

**COMMUNITY ACTION OF SOUTH EASTERN
WEST VIRGINIA, INC.**

FINANCIAL STATEMENTS

August 31, 2010

DHHR - Finance

MAY 24 2011

Date Received

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INTRODUCTORY SECTION

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

BOARD OF DIRECTORS

2009-2010

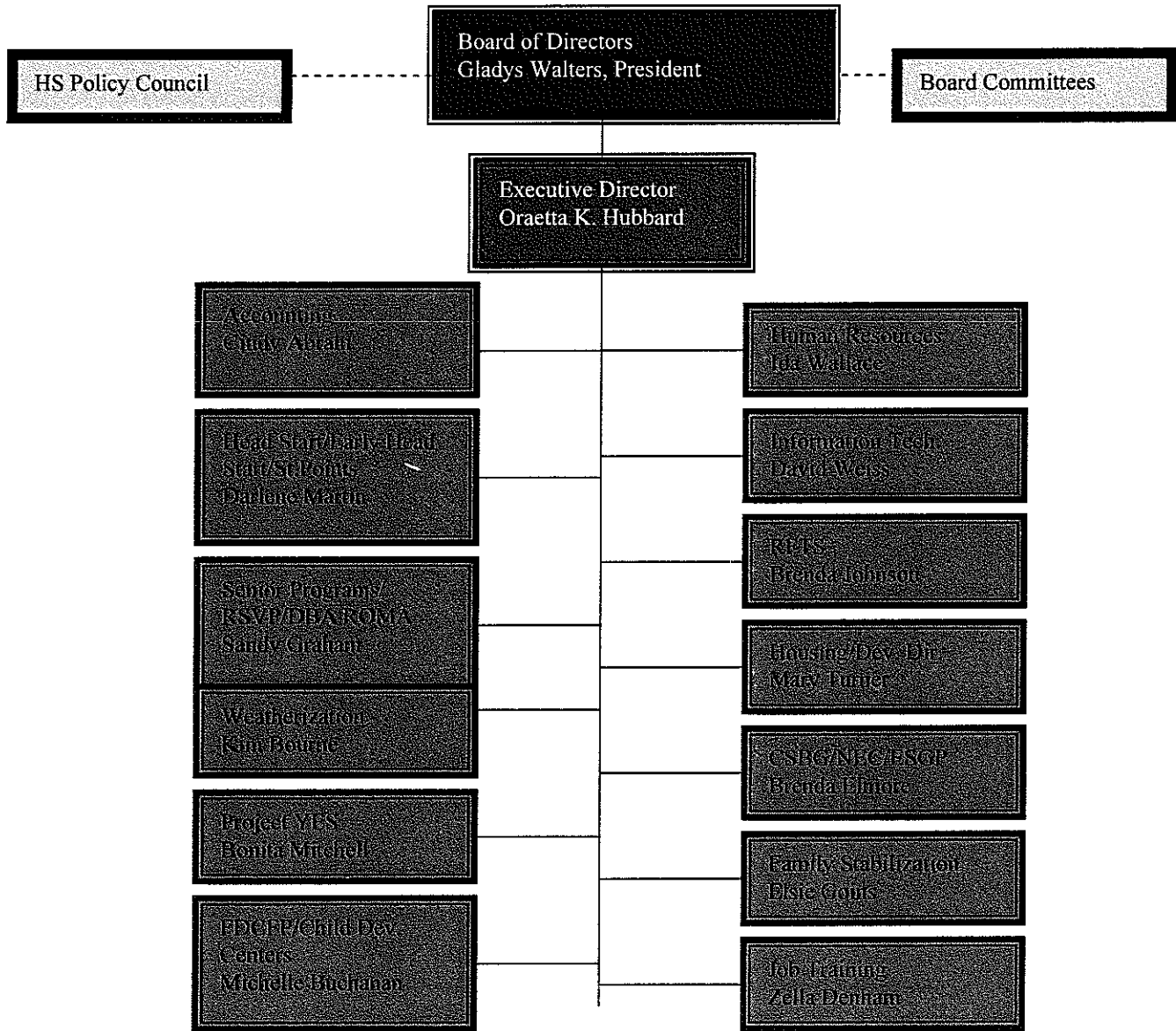
OFFICERS

President	Gladys Walters
Vice-President	Mary Lou Haley
Secretary	Tracey Robinson
Treasurer	Joe Coburn

MEMBERS-AT-LARGE

**Dana Steele
Jeana Carr
Jay Mills
Terri Philpott
Reverend Grover Morris
Jerry Berry
Larry Meador
Judy Hartwell
Lucille Lemons
Joyce Tedder
Margurite Fullen
John Feuchtenberger
Brian DeRowen
Tressa Brookman**

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
Organizational Chart
2010



FINANCIAL SECTION

**The Financial Section contains
the Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Action of South Eastern West Virginia, Inc.
Bluefield, West Virginia

We have audited the accompanying statement of financial position of the Community Action of South Eastern West Virginia, Inc. (CASE), as of and for the year ended August 31, 2010, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of CASE's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of CASE's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CASE, as of August 31, 2010, and the changes in its net assets, cash flows, and functional expenses 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 May 13, 2011 on our consideration of CASE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 CASE's financial statements as a whole. The introductory section, supplementary information section, and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were 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 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. The introductory section and other information section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
May 13, 2011

DHHR - Finance

MAY 24 2011

Date Received

FINANCIAL STATEMENTS

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2010

ASSETS	
Current assets:	
Cash	\$ 1,160,385
Accounts receivable (Note 2)	1,171,203
Inventory	56,194
Total current assets	<u>2,387,782</u>
Property, plant, and equipment, net (Note 3)	<u>2,382,650</u>
Total assets	<u>\$ 4,770,432</u>
LIABILITIES	
Current liabilities:	
Accounts payable	617,209
Current portion of long-term debt (Note 4)	50,865
Line of credit (Note 5)	169,559
Unearned revenue	186,338
Accrued leave	651,830
Total current liabilities	<u>1,675,801</u>
Long-term liabilities, less current portion (Note 4)	1,100,258
Other post employment benefits (Note 6)	958,937
Total liabilities	<u>3,734,996</u>
NET ASSETS	
Unrestricted net assets	954,761
Temporarily restricted net assets	80,675
Total net assets	<u>1,035,436</u>
Total liabilities and net assets	<u>\$ 4,770,432</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2010

Unrestricted Revenue:	
Federal	\$ 7,769,365
State	986,570
Other	3,670,260
In-kind	631,468
	<hr/>
Total unrestricted revenues	13,057,663
	<hr/>
Unrestricted Expenses:	
Salary and wages	5,390,792
Fringe benefits	1,402,489
Travel	121,225
Space	1,073,509
Contractual	507,423
Supplies	1,127,692
Program costs	945,359
Equipment	139,840
Loan payments	28,651
Interest	57,321
Other	1,669,559
Indirect cost	581,962
Bad loans	29,498
Depreciation	309,867
In-kind	631,468
	<hr/>
Total unrestricted expenses	14,016,655
	<hr/>
Change in unrestricted net assets	(958,992)
	<hr/>
Temporarily Restricted Net Assets	
Federal revenue	80,675
	<hr/>
Change in temporarily restricted net assets	80,675
	<hr/>
Net change in net assets	(878,317)
	<hr/>
Net Assets at September 1, as restated (Note 10)	1,913,753
	<hr/>
Net Assets at August 31	\$ 1,035,436
	<hr/> <hr/>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2010**CASH FLOWS FROM OPERATING ACTIVITIES:**

Decrease in net assets	\$ (878,317)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	309,867
Changes in operating assets and liabilities:	
Accounts receivable	(24,714)
Inventory	28,379
Accounts payable	176,350
Accrued leave	178,378
OPEB liabilities	703,852
Unearned revenue	186,338
Net cash provided by operating activities	<u>680,133</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Net borrowings on line of credit	116,044
Payment on long term debt	<u>(47,638)</u>
Net cash provided by financing activities	<u>68,406</u>
Net increase in cash	748,539

CASH

Beginning	<u>411,846</u>
Ending	<u>\$ 1,160,385</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for interest	<u>\$ 45,862</u>
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COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2010

	Program Services	Supporting Services	Total
Salary and wages	\$ 5,056,833	\$ 333,959	\$ 5,390,792
Fringe benefits	1,301,520	100,969	1,402,489
Travel	120,241	984	121,225
Space	1,016,519	56,990	1,073,509
Contractual	491,742	15,681	507,423
Supplies	1,092,795	34,897	1,127,692
Program costs	945,359	-	945,359
Equipment	139,840	-	139,840
Loan payments	28,651	-	28,651
Interest	50,089	7,232	57,321
Other	1,638,309	31,250	1,669,559
Indirect cost	581,962	-	581,962
Bad loans	29,498	-	29,498
Depreciation	309,867	-	309,867
In-kind	631,468	-	631,468
	<u>\$ 13,434,693</u>	<u>\$ 581,962</u>	<u>\$ 14,016,655</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

Note 1. Summary of Significant Accounting Policies

Financial reporting entity:

The Community Action of South Eastern West Virginia, Inc. (CASE) is a private, not-for-profit organization exempt from income tax under Section 501(c)(3) of the U.S. *Internal Revenue Code*. CASE serves the economically disadvantaged citizens of Mercer County, Summers County, and Monroe County of West Virginia. CASE is governed by a volunteer Board of Directors that is tripartite in nature in that; 1/3 of the members are elected or appointed government officials, 1/3 are from low-income sector; and 1/3 are from the private sector. All of CASE's programs are geared towards helping the low-income, elderly, and handicapped achieve greater self-sufficiency.

Basis of accounting:

CASE's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, demand deposits, and money market funds.

Cash is held in banks located in West Virginia and is insured by the Federal Deposit Insurance Commission (FDIC) up to \$250,000 per financial institution.

Valuation of receivables:

Receivables are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Inventory:

Inventories are comprised of material supplies for the Weatherization program and are stated at cost, using the moving average method of cost accounting.

Property, plant, and equipment:

Property, plant, and equipment consist of items with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated property, plant, and equipment are recorded at estimated fair value at date of donation. The costs of normal maintenance and repairs that do not materially add to the value of an asset or its life are expensed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-30 years
Furniture and equipment	3-10 years
Motor vehicles	5 years

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

Accrued leave:

Accrued leave consists of accrued vacation, sick, and personal leave time earned as of August 31. CASE allows employees to accrue up to a maximum of 480 sick, 240 vacation, and 40 personal hours.

Unearned revenue:

Unearned revenue consists of amounts received from the West Virginia Office of Economic Opportunity. The funds were provided as part of an exchange-type transaction and have been shown as unearned until the amounts have been used for their intended purpose.

Unrestricted net assets:

CASE reports assets whose use is not restricted by donors or grantors as unrestricted net assets.

Temporarily restricted net assets:

Temporarily restricted net assets consist solely of revenues received to be used to purchase a vehicle.

In-kind contributions:

In-kind contributions are recorded as revenue and expense in the accompanying financial statements. These contributions consist of personnel related services, fringes, and others.

Income taxes:

CASE is a nonprofit West Virginia corporation and is exempt from income taxes under *Internal Revenue Code* Section 501(c)(3) as long as the exemption remains in effect.

The federal Forms 990 of CASE for 2009, 2008, and 2007 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Subsequent events:

Subsequent events were considered through May 13, 2011, the date the financials were available to be issued.

Concentration:

CASE received approximately 59.5% of its support for the year from the federal government in the form of grants and cost reimbursement programs.

Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and assets, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

Note 2. Accounts Receivable

Accounts receivable, net consists of the following:

Grant Receivables	\$ 1,064,746
Other Receivables	<u>106,457</u>
	<u>\$ 1,171,203</u>

Note 3. Property, Plant, and Equipment

Property, plant, and equipment activity for the year was as follows:

<u>Program</u>	<u>Beginning Balance*</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Headstart	\$ 953,897	\$ -	\$ -	\$ 953,897
Monroe	49,963	-	-	49,963
Nutrition	36,246	-	-	36,246
Weatherization	441,764	-	-	441,764
Princeton Community Day Care Center	5,200	-	5,200	-
Agency vehicles and equipment	174,199	-	-	174,199
Law and commerce building	400,000	-	-	400,000
Thorn Street School Complex	105,160	-	-	105,160
Bluefield Avenue warehouse	123,195	-	-	123,195
Summers County building	65,000	-	-	65,000
Administration building	360,123	-	-	360,123
Hinton Child Care Center	350,000	-	-	350,000
Hope Land Development land	223,000	-	-	223,000
PMS vehicle	16,270	-	-	16,270
Subtotal	<u>3,304,017</u>	<u>-</u>	<u>5,200</u>	<u>3,298,817</u>
CASE Commission on Aging:				
Land and land improvements	136,384	-	-	136,384
Buildings	941,982	-	-	941,982
Furniture, fixtures and equipment	102,225	-	-	102,225
Vehicles	217,738	-	-	217,738
Total Commission on Aging	<u>1,398,329</u>	<u>-</u>	<u>-</u>	<u>1,398,329</u>
Total fixed assets	<u>\$ 4,702,346</u>	<u>\$ -</u>	<u>\$ 5,200</u>	<u>\$ 4,697,146</u>

*As restated, see Note 10

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010**

Note 3. Property, Plant, and Equipment (Continued)

Related accumulated depreciation activity changes for the year were as follows:

<u>Program</u>	<u>Accumulated Depreciation</u>			<u>Ending Balance</u>
	<u>Beginning Balance*</u>	<u>Depreciation Expense</u>	<u>Decrease</u>	
Headstart	\$ 491,063	\$ 63,985	\$ -	\$ 555,048
Monroe	39,963	-	-	39,963
Nutrition	3,625	7,249	-	10,874
Weatherization	101,642	79,355	-	180,997
Princeton Community Day Care Center	5,200	-	(5,200)	-
Agency vehicles and equipment	119,019	13,608	-	132,627
Law and commerce building	320,833	29,167	-	350,000
Thorn Street School Complex	45,307	6,019	-	51,326
Bluefield Avenue warehouse	25,800	10,320	-	36,120
Summers County building	13,750	5,500	-	19,250
Administration building	68,025	34,012	-	102,037
Hinton Child Care Center	5,541	11,083	-	16,624
Hope Land Development land	-	-	-	-
PMS vehicle	13,106	3,164	-	16,270
Subtotal	1,252,874	263,462	(5,200)	1,511,136
CASE Commission on Aging:				
Land and land improvements	15,820	-	-	15,820
Buildings	451,178	31,399	-	482,577
Furniture, fixtures and equipment	102,225	-	-	102,225
Vehicles	187,732	15,006	-	202,738
Total Commission on Aging	756,955	46,405	-	803,360
Total accumulated depreciation	\$ 2,009,829	\$ 309,867	\$ (5,200)	\$ 2,314,496

*As restated, see Note 10.

The table below summarizes all the property, plant, and equipment activity for the year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Cost	\$ 4,702,346	\$ -	\$ 5,200	\$ 4,697,146
Less accumulated depreciation	2,009,829	309,867	5,200	2,314,496
	<u>\$ 2,692,517</u>	<u>\$ (309,867)</u>	<u>\$ -</u>	<u>\$ 2,382,650</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010**

Note 4. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	\$ 1,198,761	\$ -	\$ 47,638	\$ 1,151,123	\$ 50,865

Details of loans payable are as follows:

	<u>Interest Rate</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Due</u>
Commission on Aging Building Loan	7.000%	September 2008	September 2013	\$ 543,678	\$ 517,268
Administration Building, Hinton Building, and Thorn St. Building Loan	5.875%	January 2009	January 2014	375,107	350,227
Hope Development Loan	5.875%	January 2009	January 2014	223,000	175,764
Warehouse Loan	6.375%	March 2009	March 2014	114,750	107,864
Total				<u>\$ 1,256,535</u>	<u>\$ 1,151,123</u>

Annual debt service requirements on the loans payable are as follows:

<u>Fiscal Year</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 50,865	\$ 72,465
2012	54,143	69,187
2013	57,636	65,694
2014	988,479	16,390
Totals	<u>\$ 1,151,123</u>	<u>\$ 223,736</u>

Note 5. Line of Credit

CASE has a \$250,000 operating line of credit arrangement with a financial institution. The credit line is secured by the "Security Agreement" made January 30, 2009 and bears an interest rate fluctuating with changes in prime rate. The rate was 4.25% at year end. As of August 31, 2010, there were advances totaling \$169,559 outstanding. The line of credit matures on June 2, 2011.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010**

Note 6. Other Post-Employment Benefits

CASE is a participant in the West Virginia Retiree Health Benefits Trust Fund, a cost-sharing multiple-employer, defined benefit, other post-employment benefit plan. The plan is administered by the Public Employees Insurance Agency (“PEIA”).

Annual OPEB Cost. CASE’s annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of the employer (*ARC*), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future postretirement costs requires consideration of a broad array of complex social and economic events. Future changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs option, changes in the investment rate of return, and other matters increase the level of uncertainty of such estimates. As such, the estimate of postretirement program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated obligation.

The following table shows the components of CASE’s annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in CASE’s net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation.

Annual required contribution	\$ 703,852
Interest on net OPEB obligation	-
Annual OPEB cost	703,852
Contributions made	-
Increase in net OPEB obligation	703,852
Net OPEB obligation, beginning of year	255,085
Net OPEB obligation, end of year	\$ 958,937

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

Note 6. Other Post-Employment Benefits (Continued)

Certain OPEB trend information is as follows:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
August 31, 2009	\$ 255,085	0%	\$ 255,085
August 31, 2010	\$ 703,853	0%	703,853

Other assumptions used to arrive at the calculations are as follows:

Actuarial valuation date	June 30, 2009
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Asset valuation method	Fair value
Remaining amortization period	26 years

Actuarial assumptions:

Investment rate of return	3.56% blended rate reflecting long-term expected returns on RHBT and state investment
Health care cost trend rate	9.20% initial; 6.00% ultimate
Payroll growth rate	4.25% to 6.00%

An actuarial valuation report for PEIA is prepared annually in accordance with standards set forth by the Governmental Accounting Standards Board (GASB) to determine the unfunded portion of each participant's future liability. CASE's financial statements are prepared in accordance with standards set forth by the Financial Accounting Standards Board (FASB). Information valuing the liability in accordance with FASB standards is not available. Based on the GASB valuation, CASE's unfunded liability at year end was \$958,937. Management believes that the differences in the basis are immaterial to the financial statements. In addition to the ARC amount, CASE paid \$133,298 to PEIA during the year which is considered as the pay as you go amount.

The financial report for the Retiree Health Benefit Trust Fund can be obtained by contacting Public Employees Insurance Agency, 601 57th Street Southeast, Suite 2, Charleston, West Virginia 25304-2345 or by calling 1-888-680-7342.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

Note 7. Commitments and Contingencies

Certain state and federal grants and programs are subject to audit to determine compliance with their requirements. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 8. Related Party Transactions and Common Control

In March 1998, CASE entered into a limited partnership agreement whereby CASE became managing general partner of the Kennedy Center Limited Partnership. This partnership was formed for the purpose of acquiring and renovating real estate and personal property to provide multifamily residential housing for low-income tenants. As the managing partner, CASE has a 1% interest in the partnership and the authority to manage and control the partnership. The West Virginia Housing Development Fund issued a non interest-bearing loan in the amount of \$657,000 to the partnership to be repaid over 30 years. The Housing Development Fund also issued a grant to CASE in the amount of \$725,000 secured by a lien on the general partners' interest in the partnership. This grant is to be forgiven at the rate of 4% per year provided there is compliance with the terms of the grant agreement. As of August 31, 2003, \$1,400,000 had been received by CASE from the West Virginia Housing Development Fund and invested in the Partnership.

In February 1999, CASE entered into a limited partnership agreement whereby CASE became the managing general partner of the Hinton Center Limited Partnership. This partnership was formed for the purpose of acquiring and renovating real estate and personal property to provide multifamily residential housing for low-income tenants. As the managing partner, CASE has a 1% interest in the partnership and the authority to manage and control the partnership.

During the audit period, CASE made \$34,048 in loan payments as a result of its being the guarantor on the loans for the Hinton and Kennedy Centers.

CASE employs the husband of the executive director as the supervisor of Property Management Services, a wholly-owned subsidiary of CASE, formed to perform maintenance operations on various properties belonging to CASE. During the audit period, \$34,334 was paid to Mr. Hubbard for his services.

Note 9. Retirement Plans

CASE has adopted a defined contribution annuity for its employees qualified under Section 403(b) of the *Internal Revenue Code*. The plan covers all full-time employees of the organization who have completed one year of service. The contributions to the plan are discretionary and are determined each year. During the year, CASE contributed \$77,084 to the Section 403(b) plan.

CASE has also adopted a Section 457(b) deferred compensation plan for a select group of management employees. The organization's contributions to the plan are discretionary and determined each year. During the year, CASE contributed \$12,306 to the Section 457(b) plan.

Mutual of America is the provider of both retirement plans

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010

Note 10. Restatement of Net Assets

Ending net assets for the year ended August 31, 2009 have been restated to correct the following errors:

August 31, 2009, as previously reported	\$ 2,679,583
Adjust long-term liabilities	86,473
Net property, plant, and equipment adjustment reflecting items previously not recorded and accumulated depreciation not recorded	(543,480)
Net revenue adjustments	7,017
Payroll expense accrual	(40,000)
Line of credit accrual	(20,755)
OPEB liability previously unrecorded	<u>(255,085)</u>
August 31, 2009, as restated	<u>\$ 1,913,753</u>

SUPPLEMENTARY INFORMATION

EXHIBIT A

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

COMBINING SCHEDULE FOR STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2010

	Head Start	CSBG Programs Ex. A-1	Nutrition	Weatherization	Family Daycare Food Program	Housing Programs Ex. A-2	Other Programs Ex. A-3	Agency Programs Ex. A-4	Total
Revenue:									
Federal	\$ 2,988,930	\$ 1,010,020	\$ 339,069	\$ 1,777,896	\$ 514,550	\$ 570,478	\$ 484,180	\$ 164,917	\$ 7,850,040
State	-	-	44,324	-	-	-	376,898	565,348	986,570
Other	25,210	185,790	-	334,232	-	-	1,501,869	1,623,159	3,670,260
In-kind	596,000	-	-	-	-	-	35,468	-	631,468
Total	3,610,140	1,195,810	383,393	2,112,128	514,550	570,478	2,398,415	2,353,424	13,138,338
Expenses:									
Salary and wages	1,598,592	613,893	105,175	656,522	64,582	25,054	1,369,970	957,004	5,390,792
Fringe benefits	416,636	129,739	16,037	328,221	20,156	8,517	247,517	235,666	1,402,489
Travel	14,706	10,551	3,796	6,153	4,857	607	53,280	27,275	121,225
Space	241,179	99,611	28,030	61,021	5,885	163,706	119,698	354,379	1,073,509
Contractual	48,596	-	-	32,210	1,830	361,708	12,980	50,099	507,423
Supplies	138,003	67,758	14,865	724,748	14,089	3,476	91,160	73,593	1,127,692
Program costs	146,084	131,074	154,460	-	433,222	1,249	79,972	(702)	945,359
Equipment	41,318	7,572	507	76,276	2,617	-	7,979	3,571	139,840
Loan payments	-	-	-	-	-	28,651	-	-	28,651
Interest	-	-	-	-	-	21,335	-	35,986	57,321
Other	206,692	74,455	17,384	102,539	-	45,471	239,914	983,104	1,669,559
Indirect cost	273,603	85,597	15,000	103,009	12,050	5,020	69,982	17,701	581,962
Bad debt	-	-	-	-	-	29,498	-	-	29,498
Depreciation	60,821	-	7,249	79,355	-	-	3,255	159,187	309,867
In-kind	596,000	-	-	-	-	-	35,468	-	631,468
Total	3,782,230	1,220,250	362,503	2,170,054	559,288	694,292	2,331,175	2,896,863	14,016,655
Increase (decrease) in net assets	\$ (172,090)	\$ (24,440)	\$ 20,890	\$ (57,926)	\$ (44,738)	\$ (123,814)	\$ 67,240	\$ (543,439)	\$ (878,317)
Net assets at beginning of year, as previously recorded									2,679,583
Net asset adjustment (Note 10)									(765,830)
Net assets at end of year									\$ 1,035,436

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
CSBG PROGRAMS

For the Year Ended August 31, 2010

	Community Service Block Grant	Emergency Services Grant Program ESGP	FEMA & United Way	Revolving Loan Fund	Total CSBG
Revenue:					
Federal	\$ 996,897	\$ 13,123	\$ -	\$ -	\$ 1,010,020
Other	168,545	-	14,531	2,714	185,790
Total	1,165,442	13,123	14,531	2,714	1,195,810
Expenses:					
Salary and wages	613,460	433	-	-	613,893
Fringe benefits	129,739	-	-	-	129,739
Travel	10,551	-	-	-	10,551
Space	96,089	3,522	-	-	99,611
Supplies	66,393	-	1,365	-	67,758
Program costs	108,839	7,847	14,388	-	131,074
Equipment	7,013	559	-	-	7,572
Other	55,905	3,550	-	15,000	74,455
Indirect cost	85,507	-	90	-	85,597
Total	1,173,496	15,911	15,843	15,000	1,220,250
Decrease in unrestricted net assets	\$ (8,054)	\$ (2,788)	\$ (1,312)	\$ (12,286)	\$ (24,440)

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
HOUSING PROGRAMS

For the Year Ended August 31, 2010

	HOME Investment Partnership Program	Preston Rehabilitation	Total Housing Programs
Revenue:			
Federal	\$ 448,117	\$ 122,361	\$ 570,478
Expenditures:			
Salary and wages	25,054	-	25,054
Fringe benefits	8,517	-	8,517
Travel	607	-	607
Space	156,844	6,862	163,706
Contractual	220,949	140,759	361,708
Supplies	3,476	-	3,476
Program costs	1,249	-	1,249
Loan payments	28,651	-	28,651
Interest	21,335	-	21,335
Other	45,268	203	45,471
Indirect cost	5,020	-	5,020
Bad debt	29,498	-	29,498
Total	<u>546,468</u>	<u>147,824</u>	<u>694,292</u>
Decrease in unrestricted net assets	<u>\$ 98,351</u>	<u>\$ (25,463)</u>	<u>\$ (123,814)</u>

EXHIBIT A-3

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES --
OTHER PROGRAMS**

For the Year Ended August 31, 2010

	Princeton Community Child Daycare	Concord Child Daycare	Summer Food Service Program	Training & Energy Services OEO/TESC	Workforce Investment Act (WIA)	Retired Senior Volunteer Program (RSVP)	Right From the Start (RFTS)	Starting Points Program	Windy Mountain Learning Center	Total Other Programs
Revenue:										
Federal	\$ 15,875	\$ 16,673	\$ 41,486	\$ -	\$ -	\$ 40,467	\$ 225,966	\$ 33,750	\$ 109,963	\$ 484,180
State	-	-	-	21,381	69,308	28,243	225,966	-	32,000	376,898
Other	296,079	209,904	-	-	-	-	995,886	-	-	1,501,869
In-kind	-	-	-	-	-	17,607	-	17,861	-	35,468
Total	311,954	226,577	41,486	21,381	69,308	86,317	1,447,818	51,611	141,963	2,398,415
Expenses:										
Salary and wages	220,867	140,599	20,902	-	467	37,037	868,126	20,506	61,466	1,369,970
Fringe benefits	42,862	22,460	2,879	-	627	11,798	136,287	8,324	22,280	247,517
Travel	820	334	235	-	-	3,503	41,025	948	6,415	53,280
Space	23,415	32	-	20,820	50	6,179	54,066	2,861	12,275	119,698
Contractual	-	-	-	-	-	1,018	11,962	-	-	12,980
Supplies	16,898	4,954	1,366	506	518	452	55,921	663	9,882	91,160
Program costs	30,171	30,544	19,216	-	-	-	41	-	-	79,972
Equipment	500	865	-	-	-	1,339	5,108	-	167	7,979
Other	21,146	3,679	3,408	-	1,000	4,824	201,095	1,418	3,344	239,914
Indirect cost	-	-	-	-	-	6,789	45,303	4,140	13,750	69,982
Depreciation	-	-	-	-	-	-	3,255	-	-	3,255
In-kind	-	-	-	-	-	17,607	-	17,861	-	35,468
Total	356,679	203,467	48,006	21,326	2,662	90,546	1,422,189	56,721	129,579	2,331,175
Increase (decrease) in unrestricted net assets	\$ (44,725)	\$ 23,110	\$ (6,520)	\$ 55	\$ 66,646	\$ (4,229)	\$ 25,629	\$ (5,110)	\$ 12,384	\$ 67,240

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES --
AGENCY PROGRAMS

For the Year Ended August 31, 2010

	Agency Administration	Property Management Services	CASE Commission on Aging Ex. A-4-1	Total Agency
Revenue:				
Federal	\$ -	\$ -	\$ 164,917	\$ 164,917
State	-	-	565,348	565,348
Other	989,186	507,593	126,380	1,623,159
Total	<u>989,186</u>	<u>507,593</u>	<u>856,645</u>	<u>2,353,424</u>
Expenses:				
Salary and wages	356,219	107,693	493,092	957,004
Fringe benefits	101,823	36,436	97,407	235,666
Travel	1,264	-	26,011	27,275
Space	139,985	138,595	75,799	354,379
Contractual	40,681	-	9,418	50,099
Supplies	35,317	4,979	33,297	73,593
Program costs	-	-	(702)	(702)
Interest expense	-	-	3,571	3,571
Equipment	8,884	27,102	-	35,986
Other	819,826	45,666	117,612	983,104
Indirect cost	-	17,441	260	17,701
Depreciation	21,872	90,910	46,405	159,187
Total	<u>1,525,871</u>	<u>468,822</u>	<u>902,170</u>	<u>2,896,863</u>
Increase (decrease) in unrestricted net assets	<u>\$ (536,685)</u>	<u>\$ 38,771</u>	<u>\$ (45,525)</u>	<u>\$ (543,439)</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES -
 COMMISSION ON AGING
 For the Year Ended August 31, 2010

	Title H1B	Title H1D	Title H1E	Life	Lighthouse	Fair	Community Digest	Sr. Health Insurance Program	Transportation	Other	Total
Revenue:											
Federal	\$ 82,681	\$ 8,578	\$ 73,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,917
State	-	-	-	162,768	266,724	71,040	45,834	982	18,000	-	565,348
Other	-	-	-	-	13,228	4,928	-	-	-	108,224	126,380
Total	82,681	8,578	73,658	162,768	279,952	75,968	45,834	982	18,000	108,224	856,645
Expenses:											
Salary and wages	54,380	4,038	36,223	70,790	177,755	38,615	-	912	10,208	100,171	493,092
Fringe benefits	7,030	1,199	5,515	12,175	40,344	20,185	-	70	1,575	9,314	97,407
Travel	394	-	2,231	5,206	14,950	3,132	-	-	51	47	26,011
Space	13,212	841	22,989	17,358	(2,833)	1,048	17,144	-	-	6,040	75,799
Contractual	-	-	-	-	(1,500)	-	10,283	-	635	-	9,418
Supplies	35	767	6,459	5,168	4,037	320	14,807	-	235	1,469	33,297
Program costs	-	-	-	100	-	-	-	-	-	(802)	(702)
Equipment	-	-	-	405	-	-	3,166	-	-	-	3,571
Other	10,324	315	4,783	43,835	815	625	(203)	-	5,296	51,822	117,612
Indirect cost	-	35	-	-	225	-	-	-	-	-	260
Depreciation	46,405	-	-	-	-	-	-	-	-	-	46,405
Total	131,780	7,195	78,200	155,037	233,793	63,925	45,197	982	18,000	168,061	902,170
Increase (decrease) in unrestricted net assets	\$ (49,099)	\$ 1,383	\$ (4,542)	\$ 7,731	\$ 46,159	\$ 12,043	\$ 637	\$ -	\$ -	\$ (59,837)	\$ (45,525)

SUPPORTING SCHEDULE

SCHEDULE 1

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended August 31, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<u>DEPARTMENT OF AGRICULTURE</u>		
<u>West Virginia Department of Education</u>		
Child and Adult Care Food Program	10 558	\$ 733 096
Summer Food Service Program for Children	10 559	44 899
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Supportive Housing Program	14 235	59 687
<u>West Virginia Housing Development Fund</u>		
HOME Investment Partnerships Program	14 239	256 508
<u>Governor's Office of Economic Opportunity</u>		
Emergency Shelter Grants Program	14 231	15 911
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14 257	164 433
<u>DEPARTMENT OF ENERGY</u>		
<u>Governor's Office of Economic Opportunity</u>		
Weatherization Assistance for Low-Income Persons	81 042	279 133
ARRA - Weatherization Assistance for Low-Income Persons	81 042	1 164 761
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Head Start	93 600	2 237,988
ARRA - Head Start	93 708	151,888
ARRA - Early Head Start	93 709	583 543
<u>West Virginia Department of Health and Human Resources</u>		
Medical Assistance Program	93 778	223,216
Community-Based Child Abuse Prevention Grants	93 590	5 943
<u>Mission West Virginia</u>		
Community Based Abstinence Education	93 010	129 579
<u>West Virginia Bureau of Senior Services</u>		
Special Programs for the Aging - Title III - Part D		
Disease Prevention and Health Promotion Services	93 043	6 831
Special Programs for the Aging - Title III - Part B		
Grants for Supportive Services and Senior Centers	93 044	60,276
Special Programs for the Aging - Title III - Part C		
Nutrition Services	93 045	161 748
National Family Caregiver Support - Title III - Part E	93 052	42 511
<u>Governor's Office of Economic Opportunity</u>		
Community Services Block Grant	93 569	378 370
ARRA - Community Services Block Grant	93 710	605 945
Low-Income Home Energy Assistance	93 568	519 413
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</u>		
Retired and Senior Volunteer Program	94 002	64 538
<u>DEPARTMENT OF HOMELAND SECURITY</u>		
<u>United Way</u>		
Emergency Food and Shelter National Board Program	97 024	8 393
ARRA - Emergency Food and Shelter National Board Program	97 114	4,062
		<u>\$ 7,902,672</u>

Note: The schedule of expenditures of federal awards presents the activity of all federal award programs of the Agency and is presented on the accrual basis of accounting

OTHER INFORMATION

TABLE 1

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
HEAD START
(Unaudited)
SCHEDULE OF REVENUE AND EXPENSES
COMPARED TO BUDGET
For the Program Year Ending April 30, 2010

	Budget	Actual	Favorable (Unfavorable) Variance
Revenue:			
Health and human services	\$ 2,319,990	\$ 2,319,990	\$ -
In-kind	579,998	608,483	28,485
Total program revenue	<u>2,899,988</u>	<u>2,928,473</u>	<u>28,485</u>
Expenses:			
Salaries and wages	1,125,136	1,225,262	(100,126)
Fringe benefits	443,949	340,088	103,861
Travel	5,670	1,927	3,743
Contractual	22,834	8,489	14,345
Equipment	45,000	49,843	(4,843)
Supplies	25,000	20,107	4,893
Indirect cost	222,906	222,906	-
Other	429,495	451,368	(21,873)
Total program expenses	<u>2,319,990</u>	<u>2,319,990</u>	<u>-</u>
In-kind expenses:			
Personnel	208,800	7,753	201,047
Fringe benefits	139,199	4,730	134,469
Other	231,999	596,000	(364,001)
Total in-kind expenses	<u>579,998</u>	<u>608,483</u>	<u>(28,485)</u>
Total program cost	<u>2,899,988</u>	<u>2,928,473</u>	<u>(28,485)</u>
Program year revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 2

**COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
COMMUNITY SERVICE BLOCK GRANT (CSBG)**

(Unaudited)

**SCHEDULE OF REVENUE AND EXPENSES
COMPARED TO BUDGET**

For the Program Year Ending December 31, 2009

	Budget	Actual	Favorable (Unfavorable) Variance
Revenue:			
Federal	\$ 410,754	\$ 410,754	\$ -
Total revenue	410,754	410,754	-
Expenses:			
Salaries/Wages	223,608	223,608	-
Fringe	56,817	56,817	-
Consulting cost	3,757	3,757	-
Travel cost	5,144	5,144	-
Space cost	16,369	16,369	-
Utilities	28,209	28,209	-
Supplies	6,088	6,088	-
Equipment	2,193	2,193	-
Other costs	12,944	12,944	-
Program costs	21,898	21,898	-
Indirect cost	33,727	33,727	-
Total CSBG expenses	410,754	410,754	-
Revenue over (under) expenses	\$ -	\$ -	\$ -

TABLE 3

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
WEATHERIZATION ASSISTANCE PROGRAM

(Unaudited)

SCHEDULE OF REVENUE AND EXPENSES
COMPARED TO BUDGET

For the Program Year Ending June 30, 2010

	Budget	Actual	Favorable (Unfavorable) Variance
Revenue:			
DOE Weatherization Assistance	\$ 1,821,424	\$ 1,821,424	\$ -
Low Income Energy Assistance Program	599,385	599,385	-
Total revenue	<u>2,420,809</u>	<u>2,420,809</u>	<u>-</u>
Expenses:			
DOE Weatherization Assistance:			
Administration	18,563	18,563	-
Insurance	6,878	6,878	-
Materials	61,874	61,874	-
Personnel	130,703	130,703	-
Program Support	54,361	54,361	-
Total DOE Weatherization Regular Grant	<u>272,379</u>	<u>272,379</u>	<u>-</u>
DHHR Low Income Heat & Energy Assistance Program:			
Administration	47,951	47,951	-
Materials	172,180	172,180	-
Personnel	258,946	258,946	-
Program Support	37,593	37,593	-
ECIP	34,385	34,385	-
Electrical Upgrade	40,425	40,425	-
WAP Rel Home Repair	7,905	7,905	-
Total DHHR Weatherization Assistance	<u>599,385</u>	<u>599,385</u>	<u>-</u>
DOE ARRA			
Administration	116,384	116,384	-
Insurance	12,959	12,959	-
Materials	379,103	379,103	-
Personnel	575,414	575,414	-
Program Support	370,945	370,945	-
T&TA	94,240	94,240	-
Total DOE ARRA	<u>1,549,045</u>	<u>1,549,045</u>	<u>-</u>
Total Weatherization Programs	<u>2,420,809</u>	<u>2,420,809</u>	<u>-</u>
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 4

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
NUTRITION PROGRAM
(Unaudited)

SCHEDULE OF REVENUE AND EXPENSES
For the Program Year Ending September 30, 2009

	C-1	C-2	
	Congregate	Home-Delivered	Total
Revenue:			
Federal	\$ 146,354.00	\$ 218,003.00	\$ 364,357.00
Life	2,000.00	3,000.00	5,000.00
Program income	23,425.94	2,409.00	25,834.94
Total revenue	171,779.94	223,412.00	395,191.94
Expenses:			
Manpower	63,247.00	46,325.00	109,572.00
Raw Food	66,209.00	118,381.00	184,590.00
Disposable Supplies	1,735.00	2,038.00	3,773.00
Equipment	1,084.00	465.00	1,549.00
Contracted Services	-	1,025.00	1,025.00
Transportation	-	4,073.00	4,073.00
Other	22,542.00	12,916.00	35,458.00
Indirect Cost	1,750.00	12,000.00	13,750.00
Total expenses	156,567.00	197,223.00	353,790.00
Excess of revenues over expenses	\$ 15,212.94	\$ 26,189.00	\$ 41,401.94
Meals Served	32,135.00	46,131.00	78,266.00
Cost / Meal	4.87	4.28	
Contract Rate/Meal	5.00	5.50	

COMPLIANCE SECTION

**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
Community Action of South Eastern West Virginia, Inc.
Bluefield, West Virginia

We have audited the financial statements of the Community Action of South Eastern West Virginia, Inc (CASE), as of and for the year ended August 31, 2010 and have issued our report thereon dated May 13, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered CASE'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 CASE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CASE's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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 questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.**

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 questioned costs as item 10-1 to be a material weakness.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CASE'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 that are required to be reported under *Government Auditing Standards*.**

We also noted certain additional matters that we reported to management of the Board in a separate letter dated May 13, 2011.

CASE's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit CASE's response and, accordingly, we express no opinion on it.

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
May 13, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Community Action of South Eastern West Virginia, Inc.
Bluefield, West Virginia

Compliance

We have audited the compliance of the Community Action of South Eastern West Virginia, Inc. (CASE) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010. CASE's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CASE's management. Our responsibility is to express an opinion on CASE's compliance based on our audit.

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* 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 CASE'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. Our audit does not provide a legal determination on CASE's compliance with those requirements.

In our opinion, the Community Action of South Eastern West Virginia, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings and questioned costs as Item 10-2.

Internal Control over Compliance

Management of CASE is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CASE's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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 CASE'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.

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 deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

CASE's response to the finding identified in or audit is described in the accompanying schedule of findings and questioned costs. We did not audit CASE's response and, accordingly, we express no opinion on their response.

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
May 13, 2011

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements is reported in the 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*. **This significant deficiency was determined to be a material weakness.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **one audit finding relating to major programs**.
7. The programs tested as major were:

Weatherization Assistance	81,042
Community Services Block Grant	93,569
Head Start	93,600
Medicaid	93,778
8. The threshold for distinguishing Type A and B programs was **\$300,000**.
9. CASE was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

10-1: Auditor Adjustments – (Material Weakness)

Condition:

During our audit, we made several material audit adjustments. These adjustments related to items such as held checks, inventory, loans payable, and certain other items from the prior year related to property, plant, and equipment and other post employment benefits.

Recommendation:

We recommend that CASE implement a system for identifying these types of transactions and complete a more detailed review and analysis of transactions that are unusual and infrequent in nature

Management's Response:

The auditee concurs with this recommendation

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AUGUST 31, 2010

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

10-2: Submission of Single Audit Reporting Package

Condition.

The August 31, 2008 Single Audit reporting package was not submitted to the Single Audit Clearinghouse within the nine month due date.

Recommendation

The Organization should ensure that all previous and future reporting packages are submitted timely

Management's Response:

The auditee agrees with the finding, and will comply with all timely filing requirements in the future. The auditee would like to note the following mitigating circumstances:

During the period when the information would normally be filed, our auditor, who would normally assist with the filing, suffered major heart problems which required numerous hospitalizations. He subsequently met an untimely death as a result of the heart problems. In addition, a request for an extension of the filing date was made to the cognizant agency, and verbal approval was granted. These issues notwithstanding, the information was in fact filed only 9 days after the original due-date.