

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

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

DHHR - Finance

MAY 25 2012

Date Received

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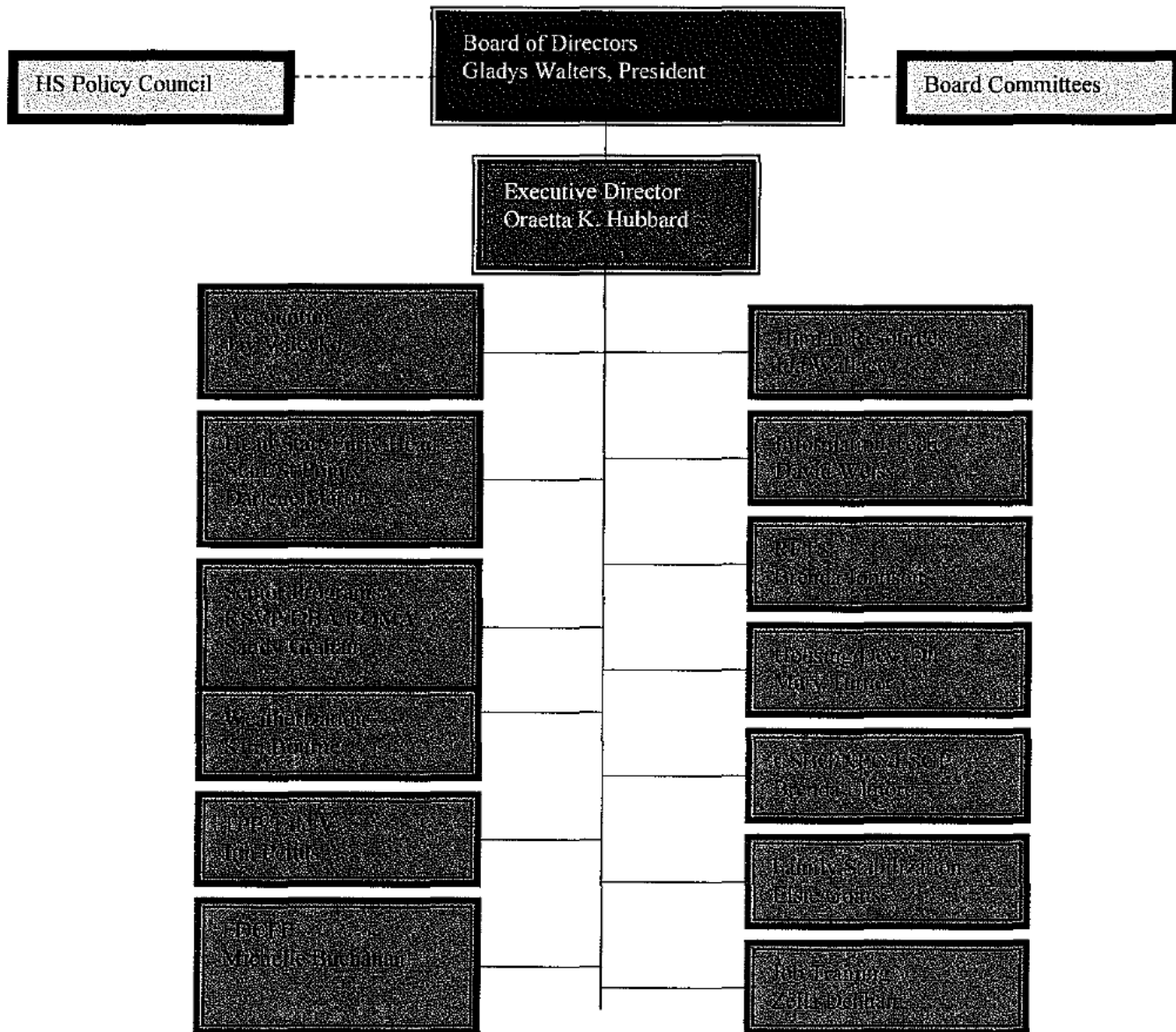
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INTRODUCTORY SECTION

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
Organizational Chart
2011



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 consolidated statement of financial position of the Community Action of South Eastern West Virginia, Inc. (CASE), as of and for the year ended August 31, 2011, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of CASE's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from CASE's consolidated financial statements on which, in our report dated May 13, 2011, we expressed an unqualified opinion.

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, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CASE, as of August 31, 2011, 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 4, 2012 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 consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The introductory section and other information section have not been subjected to the auditing procedures applied in the audit of the consolidated 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 4, 2012

DHHR - Finance

MAY 25 2012

Date Received

CONSOLIDATED FINANCIAL STATEMENTS

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash	\$ 1,090,219	\$ 1,160,385
Accounts receivable (Note 2)	1,397,011	811,025
Inventory (Note 3)	369,629	363,038
Prepaid insurance	21,612	-
Total current assets	<u>2,878,471</u>	<u>2,334,448</u>
Property, plant, and equipment, net (Note 4)	<u>2,965,012</u>	<u>2,673,763</u>
Total assets	<u>\$ 5,843,483</u>	<u>\$ 5,008,211</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 340,658	\$ 257,031
Accrued liabilities	400,859	266,003
Current portion of long-term debt (Note 5)	54,143	50,865
Line of credit (Note 6)	169,559	169,559
Unearned revenue	34,274	186,338
Accrued leave	664,332	651,830
Total current liabilities	<u>1,663,825</u>	<u>1,581,626</u>
Long-term liabilities, less current portion (Note 5)	1,048,188	1,100,258
Other post employment benefits (Note 7)	<u>1,764,529</u>	<u>958,937</u>
Total liabilities	<u>4,476,542</u>	<u>3,640,821</u>
NET ASSETS		
Unrestricted net assets	1,366,941	1,286,715
Temporarily restricted net assets	-	80,675
Total net assets (Note 11)	<u>1,366,941</u>	<u>1,367,390</u>
Total liabilities and net assets	<u>\$ 5,843,483</u>	<u>\$ 5,008,211</u>

EXHIBIT 2

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2011 and 2010

	2011	2010
Unrestricted Revenue:		
Federal	\$ 8,794,942	\$ 7,993,873
State	978,014	986,570
Other	3,365,305	3,047,399
In-kind	1,333,325	631,468
Net assets released from restrictions:		
Satisfaction of purpose restrictions	80,675	-
Total unrestricted revenues	14,552,261	12,659,310
Unrestricted Expenses:		
Salary and wages	5,428,928	5,310,924
Fringe benefits	1,553,810	1,369,452
Travel	146,866	121,225
Space	879,711	1,058,164
Contractual	265,740	377,428
Supplies	1,012,567	1,126,849
Program costs	814,021	945,359
Equipment	113,881	139,840
Interest	79,802	37,370
Other	1,744,968	1,651,369
Indirect cost	806,045	565,121
Bad loans	4,520	29,498
Depreciation	287,851	309,867
In-kind	1,333,325	631,468
Total unrestricted expenses	14,472,035	13,673,934
Change in unrestricted net assets	80,226	(1,014,624)
Temporarily Restricted Net Assets		
Federal revenue	-	80,675
Net assets released from restrictions	(80,675)	-
Change in temporarily restricted net assets	(80,675)	80,675
Net change in net assets	(449)	(933,949)
Net Assets at September 1, as restated (Note 11)	1,367,390	2,301,339
Net Assets at August 31, as restated (Note 11)	\$ 1,366,941	\$ 1,367,390

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (449)	\$ (933,949)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	287,851	309,867
Changes in operating assets and liabilities:		
Accounts receivable	(585,986)	335,465
Inventory	(6,591)	28,379
Prepays	(21,612)	-
Accounts payable	83,627	(103,086)
Accrued liabilities	134,856	266,003
Accrued leave	12,502	178,377
OPEB liabilities	805,592	703,852
Unearned revenue	(152,064)	186,338
	<u>557,726</u>	<u>971,246</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property and equipment	(579,100)	(291,113)
	<u>(579,100)</u>	<u>(291,113)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on line of credit	-	116,044
Payment on long-term debt	(48,792)	(47,638)
	<u>(48,792)</u>	<u>68,406</u>
Net cash (used in) provided by financing activities		
Net (decrease) increase in cash	(70,166)	748,539
CASH		
Beginning	1,160,385	411,846
Ending	<u>\$ 1,090,219</u>	<u>\$ 1,160,385</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 79,802</u>	<u>\$ 45,862</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2011 and 2010

	2011			2010		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Salary and wages	\$ 5,011,476	\$ 417,452	\$ 5,428,928	\$ 4,976,965	\$ 333,959	\$ 5,310,924
Fringe benefits	1,418,130	135,680	1,553,810	1,268,483	100,969	1,369,452
Travel	135,538	11,328	146,866	120,241	984	121,225
Space	779,183	100,528	879,711	1,001,174	56,990	1,058,164
Contractual	192,942	72,798	265,740	361,747	15,681	377,428
Supplies	981,554	31,013	1,012,567	1,091,952	34,897	1,126,849
Program costs	814,021	-	814,021	945,359	-	945,359
Equipment	109,000	4,881	113,881	139,840	-	139,840
Interest	72,707	7,095	79,802	30,138	7,232	37,370
Other	1,719,698	25,270	1,744,968	1,620,119	31,250	1,651,369
Indirect cost	806,045	-	806,045	565,121	-	565,121
Bad loans	4,520	-	4,520	29,498	-	29,498
Depreciation	287,851	-	287,851	309,867	-	309,867
In-kind	1,333,325	-	1,333,325	631,468	-	631,468
	<u>\$ 13,665,990</u>	<u>\$ 806,045</u>	<u>\$ 14,472,035</u>	<u>\$ 13,091,972</u>	<u>\$ 581,962</u>	<u>\$ 13,673,934</u>

The Notes to Financial Statements are
an integral part of this Statement.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

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 financial statement presentation:

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. In addition, CASE is required to report information regarding its financial position and activities according to the three classes of net assets; unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor imposed restrictions. All net assets at August 31, 2011 are unrestricted.

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).

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, stated at cost using the moving average method of cost accounting, and homes held for sale, built from CHDO funding, stated at their historical cost.

Principles of consolidation:

The consolidated financial statements include the accounts of CASE and its subsidiary, Property Management Services, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

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

Accrued liabilities:

Accrued liabilities consists of accrued payroll and payroll taxes earned as of August 31.

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.

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 2007, 2008, and 2009 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events:

Subsequent events were considered through May 4, 2012, the date the financials were available to be issued.

Concentration:

CASE received approximately 60.4% 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.

Comparative data:

The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CASE's financial statements for the prior year from which the summarized information was derived.

Note 2. Accounts Receivable

Accounts receivable, consists of the following:

Grant receivables	\$ 1,190,735
Other receivables	<u>206,276</u>
	<u>\$ 1,397,011</u>

Note 3. Inventory

Inventory, consists of the following:

Homes held for sale from CHDO program	\$ 306,844
Inventory held for Weatherization program	<u>62,785</u>
	<u>\$ 369,629</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 4. Property, Plant, and Equipment

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

Program	Beginning Balance*	Increase	Decrease	Ending Balance
Head Start	\$ 953,897	\$ 89,230	\$ -	\$ 1,043,127
Monroe	49,963	-	-	49,963
Nutrition	36,246	-	-	36,246
Weatherization	441,764	-	-	441,764
Housing Programs	291,113	472,370	-	763,483
Agency vehicles and equipment	174,199	17,500	-	191,699
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>3,589,930</u>	<u>579,100</u>	<u>-</u>	<u>4,169,030</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>\$ 4,988,259</u>	<u>\$ 579,100</u>	<u>\$ -</u>	<u>\$ 5,567,359</u>

*As restated, see Note 11.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 4. Property, Plant, and Equipment (Continued)

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

Program	Accumulated Depreciation			Ending Balance
	Beginning Balance*	Depreciation Expense	Decrease	
Head Start	\$ 555,048	\$ 67,507	\$ -	\$ 622,555
Monroe	39,963	-	-	39,963
Nutrition	10,874	7,249	-	18,123
Weatherization	180,997	78,155	-	259,152
Housing programs	-	4,163	-	4,163
Agency vehicles and equipment	132,627	17,447	-	150,074
Law and commerce building	350,000	-	-	350,000
Thorn Street School Complex	51,326	6,016	-	57,342
Bluefield Avenue warehouse	36,120	10,320	-	46,440
Summers County building	19,250	5,500	-	24,750
Administration building	102,037	34,012	-	136,049
Hinton Child Care Center	16,624	11,083	-	27,707
Hope Land Development land	-	-	-	-
PMS vehicle	16,270	-	-	16,270
Subtotal	1,511,136	241,452	-	1,752,588
CASE Commission on Aging:				
Land and land improvements	15,820	-	-	15,820
Buildings	482,577	31,399	-	513,976
Furniture, fixtures and equipment	102,225	-	-	102,225
Vehicles	202,738	15,000	-	217,738
Total Commission on Aging	803,360	46,399	-	849,759
Total accumulated depreciation	\$ 2,314,496	\$ 287,851	\$ -	\$ 2,602,347

*As restated, see Note 11.

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

	Beginning Balance*	Additions	Deletions	Ending Balance
Cost	\$ 4,988,259	\$ 579,100	\$ -	\$ 5,567,359
Less accumulated depreciation	2,314,496	287,851	-	2,602,347
	\$ 2,673,763	\$ 291,249	\$ -	\$ 2,965,012

*As restated, see Note 11

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 5. 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	\$ 1,151,123	\$ -	\$ 48,792	\$ 1,102,331	\$ 54,143

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	\$ 507,752
Administration Building, Hinton Building, and Thorn St Building Loan	5.875	January 2009	January 2014	375,107	331,346
Hope Development Loan	5.875	January 2009	January 2014	223,000	160,365
Warehouse Loan	6.375	March 2009	March 2014	114,750	102,868
Total				<u>\$ 1,256,535</u>	<u>\$ 1,102,331</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>
2012	\$ 54,143	\$ 69,187
2013	57,636	65,694
2014	990,552	16,390
Totals	<u>\$ 1,102,331</u>	<u>\$ 151,271</u>

Note 6. 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. The line of credit matures on June 10, 2013.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 7. 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. 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	\$	805,592
Interest on net OPEB obligation		-
Annual OPEB cost		805,592
Contributions made		-
Increase in net OPEB obligation		805,592
Net OPEB obligation, beginning of year		958,937
Net OPEB obligation, end of year	\$	1,764,529

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 7. 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, 2010	\$ 703,853	0%	\$ 703,853
August 31, 2011	\$ 805,592	0%	\$ 805,592

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 \$1,764,529. Management believes that the differences in the basis are immaterial to the financial statements. In addition to the ARC amount, CASE paid \$217,299 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.

Subsequent to year end, in December, the PEIA Finance Board members voted to cap the state subsidy for PEIA retiree coverage for employees hired before 2010 at current levels, with no more than 3% growth a year. By doing this, the Employer is no longer exposed to ever increasing trends in healthcare costs, significantly reducing future retiree premium subsidy costs

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 8. 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 9. 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 expensed \$32,093 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, \$35,983 was paid to Mr. Hubbard for his services.

Note 10. 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 \$90,814 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 \$11,106 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 CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 11. Restatement of Net Assets

Ending net assets for the year beginning September 1, 2009 have been restated to correct the following errors:

September 1, 2009, as previously stated	\$ 1,913,753
Add for difference related to Consolidation	80,742
Add for Inventory Held For Sale, previously expensed	306,844
September 1, 2009, as restated	2,301,339
Less prior year stated change in net assets	(878,317)
Less prior year adjustment to revenue	(398,353)
Add prior year adjustment to expenses	342,721
August 31, 2010, as restated	\$ 1,367,390

Prior Period Adjustments:

Consolidation as of 8/31/2009

Net effect of consolidation items on net assets \$ 80,742

Recognition of homes held for sale as of 8/31/2009, previously expensed

Inventory restatement \$ 306,844

Net Asset restatement \$ 306,844

Preston Rehab as of 8/31/2010, previously expensed, and unrecorded accrued liability

Accrued liability restatement \$ 161,118

Contractual expense restatement \$ (129,995)

Fixed asset restatement for amounts previously expensed \$ 291,113

SUPPLEMENTARY INFORMATION

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2011

	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	\$ 3,816,728	\$ 575,645	\$ 327,229	\$ 2,114,792	\$ 488,634	\$ 605,352	\$ 586,794	\$ 279,768	\$ 8,794,942
State	-	-	22,562	7,912	-	70,970	306,435	570,135	978,014
Other	64,989	13,327	-	14,871	5,657	188,606	1,422,482	1,655,373	3,365,305
In-kind	1,301,905	-	-	-	-	-	31,420	-	1,333,325
Total	<u>5,183,622</u>	<u>588,972</u>	<u>349,791</u>	<u>2,137,575</u>	<u>494,291</u>	<u>864,928</u>	<u>2,347,131</u>	<u>2,505,276</u>	<u>14,471,586</u>
Expenses:									
Salary and wages	1,853,498	287,360	125,003	632,838	54,692	72,788	1,348,047	1,054,702	5,428,928
Fringe benefits	541,611	91,955	30,326	287,950	19,961	18,773	256,531	306,703	1,553,810
Travel	23,831	12,718	942	5,107	5,667	396	79,720	18,485	146,866
Space	188,611	22,985	47,214	67,929	6,792	122,185	129,816	294,179	879,711
Contractual	30,359	9,850	4,579	41,351	2,000	8,615	27,694	141,292	265,740
Supplies	228,821	9,330	16,634	589,927	13,810	9,591	73,982	70,472	1,012,567
Program costs	177,153	55,605	136,297	-	369,432	713	74,714	107	814,021
Equipment	53,123	7,321	2,942	20,410	535	5,207	13,069	11,274	113,881
Interest	-	-	-	-	-	15,085	-	64,717	79,802
Other	284,790	75,563	31,494	148,124	-	84,874	132,086	988,037	1,744,968
Indirect cost	318,711	42,823	5,150	122,145	8,800	2,784	232,079	73,553	806,045
Bad debt	-	-	-	-	-	4,520	-	-	4,520
Depreciation	67,507	-	7,249	78,155	-	4,163	7,094	123,683	287,851
In-kind	1,301,905	-	-	-	-	-	31,420	-	1,333,325
Total	<u>5,069,920</u>	<u>615,510</u>	<u>407,830</u>	<u>1,993,936</u>	<u>481,689</u>	<u>349,694</u>	<u>2,406,252</u>	<u>3,147,204</u>	<u>14,472,035</u>
Increase (decrease) in net assets	<u>\$ 113,702</u>	<u>\$ (26,538)</u>	<u>\$ (58,039)</u>	<u>\$ 143,639</u>	<u>\$ 12,602</u>	<u>\$ 515,234</u>	<u>\$ (59,121)</u>	<u>\$ (641,928)</u>	<u>(449)</u>
Net assets at beginning of year, as previously recorded									<u>1,367,390</u>
Net assets at end of year									<u>\$ 1,366,941</u>

EXHIBIT A-1

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
CSBG PROGRAMS**

For the Year Ended August 31, 2011

	Community Service Block Grant	Emergency Services Grant Program ESGP	FEMA & United Way	Revolving Loan Fund	Homeless Prevention & Rapid Rehousing	WVCEH	Total CSBG
Revenue:							
Federal	\$ 408,901	\$ 3,311	\$ -	\$ -	\$ 133,433	\$ 30,000	\$ 575,645
Other	7,328	-	1,750	4,249	-	-	13,327
Total	416,229	3,311	1,750	4,249	133,433	30,000	588,972
Expenses:							
Salary and wages	197,927	-	-	-	61,456	27,977	287,360
Fringe benefits	66,650	-	-	-	25,305	-	91,955
Travel	11,897	-	-	-	237	584	12,718
Space	19,757	249	-	-	2,979	-	22,985
Contractual	9,850	-	-	-	-	-	9,850
Supplies	6,486	-	-	-	2,164	680	9,330
Program costs	14,518	753	2,121	-	37,454	759	55,605
Equipment	5,344	35	-	-	1,942	-	7,321
Other	32,063	-	-	43,500	-	-	75,563
Indirect cost	40,927	-	-	-	1,896	-	42,823
Total	405,419	1,037	2,121	43,500	133,433	30,000	615,510
Increase (decrease) in net assets	\$ 10,810	\$ 2,274	\$ (371)	\$ (39,251)	\$ -	\$ -	\$ (26,538)

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
HOUSING PROGRAMS

For the Year Ended August 31, 2011

	HOME Investment Partnership Program	Preston Rehabilitation	Total Housing Programs
Revenue:			
Federal	\$ 354,213	\$ 251,139	\$ 605,352
State	70,970	-	70,970
Other	188,606	-	188,606
Total	<u>613,789</u>	<u>251,139</u>	<u>864,928</u>
Expenditures:			
Salary and wages	72,788	-	72,788
Fringe benefits	18,773	-	18,773
Travel	396	-	396
Space	122,185	-	122,185
Contractual	7,899	716	8,615
Supplies	9,591	-	9,591
Program costs	713	-	713
Equipment	5,207	-	5,207
Interest	15,085	-	15,085
Other	83,867	1,007	84,874
Indirect cost	2,784	-	2,784
Bad debt	4,520	-	4,520
Depreciation	4,163	-	4,163
Total	<u>347,971</u>	<u>1,723</u>	<u>349,694</u>
Increase (decrease) in net assets	<u>\$ 265,818</u>	<u>\$ 249,416</u>	<u>\$ 515,234</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
OTHER PROGRAMS

For the Year Ended August 31, 2011

	Princeton Community Child Daycare	Concord Child Daycare	Summer Food Service Program	Traning & Energy Services OEO/TESC	Workforce Investment Act (WIA)	Retired Senior Volunteer Program (RSVP)	Right From the Start (RFTS)	Designated Care Coordinator (DCC)	Teen Programs	Total Other Programs
Revenue:										
Federal	\$ -	\$ 18,367	\$ 24,170	\$ -	\$ -	\$ 65,173	\$ 194,754	\$ -	\$ 284,330	\$ 586,794
State	-	-	15,995	13,393	33,294	-	194,753	-	49,000	306,435
Other	14,643	225,074	-	-	-	2,867	42,581	1,137,317	-	1,422,482
In-kind	-	-	-	-	-	31,420	-	-	-	31,420
Total	14,643	243,441	40,165	13,393	33,294	99,460	432,088	1,137,317	333,330	2,347,131
Expenses:										
Salary and wages	8,452	143,063	14,311	-	78,058	33,228	192,635	772,951	105,349	1,348,047
Fringe benefits	1,072	24,535	2,160	-	14,212	13,197	58,790	106,269	36,296	256,531
Travel	-	629	1,048	-	-	840	26,100	33,515	17,588	79,720
Space	1,322	4,456	-	19,190	12,581	5,313	41,215	32,192	13,547	129,816
Contractual	-	-	19,500	-	-	2,013	5,981	200	-	27,694
Supplies	70	3,724	733	436	4,775	348	34,369	17,561	11,966	73,982
Program costs	-	28,891	22,801	-	9,705	-	-	60	13,257	74,714
Equipment	-	1,733	-	-	-	1,816	6,972	1,823	725	13,069
Other	-	1,552	579	-	4,691	3,349	22,579	33,504	65,832	132,086
Indirect cost	-	3,004	1,888	-	-	6,161	33,097	167,521	20,408	232,079
Depreciation	-	-	-	-	-	-	-	7,094	-	7,094
In-kind	-	-	-	-	-	31,420	-	-	-	31,420
Total	10,916	211,587	63,020	19,626	124,022	97,685	421,738	1,172,690	284,968	2,406,252
Increase (decrease) in net assets	\$ 3,727	\$ 31,854	\$ (22,855)	\$ (6,233)	\$ (90,728)	\$ 1,775	\$ 10,350	\$ (35,373)	\$ 48,362	\$ (59,121)

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
AGENCY PROGRAMS

For the Year Ended August 31, 2011

	Agency Administration	Property Management Services	CASE Commission on Aging Ex. A-4-1	Total Agency
Revenue:				
Federal	\$ -	\$ 166,981	\$ 112,787	\$ 279,768
State	-	-	570,135	570,135
Other	1,337,180	61	318,132	1,655,373
Total	<u>1,337,180</u>	<u>167,042</u>	<u>1,001,054</u>	<u>2,505,276</u>
Expenses:				
Salary and wages	435,446	36,961	582,295	1,054,702
Fringe benefits	174,967	6,449	125,287	306,703
Travel	11,837	-	6,648	18,485
Space	165,326	96,388	32,465	294,179
Contractual	135,075	3,217	3,000	141,292
Supplies	36,470	6,486	27,516	70,472
Program costs	107	-	-	107
Interest expense	7,716	20,706	36,295	64,717
Equipment	5,030	-	6,244	11,274
Other	890,257	25,419	72,361	988,037
Indirect cost	-	-	73,553	73,553
Depreciation	21,869	55,415	46,399	123,683
Total	<u>1,884,100</u>	<u>251,041</u>	<u>1,012,063</u>	<u>3,147,204</u>
Increase (decrease) in net assets	<u>\$ (546,920)</u>	<u>\$ (83,999)</u>	<u>\$ (11,009)</u>	<u>\$ (641,928)</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
COMMISSION ON AGING

For the Year Ended August 31, 2011

	Title IIB	Title IID	Title IIE	Life	Lighthouse	Fair	Community Digest	Sr.Health Insurance Program	Other	Total
Revenue:										
Federal	\$ 59,147	\$ 5,930	\$ 40,192	\$ -	\$ -	\$ -	\$ -	\$ 7,518	\$ -	\$ 112,787
State	21,639	1,682	20,430	230,465	204,970	79,029	11,602	-	318	570,135
Other	3,617	-	-	-	-	-	-	-	314,515	318,132
Total	<u>84,403</u>	<u>7,612</u>	<u>60,622</u>	<u>230,465</u>	<u>204,970</u>	<u>79,029</u>	<u>11,602</u>	<u>7,518</u>	<u>314,833</u>	<u>1,001,054</u>
Expenses:										
Salary and wages	26,555	5,925	40,123	89,991	125,831	49,137	-	6,801	237,932	582,295
Fringe benefits	8,037	889	9,984	30,715	32,263	7,011	-	717	35,671	125,287
Travel	(333)	-	(49)	4,703	1,681	420	-	-	226	6,648
Space	(1,820)	-	(2,287)	11,175	5,055	629	1,000	-	18,713	32,465
Contractual	-	-	-	3,000	-	-	-	-	-	3,000
Supplies	2,416	170	2,307	4,086	4,220	498	391	-	13,428	27,516
Program costs	-	-	-	-	-	-	-	-	-	-
Equipment	1,778	-	-	4,466	-	-	-	-	-	6,244
Interest	8,959	-	-	8,959	18,377	-	-	-	-	36,295
Other	20,541	614	5,072	40,438	24,443	763	-	-	(19,510)	72,361
Indirect cost	3,477	14	4,631	12,155	24,258	6,872	-	-	22,146	73,553
Depreciation	46,399	-	-	-	-	-	-	-	-	46,399
Total	<u>116,009</u>	<u>7,612</u>	<u>59,781</u>	<u>209,688</u>	<u>236,128</u>	<u>65,330</u>	<u>1,391</u>	<u>7,518</u>	<u>308,606</u>	<u>1,012,063</u>
Increase (decrease) in net assets	\$ (31,606)	\$ -	\$ 841	\$ 20,777	\$ (31,158)	\$ 13,699	\$ 10,211	\$ -	\$ 6,227	\$ (11,009)

SUPPORTING SCHEDULE

SCHEDULE 1

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2011

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	\$ 585,934
Summer Food Service Program for Children	10.559	43,930
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Supportive Housing Program	14.235	57,323
<u>West Virginia Housing Development Fund</u>		
HOME Investment Partnerships Program	14.239	467,923
<u>Governor's Office of Economic Opportunity</u>		
Emergency Shelter Grants Program	14.231	1,038
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	133,433
<u>DEPARTMENT OF ENERGY</u>		
<u>Governor's Office of Economic Opportunity</u>		
Weatherization Assistance for Low-Income Persons	81.042	57,488
ARRA - Weatherization Assistance for Low-Income Persons	81.042	1,375,726
ARRA - Sustainable Energy Resources for Consumers Project	81.042	16,337
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Head Start	93.600	2,426,036
ARRA - Head Start	93.708	4,425
ARRA - Early Head Start	93.709	1,151,407
<u>West Virginia Department of Health and Human Resources</u>		
Medical Assistance Program	93.778	216,044
Title V Adolescent Health Initiative Grant	93.235	70,000
<u>Mission West Virginia</u>		
Community Based Abstinence Education	93.010	16,714
Teen Pregnancy Prevention Program	93.092	199,000
<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	6,895
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	162,254
National Family Caregiver Support - Title III - Part E	93.052	39,593
Medicare Enrollment Assistance Program	93.071	7,000
<u>Governor's Office of Economic Opportunity</u>		
Community Services Block Grant	93.569	406,121
ARRA - Community Services Block Grant	93.710	38,613
Low-Income Home Energy Assistance	93.568	478,265
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</u>		
Retired and Senior Volunteer Program	94.002	61,145
<u>DEPARTMENT OF HOMELAND SECURITY</u>		
<u>United Way</u>		
Emergency Food and Shelter National Board Program	97.024	1,613
Total Expenditures of Federal Awards		<u>\$ 8,084,533</u>

Note: The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenue:			
Health and human services	\$ 2,281,394	\$ 2,281,394	\$ -
In-kind revenue	570,349	682,736	112,387
Total program revenue	<u>2,851,743</u>	<u>2,964,130</u>	<u>112,387</u>
Expenses:			
Salaries and wages	1,163,457	1,175,829	(12,372)
Fringe benefits	408,220	329,771	78,449
Travel	14,520	12,212	2,308
Contractual	4,000	17,014	(13,014)
Equipment	45,000	-	45,000
Supplies	38,000	80,989	(42,989)
Indirect cost	226,844	207,612	19,232
Other	381,353	457,967	(76,614)
Total program expenses	<u>2,281,394</u>	<u>2,281,394</u>	<u>-</u>
In-kind expense:			
Personnel	-	462,815	(462,815)
Fringe benefits	-	21,244	(21,244)
Other	570,349	198,677	371,672
Total in-kind	<u>570,349</u>	<u>682,736</u>	<u>(112,387)</u>
Total program cost	<u>2,851,743</u>	<u>2,964,130</u>	<u>(112,387)</u>
Program year revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 2

**COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
EARLY HEADSTART
(Unaudited)**

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

For the Program Year Ending September 29, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenue:			
Health and human services	\$ 858,487	\$ 858,487	\$ -
In-kind revenue	214,622	312,148	97,526
Total program revenue	<u>1,073,109</u>	<u>1,170,635</u>	<u>97,526</u>
Expenses:			
Salaries and wages	424,260	429,694	(5,434)
Fringe benefits	138,725	79,577	59,148
Travel	39,823	4,371	35,452
Contractual	8,000	9,900	(1,900)
Supplies	88,456	164,735	(76,279)
Indirect cost	76,298	71,246	5,052
Other	82,925	98,964	(16,039)
Total program expenses	<u>858,487</u>	<u>858,487</u>	<u>-</u>
In-kind expense:			
Personnel	119,970	-	119,970
Fringe benefits	62,576	-	62,576
Other	32,076	312,148	(280,072)
Total in-kind	<u>214,622</u>	<u>312,148</u>	<u>(97,526)</u>
Total program cost	<u>1,073,109</u>	<u>1,170,635</u>	<u>(97,526)</u>
Program year revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 3

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

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenue:			
Health and human services	\$ 156,312	\$ 156,312	\$ -
Total program revenue	<u>156,312</u>	<u>156,312</u>	<u>-</u>
Expenses:			
Salaries and wages	72,603	71,660	943
Fringe benefits	4,153	10,050	(5,897)
Travel	-	87	(87)
Contractual	41,500	41,596	(96)
Supplies	23,870	16,200	7,670
Other	14,186	16,719	(2,533)
Total program expenses	<u>156,312</u>	<u>156,312</u>	<u>-</u>
Program year revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 4

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

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

For the Program Year Ending December 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenue:			
Federal revenue	\$ 410,754	\$ 372,552	\$ (38,202)
Total revenue	<u>410,754</u>	<u>372,552</u>	<u>(38,202)</u>
Expenses:			
Salaries/Wages	215,947	204,398	11,549
Fringe	70,293	66,103	4,190
Contractual	2,000	2,000	-
Travel cost	5,500	5,616	(116)
Space cost	16,369	11,456	4,913
Utilities	22,996	8,599	14,397
Supplies	6,541	4,064	2,477
Equipment	4,100	3,773	327
Other costs	8,000	8,000	-
Program costs	22,227	21,762	465
Indirect cost	<u>36,781</u>	<u>36,781</u>	<u>-</u>
Total CSBG expenses	<u>410,754</u>	<u>372,552</u>	<u>38,202</u>
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 5

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenue:			
DOE Weatherization Assistance	\$ 2,177,094	\$ 1,500,090	\$ (677,004)
Low Income Energy Assistance Program	517,695	516,374	(1,321)
Total revenue	<u>2,694,789</u>	<u>2,016,464</u>	<u>(678,325)</u>
Expenses:			
DOE Weatherization Assistance:			
Administration	26,553	26,553	-
Insurance	8,332	8,332	-
Materials	83,168	83,168	-
Personnel	167,617	167,617	-
Program support	46,244	46,244	-
Total DOE Weatherization Regular Grant	<u>331,914</u>	<u>331,914</u>	<u>-</u>
DHHR GRANT YEAR EXTENDED TO 09/30/2011			
DHHR Low Income Heat & Energy Assistance Program:			
Administration	41,416	41,416	-
Insurance	9,667	9,667	-
Materials	129,127	129,127	-
Personnel	208,267	208,267	-
Program support	60,882	60,882	-
ECIP	40,303	40,303	-
Electrical upgrade	24,283	22,962	1,321
WAP Rel Home Repair	3,750	3,750	-
Total DHHR Weatherization Assistance	<u>517,695</u>	<u>516,374</u>	<u>1,321</u>
DOE ARRA GRANT EXTENDED TO 06/30/2012			
DOE ARRA			
Administration	145,774	65,235	80,539
Insurance	26,939	8,334	18,605
Materials	553,466	395,421	158,045
Personnel	950,374	599,242	351,132
Program support	168,627	99,944	68,683
I&TA	-	-	-
Total DOE ARRA	<u>1,845,180</u>	<u>1,168,176</u>	<u>677,004</u>
Total Weatherization Programs	<u>2,694,789</u>	<u>2,016,464</u>	<u>678,325</u>
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 6

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
NUTRITION PROGRAM
(Unaudited)
SCHEDULE OF REVENUE AND EXPENSES
For the Program Year Ending September 30, 2010

	C-1 Congregate	C-2 Home-Delivered	Total
Revenue:			
Federal revenue	\$ 75,205	\$ 143,861	\$ 219,066
Life	-	-	-
State revenue	46,497	86,352	132,849
Program income	17,680	2,748	20,428
Other resources	-	-	-
Total revenue	<u>139,382</u>	<u>232,961</u>	<u>372,343</u>
Expenses:			
Manpower	45,380	68,022	113,402
Raw food	46,229	67,525	113,754
Disposable supplies	1,908	7,718	9,626
Equipment	12,391	37,848	50,239
Contracted services	-	2,000	2,000
Transportation	-	-	-
Other expenses	25,749	41,122	66,871
Indirect cost	7,725	8,726	16,451
Total expenses	<u>139,382</u>	<u>232,961</u>	<u>372,343</u>
Program revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meals served	23,756	42,373	66,129
Cost / meal	\$ 5.87	\$ 5.50	\$ 11.37
Contract rate / meal	\$ 5.25	\$ 5.75	\$ 11.00

TABLE 7

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
 TITLE III B, D, & E
 (Unaudited)
 SCHEDULE OF REVENUE AND EXPENSES
 For the Program Year Ending September 30, 2010

	III B	III D	III E	Total
Revenue:				
Federal revenue	\$ 60,276	\$ 6,831	\$ 56,471	\$ 123,578
State revenue	20,908	1,747	21,096	43,751
Program income	5,062	-	-	5,062
Total revenue	<u>86,246</u>	<u>8,578</u>	<u>77,567</u>	<u>172,391</u>
Expenses:				
Line item expenditures				
Personnel/fringe	8,094	6,148	6,859	21,101
Printing/supplies	-	-	1,620	1,620
Building space	6,566	1,033	3,051	10,650
Communication/utilities	-	-	5,032	5,032
Other expenses	4,249	1,362	4,707	10,318
Indirect cost	-	35	-	35
Total line item expenses	<u>18,909</u>	<u>8,578</u>	<u>21,269</u>	<u>48,756</u>
Priority services billed				
Transportation	67,337	-	-	67,337
3E In-Home Respite	-	-	56,298	56,298
Total priority services billed	<u>67,337</u>	<u>-</u>	<u>56,298</u>	<u>123,635</u>
Total expenses	<u>86,246</u>	<u>8,578</u>	<u>77,567</u>	<u>172,391</u>
Revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
LIFE PROGRAM
(Unaudited)
SCHEDULE OF REVENUE AND EXPENSES
COMPARED TO BUDGET
For the Program Year Ending June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenue:			
State revenue	\$ 203,728	\$ 203,728	\$ -
Total revenue	<u>203,728</u>	<u>203,728</u>	<u>-</u>
Expenses:			
Personnel and fringe	105,829	105,829	-
Travel	3,000	3,000	-
Printing and supplies	9,761	9,761	-
Building space	25,000	25,000	-
Commun and utilities	25,000	25,000	-
Other	24,502	24,502	-
Indirect cost	10,636	10,636	-
Total expenses	<u>203,728</u>	<u>203,728</u>	<u>-</u>
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 consolidated financial statements of the Community Action of South Eastern West Virginia, Inc (CASE), as of and for the year ended August 31, 2011 and have issued our report thereon dated May 4, 2012. 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

Management of CASE is responsible for establishing and maintaining effective 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 consolidated 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 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 questioned costs, we identified a deficiency 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 consolidated 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 consolidated 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 made certain additional suggestions that we reported to management of the Board in a separate letter dated May 4, 2012.

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 4, 2012

DHHR - Finance

MAY 25 2012

Date Received

**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, 2011. 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, 2011.

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.**

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 4, 2012

DHHR - Finance

MAY 25 2012

Date Received

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the consolidated financial statements.
2. **One significant deficiency** relating to the audit of the consolidated 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 consolidated 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 **no audit findings relating to major programs**.
7. The programs tested as major were:

HOME Investment Partnerships Program	14.239
Weatherization Assistance for Low-Income Persons	81.042
ARRA – Weatherization Assistance for Low-Income Persons	81.042
Head Start	93.600
ARRA – Head Start	93.708
ARRA – Early Head Start	93.709
8. The threshold for distinguishing Type A and B programs was **\$300,000**.
9. CASE was determined to not 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 inventory, accounts receivable, net assets, and certain revenues and expenses.

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.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2011**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

10-1: Auditor Adjustments – (Material Weakness) (Continued)

Management's Response:

CASE recognizes the need to record and maintain appropriate information and documentation regarding all transactions, especially necessary for the generation of GAAP-compliant financial statements. As many of the audit adjustments related to such items (asset capitalization and depreciation expense, long-term and interest expense, and inter-fund transactions, etc), we have developed a plan to assure that appropriate information is recorded and maintained for reporting and audit purposes.

We will continue to maintain (or develop as needed) appropriate subsidiary ledgers for these items. We will also utilize the services of external financial/accounting consultants to review this information on an on-going basis to assure that appropriate schedules and financial statements are available for year end audit purposes

In addition, we have instituted a rigorous review process involving the accounting manager, budget manager, and the CFO for all significant transactions, including all journal entries, with appropriate documentation maintained regarding reviews completed and adjustments made, as necessary.

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

None noted.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

AUGUST 31, 2011

Auditor Reference Number:

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.

Current Status:

No similar findings in the 2011 audit