



GUTHRIE, BELCZYK & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors
and Management of
THE SENIOR MONONGALIANS, INC.

In planning and performing our audit of the financial statements of **THE SENIOR MONONGALIANS, INC.** as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered **THE SENIOR MONONGALIANS, INC.'s** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in **THE SENIOR MONONGALIANS, INC.'s** internal control to be a material weakness:

Adjustments to Records

We proposed a number of adjustments to the Organization's financial records in order to prepare financial statements in accordance with United States generally accepted accounting principles. The adjustments included entries related to fixed assets and depreciation, customer revenue and receivables and certain payables. Because of the overall impact of these adjustments on the financial statements of the Organization, we consider this finding to be a significant deficiency and a material weakness in the Organization's internal control.

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. We consider the following deficiencies in **THE SENIOR MONONGALIANS, INC's** internal control to be significant deficiencies.

Financial Statement Preparation

As is common with Organizations this size, the accounting staff of **THE SENIOR MONONGALIANS, INC.** does not possess the necessary experience or research materials to prepare financial statements, including disclosures, in accordance with United States generally accepted accounting principles. Because there has been significant improvement in the accounting staff's ability to maintain the general ledger in a manner that more readily lends itself to financial statement preparation, we consider this finding to be a significant deficiency but not a material weakness.

Segregation of Duties

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. For this reason, it is important that management and the Board of Directors remain actively involved in the financial affairs of the Organization and provide appropriate oversight and independent review functions.

Allocation of Indirect Costs

Generally accepted accounting principles and grant compliance require the allocation of indirect costs to programs and supporting functions. As such, Organizations are required to apply a reasonable method for allocating these expenses among the various programs and functions. Although **THE SENIOR MONONGALIANS, INC.** complied with this methodology for the fiscal year ended September 30, 2009, the allocation was not performed on a regular and timely basis. For this reason we consider this to be a significant deficiency but not a material weakness.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and grantors and is not intended to be and should not be used by anyone other than these specified parties.

Guthrie, Belczyk & Associates, P.C.

Washington, Pennsylvania
June 30, 2010



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June 30, 2010

To the Members of the Board
THE SENIOR MONONGALIANS, INC.

We have audited the financial statements of **THE SENIOR MONONGALIANS, INC.** for the year ended September 30, 2009, and have issued our report thereon dated June 30, 2010. Professional standards require that we provide you with information about our responsibilities under United States generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 18, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **THE SENIOR MONONGALIANS, INC.** are described in Note 1 to the financial statements. As described in Note 1, the Organization adopted Accounting Standards Codification (ASC) 820-10 *Fair Value Measurement* and 855-10 *Subsequent Events* during the fiscal year ended September 30, 2009. These standards did not have a material impact on the Organization's financial condition or results of operations. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of accrued compensated absences is based on actual accrued absences at September 30, 2009, valued at current wage rates. Actual cash payments may differ from accrued amounts.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Management's estimate of depreciation is based on chosen methods and the estimated useful lives of fixed assets.

Management's estimate of expense allocation by function is based on direct identification of applicable expenses. If direct allocation is not practical, expenses are apportioned based on wages or other identifiable methods of allocation.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

Entries related to fixed assets and depreciation, revenue and receivables and certain payables.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 22, 2010, and updated on June 30, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Audit Findings (Continued)

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of **THE SENIOR MONONGALIANS, INC.** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Guthrie, Belczyk & Associates, P.C.

GUTHRIE, BELCZYK & ASSOCIATES, P.C.

THE SENIOR MONONGALIANS, INC.

Audited Financial Statements
and Additional Information

For The Years Ended
September 30, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
THE SENIOR MONONGALIANS, INC.
Morgantown, West Virginia

We have audited the accompanying statements of financial position of **THE SENIOR MONONGALIANS, INC.** (a nonprofit organization) as of September 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 8 to the financial statements, for the fiscal year ended September 30, 2008, the Organization allocated its indirect costs in compliance with funding-source specifications. In our opinion, these costs should have been assigned to program and management functions utilizing a reasonable method of allocation as required by United States generally accepted accounting principles.

In our opinion, except for the presentation of program and administrative costs in the statement of functional expenses for the fiscal year ended September 30, 2008, the financial statements referred to above present fairly, in all material respects, the financial position of **THE SENIOR MONONGALIANS, INC.** as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010, on our consideration of **THE SENIOR MONONGALIANS, INC.'s** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of grant funding and functional expenses by program on pages 20 through 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Guthrie, Belczyk & associates, P.C.

Washington, Pennsylvania
June 30, 2010

THE SENIOR MONONGALIANS, INC.

Statements of Financial Position

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 85,128	\$ 32,106
Receivables	89,196	31,223
Prepaid expenses	<u>3,442</u>	<u>10,638</u>
<u>Total Current Assets</u>	177,766	73,967
<u>PROPERTY AND EQUIPMENT</u> - net	<u>151,498</u>	<u>109,372</u>
<u>TOTAL ASSETS</u>	<u>\$ 329,264</u>	<u>\$ 183,339</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Line of credit	\$ 70,981	\$ 65,892
Accounts payable	89,194	80,274
Accrued payroll and payroll liabilities	38,441	35,346
Accrued compensated absences	<u>11,882</u>	<u>39,570</u>
<u>Total Current Liabilities</u>	210,498	221,082
<u>NET ASSETS (DEFICIT)</u>		
Unrestricted net assets (deficit)	<u>118,766</u>	<u>(37,743)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 329,264</u>	<u>\$ 183,339</u>

See the accompanying notes to the financial statements.

THE SENIOR MONONGALIANS, INC.

Statements of Activities

for the years ended
September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>UNRESTRICTED NET ASSETS</u>		
Support and Revenues:		
State grants	\$ 559,874	\$ 667,166
Fees for service	452,562	283,251
Federal grants	257,683	197,494
Local grants	110,000	110,000
Program income	77,896	57,950
Other grants	0	43,408
Contributions	16,447	13,149
Other income	<u>3,379</u>	<u>4,452</u>
<u>Total Support and Revenues</u>	1,477,841	1,376,870
<u>OPERATING EXPENSES</u>		
Program	1,222,935	1,347,420
Management and general	91,560	116,189
Fundraising	<u>6,837</u>	<u>0</u>
<u>Total Operating Expenses</u>	<u>1,321,332</u>	<u>1,463,609</u>
<u>INCREASE (DECREASE) IN UNRESTRICTED</u>		
<u>NET ASSETS</u>		
	156,509	(86,739)
Net assets (deficit) - beginning of year	<u>(37,743)</u>	<u>48,996</u>
<u>NET ASSETS (DEFICIT) - END OF YEAR</u>	<u>\$ 118,766</u>	<u>\$ (37,743)</u>

See the accompanying notes to the financial statements.

THE SENIOR MONONGALIANS, INC.

Statement of Functional Expenses

for the year ended
September 30, 2009

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Wages and salaries	\$ 779,982	\$ 64,189	\$ 0	\$ 844,171
Payroll taxes	66,902	7,735	0	74,637
Supplies	63,851	3,367	846	68,064
Other insurance	45,360	3,944	0	49,304
Rent	10,454	36,488	0	46,942
Utilities and communications	15,120	24,693	0	39,813
Professional fees	216	31,222	0	31,438
Medical insurance	28,109	2,427	0	30,536
Depreciation	23,533	2,542	136	26,211
Travel and training	19,703	2,915	0	22,618
Printing and reproduction	8,203	11,907	0	20,110
Vehicle expense	15,579	0	0	15,579
Repairs and maintenance	5,587	7,789	0	13,376
Office expense and postage	659	10,086	0	10,745
Interest	161	9,038	0	9,199
Pension expense	574	4,069	0	4,643
Employee relations	1,152	1,577	0	2,729
Dues and subscriptions	179	2,099	0	2,278
Equipment	19	91	0	110
Miscellaneous	352	3,197	5,280	8,829
<u>Total</u>	1,085,695	229,375	6,262	1,321,332
Indirect costs	137,240	(137,815)	575	0
<u>TOTAL EXPENSES AFTER ALLOCATION OF INDIRECT COSTS</u>	<u>\$ 1,222,935</u>	<u>\$ 91,560</u>	<u>\$ 6,837</u>	<u>\$ 1,321,332</u>

See the accompanying notes to the financial statements.

THE SENIOR MONONGALIANS, INC.

Statement of Functional Expenses

for the year ended
September 30, 2008

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
Wages and salaries	\$ 907,317	\$ 0	\$ 907,317
Payroll taxes	75,071	0	75,071
Supplies	107,793	26,298	134,091
Other insurance	17,433	28,671	46,104
Rent	30,720	0	30,720
Utilities and communications	39,983	4,155	44,138
Professional fees	2,500	0	2,500
Medical insurance	12,888	21,001	33,889
Depreciation	25,687	0	25,687
Travel and training	27,637	6,100	33,737
Printing and reproduction	33,103	7,339	40,442
Vehicle expense	29,847	0	29,847
Repairs and maintenance	11,330	0	11,330
Office expense and postage	1,857	1,067	2,924
Interest	388	8,888	9,276
Pension expense	6,412	0	6,412
Dues and subscriptions	0	3,359	3,359
Equipment	5,320	0	5,320
Miscellaneous	<u>12,134</u>	<u>9,311</u>	<u>21,445</u>
<u>TOTAL EXPENSES</u>	<u>\$ 1,347,420</u>	<u>\$ 116,189</u>	<u>\$ 1,463,609</u>

See the accompanying notes to the financial statements.

THE SENIOR MONONGALIANS, INC.

Statements of Cash Flows

for the years ended
September 30, 2009 and 2008

Increase (Decrease) in Cash

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ 156,509	\$(86,739)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,211	25,687
(Increase) Decrease in:		
Accounts receivable	(57,973)	(31,223)
Prepaid expenses	7,196	(10,638)
Increase (Decrease) in:		
Accounts payable	8,920	72,571
Accrued payroll and payroll liabilities	3,095	25,641
Accrued compensated absences	(27,688)	<u>18,172</u>
<u>Cash Flows Provided by Operating Activities</u>	116,270	13,471
<u>CASH FLOWS USED IN INVESTING ACTIVITIES:</u>		
Purchase of fixed assets	(68,337)	(60,359)
<u>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:</u>		
Proceeds from line of credit, net	<u>5,089</u>	<u>65,892</u>
<u>Net Increase in Cash and Cash Equivalents</u>	53,022	19,004
Cash and cash equivalents - beginning of year	<u>32,106</u>	<u>13,102</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 85,128</u>	<u>\$ 32,106</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash paid during the year for interest	<u>\$ 9,199</u>	<u>\$ 9,276</u>
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See the accompanying notes to the financial statements.

THE SENIOR MONONGALIANS, INC.

Notes to the Financial Statements

September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

THE SENIOR MONONGALIANS, INC. is a West Virginia nonprofit organization whose mission is to improve the quality of life for Monongalia County senior citizens. The purpose of the Organization is to study and document the needs of the seniors, to encourage, promote and aid in the establishment of programs for seniors, to conduct programs of public education on the problems of aging, to utilize opportunities to establish demonstration programs, and to implement state and local programs for the aging that no other agency is conducting.

The Organization's major programs consist of in-home personal care services, community care, congregate and home delivered meals and transportation services.

Method of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with United States generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents

For purposes of the cash flows statement, the Organization considers investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2009 and 2008.

The Organization occasionally maintains cash balances in the bank in excess of the FDIC insured limit.

THE SENIOR MONONGALIANS, INC.

Notes to the Financial Statements

September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The accompanying financial statements are presented in accordance with United States generally accepted accounting principles, except as noted. As such, 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 based on the existence or absence of donor-imposed restrictions. In addition, the Organization is required to present a statement of cash flows.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Long-lived assets purchased with restricted contributions are recorded as restricted support. Unless otherwise specified by the donor, these net assets are released from restriction over the estimated useful lives of the respective assets.

Receivables

Financial instruments that potentially subject the Organization to credit risk consist principally of various grants receivable from federal, state and local governments and miscellaneous receivables from individuals located primarily in Monongalia County, West Virginia.

No allowance for doubtful accounts has been established as management considers all balances to be collectible. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on the financial statements.

Property and Equipment

Equipment and vehicles are stated at cost, or at estimated fair value at the date of the gift if donated. The Organization's policy is to capitalize all expenditures for fixed assets in excess of \$500. Maintenance, repairs and replacements are generally charged

THE SENIOR MONONGALIANS, INC.

Notes to the Financial Statements

September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

to expense as incurred. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Equipment	5-10 years
Vehicles	5-7 years

Depreciation expense amounted to \$26,211 and \$25,687 for the years ended September 30, 2009 and 2008, respectively.

Income Taxes

THE SENIOR MONONGALIANS, INC. qualifies as a tax-exempt organization 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 Code Section 509(a). Donors are entitled to deductions from income tax for contributions made to THE SENIOR MONONGALIANS, INC. in accordance with these regulations.

There was no unrelated business income during the years ended September 30, 2009 and 2008.

Donated Services

Donated services are reflected in the financial statements at the estimated fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated services recorded for the years ended September 30, 2009 and 2008.

Functional Allocation of Expenses

The costs of providing the programs and supporting functions have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

THE SENIOR MONONGALIANS, INC.

Notes to the Financial Statements

September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred. These costs amounted to \$13,469 and \$38,470 for the years ended September 30, 2009 and 2008, respectively.

Grant Funding

Grant funding is provided in three ways:

1. On a cost reimbursement basis for which the Organization requests reimbursement for monies already spent.
2. On an as-needed basis in which the Organization requests funding that will be utilized in the immediate future. Upon completion of a grant year, any unexpended grant money must be approved for carryover to the next year or returned to the grantor.
3. Certain nutrition program funding is received on a meal reimbursement basis, not to exceed the total grant award. Upon completion of the grant year, any unexpended funds are restricted for future program operating expenses.

Compensated Absences

The Organization permits employees to accumulate unused vacation and sick time. Upon termination, any accumulated vacation is paid to the employee. Accrued compensated absences amounted to \$11,882 and \$39,570 at September 30, 2009 and 2008.

Fair Value Measurement

The Organization applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10 for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Organization adopted ASC 820-10 for the fiscal year beginning October 1, 2008, except for nonfinancial assets and

THE SENIOR MONONGALIANS, INC.

Notes to the Financial Statements

September 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements for which delayed application is permitted. The adoption of the initial sections of ASC 820-10 had no impact on the Organization's financial position, results of operations, or cash flows.

Subsequent Events

In accordance with Accounting Standards Codification (ASC) 855-10, *Subsequent Events*, THE SENIOR MONONGALIANS, INC. has evaluated subsequent events through June 30, 2010, the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENT

The Organization's financial instruments consist of cash and cash equivalents, receivables, accounts payable, line of credit, and other current liabilities. The recorded values of cash and cash equivalents, receivables, accounts payable and other current liabilities approximate fair value based on their short-term nature.

The recorded value of the line of credit approximates fair value, as the interest rate approximates market rates.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2009 and 2008, consisted of the following:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 292,438	\$ 300,250
Vehicles	<u>166,278</u>	<u>109,419</u>
<u>Total Property and Equipment</u>	458,716	409,669
Accumulated Depreciation	<u>(307,218)</u>	<u>(300,297)</u>
<u>Property and Equipment - net</u>	<u>\$ 151,498</u>	<u>\$ 109,372</u>

THE SENIOR MONONGALIANS, INC.

Notes to the Financial Statements

September 30, 2009 and 2008

NOTE 4 - LINE OF CREDIT

The Organization maintains a \$75,000 line of credit with a local bank. The line bears interest at the rate of prime plus 2%, currently at 5.25%, and is secured by certain corporate assets. The balance at September 30, 2009 and 2008, was \$70,981 and \$65,892.

NOTE 5 - OPERATING LEASE

The Organization has a 10 year revocable lease for office and program space. The lease required payments of \$1,620 per month from October 2007 through January 2008. The agreement was amended and renewed in January 2008 to run through December 2017. This new lease requires monthly payments of \$3,480 through December 2008 and \$3,820 in 2009 with annual increases of approximately 10% through December 2017. Rental expense for the years ended September 30, 2009 and 2008 was \$44,820 and \$29,257, respectively.

During the fiscal year ended September 30, 2009, the Organization entered into a four (4) year lease for office equipment. This lease requires monthly payments of approximately \$190 through March 2013.

In addition, the Organization leases food service equipment for approximately \$85 per month. This lease renews yearly, with the possibility of increased rates, until terminated.

Future minimum rental payments are as follows:

For the Year	
<u>Ending September 30</u>	
2010	\$ 51,477
2011	57,238
2012	62,924
2013	67,708
2014	73,143
2015 - 2018	<u>288,983</u>
	<u>\$ 601,473</u>

THE SENIOR MONONGALIANS, INC.

Notes to the Financial Statements

September 30, 2009 and 2008

NOTE 6 - RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan established under section 403(b) of the Internal Revenue Code. Plan contributions are invested, at the direction of each participant, in one or more of the funding vehicles available to participants under the plan. Plan contributions are held for the exclusive benefit of participants. Benefits are based solely on the amounts of plan contributions to the participants' accumulation accounts and earnings, if any. All benefits under the plan are fully funded. An eligible employee may, on a voluntary basis, begin participation in this plan on the entry date following employment and fulfillment of the following requirements: (1) the completion of one year of service (2) the attainment of age 21.

Participants may contribute up to 3% of their salary and the Organization is permitted to match that amount. For the years ended September 30, 2009 and 2008, the employer match amounted to \$4,643 and \$6,412, respectively.

NOTE 7 - CONCENTRATION OF RISK

The Organization receives a substantial amount of its support through federal and state grant awards and fee-for-service programs through the West Virginia Department of Health and Human Resources.

Grants and contracts require the fulfillment of certain conditions as set forth in the grant instruments. Failure to fulfill the conditions could result in the return of the funds to grantors. Although this is a possibility, the Board deems the contingency remote since, by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants and contracts.

NOTE 8 - STATEMENT OF FUNCTIONAL EXPENSES

The presentation of the statement of functional expenses in accordance with United States generally accepted accounting principles (GAAP) requires the identification of direct costs and the allocation of indirect costs to program and supporting functions. Organizations are required to apply a reasonable method for allocating these expenses among the various programs and functions. **THE SENIOR MONONGALIANS, INC.** complied with this methodology for the fiscal year ended September 30, 2009.

THE SENIOR MONONGALIANS, INC.

Notes to the Financial Statements

September 30, 2009 and 2008

NOTE 8 - STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

The allocation method utilized by the Organization for the fiscal year ended September 30, 2008 was to allocate all allowable costs to the various programs up to the amount of funding received. Any remaining unfunded expenditures were classified as management and general. While this method of allocation complied with funding-source specifications, it was not deemed to be an appropriate allocation method for GAAP financial statements. This departure from United States generally accepted accounting principles was deemed to be a presentation departure and had no effect on the financial position of the Organization at September 30, 2008 or on the decrease in net assets for the year then ended.

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS



GUTHRIE, BELCZYK & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
THE SENIOR MONONGALIANS, INC.
Morgantown, West Virginia

We have audited the financial statements of **THE SENIOR MONONGALIANS, INC.** (a nonprofit organization) as of and for the year ended September 30, 2009, and have issued our report thereon dated June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **THE SENIOR MONONGALIANS, INC.'s** internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **THE SENIOR MONONGALIANS, INC.'s** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Internal Control Over Financial Reporting (Continued)

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 following deficiency described in the accompanying schedule of findings to be a material weakness: Finding 09-04.

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. We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies: Finding 09-01, 09-02, and 09-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **THE SENIOR MONONGALIANS, 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*.

THE SENIOR MONONGALIANS, INC. response to the findings identified in our audit will be provided under separate cover. We did not audit **THE SENIOR MONONGALIANS, INC.**'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Guthrie, Belczyk & Associates, P.C.

Washington, Pennsylvania
June 30, 2010

THE SENIOR MONONGALIANS, INC.

Schedule of Findings

for the year ended
September 30, 2009

Finding 09-01 Segregation of Duties

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Because management and the Board of Directors remain actively involved in the financial affairs of the Organization and provide appropriate oversight and independent review functions, we consider the this finding to be a significant deficiency but not a material weakness in the Organization's internal control.

Finding 09-02 Financial Statement Preparation

The Organization's staff does not possess the necessary experience or reference materials to prepare financial statements, including disclosures, in accordance with United States generally accepted accounting principles. Because there has been significant improvement in the accounting staff's ability to maintain the general ledger in a manner that more readily lends itself to financial statement preparation, we consider this finding to be a significant deficiency but not a material weakness.

Finding 09-03 Allocation of Indirect Costs

Generally accepted accounting principles and grant compliance require the allocation of indirect costs to programs and supporting functions. As such, Organizations are required to apply a reasonable method for allocating these expenses among the various programs and functions. Although **THE SENIOR MONONGALIANS, INC.** complied with this methodology for the fiscal year ended September 30, 2009, the allocation was not performed on a regular and timely basis. For this reason we consider this to be a significant deficiency but not a material weakness.

Finding 09-04 Adjustments to Records

We proposed a number of adjustments to the Organization's financial records in order to prepare financial statements in accordance with United States generally accepted accounting principles. The adjustments included entries related to fixed assets and depreciation and customer revenue and receivables and certain payables. Because of the overall impact of these adjustments on the financial statements of the Organization, we consider this finding to be a significant deficiency and a material weakness in the Organization's internal control.

THE SENIOR MONONGALIANS, INC.

Schedule of Prior Year Findings

We noted deficiencies in the design and implementation of internal controls in the following areas:

1. Controls over the financial reporting process.
2. Controls over the selection and application of accounting principles.
3. Controls over significant account balances or transactions.
4. Controls over regulatory compliance.

Specific examples of the above control deficiencies include, but are not limited to:

1. Financial Reporting Process

- Lack of segregation of duties in the general ledger function, including payroll, revenue, and expense recording.
- The Organization's beginning trial balance was not adjusted to the prior year's audited financial statement balances.
- Lack of proper budgetary controls which resulted in a significant overexpenditure of the Organization's grants and other revenues. As a result, credit card balances increased during the year and the line of credit was drawn-down without adequate means of repayment. In addition, interest and late fees were incurred.
- Lack of adequate supporting documentation for various revenue, expense and payroll transactions.
- Management had the ability to override the internal controls and policies of the Organization.

2. Selection and application of accounting principles

- The Organization's staff did not possess the necessary competencies or adequate reference materials to prepare financial statements, including disclosures, in accordance with United States generally accepted accounting principles.

THE SENIOR MONONGALIANS, INC.

Schedule of Prior Year Findings (Continued)

3. Significant account balances or transactions

- Cash – One cash account required only the signature of the executive director without compensating controls over phone transfers from other cash accounts.
- Property and equipment – No board authorization was required for capital expenditures over a designated amount.
- Revenues – Certain program revenues were not billed on a regular basis throughout the year. This omission was not detected and corrected within a timely period by Organization personnel.
- Expenditures – Lack of controls over expenditures with inherently high internal control risk such as the purchase and safeguarding of gift cards for employee incentives, travel and mileage reimbursements, employee expense reports and the use of the Organization's vehicles.
- Payroll – Raises were awarded to management without approval by the Organization's Board of Directors.

4. Regulatory Compliance

- There was a lack of supporting documentation relating to the allocation of direct costs to various grants and programs.
- Indirect costs were not properly allocated to various grants and programs.
- There was no provision for a whistle blower policy or any mechanism for employees to report concerns of fraud or abuse relating to management personnel to a higher level of authority or to those charged with governance.

We noted the following instances of noncompliance or other matters required to be reported under *Government Auditing Standards*:

1. Interim and final reports submitted to grantor agencies were not supported by the Organization's general ledger detail.
2. The Nutrition Programs included a requirement that "qualified source recipes" following nutritional guidelines were to be utilized for menu selection. We noted no such "qualified" source and **THE SENIOR MONONGALIANS, INC.** employees were unaware of any such requirement or document.

THE SENIOR MONONGALIANS, INC.

Schedule of Prior Year Findings (Continued)

3. It came to our attention that USDA donated commodities may have been received by the Organization to be used in the Nutrition programs. Adequate documentation was not available for us to be able to determine either the total amount received and utilized during the year, or the balance of donated commodities at the beginning or the end of the fiscal year. Based on the available documentation, it does not appear that these amounts were material to the financial statements taken as a whole.
4. In accordance with the By-laws of the Organization, the members of the Board of Directors were to have a three year term limit. No such term limit was observed throughout the fiscal year ended September 30, 2008.

Current Year Status

During the fiscal year ended September 30, 2009, we noted significant improvement in the internal control and compliance procedures performed by management and the staff of **THE SENIOR MONONGALIANS, INC.** As a result, except for the recurring items listed in the current year Schedule of Findings, the remainder of the above findings were substantially corrected during the fiscal year ended September 30, 2009.

THE SENIOR MONONGALIAN, INC.

Schedule of Grant Funding

for the year ended
September 30, 2009

Grant Number	CFDA #	Federal	State	Total	Passthrough
<u>NAME OF GRANT</u>					
<u>Nutrition Funding Title IIIC</u>					
Aging Congregate Nutrition Services for States - Stimulus	93.707	\$ 11,170	\$ 0	\$ 11,170	WV Bureau of Sr. Services and Bel-O-Mar Regional Council
Aging Home-Delivered Nutrition Services for States - Stimulus	93.705	206	0	206	
		11,376	0	11,376	
<u>Aging Congregate Nutrition Services for States</u>					
Aging Congregate Nutrition Services for States	93.707	151,795	580	152,375	WV Bureau of Sr. Services and Bel-O-Mar Regional Council
Aging Home-Delivered Nutrition Services for States	93.705	4,892	18	4,910	
		156,687	598	157,285	
<u>Special Programs for the Aging Title III</u>					
<u>Part B Grants for Supportive Services and Senior Centers</u>					
Part B Grants for Supportive Services and Senior Centers	93.044	53,311	78,525	131,836	WV Bureau of Sr. Services and Bel-O-Mar Regional Council
<u>Part D Disease Prevention and Health Promotion Services</u>					
Part D Disease Prevention and Health Promotion Services	93.043	4,306	395	4,701	
Part E National Family Caregiver Support	93.052	26,024	0	26,024	
		83,641	78,920	162,561	
<u>Health Benefits/SHIP</u>					
Health Benefits/SHIP	93.779	5,000	0	5,000	WV Bureau of Sr. Services and Bel-O-Mar Regional Council

THE SENIOR MONONGALIANS, INC.

Schedule of Grant Funding (Continued)

for the year ended
September 30, 2009

	Grant Number	CFDA #	Federal	State	Total	Passthrough
LIFE Grant	10-09		0	185,524	185,524	WV Bureau of Sr. Services and Bel-O-Mar Regional Council
Lighthouse Fair	21049		0	114,573	114,573	WV Bureau of Sr. Services and Bel-O-Mar Regional Council
Transportation	21049		0	33,654	33,654	WV Bureau of Sr. Services and Bel-O-Mar Regional Council
			0	21,899	21,899	
Community Partnership			0	170,126	170,126	
Hot/Cold Truck Grant	HC2912		0	86,280	86,280	WV Bureau of Sr. Services
Fraud audit fee reimbursement			0	31,246	31,246	WV Bureau of Sr. Services
Elder Abuse	2932		0	7,000	7,000	WV Bureau of Sr. Services and Bel-O-Mar Regional Council
LIEAP			979	0	979	WV Bureau of Sr. Services and Bel-O-Mar Regional Council
			0	180	180	WV Bureau of Sr. Services and Bel-O-Mar Regional Council
			<u>\$ 257,683</u>	<u>\$ 559,874</u>	<u>\$ 817,557</u>	

Federal Awarding Agency: U.S. Department of Health and Human Services
 State Awarding Agency and West Virginia Bureau of Senior Services
 Pass-through Agency: and Bel-O-Mar Regional Council

THE SENIOR MONONGALIAN, INC.

Schedule of Functional Expenses by Program

for the year ended
September 30, 2009

	PROGRAM										
	LIFAP	HOT/COLD TRUCK	ELDER ABUSE	SHIP	TITLE III-B	TITLE III-E	TITLE III-D	TITLE III-C	LIFE		
Office expenses and postage	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18	\$ 0	\$ 0	\$ 7	\$ 0		
Wages and salaries	0	0	0	4,608	108,296	30,711	4,115	57,654	110,257		
Rent	0	0	0	0	13	0	0	8,863	1,578		
Vehicle expenses	0	0	0	0	960	0	0	0	14,671		
Equipment	0	0	0	0	0	0	0	0	0		
Depreciation	0	0	0	123	2,917	207	206	3,329	3,247		
Dues and subscriptions	0	0	0	0	179	0	0	0	0		
Medical insurance	0	0	52	387	3,697	903	290	3,665	6,229		
Other insurance	0	0	24	119	2,909	461	273	2,333	7,639		
Interest	0	0	0	0	0	0	0	113	48		
Printing and reproduction	0	0	0	0	546	0	0	0	143		
Professional fees	0	0	0	0	0	0	0	0	216		
Repairs and maintenance	0	0	0	0	49	0	0	4,608	0		
Travel and training	0	0	0	0	340	0	0	100	145		
Utilities and communications	0	0	0	0	53	0	0	12,838	1,440		
Payroll taxes	0	0	79	383	10,749	2,385	358	3,360	8,939		
Pension expense	0	0	0	0	54	0	0	71	279		
Employee relations	0	0	0	0	0	0	0	0	0		
Supplies	0	0	0	0	0	0	27	67,493	0		
Miscellaneous	0	0	0	0	0	0	0	366	0		
Total	0	0	1,129	5,620	130,780	34,667	5,269	164,800	154,831		
Indirect expenses	0	0	81	988	11,375	1,891	556	35,141	20,174		
Total expenses after allocation of indirect costs	\$ 0	\$ 0	\$ 1,210	\$ 6,608	\$ 142,155	\$ 36,558	\$ 5,825	\$ 199,941	\$ 175,005		

Note: Certain expenditures have been capitalized in accordance with generally accepted accounting principles and are therefore not included in the above schedule.

In addition, certain expenses listed above may have been funded with program or other income and may, therefore, exceed the federal and state grant revenue.

THE SENIOR MONONGALIANS, INC.

Schedule of Functional Expenses by Program (Continued)

for the year ended
September 30, 2009

	PROGRAM						TOTAL
	COMMUNITY PARTNERSHIP	LIGHTHOUSE	TRANSPORT-ATION	FAIR	OTHER PROGRAMS	TOTAL	
Office expenses and postage	\$ 0	\$ 0	\$ 0	\$ 0	\$ 634	\$ 659	\$ 10,086
Wages and salaries	19,561	80,527	9,956	18,251	335,100	779,982	64,189
Rent	0	0	0	0	0	10,454	36,488
Vehicle expenses	0	0	373	0	(425)	15,579	0
Equipment	0	0	0	19	0	19	91
Depreciation	577	2,451	584	656	9,208	23,533	2,542
Dues and subscriptions	0	0	0	0	0	179	2,099
Medical insurance	0	3,761	179	1,038	7,908	28,109	2,427
Other insurance	19,442	3,463	734	897	7,066	45,360	3,944
Interest	0	0	0	0	0	161	9,038
Printing and reproduction	5,500	0	0	0	2,014	8,203	11,907
Professional fees	0	0	0	0	0	216	31,222
Repairs and maintenance	930	0	0	0	0	5,587	7,789
Travel and training	0	5,348	0	1,486	12,284	19,703	2,915
Utilities and communications	0	0	0	0	789	15,120	24,693
Payroll taxes	1,496	7,002	937	1,599	29,615	66,902	7,735
Pension expense	0	47	0	0	123	574	4,069
Employee relations	0	300	0	100	752	1,152	1,577
Supplies	0	0	0	0	(3,669)	63,851	3,367
Miscellaneous	0	10	0	0	(24)	352	3,197
Total	47,506	102,909	12,763	24,046	401,375	1,085,695	229,375
Indirect expenses	873	12,504	1,591	4,228	47,838	137,240	(137,815)
Total expenses after allocation of indirect costs	\$ 48,379	\$ 115,413	\$ 14,354	\$ 28,274	\$ 449,213	\$ 1,222,935	\$ 91,560
							\$ 6,837
							\$ 1,321,332

Note: Certain expenditures have been capitalized in accordance with generally accepted accounting principles and are therefore not included in the above schedule.

In addition, certain expenses listed above may have been funded with program or other income and may, therefore, exceed the federal and state grant revenue.