

BI-COUNTY NUTRITION PROGRAM, INC.

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

SEPTEMBER 30, 2017

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Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Bi-County Nutrition Program, Inc.
Nutter Fort, West Virginia

Report on Financial Statements

We have audited the accompanying financial statements of Bi-County Nutrition Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, 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 from 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 qualified audit opinion.

Basis for Qualified Opinion

We did not observe the physical inventory at September 30, 2017, stated at \$20,291. We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures. Consequently, we were not able to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Bi-County Nutrition Program, Inc. as of September 30, 2017, 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.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the Bi-County Nutrition Program, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Bi-County Nutrition Program, Inc.'s internal control over financial reporting and compliance.

D. Patrick Barklett, Ph.D.

Clarksburg, West Virginia
December 19, 2017

BI-COUNTY NUTRITION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

Assets

Current Assets

| | | |
|------------------|---------------|------------|
| Cash | \$ 138,516 | |
| Inventory | 20,291 | |
| Prepaid expenses | <u>12,687</u> | \$ 171,494 |

Property and Equipment

| | | |
|--------------------------|------------------|----------------|
| Property and equipment | 940,932 | |
| Accumulated depreciation | <u>(653,423)</u> | <u>287,509</u> |

Total assets \$ 459,003

Liabilities and Net Assets

Current Liabilities

| | | |
|------------------------------------|--------------|-----------|
| Accounts payable | \$ 17,809 | |
| Payroll taxes and benefits payable | 5,332 | |
| Compensated absences | <u>7,922</u> | \$ 31,063 |

Long-Term Liabilities

| | | |
|----------------------|--|--------------|
| Compensated absences | | <u>7,921</u> |
|----------------------|--|--------------|

Total liabilities 38,984

Net Assets

| | | |
|--------------|--|----------------|
| Unrestricted | | <u>420,019</u> |
|--------------|--|----------------|

Total net assets 420,019

Total liabilities and net assets \$ 459,003

See accompanying notes and independent auditor's report.

**BI-COUNTY NUTRITION PROGRAM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | | |
|------------------------------|----------------|--------------------------|
| Support | | |
| Federal and state assistance | \$ 484,629 | |
| United Way | 83,723 | |
| Contributions | <u>111,949</u> | \$ 680,301 |
| Revenues | | |
| Program income | 117,647 | |
| Interest income | <u>71</u> | <u>117,718</u> |
| Total support and revenue | | 798,019 |
| Expenses | | |
| Program expense: | | |
| Title IIIC - congregate | 48,779 | |
| Title IIIC - home delivered | 675,064 | |
| Other programs | 26,246 | |
| Management and general | <u>96,599</u> | <u>846,688</u> |
| Change in net assets | | (48,669) |
| Net assets, beginning | | <u>468,688</u> |
| Net assets, ending | | <u><u>\$ 420,019</u></u> |

See accompanying notes and independent auditor's report.

**BI-COUNTY NUTRITION PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | <u>Title III-C</u> | | <u>Other Programs</u> | <u>Management and General</u> | <u>Totals (Memorandum Only)</u> |
|-------------------------------|-------------------------|---------------------------|---------------------------|---------------------------------------|---|
| | <u>Congregate</u> | <u>Home Delivered</u> | | | |
| Salaries and related expenses | \$ 17,939 | \$ 238,335 | \$ - | \$ 64,068 | \$ 320,342 |
| Fringe benefits and taxes | 2,078 | 27,611 | - | 7,422 | 37,111 |
| Office | - | - | - | 23,729 | 23,729 |
| Repairs and maintenance | 810 | 10,765 | - | - | 11,575 |
| Occupancy | 2,243 | 29,799 | - | - | 32,042 |
| Depreciation | 2,873 | 38,173 | 3,569 | - | 44,615 |
| Raw food | 18,255 | 242,526 | 22,677 | - | 283,458 |
| Disposables | 2,798 | 37,173 | - | - | 39,971 |
| Transportation | - | 26,228 | - | 1,380 | 27,608 |
| Professional services | 315 | 4,185 | - | - | 4,500 |
| Insurance and audit | 1,468 | 19,497 | - | - | 20,965 |
| Volunteer Recognition | - | 772 | - | - | 772 |
| Total expenses | <u>\$ 48,779</u> | <u>\$ 675,064</u> | <u>\$ 26,246</u> | <u>\$ 96,599</u> | <u>\$ 846,688</u> |

See accompanying notes and independent auditor's report.

BI-COUNTY NUTRITION PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Cash Flows From Operating Activities

| | | |
|---|----|------------|
| Change in net assets | \$ | (48,669) |
| Adjustments to reconcile change in net assets to cash (used in) operating activities: | | |
| Depreciation | | 44,615 |
| (Increase) decrease in : | | |
| Inventory | | (828) |
| Prepaid expenses | | (830) |
| Increase (decrease) in : | | |
| Accounts payable | | 911 |
| Compensated absences | | (2,427) |
| Accrued payroll | | 4,216 |
| Payroll taxes and benefits payable | | <u>749</u> |
| Net cash (used in) operating activities | \$ | (2,263) |

Cash Flows From Capital and Related Financing Activities

| | | |
|---|-----------------|-----------------|
| Acquisition of property and equipment | <u>(27,054)</u> | |
| Net cash (used in) capital and related financing activities | | <u>(27,054)</u> |

| | | |
|--------------------------|----|-----------------------|
| Net (decrease) in cash | | (29,317) |
| Cash - beginning of year | | <u>167,833</u> |
| Cash - end of year | \$ | <u><u>138,516</u></u> |

See accompanying notes and independent auditor's report.

BI-COUNTY NUTRITION PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

1. Description of Entity and Summary of Significant Accounting Policies

Description of Entity

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

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

Summary of Significant Accounting Policies

Basis of Accounting and Reporting

Bi-County Nutrition Program, Inc. uses the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred. The Entity maintains its accounting records and prepares its financial reports in accordance with the grantor funding cycles.

Cash

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

Basis of Presentation

The Organization has adopted FASB ACS 958-605-25-2, Contributions Received (formerly SFAS No. 116). The Organization has also adopted FASB ACS 958-205, Presentation of Financial Statements (formerly SFAS No. 117). Under FASB ACS 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. There are no permanently or temporarily restricted assets as of September 30, 2017.

See independent auditor's report.

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

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

Estimates

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

Prepayments

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

Inventory

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

Functional Expenses

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

Donated Services

Donated services are recognized as contributions in accordance with FASB Codification (ASC) 958-605, "Revenue Recognition", if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No services received by the Organization met these requirements.

Income Tax Exemption

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

See independent auditor's report.

**BI-COUNTY NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTD)**

All required federal tax returns for the Organization have been filed up to, and including the tax year ended September 30, 2016. The Organization's federal income tax returns for the years ended September 30, 2016, 2015, and 2014 remain subject to examination by the Internal Revenue Service ("IRS").

Pension Plan

The Corporation provides individual retirement annuities for all supervisory employees. The individual agreements provide that an approved monthly contribution be paid into the annuity on a monthly basis. The Corporation had one employee covered by the pension arrangement during the fiscal year. The cost of the plan for the year ended September 30, 2017 was \$1,320.

Advertising Costs

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

Compensated Absences

Compensated absences consists of unpaid, accumulated annual sick and accrued vacation time. As of September 30, 2017, the Organization owed \$15,843 in accrued compensated absences.

2. Deposits and Investments

The Organization's deposits are categorized to give an indication of the level of risk assumed by the Organization at September 30, 2017. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Organization or its agent in the Organization's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Category 3 - Uncollateralized.

| | <u>Bank</u> <u>Balance</u> | <u>Category</u> <u>1</u> | <u>2</u> | <u>3</u> | <u>Carrying</u> <u>Amount</u> |
|------|-------------------------------|-----------------------------|----------|----------|----------------------------------|
| Cash | \$ 145,958 | \$ 145,958 | \$ - | \$ - | \$ 138,516 |

The Organization had no investments as of September 30, 2017.

See independent auditor's report.

**BI-COUNTY NUTRITION PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS (CONTD)**

3. Property and Equipment

Property and equipment are stated at cost or at the fair value at the date of donation. All assets are capitalized. Property and equipment consists of the following at September 30, 2017:

| | |
|--|-----------------------|
| Land | \$ 18,443 |
| Building and improvements | 418,892 |
| Food service equipment | 148,329 |
| Office furniture and equipment | 49,644 |
| Vehicles | <u>305,624</u> |
| Total property and equipment at cost | <u>\$ 940,932</u> |

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

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

Depreciation expense was \$44,615 for the fiscal year ended September 30, 2017.

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

4. Line of Credit

In August 2008, Bi-County Nutrition Program, Inc. obtained a revolving line of credit loan from Huntington National Bank which allows the Organization to borrow up to \$25,000 in order to meet working capital needs. The loan is secured by a deed of trust on the Organization's Ohio Avenue real property. The balance of the line of credit at September 30, 2017 was \$-0-.

See independent auditor's report.

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

5. Risks and Uncertainties

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

6. Commitment

Bi-County Nutrition Program, Inc. has a contract with Doddridge County Senior Citizens, Inc. to provide meals in Doddridge County. This contract expires on September 30 each year if not renewed. This contract was renewed for the September 30, 2017 year.

7. Subsequent Events

The Bi-County Nutrition Program, Inc. has considered all subsequent events through December 19, 2017 the date the financial statements were made available.

See independent auditor's report.



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

**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***

The Board of Directors and Management
Bi-County Nutrition Program, Inc.
Nutter Fort, 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 Bi-County Nutrition Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2017. Our opinion was qualified as we were unable to obtain appropriate audit documentation concerning quantities of inventory on hand at September 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bi-County Nutrition Program, 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 Bi-County Nutrition Program, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bi-County Nutrition Program, Inc.'s internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses at item #2017-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Bi-County Nutrition Program, Inc.'s Response to Finding

Bi-County Nutrition Program, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Bi-County Nutrition Program, 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 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.

Debbie Bartlett, PHA

Clarksburg, West Virginia
December 19, 2017

**BI-COUNTY NUTRITION PROGRAM, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

#2017-001 Segregation of Duties

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

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

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

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

Recommendation: Responsibilities of approval, execution, recording and custody be distributed among the accounting staff to the degree possible. We recommend that the Board should remain involved in the financial affairs of the Organization to provide oversight and independent review functions and to continue exercising due diligence and professional skepticism in relation to the Organization's financial operations.

Views of Responsible Officials and Planned Corrective Action: To the extent possible, the Organization has segregated its duties. Any further segregation of duties would not be economically feasible.

Status: This condition was reported in the prior year as audit finding #2016-001.

**BI-COUNTY NUTRITION PROGRAM, INC.
SCHEDULE OF FEDERAL AND STATE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| <u>Grantor Agency</u> | <u>Program Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Financial Awards Recognized</u> |
|---|---------------------------------|------------------------|-------------------------|--|
| Federal Awards | | | | |
| U.S. Department of Health and Human Services | | | | |
| Passed through the WV Bureau of Services and Bel-O-Mar Regional Council: | | | | |
| | Title IIIC – Nutrition Services | 93.045 | N/A | <u>\$ 279,146</u> |
| Total federal funds | | | | <u>\$ 279,146</u> |
| State Awards | | | | |
| WV Bureau of Senior Services through the Bel-O-Mar Regional Council: | | | | |
| | Title IIIC - Nutrition Services | N/A | N/A | <u>\$ 205,483</u> |
| Total state funds | | | | <u>\$ 205,483</u> |

See accompanying notes and independent auditor's report.

BI-COUNTY NUTRITION PROGRAM, INC.
NOTES TO THE SCHEDULE OF FEDERAL AND STATE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Note 1 Basis of Presentation:

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

See independent auditor's report.