

**WAYNE COUNTY COMMUNITY
SERVICES ORGANIZATION, INC.
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2013
WITH INDEPENDENT AUDITOR'S REPORTS**

DHHR - Finance

OCT 15 2014

Date Received

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wayne County Community Services Organization, Inc.
Huntington, West Virginia

We have audited the accompanying financial statements of Wayne County Community Services Organization, Inc., (a non-profit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wayne County Community Services Organization, Inc. as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 16 to the financial statements, the Organization has experienced cash flow difficulties, has reported a decrease in net assets of \$199,275 for the year ended September 30, 2013, and has a net deficiency in net assets of \$212,191 as of September 30, 2013 that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of support, revenue and expenses and grant support, revenue and expenses compared to grant budgets (non-GAAP basis) are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2014, on our consideration of Wayne County Community Services Organization, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne County Community Services Organization, Inc.'s internal control over financial reporting and compliance.

Huntington, West Virginia
August 29, 2014

Ware & Hall PLLC

DHHR - Finance

OCT 15 2014

Date Received

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 81,370
Grants receivable	121,756
Other receivables	198,359
Prepaid expenses	<u>17,109</u>

TOTAL CURRENT ASSETS 418,594

PROPERTY AND EQUIPMENT, NET 1,481,948

TOTAL ASSETS \$ 1,900,542

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES

Accounts payable	\$ 222,820
Accrued annual leave	35,157
Accrued payroll	107,704
Payroll taxes withheld and accrued	32,195
Accrued interest	22,660
Current portion of notes payable	193,580
Deferred revenue	<u>19,925</u>

TOTAL CURRENT LIABILITIES 634,041

LONG TERM LIABILITIES

Notes payable, less current portion included above 1,478,692

TOTAL LONG-TERM LIABILITIES 1,478,692

TOTAL LIABILITIES 2,112,733

NET ASSETS (DEFICIT)

Unrestricted (212,191)

TOTAL NET ASSETS (DEFICIT) (212,191)

TOTAL LIABILITIES AND NET ASSETS (DEFICIT) \$ 1,900,542

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

Grants:	
State/pass-through	\$ 1,324,132
In-kind matching	27,567
Contractual service revenues	2,781,173
Program income	100,166
Contributions	26,989
Rent	30,328
Other	<u>26,508</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	<u>4,316,863</u>

EXPENSES

PROGRAM SERVICES

Title IIIB - Senior citizens	98,512
Title IIIC - Nutrition	238,877
Title IIID - Disease prevention and health promotion services	3,841
Title IIIE - Caregiver	25,509
Transportation	845,318
FEMA	4,001
Starting Points	51,585
LIFE	104,422
Lighthouse	165,834
CSBG	4,683
FAIR	37,353
Community partnership and senior support	196,056
Medicaid contractual - personal care/waiver	1,724,248
ADTP	212,848
Veterans Administration	20,337
Apartment rentals	27,799
Other programs	<u>14,770</u>
TOTAL PROGRAM SERVICES	3,775,993

SUPPORTING SERVICES

Management and general	<u>740,145</u>
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TOTAL EXPENSES	<u>4,516,138</u>
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CHANGE IN UNRESTRICTED NET ASSETS	<u>(199,275)</u>
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CHANGE IN NET ASSETS	(199,275)
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NET ASSETS (DEFICIT), BEGINNING OF YEAR AS RESTATED	<u>(12,916)</u>
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NET ASSETS (DEFICIT), END OF YEAR	\$ <u><u>(212,191)</u></u>
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WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (199,275)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	79,348
(Increase) decrease in operating assets:	
Grants receivable	122,631
Other receivables	44,242
Prepaid expenses	7,561
Increase (decrease) in operating liabilities:	
Accounts payable	51,749
Accrued annual leave	(1)
Accrued payroll	(203)
Payroll taxes withheld and accrued	24,256
Accrued interest payable	22,660
Deferred revenue	<u>19,925</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>172,893</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable	<u>(99,555)</u>
NET CASH (USED IN) FINANCING ACTIVITIES	<u>(99,555)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,338
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,032</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>81,370</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	\$ <u>118,227</u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Wayne County Community Services Organization, Inc. is a non-profit organization which provides services to low income, minority, elderly, disadvantaged, and handicapped citizens of Wayne County, West Virginia. Wayne County Community Services Organization, Inc.'s headquarters are located in Huntington, West Virginia. Wayne County Community Services Organization, Inc. also operates a number of Senior Citizens Centers throughout Wayne County and provides bus transportation, including non-emergency medical transportation, for county residents. The Organization is funded primarily through grants and other agreements with the federal and state government.

INVENTORY - Purchases of food and supplies are expensed when acquired. Management believes that inventory is not material in relation to the financial statements.

PROPERTY AND EQUIPMENT - Wayne County Community Services Organization, Inc. adopted a policy to capitalize all property and equipment over \$1,000. Property and equipment purchased is stated at cost and donated property and equipment received is stated at fair market value at the date of donation.

Property and equipment is depreciated over the estimated useful lives of the assets on the straight-line method as follows:

Building and Improvements	15-40 years
Office Furniture and Fixtures	5-15 years
Computer Equipment	5-15 years
Vehicles and Related Equipment	5 years

Property and equipment acquired is owned by Wayne County Community Services Organization, Inc. while used in the program for which it was purchased or in other future authorized programs. The funding sources, however, have a reversionary interest in the property and equipment purchased with grant funds; therefore, its disposition, as well as the ownership of any sale proceeds therefrom, is subject to funding source regulations.

REVENUE AND EXPENSE RECOGNITION - The financial statements have been prepared on the accrual basis of accounting. Grants restricted for specific purposes are reported as revenue when qualifying expenses have been incurred. Funds received in advance of incurring qualifying expenses are recorded as deferred revenue. Revenue from fee for service contracts is recognized in the accompanying financial statements when the services have been provided.

DEFERRED REVENUE - Deferred revenue represents unexpended funds received as of September 30, 2013. Deferred revenue are funds owed to funding sources or are approved for use in ongoing or future programs.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EXPENSE ALLOCATION - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated between the programs and supporting services benefitted.

DONATED SERVICES, SPACE AND OTHER - Donated (in-kind) matching is required by certain funding sources. Donated hourly services are valued at the federally established minimum wage. Donated space is valued at the estimated fair rental value. Donated other is valued at the estimated fair market value at the date of receipt. The value of the use of buses provided by the State of West Virginia Department of Transportation is estimated based on the vehicles' costs and lives.

CASH AND CASH EQUIVALENTS - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization held no cash equivalents at September 30, 2013.

INCOME TAXES - Wayne County Community Services Organization, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes the Organization is no longer subject to income tax examinations for years prior to 2010.

ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CONTRIBUTIONS - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

ADVERTISING COSTS - Advertising costs totaling \$11,078 for the fiscal year ending September 30, 2013 were charged to operations when incurred.

RECEIVABLES - Receivables consists of amounts due for services provided under federal, state, and other contracts. Receivables are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectibility. Once it is determined by management that the account will not be collectible, it is charged-off as bad debts.

BAD DEBTS - The Organization utilizes the direct charge-off method of accounting for bad debts. This method does not result in a materially different provision for bad debt expense than would result from the use of the reserve method.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2 - SUMMARY OF GRANT AGREEMENTS

The following summarizes grant awards which were active during the period October 1, 2012 through September 30, 2013:

<u>Description</u>	<u>Grant Period</u>	<u>Amount of Award</u>
Federal Assistance		
Department of Transportation		
Pass-through West Virginia Department of Transportation, Division of Public Transit Section 5339 Bus Program	07/01/12 - 06/30/13	\$ 150,177
Section 5311 Formula Grants for Rural Areas	07/01/12 - 06/30/13	311,645
Section 5311 Formula Grants for Rural Areas	07/01/13 - 06/30/14	294,770
Department of Health and Human Services		
Pass-through West Virginia State University, Metro Area Agency on Aging:		
Title IIIB - Senior Citizens	10/01/12 - 09/30/13	41,275
Title IIIC - Nutrition Services	10/01/12 - 09/30/13	131,855
Title IIID -Disease Prevention and Health Promotion Services	10/01/12 - 09/30/13	3,435
Title IIIE - Caregiver	10/01/12 - 09/30/13	19,245
Pass-through Southwestern Community Action Council:		
CSBG	01/01/12 - 12/31/12	30,000
CSBG	01/01/13 - 12/31/13	27,000
Department of Homeland Security		
FEMA Emergency Food and Shelter	03/01/12 - 05/31/13	4,000
State Assistance		
West Virginia Department of Transportation, Division of Public Transit		
Section 5311 Formula Grants for Rural Areas	07/01/12 - 06/30/13	50,000
Section 5311 Formula Grants for Rural Areas	07/01/13 - 06/30/14	50,000
West Virginia State University, Metro Area Agency on Aging		
Title IIIB - Senior Citizen	10/01/12 - 09/30/13	51,355
Title IIIC - Nutrition Services	10/01/12 - 09/30/13	87,719
Title IIID - Disease Prevention and Health Promotion Services	10/01/12 - 09/30/13	226
LIFE	07/01/12 - 06/30/13	189,866
LIFE	07/01/13 - 06/30/14	189,866

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2 - SUMMARY OF GRANT AGREEMENTS (CONTINUED)

<u>Description</u>	<u>Grant Period</u>	<u>Amount of Award</u>
State Assistance (continued)		
West Virginia Bureau for Children and Families:		
Starting Points	07/01/12 - 06/30/13	\$ 61,000
Starting Points	07/01/13 - 06/30/14	53,000
West Virginia Bureau of Senior Services		
Lighthouse In-Home Services	07/01/12 - 06/30/13	172,320
Lighthouse In-Home Services	07/01/13 - 06/30/14	61,906
FAIR In-Home Services	07/01/12 - 06/30/13	52,401
FAIR In-Home Services	07/01/13 - 06/30/14	5,980
SHIP	04/01/13 - 03/31/14	4,000
Community Partnership	07/01/12 - 06/30/13	81,000
Community Partnership	07/01/13 - 06/30/14	64,000

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2013:

Land	\$ 54,500
Buildings	1,574,569
Improvements	491,784
Furniture, Fixtures and equipment	257,747
Vehicles	<u>149,178</u>
	2,527,778
Less: Accumulated depreciation	<u>1,045,830</u>
Property and Equipment, Net	\$ <u>1,481,948</u>

Depreciation expense charged to operations amounted to \$79,348 in 2013.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - NOTES PAYABLE

Notes Payable consisted of the following as of September 30, 2013:

Note payable to Community Trust Bank dated 01/05/2007; original principal amount \$1,463,000; payable in 120 monthly payments of \$12,314 including interest at 9.75% from 07/05/2007 through 07/05/2017 followed by 120 monthly payments of approximately \$12,668 including interest at prime + 0.5% from 08/05/17 through 07/05/2027; secured by real estate, assignment of leases and rents, and a first priority lien on all business assets. \$ 1,422,479

Note payable to JP Morgan Chase Bank, borrowings under business line of credit originally dated 06/30/1999 converted to note payable dated 06/27/2012; original principal amount \$232,033; interest at prime plus 1%; payable in 36 monthly installments of \$6,684 commencing 08/27/2012 through 07/27/2015. 157,305

Note payable to City National Bank dated 09/20/2009; original principal amount of \$110,905; interest at 4.10% payable in 59 monthly installments of \$829 plus a final payment of \$81,794 due on 09/20/2014; secured by real estate. 87,418

Note payable to Community Trust Bank dated 10/09/2008; original principal amount \$50,100; variable interest rate currently 10%; payable in 59 monthly installments of \$1,016 plus a final payment of \$4,781 due 10/09/2013; unsecured. 5,070

Total 1,672,272

Less: Current Portion (193,580)

Long-term Portion \$ 1,478,692

Following are maturities of notes payable at September 30, 2013 for each of the next five years and in aggregate:

<u>Years Ending September 30,</u>	<u>Amount</u>
2014	\$ 193,580
2015	77,504
2016	11,854
2017	31,560
2018	126,042
Thereafter	<u>1,231,732</u>
Total	\$ <u>1,672,272</u>

Interest expense for the year ended September 30, 2013 totaled \$140,887.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 - OPERATING LEASES

The Organization leases facilities for senior centers as well as office space under operating leases on a month-to-month basis. The Organization also leases office equipment under an operating lease expiring in 2016.

Minimum future rental payments under non-cancelable operating leases having initial or remaining terms in excess of one year as of September 30, 2013 for each of the next three years and in the aggregate are:

<u>Year Ended September 30,</u>	<u>Amount</u>
2014	\$ 1,659
2015	1,659
2016	<u>691</u>
Total minimum future lease payments	\$ <u>4,009</u>

Rental expense totaled \$40,264 for the fiscal year ended September 30, 2013.

NOTE 6 - DEFERRED REVENUE

Deferred revenue, which consists of restricted funds received by Wayne County Community Services Organization, Inc. but not yet expended for qualifying expenses, is comprised of the following at September 30, 2013:

<u>Description</u>	<u>Amount</u>
Life	\$ 6,672
SHIP	628
FAIR	<u>12,625</u>
Total	\$ <u>19,925</u>

NOTE 7 - COST ALLOCATION

Wayne County Community Services Organization, Inc. has adopted a cost allocation plan whereby each program is charged its fair share of the agency's indirect costs. Indirect costs are those costs incurred for a common purpose benefitting or supporting all agency programs and activities and are not readily assignable directly. Indirect costs are accumulated in an indirect cost pool and are allocated to the various programs in proportion to their direct expenses to total direct expenses.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Organization provides various services to the elderly and low income individuals of Wayne County, West Virginia on a third-party reimbursement basis. The Organization bills the various funding sources in accordance with contractual agreements without requiring collateral or any other security. Grants and other receivables have been adjusted for all known uncollectible accounts. An allowance for bad debts has not been set up as the amount is not considered material.

NOTE 9 - PENSION PLAN

The Organization sponsors a defined contribution pension plan. Employer contributions to the plan for the fiscal year ended September 30, 2013 were \$16,347.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Organization is associated with Westmoreland Apartments, Inc., a West Virginia 501(c)(3) entity incorporated to build housing for low-income elderly citizens of Wayne County, through authority to appoint board members and management. The Organization and its employees currently provide all executive management duties of Westmoreland Apartments, Inc.

Additionally, Westmoreland Apartments, Inc.'s 20-unit apartment building is situated on land which is the property of the Organization. No rents are charged for use of the land.

Transactions between the parties were as follows for the year ended September 30, 2013:

Payments received from Westmoreland Apartments, Inc. for reimbursement of salaries and benefits	\$ <u>8,385</u>
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Westmoreland Apartments, Inc. owed the Organization \$6,313 at September 30, 2013.

NOTE 11 - DONATED SERVICES AND OTHER

During fiscal year ended September 30, 2013, the Organization received donated services from unpaid volunteers and other in-kind support. As required by the grant contracts, such amounts have been recorded as revenue and expenses by the following programs in the accompanying financial statements:

<u>Program</u>	<u>Volunteer Labor</u>	<u>Other In-kind</u>
Title IIIB Senior Citizens	\$ 9,006	\$ 800
Title IIIC Nutrition	9,391	-0-
Title IIIE Caregiver	<u>-0-</u>	<u>8,370</u>
Total	\$ <u>18,397</u>	\$ <u>9,170</u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 11 - DONATED SERVICES AND OTHER (CONTINUED)

Additionally, the Organization's Transportation program was provided with the use of buses by the West Virginia Department of Transportation, Division of Public Transit. The estimated value of the use of the supplied vehicles of \$150,177 is included in grant revenues and expenses.

NOTE 12 - CONTINGENCIES

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

NOTE 13 - PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of the fiscal year ended September 30, 2013 have been restated to correct for errors as follows:

Buses, net of accumulated depreciation, were erroneously capitalized and recognized as grant revenue. The vehicles were provided for the Organization's use but are not owned by, or titled to, the Organization.	\$ (398,401)
Accounts payable at September 30, 2012 were understated.	(44,723)
Grants receivable at September 30, 2012 were understated.	<u>53,972</u>
Total corrections	(389,152)
Net assets at September 30, 2012 as previously reported	<u>376,236</u>
Net assets at September 30, 2012 as restated	\$ <u>(12,916)</u>

Had the errors not been made, the change in net assets for the fiscal year ended September 30, 2012 would have been decreased by \$389,152.

NOTE 14 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to September 30, 2013 through August 29, 2014 (the date the financial statements were available to be issued) for possible adjustment to, or disclosure in the accompanying financial statements as required by the Subsequent Events Topic of the FASB Accounting Standards Codification.

Subsequent to September 30, 2013, the Organization closed two senior centers. The Organization expects to incur no significant losses in disposing of the related property and facilities.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 15 - BUDGETARY REPORTING BASIS

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The accompanying schedule of grant support, revenue and expenses compared to grant budgets (non-GAAP basis) contained on page 20 is prepared on a basis which differs from the financial statements in the following areas:

- 1) With the exception of per-diem reimbursement contracts, revenue is recognized at the time the grant is awarded as opposed to when qualifying expenses have been incurred.
- 2) Encumbrances are reported as expenditures in the year in which they are budgeted.
- 3) Purchases of property and equipment are expensed as opposed to being capitalized and depreciated over the estimated useful lives of the assets.
- 4) Expenditures are classified in accordance with budget categories which may differ from the financial statement expense classification.

NOTE 16 - GOING CONCERN

The accompanying financial statements have been prepared under the assumption that the Organization will continue to operate as a going concern. However, the Organization has experienced cash flow difficulties, has reported a decrease in net assets of \$199,275 for the year ended September 30, 2013, and has reported a net deficiency in net assets of \$212,191 as of that date. These factors raise substantial doubt about the Organization's ability to continue to operate and indicate that it is highly dependent on the future results of management's plans and actions.

Management's plans and actions include the closing of two senior centers and a reduction of the Organization's workforce which occurred subsequent to September 30, 2013. Additionally, management plans to pursue refinancing of existing notes payable in order to obtain more favorable terms and rates, to implement other cost-saving procedures, and to seek additional sources of funding.

ADDITIONAL INFORMATION

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

	Title III B Senior <u>Citizens</u>	Title III C <u>Nutrition</u>	Title III D Disease Prevention and Health Promotion <u>Services</u>	Title III E <u>Caregiver</u>
SUPPORT AND REVENUE				
Grant revenue-state/pass-through	\$ 92,630	\$ 219,574	\$ 3,661	\$ 18,258
In-kind matching	9,176	9,391	-0-	9,000
Contractual Service Revenue	-0-	-0-	-0-	-0-
Program income	6,720	25,897	-0-	-0-
Contributions	-0-	-0-	-0-	-0-
Rent	-0-	-0-	-0-	-0-
Other	-0-	-0-	-0-	-0-
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>108,526</u>	<u>254,862</u>	<u>3,661</u>	<u>27,258</u>
EXPENSES				
Salaries and benefits	88,706	105,510	2,541	17,139
Travel and training	-0-	-0-	-0-	-0-
Consumable supplies	-0-	13,721	-0-	-0-
Maintenance, repairs, and fuel	-0-	-0-	-0-	-0-
Vehicles and equipment	-0-	2,941	-0-	-0-
Insurance	-0-	-0-	-0-	-0-
Occupancy	-0-	-0-	-0-	-0-
Contractual and consultants	-0-	-0-	-0-	-0-
Telephone and utilities	-0-	-0-	-0-	-0-
Food	-0-	107,314	-0-	-0-
Other	-0-	-0-	1,300	-0-
Donated vehicle use	-0-	-0-	-0-	-0-
Indirect costs	10,014	37,721	-0-	4,028
Volunteer labor	9,006	9,391	-0-	-0-
Other in-kind	800	-0-	-0-	8,370
Depreciation	-0-	-0-	-0-	-0-
Interest	-0-	-0-	-0-	-0-
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENSES	<u>108,526</u>	<u>276,598</u>	<u>3,841</u>	<u>29,537</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u>-0-</u>	\$ <u>(21,736)</u>	\$ <u>(180)</u>	\$ <u>(2,279)</u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

	<u>Transportation</u>	<u>FEMA</u>	<u>Starting Points</u>	<u>LIFE</u>
SUPPORT AND REVENUE				
Grant revenue-state/pass-through	\$ 500,292	\$ 4,000	\$ 59,400	\$ 120,911
In-kind matching	-0-	-0-	-0-	-0-
Contractual Service Revenue	218,575	-0-	-0-	-0-
Program income	40,880	-0-	-0-	-0-
Contributions	26,989	-0-	-0-	-0-
Rent	-0-	-0-	-0-	-0-
Other	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>786,736</u>	<u>4,000</u>	<u>59,400</u>	<u>120,911</u>
EXPENSES				
Salaries and benefits	380,055	-0-	39,950	83,598
Travel and training	1,279	-0-	1,042	124
Consumable supplies	4,275	-0-	926	-0-
Maintenance, repairs, and fuel	292,187	-0-	-0-	-0-
Vehicles and equipment	-0-	-0-	-0-	-0-
Insurance	(10,738)	-0-	-0-	-0-
Occupancy	-0-	-0-	4,500	20,700
Contractual and consultants	7,965	-0-	669	-0-
Telephone and utilities	7,687	-0-	4,498	-0-
Food	-0-	4,001	-0-	-0-
Other	7,195	-0-	-0-	-0-
Donated vehicle use	150,177	-0-	-0-	-0-
Indirect costs	139,023	-0-	8,146	16,489
Volunteer labor	-0-	-0-	-0-	-0-
Other in-kind	-0-	-0-	-0-	-0-
Depreciation	5,236	-0-	-0-	-0-
Interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENSES	<u>984,341</u>	<u>4,001</u>	<u>59,731</u>	<u>120,911</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u>(197,605)</u>	\$ <u>(1)</u>	\$ <u>(331)</u>	\$ <u>-0-</u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

	<u>Lighthouse</u>	<u>CSBG</u>	<u>FAIR</u>	<u>Community Partnership and Senior Support</u>
SUPPORT AND REVENUE				
Grant revenue-state/pass-through	\$ 172,320	\$ 4,683	\$ 38,125	\$ 90,278
In-kind matching	-0-	-0-	-0-	-0-
Contractual Service Revenue	-0-	-0-	-0-	-0-
Program income	19,688	-0-	5,126	-0-
Contributions	-0-	-0-	-0-	-0-
Rent	-0-	-0-	-0-	-0-
Other	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>192,008</u>	<u>4,683</u>	<u>43,251</u>	<u>90,278</u>
EXPENSES				
Salaries and benefits	162,516	-0-	37,353	-0-
Travel and training	3,318	-0-	-0-	-0-
Consumable supplies	-0-	-0-	-0-	15,142
Maintenance, repairs, and fuel	-0-	-0-	-0-	2,544
Vehicles and equipment	-0-	-0-	-0-	10,391
Insurance	-0-	-0-	-0-	29,929
Occupancy	-0-	-0-	-0-	15,064
Contractual and consultants	-0-	-0-	-0-	45,220
Telephone and utilities	-0-	-0-	-0-	61,417
Food	-0-	4,683	-0-	-0-
Other	-0-	-0-	-0-	500
Donated vehicle use	-0-	-0-	-0-	-0-
Indirect costs	26,186	-0-	5,898	30,959
Volunteer labor	-0-	-0-	-0-	-0-
Other in-kind	-0-	-0-	-0-	-0-
Depreciation	-0-	-0-	-0-	15,849
Interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENSES	<u>192,020</u>	<u>4,683</u>	<u>43,251</u>	<u>227,015</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u><u>(12)</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>(136,737)</u></u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

	Medicaid Personal <u>Care/Waiver</u>	<u>ADTP</u>	Veterans <u>Administration</u>	Apartment <u>Rentals</u>
SUPPORT AND REVENUE				
Grant revenue-state/pass-through	\$ -0-	\$ -0-	\$ -0-	\$ -0-
In-kind matching	-0-	-0-	-0-	-0-
Contractual Service Revenue	2,302,266	202,338	57,994	-0-
Program income	-0-	1,855	-0-	-0-
Contributions	-0-	-0-	-0-	-0-
Rent	-0-	-0-	-0-	30,328
Other	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>2,302,266</u>	<u>204,193</u>	<u>57,994</u>	<u>30,328</u>
EXPENSES				
Salaries and benefits	1,658,541	192,016	19,310	-0-
Travel and training	58,843	387	521	-0-
Consumable supplies	1,474	5,328	-0-	2,124
Maintenance, repairs, and fuel	-0-	-0-	-0-	565
Vehicles and equipment	-0-	5,813	-0-	2,156
Insurance	-0-	-0-	-0-	-0-
Occupancy	-0-	-0-	-0-	-0-
Contractual and consultants	-0-	-0-	506	7,982
Telephone and utilities	1,420	2,965	-0-	6,772
Food	-0-	6,195	-0-	-0-
Other	3,970	144	-0-	34
Donated vehicle use	-0-	-0-	-0-	-0-
Indirect costs	272,587	33,610	3,211	-0-
Volunteer labor	-0-	-0-	-0-	-0-
Other in-kind	-0-	-0-	-0-	-0-
Depreciation	-0-	-0-	-0-	8,166
Interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENSES	<u>1,996,835</u>	<u>246,458</u>	<u>23,548</u>	<u>27,799</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u>305,431</u>	\$ <u>(42,265)</u>	\$ <u>34,446</u>	\$ <u>2,529</u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

	<u>Other Programs</u>	<u>Totals</u>
SUPPORT AND REVENUE		
Grant revenue-state/pass-through	\$ -0-	\$ 1,324,132
In-kind matching	-0-	27,567
Contractual Service Revenue	-0-	2,781,173
Program income	-0-	100,166
Contributions	-0-	26,989
Rent	-0-	30,328
Other	<u>26,508</u>	<u>26,508</u>
TOTAL SUPPORT AND REVENUE	<u>26,508</u>	<u>4,316,863</u>
EXPENSES		
Salaries and benefits	10,728	2,797,963
Travel and training	-0-	65,514
Consumable supplies	128	43,118
Maintenance, repairs, and fuel	-0-	295,296
Vehicles and equipment	-0-	21,301
Insurance	-0-	19,191
Occupancy	-0-	40,264
Contractual and consultants	-0-	62,342
Telephone and utilities	-0-	84,759
Food	692	122,885
Other	12,326	25,469
Donated vehicle use	-0-	150,177
Indirect costs	2,282	590,154
Volunteer labor	-0-	18,397
Other in-kind	-0-	9,170
Depreciation	-0-	29,251
Interest	<u>140,887</u>	<u>140,887</u>
TOTAL EXPENSES	<u>167,043</u>	<u>4,516,138</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u>(140,535)</u>	\$ <u>(199,275)</u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
COMPARED TO GRANT BUDGET (NON-GAAP BASIS)
OLDER AMERICANS ACT - TITLE IIIB, IIID, AND IIIE - GRANT NUMBER 21336
GRANT PERIOD OCTOBER 1, 2012 TO SEPTEMBER 30, 2013

		<u>Actual</u>			
	<u>Budget</u>	<u>IIIB</u>	<u>IIID</u>	<u>IIIE</u>	<u>(Over) Under Budget</u>
SUPPORT AND REVENUE					
Federal	\$ 64,135	\$ 41,275	\$ 3,435	\$ 19,245	\$ 180
State	51,581	51,355	226	-0-	-0-
In-kind - matching	14,333	9,176	-0-	9,000	(3,843)
Program income	<u>7,000</u>	<u>6,720</u>	<u>-0-</u>	<u>-0-</u>	<u>280</u>
TOTAL SUPPORT AND REVENUE	<u>137,049</u>	<u>108,526</u>	<u>3,661</u>	<u>28,245</u>	<u>(3,383)</u>
EXPENSES					
Personnel	25,668	25,797	2,361	-0-	(2,490)
In-home respite	19,245	-0-	-0-	20,498	(1,253)
Printing and supplies	321	-0-	-0-	-0-	321
Transportation	61,764	60,404	-0-	-0-	1,360
Building space	7,094	826	-0-	-0-	6,268
Communications and utilities	1,415	-0-	-0-	-0-	1,415
Other	979	-0-	1,300	-0-	(321)
Indirect costs	<u>6,230</u>	<u>5,603</u>	<u>-0-</u>	<u>-0-</u>	<u>627</u>
TOTAL EXPENSES	122,716	92,630	3,661	20,498	5,927
GRANTEE'S SHARE	<u>14,333</u>	<u>15,896</u>	<u>-0-</u>	<u>9,000</u>	<u>(10,563)</u>
GRAND TOTAL	\$ <u>137,049</u>	<u>108,526</u>	<u>3,661</u>	<u>29,498</u>	\$ <u>(4,636)</u>
(DECREASE) INCREASE IN NET ASSETS		<u>-0-</u>	<u>-0-</u>	<u>(1,253)</u>	
NET ASSETS (DEFICIT), SEPTEMBER 30, 2013		\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>(1,253)</u>	

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

Federal or State Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency/ Pass-through Number
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FEDERAL AWARDS

Department of Transportation

Pass-through West Virginia Department of Transportation,
Division of Public Transit:

Section 5339 Bus Program	20.500	N/A
Section 5311 Formula Grants for Rural Areas	20.509	18-4028/18-4029
Section 5311 Formula Grants for Rural Areas	20.509	18-4028/18-4029

Total Department of Transportation

Department of Health and Human Services

Pass-through West Virginia State University,
Metro Area Agency on Aging:

Aging Cluster:

Title III B Senior Citizens	93.044	21336
Title III C Nutrition Services	93.045	N/A

Aging Cluster Subtotal

Title III D Disease Prevention and Health Promotion Services	93.043	21336
Title III E Caregiver	93.052	21336

Pass-through Southwestern Community Action Council:

CSBG	93.569	N/A
CSBG	93.569	N/A

Total Department of Health and Human Services

Department of Homeland Security

FEMA Emergency Food and Shelter	97.024	N/A
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Total Department of Homeland Security

Total Federal Awards

<u>Program Period</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>	
07/01/12 - 06/30/13	\$ 150,177	\$ 150,177	\$ 150,177	
07/01/12 - 06/30/13	311,645	260,023	260,023	1)
07/01/13 - 06/30/14	294,770	<u>43,161</u>	<u>43,161</u>	1)
		<u>453,361</u>	<u>453,361</u>	
10/01/12 - 09/30/13	41,275	41,275	41,275	
10/01/12 - 09/30/13	131,855	<u>131,855</u>	<u>131,855</u>	
		173,130	173,130	
10/01/12 - 09/30/13	3,435	3,435	3,435	
10/01/12 - 09/30/13	19,245	18,258	18,258	
01/01/12 - 12/31/12	30,000	4,308	4,308	2)
01/01/13 - 12/31/13	27,000	<u>375</u>	<u>375</u>	2)
		<u>199,506</u>	<u>199,506</u>	
03/01/12 - 05/31/13	4,000	<u>4,000</u>	<u>4,000</u>	
		<u>4,000</u>	<u>4,000</u>	
		<u>656,867</u>	<u>656,867</u>	

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

<u>Federal or State Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency/ Pass-through Number</u>
STATE AWARDS		
West Virginia Department of Transportation, Division of Public Transit		
Section 5311 Formula Grants for Rural Areas	N/A	18-4028/18-4029
Section 5311 Formula Grants for Rural Areas	N/A	18-4028/18-4029
West Virginia State University, Metro Area Agency on Aging		
Title III B Senior Citizens	N/A	21336
Title III C Nutrition Services	N/A	N/A
Title III D Disease Prevention and Health Promotion Services	N/A	21336
LIFE	N/A	21303
LIFE	N/A	21403
West Virginia Bureau for Children and Families		
Starting Points	N/A	G130244
Starting Points	N/A	G140377
West Virginia Bureau of Senior Services		
Lighthouse In-Home Services	N/A	21350
Lighthouse In-Home Services	N/A	IH1431
FAIR In-Home Services	N/A	21350
FAIR In-Home Services	N/A	IH1431
SHIP	N/A	SH21348
Community Partnership	N/A	SC21311
Community Partnership	N/A	SC21411
Total State Awards		
Total Federal and State Awards		
<u>Combined Expenditures</u>		
1) CFDA No. 20.509	\$	303,184
2) CFDA No. 93.569		4,683

<u>Program Period</u>	<u>Program or Award Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
07/01/12 - 06/30/13	\$ 50,000	\$ 29,120	\$ 29,120
07/01/13 - 06/30/14	50,000	17,811	17,811
10/01/12 - 09/30/13	51,355	51,355	51,355
10/01/12 - 09/30/13	87,719	87,719	87,719
10/01/12 - 09/30/13	226	226	226
07/01/12 - 06/30/13	189,866	116,101	116,101
07/01/13 - 06/30/14	189,866	4,810	4,810
07/01/12 - 06/30/13	61,000	28,670	28,670
07/01/13 - 06/30/14	53,000	30,730	30,730
07/01/12 - 06/30/13	172,320	125,976	125,976
07/01/13 - 06/30/14	61,906	46,344	46,344
07/01/12 - 06/30/13	52,401	38,125	38,125
07/01/13 - 06/30/14	5,980	-0-	-0-
04/01/13 - 03/31/14	4,000	-0-	-0-
07/01/12 - 06/30/13	81,000	27,028	27,028
07/01/13 - 06/30/14	64,000	<u>63,250</u>	<u>63,250</u>
		<u>667,265</u>	<u>667,265</u>
		\$ <u><u>1,324,132</u></u>	\$ <u><u>1,324,132</u></u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of Wayne County Community Services Organization, Inc. and is prepared in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL
AND ON COMPLIANCE**

Ware & Hall, PLLC

Certified Public Accountants

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**INDEPENDENT AUDITOR'S 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***

Board of Directors
Wayne County Community
Services Organization, Inc.
Huntington, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Wayne County Community Services Organization, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-1 through 2013-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County Community Services Organization, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wayne County Community Services Organization, Inc.'s Response to Findings

Wayne County Community Services Organization, Inc.'s response to the findings identified in our audit is described in the accompanying corrective action plan. Wayne County Community Services Organization, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ware & Hall PLLC

Huntington, West Virginia
August 29, 2014

DHHR - Finance

OCT 15 2014

Date Received

Ware & Hall, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Wayne County Community
Services Organization, Inc.
Huntington, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Wayne County Community Services Organization, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Wayne County Community Services Organization, Inc.'s major federal programs for the year ended September 30, 2013. Wayne County Community Services Organization, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wayne County Community Services Organization, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Wayne County Community Services Organization, Inc.'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Wayne County Community Services Organization, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Wayne County Community Services Organization, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-4 through 2013-6. Our opinion on each major federal program is not modified with respect to these matters.

Wayne County Community Services Organization, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Wayne County Community Services Organization, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Wayne County Community Services Organization, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wayne County Community Services Organization, Inc.'s internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Wayne County Community Services Organization, Inc.'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain

deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-4 through 2013-6, that we consider to be significant deficiencies.

Wayne County Community Services Organization, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Wayne County Community Services Organization, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ware & Hall PLLC

Huntington, West Virginia
August 29, 2014

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2013**

There were no prior year audit findings related to federal awards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued - Unqualified

Internal Control Over Financial Reporting:

- | | | |
|--|--------------------|------------------------------|
| • Material weakness(es) identified? | <u>✓</u>
Yes | <u> </u>
No |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u> </u>
Yes | <u>✓</u>
None
Reported |
| Noncompliance material to the financial statements? | <u> </u>
Yes | <u>✓</u>
No |

FEDERAL AWARDS

Internal Control Over Major Programs:

- | | | |
|--|--------------------|---------------------------------|
| • Material weakness(es) identified? | <u> </u>
Yes | <u>✓</u>
No |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>✓</u>
Yes | <u> </u>
None
Reported |

Type of Auditor's Report Issued on Compliance for Major Programs - Unqualified

- | | | |
|--|-----------------|-------------------|
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | <u>✓</u>
Yes | <u> </u>
No |
|--|-----------------|-------------------|

Identification of Major Programs:

Department of Transportation	<u>CFDA #</u>
Pass-through West Virginia Department of Transportation, Division of Public Transit:	
Section 5339 Bus Program	20.500
Section 5311 Formula Grants for Rural Areas	20.509

Dollar threshold used to distinguish between Type A and Type B programs:	\$	300,000
--	----	---------

- | | | |
|--|--------------------|----------------|
| Auditee qualified as low-risk auditee? | <u> </u>
Yes | <u>✓</u>
No |
|--|--------------------|----------------|

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-1 Reconciliation of Accounting Records to Supporting Information

Condition: Numerous audit adjusting entries were required to be made to the Organization's accounting records to reflect accurate balances in the Organization's assets, liabilities, net assets (deficit), revenues, and expenses. Various general ledger account balances were not properly reconciled to the supporting documentation including cash, receivables, prepaid expenses, property and equipment and the related depreciation expense, accounts payable, accrued payroll taxes, accrued interest, deferred revenue, grant revenues, contractual service revenues, program service expenses, and management and general expenses. Bank reconciliations contained mathematical errors and improper reconciling items. In addition, the 2012 financial statements required restatement to correct for errors in the recording of property and equipment, grant receivables, and accounts payable.

Criteria: One of the objectives of an internal control system is to provide management with reasonable assurance that transactions are recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. In addition, timely, accurate and complete financial reporting is an essential management tool in monitoring and controlling operations.

Cause: Effective review procedures have not been implemented whereby the general ledger account balances are compared to the related source documents and subsidiary ledgers to ensure the balances are reflected accurately.

Effect: This results in an inaccurate and incomplete presentation of the financial position, results of operations, and cash flows of the Organization. Management therefore, is unable to produce financial statements presented in accordance with generally accepted accounting principles. The necessary adjusting journal entries were made during the audit to correct the errors.

Recommendation: Review procedures should be strengthened inclusive of reconciliations of the general ledger accounts with supporting documentation to ensure that transactions are recorded completely, timely, and accurately in order to prepare financial statements in accordance with generally accepted accounting principles.

2013-2 Indirect Cost Allocation

Condition: We noted that indirect costs were not accumulated and allocated in accordance with OMB requirements and the Organization's indirect cost allocation plan. We noted approximately \$162,836 in direct costs of specific activities or programs which were erroneously charged to the indirect cost pool. We noted that certain activities or programs were not charged with indirect costs. We also noted that depreciation expense was not directly charged to or allocated to the Organization's activities and programs as provided for in the Organization's indirect cost allocation plan.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-2 Indirect Cost Allocation (continued)

Criteria: OMB Circular A-122 "Cost Principles for Non-Profit Organizations" prescribes the following:

- A cost is allocable to a particular cost objective in accordance with the relative benefits received. Any costs allocable to a particular cost objective may not be shifted to other cost objectives.
- Indirect costs are to be allocated to the benefitting cost objectives utilizing an equitable distribution base. Any cost allocable to a particular cost objective may not be shifted to other cost objectives.

In addition, the Organization's indirect cost allocation plan stipulates the following:

- All allowable direct costs are charged directly to programs, grants, activity, etc.
- Depreciation costs for allowable equipment used solely by one program are charged directly to the program using the equipment. Equipment that benefits all programs will be allocated based on a ratio of each program's direct expenses to total direct expenses.

Cause: The Organization's general ledger did not capture and segregate direct costs of the Community Partnership grant and Senior Support services activity. Such costs were classified as indirect costs. Review procedures were not implemented to ensure that depreciation expense was directly charged or allocated to programs and activities in accordance with the Organization's indirect cost allocation plan.

Effect: Failure to follow the established cost principles and indirect cost allocation plan resulted in inaccurate financial reporting and noncompliance with OMB Circular A-122 *Cost Principles for Non-Profit Organizations*. The necessary adjusting journal entries were made during the audit to correct the cost allocations.

Recommendation: Implement procedures to ensure that the Organization's general ledger captures and segregates direct costs of all programs and activities and implement procedures to ensure that depreciation expense is accounted for in accordance with the Organization's indirect cost allocation plan. Procedures should also be adopted to assure that all activities or programs with direct costs are allocated an appropriate share of indirect costs.

2013-3 Misapplication of Accounting Principle

Condition: The State of West Virginia Department of Transportation provides buses for use in the Organization's transportation program. Under the terms of the associated agreements, title to and ownership of the buses remains with the State at all times. We noted that the Organization capitalized such buses by recording \$114,633 of property and equipment additions and an equal amount of grant revenue in the current year. We also noted that the Organization had recorded \$398,401 of property and equipment additions pertaining to these buses, net of accumulated depreciation in 2012.

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-3 Misapplication of Accounting Principle (continued)

Criteria: Generally accepted accounting principles require that the estimated value of the use of the provided assets be reflected as both grant revenues and expenses. The buses do not meet the criteria for recording as an asset under generally accepted accounting principles.

Cause: The Organization did not perform a review of the terms of the associated agreements to ensure that the transactions were accounted for in accordance with generally accepted accounting principles.

Effect: The Organization's assets and net assets were materially overstated. The necessary adjusting journal entries were made during the audit to correct both the current and prior year recorded amounts.

Recommendation: Implement procedures to ensure that the recording and reporting of unusual or significant transactions are reviewed for accounting treatment in accordance with the terms of the associated agreements and generally accepted accounting principles.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Department of Transportation

2013-4 Reconciliation of Accounting Records to Supporting Information

Questioned
Costs

Pass-through West Virginia Department of Transportation,
Division of Public Transit
Section 5311 Formula Grants
For Rural Areas- CFDA No. 20.509

Grant Number 18-4028/18-4029

Grant Period 07/01/12 - 06/30/13 and
Grant Period 07/01/13 - 06/30/14

The finding identified in 2013-1, reconciliation of accounting records to supporting information, also applies to this program.

Questioned Costs

None

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013**

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

Department of Transportation (continued)

2013-5 Indirect Cost Allocation

Questioned
Costs

Pass-through West Virginia Department of Transportation,
Division of Public Transit
Section 5311 Formula Grants
For Rural Areas- CFDA No. 20.509

Grant Number 18-4028/18-4029

Grant Period 07/01/12 - 06/30/13 and
Grant Period 07/01/13 - 06/30/14

The finding identified in 2013-2, indirect cost allocation, also
applies to this program.

Questioned costs

None

2013-6 Purchasing, Procurement, Debarment, and Suspension

Pass-through West Virginia Department of Transportation,
Division of Public Transit
Section 5311 Formula Grants
For Rural Areas- CFDA No. 20.509

Grant Number 18-4028/18-4029

Grant Period 07/01/12 - 06/30/13 and
Grant Period 07/01/13 - 06/30/14

Condition: The entity's purchasing and procurement policies do not
include controls designed to provide reasonable assurance that
purchases are not made from parties listed on the government-wide
Excluded Parties List System.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

Department of Transportation (continued)

2013-6 Purchasing, Procurement, Debarment, and Suspension (continued)

Questioned
Costs

Criteria: OMB guidelines at 2 CFR part 180 that implement Executive Orders 12549 and 12689, "Debarment and Suspension", specify that a contract award with an amount expected to equal or exceed \$25,000 and certain other contract awards shall not be made to parties listed on the government-wide Excluded Parties List System.

Cause: The entity's procurement policies and procedures do not require review of the Excluded Parties List System for major contracts.

Effect: Due to the lack of appropriate controls, the Organization could potentially enter into contracts with excluded parties in violation of the regulations.

Recommendation: Management should revise the entity's procurement policies and implement controls designed to provide reasonable assurance that the Debarment and Suspension provisions are complied with for applicable contracts awarded.

Questioned costs

None

Total Questioned Costs - Department of Transportation

None

Total Questioned Costs

None

CORRECTIVE ACTION PLAN

RESPONSE TO FINANCIAL STATEMENT FINDINGS

2013-1 Reconciliation of Accounting Records to Supporting Information

RESPONSE: Management has been consumed with its ability to have an Organization that will continue to provide services to low-income Seniors of Wayne County. As a result of this, the focus was not the financial aspects of the Organization but its continued operation. Furthermore, numerous issues existed within our accounting software that made reconciliation of these items time consuming and cumbersome. This resulted in an inability to have everything completely reconciled prior to the auditors coming on-site. Additionally, if certain information is not printed out of the accounting system at a particular date you cannot go back into the accounting system and generate the same information. Manual schedules were prepared for adjusting entries supporting those entries but the detail was not available for the original balance within the system as of September 30, 2013. We are working on new processes and will have this in place with the 2014 audit. Furthermore, we will explore purchasing a new accounting system for use within the Organization.

2013-2 Indirect Cost Allocation

RESPONSE: Management was unaware that costs that benefited the senior programs were no longer eligible to be allocated through the Indirect Cost Pool, however the State Partnership Grant, which paid for these costs, was allocated to off-set these costs directly allocated to the Indirect Cost Pool. Management has segregated these in the current year and will use a designated program for said costs. Finally, depreciation costs will be directly allocated to programs they represent instead of the corporate program.

2013-3 Misapplication of Accounting Principle

RESPONSE: These items have been removed from the Depreciation Schedule. Furthermore, Accounting Management believed these were part of the match purchase program of the Department of Transportation. As a result of this, the buses were added to the Depreciation schedule inappropriately and thus resulted in the error. All information will be required moving forward before any asset will be added to the depreciation program. Although we have responded management does not agree with this finding as it was simply an error.

2013-4 Reconciliation of Accounting Records to Supporting Information

RESPONSE: See response to finding 2013-1

2013-5 Indirect Cost Allocation

RESPONSE: See response to finding 2013-2

2013-6 Purchasing, Procurement, Debarment and Suspension

RESPONSE: We have revised our policies and procedures manual to include review of the Excluded Parties list when applicable.