be reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prepayments

This account consists of prepaid insurance based on the effective dates of the policies and Title V Workers.

Inventory

Inventory is stated at the lower of cost or market (first in, first-out basis) and consists of raw food and disposables.

Functional Expenses

Expenses are directly allocated to each program based on the approved budgets of the grants or programs.

Donated Services

Donated services are recognized as contributions in accordance with FASB ACS 958-605-25-2, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No services that met those requirements were received during the year.

Income Tax Exemption

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The accompanying independent auditor's report is an integral part of these notes.

**BI-COUNTY NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

Pension Plan

The Corporation provides individual retirement annuities for all supervisory employees. The individual agreements provide that an approved monthly contribution be paid into the annuity on a monthly basis. The Corporation had one employee covered by the pension arrangement during the fiscal year. The cost of the plan for the year ended September 30, 2011 was \$1,320.

Advertising Costs

Bi-County Nutrition Program, Inc. expenses advertising costs as they are incurred.

Compensated Absences

Compensated absences consists of unpaid, accumulated annual sick and accrued vacation time. As of September 30, 2011, the Organization owed \$12,168 in accrued compensated absences.

2. Property And Equipment

Property and equipment are stated at cost or at the fair value at the date of donation. All assets are capitalized. Property and equipment consists of the following at September 30, 2011:

Land	\$ 18,443
Building and improvements	330,767
Food service equipment	141,119
Office furniture and equipment	44,204
Vehicles	<u>218,710</u>
 Total fixed assets	 \$ <u>753,243</u>

Assets are being depreciated on a straight-line basis over the following number of years:

Building and improvements	40 years
Food service equipment	5 – 7 years
Office furniture and equipment	5 – 7 years
Vehicles	5 years

Depreciation expense was \$40,973 for the fiscal year ended September 30, 2011.

In July of 1996, the Harrison County Board of Education deeded property and building to the Organization. The site is to be used exclusively as a nutrition site for the Shinnston area. If, for any reason, Bi-County Nutrition Program, Inc. ceases to exist or substantially changes its activities, the property will revert back to the Board of Education. At the date of donation, the land and building had an appraised value of \$5,000 and \$90,000 respectively.

The accompanying independent auditor's report is an integral part of these notes.

BI-COUNTY NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Line of Credit

In August 2008, Bi-County Nutrition Program, Inc. obtained a revolving line of credit loan from Huntington National Bank which allows the Organization to borrow up to \$25,000 in order to meet working capital needs. The loan is secured by a deed of trust on the Organization's Ohio Avenue real property. The balance of the line of credit at September 30, 2011 was \$-0-.

4. Risks and Uncertainties

The majority of Bi-County Nutrition Program, Inc.'s revenues comes from service contracts with the Northwestern Area Agency on Aging. A loss or decrease in these contracts could adversely affect the operation of the organization.

5. Commitment

Bi-County Nutrition Program, Inc. has a contract with Doddridge County Senior Citizens, Inc. to provide meals in Doddridge County. This contract expires on September 30 each year if not renewed. This contract was renewed for the September 30, 2012 year.

6. Donated Materials and Services

The value of donated materials included in the financial statements and the corresponding expenditures for the year ended September 30, 2011 are as follows:

Revenue (Contributions):	
Contributions and fundraising	\$ <u>20,242</u>
Expenditures:	
Title IIC – Congregate	\$ 3,486
Title IIC – Home Delivered	<u>16,756</u>
	\$ <u>20,242</u>

7. Subsequent Events

The Bi-County Nutrition Program, Inc. has considered all subsequent events through February 17, 2012 the date the financial statements were made available.

The accompanying independent auditor's report is an integral part of these notes.

**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***

The Board of Directors
Bi-County Nutrition Program, Inc.
Nutter Fort, West Virginia

We have audited the financial statements of Bi-County Nutrition Program, Inc. (a nonprofit organization) as of and for the year ended September 30, 2011, and have issued our report thereon dated February 17, 2012, which was qualified because we did not observe the taking of the physical inventory. Except as discussed in the preceding sentence 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bi-County Nutrition Program, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bi-County Nutrition Program, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bi-County Nutrition Program, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 11-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bi-County Nutrition Program, Inc.'s financial statements are free of 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*.

Bi-County Nutrition Program, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Bi-County Nutrition Program, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others with the entity, the Board of Directors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 17, 2012

**BI-COUNTY NUTRITION PROGRAM, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011**

11-1 Segregation of Duties

Criteria: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

Condition: Responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction should be assigned to different individuals.

Cause: Responsibilities for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction are not assigned to different individuals.

Effect: The lack of complete segregation of duties increases the risk that errors or irregularities in recording, processing, summarizing and reporting financial data could occur and not be detected in a timely manner.

Recommendation: Responsibilities of approval, execution, recording and custody be distributed among the accounting staff to the degree possible. However, we recognize that complete segregation of duties is not economically feasible.

Entity's Response: To the extent possible, the Organization has segregated its duties. Any further segregation of duties would not be economically feasible.

**BI-COUNTY NUTRITION PROGRAM, INC.
SCHEDULE OF FEDERAL AND STATE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Financial Awards Recognized</u>
Federal Awards				
U.S. Department of Health and Human Services				
Passed through the WV Bureau of Services and Bel-O-Mar Regional Council:				
	Title IIIC – Nutrition Services	93.045	N/A	\$ 438,275
	Nutritional Services Incentive Program	93.053	N/A	<u>52,999</u>
Total federal funds				\$ <u>491,274</u>
State Awards				
WV Bureau of Senior Services through the Bel-O-Mar Regional Council:				
	LIFE	N/A	N/A	\$ <u>23,270</u>
Total state funds				\$ <u>23,270</u>

The accompanying notes are an integral part of this schedule.

BI-COUNTY NUTRITION PROGRAM, INC.
NOTES TO THE SCHEDULE OF FEDERAL AND STATE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Note 1 Basis of Presentation:

The accompanying Schedule of Federal and State Funds is prepared on the accrual basis of accounting which is the same basis used in the preparation of the financial statements.