

**SENIOR LIFE SERVICES
OF MORGAN COUNTY, INC.**

AUDITED FINANCIAL STATEMENT

September 30, 2012

Audited by

Williams & Associates, A.C.
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Elkins, WV 26241

Two Locations to Serve You

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**SENIOR LIFE SERVICES OF MORGAN COUNTY, INC.
SEPTEMBER 30, 2012**

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Independent Auditor's Report

Board of Directors
Senior Life Services of Morgan County, Inc.
Berkeley Springs, West Virginia

We have audited the accompanying statement of financial position of Senior Life Services of Morgan County, Inc., as of September 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Senior Life Services of Morgan County, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Senior Life Services of Morgan County, Inc., as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2013 on our consideration of Senior Life Services of Morgan County, 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 control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Williams & Associates, A.C.

Williams & Associates, AC
June 5, 2013

Senior Life Services of Morgan County, Inc.
STATEMENT OF FINANCIAL POSITION
September 30, 2012

ASSETS

Current Assets		
Cash and Equivalents	\$ 314,851	
Accounts/Grants Receivable, net	193,153	
Prepaid Expenses	<u>25,941</u>	
Total Current Assets		\$ 533,945

Fixed Assets		
Land	117,837	
Building	1,289,166	
Property and Equipment	652,617	
Accumulated Depreciation	<u>(486,566)</u>	
Net Fixed Assets		1,573,054

Other Assets		
Endowment Held by Community Foundation	<u>11,188</u>	
Total Other Assets		<u>11,188</u>

TOTAL ASSETS \$2,118,187

LIABILITIES & NET ASSETS

Liabilities

Current Liabilities		
Accounts Payable	\$ 15,060	
Accrued Compensation	79,899	
Payroll Liabilities	<u>14,722</u>	
Total Current Liabilities		\$ 109,681

Long-Term Liabilities		
Mortgage Payable	<u>1,387,217</u>	
Total Long-Term Liabilities		<u>1,387,217</u>

Total Liabilities 1,496,898

Net Assets

Net Assets, Unrestricted	609,372	
Net Assets, Temporarily Restricted	<u>11,917</u>	

Total Net Assets 621,289

TOTAL LIABILITIES AND NET ASSETS \$2,118,187

The accompanying notes are an integral part of these financial statements.

Senior Life Services of Morgan County, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTAL</u>
REVENUES & SUPPORT			
Contributions	\$ 9,955	\$ -	\$ 9,955
Grants			
Federal	113,864		113,864
State	404,802		404,802
Other	30,450		30,450
Program Service Fees	1,297,129		1,297,129
Project Income	41,708		41,708
Interest Income	2,119		2,119
In-Kind Revenue	8,869		8,869
Rental Income	100,794		100,794
Other	57,891		57,891
	<u>\$ 2,067,581</u>	<u>\$ -</u>	<u>\$2,067,581</u>
EXPENSES			
Program Services	\$ 1,790,820	\$ -	\$1,790,820
Management and General	258,828		258,828
	<u>\$ 2,049,648</u>	<u>\$ -</u>	<u>\$2,049,648</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	17,933	-	17,933
NET ASSETS RELEASED FROM RESTRICTIONS	10,923	(10,923)	-
NET ASSETS, 10/1/11	<u>580,516</u>	<u>22,840</u>	<u>603,356</u>
NET ASSETS, 9/30/12	<u>\$ 609,372</u>	<u>\$ 11,917</u>	<u>\$ 621,289</u>

The accompanying notes are an integral part of these financial statements.

Senior Life Services of Morgan County, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2012

FUNCTIONAL EXPENSES	Program Services	Management & General	Total
Personnel Costs	\$ 1,507,854	\$ 16,655	\$ 1,524,509
In-Kind Rent	8,869		8,869
Nutrition	53,298		53,298
Travel	87,091	1,191	88,282
Depreciation		72,179	72,179
Transportation	34,087		34,087
Communications/Utilities	35,085	47,340	82,425
Supplies	25,776	3,147	28,923
Insurance	10,570		10,570
Interest		35,153	35,153
Contract Services		5,543	5,543
Advertising	2,048	3,286	5,334
Repairs & Maintenance	11,438	1,780	13,218
Other	14,704	72,554	87,258
TOTAL EXPENSES	\$ 1,790,820	\$ 258,828	\$ 2,049,648

The accompanying notes are an integral part of these financial statements.

Senior Life Services of Morgan County, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	17,933
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		72,179
(Increase)Decrease in Operating Assets:		
Accounts/Grants Receivable		(66,026)
Deposit of Earnest Money		10,000
Prepaid Expenses		(19,941)
Endowment Held by Community Foundation		(1,625)
Increase(Decrease) in Operating Liabilities:		
Accounts Payable		(3,374)
Deferred Rental Income		9,376
Accrued Compensation		5,969
Payroll Liabilities		<u>(14,474)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	10,017

CASH FLOW FROM FINANCING ACTIVITIES

Loan Proceeds	1,400,000	
Loan Principle Payments	<u>(12,783)</u>	
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES		1,387,217

CASH FLOW FROM INVESTING ACTIVITIES

Purchases of Fixed Assets	<u>(1,421,455)</u>	
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,421,455)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		(24,221)
CASH AND CASH EQUIVALENTS, 10/1/11		<u>339,072</u>
CASH AND CASH EQUIVALENTS, 9/30/12	\$	<u><u>314,851</u></u>

The accompanying notes are an integral part of these financial statements.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Senior Life Services of Morgan County, Inc provides escort, transportation, nutrition, in-home care, case management and referral services to elderly citizens of Morgan County, West Virginia. The primary objective of the Organization is to assist the elderly with independent, in-home living arrangements. The Organization was established on November 29, 1971. The Organization relies on funding under Title III of the Older Americans Act of 1965, as amended; Lottery Direct Services Allocations from the State of West Virginia; nutritional funding from the U.S. Department of Agriculture; allocations from the United Way of Berkeley and Morgan counties; vehicle funding from the West Virginia Department of Transportation; and Medicaid service provider reimbursements. Without the above funding sources, the Organization would not be a self-sustaining entity.

The Organization is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes, except on net income derived from unrelated business activities.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Under this method, support is recognized in the period in which it is earned or committed to the Organization while expenses are recognized in the period the liability is incurred.

Basis of Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-210-45, formerly known as Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements for Not-For-Profit Organizations* for the presentation of its financial statements.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. These are resources over which the Board of Directors has discretionary control.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or with the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

Note 1 Organization and Summary of Significant Accounting Policies (Continued)

Permanently Restricted – Resources subject to a donor restriction that they be maintained permanently by the Organization. There were no permanently restricted net assets as of September 30, 2010.

Public Support and Revenue

Grants and other contributions of cash and assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or the purpose of the 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 of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received, if subject to reasonable estimation.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the report period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all highly liquid unrestricted investments with an initial maturity of six months or less to be cash equivalents.

All of the Organization's cash balances are maintained in accounts insured by the FDIC.

Accounts and Grants Receivable

Receivables include amounts due under service provider arrangements and reimbursable grants. The Organization uses the allowance method to determine the uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of the uncollected accounts. The allowance for doubtful accounts was \$2900 as of September 30, 2010.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

Note 1 Organization and Summary of Significant Accounting Policies (Continued)

Inventory

The Organization considers inventories, such as raw food, fruit, frozen meals, and other inventories, such as office supplies, utilized in operations as expended at the time of purchase or donation. These amounts are considered immaterial and, therefore, do not appear in the Organization's financial statements.

Property and Equipment

Purchases of property and equipment having an estimated useful life of more than one year are capitalized at cost. Donated assets are capitalized at the estimated fair market value at time of receipt. Certain donated services are capitalized as improvements when those services enhance the value of the assets. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of the assets, gifts of long lived assets are reported as unrestricted support.

Depreciation is calculated on all property and equipment using the straight-line or accelerated method based upon the estimated useful lives of the assets.

Retirement Benefits

The Organization provides a tax-sheltered annuity retirement plan to full-time employees elected to participate. The plan is funded through the purchase of a group insurance annuity contract. Employee contributions are voluntary and are made on a "pre-tax" basis. The contributions of each employee who participates are matched by employer contributions that are dollar-for-dollar up to 5% of the employee's earnings. The employer's contribution was \$9903 for the year ended September 30, 2012.

Compensated Absences

The Organization reports accrued leave expenses in accordance with U.S. generally accepted accounting principles. The amount has been determined and included in the Statement of Financial Position line item "accrued compensation."

Contributed Facilities

The Organization has a ten year written lease for the donated use of a building owned by the Morgan County Commission. Donated facilities are reflected as "in-kind rent" in the accompanying statements at their estimated fair market value with an off-setting expense. This amount is used as the local match for the Organization's various programs. In-kind rent was \$8,869 for the year ended September 30, 2012. The Organization purchased a facility on January 25, 2012.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

Note 1 Organization and Summary of Significant Accounting Policies (Continued)

Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers. No amounts have been recognized in the Statement of Activities because the criteria for recognition under FASB ASC 958-605-25-16, formerly known as SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, have not been satisfied.

Functional Allocation of Expenses

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

Risk Management

The Organization is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Organization participates in various insurance programs to mitigate this risk.

Advertising

Advertising costs are expensed as incurred and totaled \$5334 for the year ended September 30, 2012.

Subsequent Events

Management has reviewed events subsequent to the balance sheet date through the date of the independent accountants' report, which is the date of release, for items requiring adjustment or disclosure in these financial statements.

Note 2. Significant Grant Funding and Programs

The WV Bureau of Senior Services (BOSS) administers the Older Americans Act for the State of West Virginia. BOSS, through the use of area agencies on aging, provides short and long range planning, act as advocates on behalf of the region's elderly, and monitors and assists the local senior centers. Funds are allocated to the area agencies on aging by a federally mandated formula. The Older Americans Act provides various programs to assist seniors, the significant program in which the Organization participates are detailed below:

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

Note 2. Significant Grant Funding and Programs (Continued)

Title III-B

This program provides grants to states for supportive services for seniors to include health, education, transportation, and various other services to assist older individuals. The Organization received \$49,389 for the fiscal year ended September 30, 2012 under this program.

Title III-C (Congregate and Home-Delivered Meals)

The purposes of this part are to provide nutrition services to reduce hunger and food insecurity, to promote socialization of older individuals and to promote health and well-being by providing access to nutrition and other disease prevention and health promotion services. The Organization received \$100,208 for this program for the fiscal year ended September 30, 2012.

In addition to the Older Americans Act, BOSS also administers other programs and grants on behalf of the State of West Virginia. The significant programs in which the Organization participates are detailed below:

Legislative Initiative for the Elderly (LIFE)

This program is funded by the State Legislature through lottery funds. The services provided by these funds are modeled after those provided by the Older Americans Act. Each county aging provider receives funds that are to be used to enhance and expand the services provided under the Older Americans Act. This program and the other State programs run on a fiscal year which ends June 30. For the fiscal year ended September 30, 2012, the Organization received \$196,332 for this program.

Medicaid Waiver

The Medicaid Aged and Disabled Waiver program provides in-home health care for eligible members. To be eligible, the individual must be eighteen years of age or older, be a resident of West Virginia, require the same level of care provided by a nursing facility as determined by a comprehensive medical assessment and their services cannot exceed the average cost of nursing home care. The Organization received \$1,297,129 for services provided to eligible members for the year ended September 30, 2012.

Senior Life Services of Morgan County, Inc.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended September 30, 2012

Note 3. Endowment

The Organization is the beneficiary of the Senior Life Services of Morgan County, Inc., endowment fund established in 2009 and held by the Eastern West Virginia Community Foundation. The fund is intended to be a perpetual endowment for charitable purposes and shall be dedicated to the payment of grants from time to time. The Community Foundation maintains variance power over the fund (a) to modify any restriction or condition on the distribution of funds; (b) to replace any trustee, custodian or agent for breach of fiduciary duty; and (c) to replace any trustee, custodian or agent for failure to produce a reasonable rate of return of net income over a reasonable period of time, as determined by the Foundation's Board of Directors. Distributions from the fund are determined under the spending policy of the Foundation and can be made annually to the Organization. In the event the Organization has an emergency need, the Foundation, upon written request of the Organization's Board of Directors, may, in its discretion, make an excess distribution from the fund provided that only one such excess distribution may be made annually and at least \$5,000 must remain in the fund after such excess distribution. No distributions have been made from the fund and the Board of Directors has elected to reinvest all investment income from the fund until such time as the Board designates otherwise. The Organization has contributed \$7,500 to this fund as of September 30, 2012, which is reported as Endowment Held by Community Foundation in the Statement of Financial Position. The investment income, including gains and losses, are reported in the Statement of Activities net of investment expenses and administrative fees.

Note 4. Property and Equipment

Property and Equipment consisted of the following on September 30, 2010:

Building	\$1,289,166
Land	117,837
Leasehold Improvements	226,196
Furniture & Fixtures	17,947
Equipment	120,038
Vehicles	<u>288,436</u>
Subtotal	\$2,059,620
Accumulated Depreciation	<u>(486,566)</u>
Property and Equipment, net	<u>\$1,573,054</u>

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

Note 5. Lease Agreements

On March 1, 2012, the Organization entered into a one year lease agreement with U.S. Silica Company, a Delaware corporation, for space at 106 Sand Mine Road, Berkeley Springs, WV, ending on February 28, 2013, at \$4,967 per month.

On March 1, 2012, the Organization entered into a one year lease agreement with U.S. Silica Company Education Foundation, a West Virginia non-profit corporation with IRS 501(c)(3) status, for space located at 106 Sand Mine Road, Berkeley Springs, WV, ending on February 28, 2013, at \$4,512 per month.

The Organization entered into an agreement with Mountaineer Community Health Organization to house a Paw Paw, WV service location. This agreement states that the Organization will lease approximately 3,500 square feet of the ground floor of the health care facility for at least 10 years. The service location opened in April 2005. The Organization provided \$125,000 to the Health Organization to assist with the construction of the new building as part of the agreement, which constituted payment in full for the first two years of occupancy. In years three through six, rent shall be \$280 per month. In years seven through ten, the amount of rent is negotiable, but cannot be increased by more than 1% per year. Rent expense for the year ended September 30, 2012 was \$3360. The future required minimum lease payments are as follows:

Year Ended September 30, 2013	\$	3,360
2014		3,360
2015		<u>3,360</u>
Total	\$	<u>10,080</u>

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Independent Auditor's Report on Supplementary Information

Board of Directors
Senior Life Services of Morgan County, Inc.
Berkeley Springs, West Virginia

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of revenues is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

Williams & Associates, A.C.

Williams & Associates, A.C.

June 5, 2013

Senior Life Services of Morgan County, Inc.
SCHEDULE OF REVENUES
For the Year Ended September 30, 2012

	III-C							TOTALS		
	III-B	Congregate	Home-Delivered	III-D	III-E	SHIP	LIFE		In-Home Care	Other Programs
GRANT REVENUES										
Federal	\$ 29,732	\$ 20,302	\$ 35,076	\$ 1,077	\$ 6,897	\$ 7,000	196,332	151,040	\$ 254	\$ 100,338
State through AAA	19,657	14,894	28,862	63					7,481	418,329
Other State			1,074						23,250	24,324
Local									6,126	6,126
Total Grant Revenues	49,389	35,196	65,012	1,140	6,897	7,000	196,332	151,040	37,111	549,117
OTHER REVENUES										
Donations									\$ 9,955	\$ 9,955
Service Fees								1,297,129		1,297,129
Project Income	6,717	7,005						27,272	714	41,708
Interest Income										2,119
In-Kind Rent									8,869	8,869
Rental Income										100,794
Other									2,299	57,890
Total Other Revenues	-	6,717	7,005	-	-	-	-	1,324,401	21,837	1,518,464
TOTAL REVENUES	\$ 49,389	\$ 41,913	\$ 72,017	\$ 1,140	\$ 6,897	\$ 7,000	\$ 196,332	\$ 1,475,441	\$ 58,948	\$ 2,067,581

The accompanying notes are an integral part of these financial statements.

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

Board of Directors
Senior Life Services of Morgan County, Inc.
Berkeley Springs, West Virginia

We have audited the basic financial statements of Senior Life Services of Morgan County, Inc. as of and for the year ended September 30, 2012, and have issued our report thereon dated June 5, 2013. We conducted our audit in accordance with 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Senior Life Services of Morgan County, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements

that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2012-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Senior Life Services of Morgan County, 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*.

Senior Life Services of Morgan County, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Senior Life Services of Morgan County, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the Board of Directors, others within the entity, and the WV Bureau of Senior Services and is not intended to be and should not be used by anyone other than these specified parties.

Williams & Associates, A.C.

Williams & Associates, A.C.

June 5, 2013

Senior Life Services of Morgan County, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<i>Pass-Through Programs from Upper Potomac Area Agency on Aging:</i>		
U.S. Department of Health & Human Services:		
Administration of Aging	93.044	\$ 29,732
Special Programs for the Aging Title III Part B Grants for Supportive Services and Senior Centers		
Administration on Aging	93.043	\$ 1,077
Special Programs for the Aging Title III Part D Disease Prevention and Health Promotion Services		
Administration on Aging	93.052	\$ 6,897
Special Programs for the Aging Title III Part E National Family Caregiver Support		
Administration on Aging	93.045	\$ 55,378
Special Programs for the Aging Title III Part C Nutrition Services		
Administration on Aging	93.041	\$ 254
Special Programs for the Aging Title VII Chapter 3 Programs for Prevention of Elder Abuse, Neglect & Exploitation		
Centers for Medicare & Medicaid Services	93.779	\$ 7,000
CMS Research, Demonstration & Evaluations State Health Insurance Assistance Program (SHIP)		
<i>Total US Department of Health & Human Services</i>		<u>\$ 100,338</u>
<i>Total Expenditures of Federal Awards</i>		<u><u>\$ 100,338</u></u>

The accompanying notes are an integral part of this schedule.

Senior Life Services of Morgan County, Inc.
SCHEDULE OF FINDINGS
For the Year Ended September 30, 2012

SIGNIFICANT DEFICIENCIES

2012-1 LACK OF 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: Financial coordinator is responsible for recording accounts receivable, reconciling the bank statements and for posting journal entries.

Cause: The organization has limited staff and responsibilities for approving, executing, and recording transactions and custody of the resulting assets arising from financial transactions are not assigned to different individuals because the organization does not employ enough administrative staff members to make the necessary segregation possible.

Effect: More than a remote likelihood exists that a material misstatement of the financial statements will not be prevented or detected by the organization's internal controls.

Recommendation: We recommend responsibilities of approval, execution, recording and custody should be distributed among employees, management and the board of directors to the degree possible. However, we recognize that full and complete segregation of duties is not economically feasible in an organization this size.

Response: We concur with the finding and recommendation.

2012-2 FAILURE TO FILE IRS FORM 1099-MISC

Criteria: The Organization must file Form 1099-MISC as required by the IRS.

Condition: The Organization did not file Form 1099-MISC as required by the IRS.

Cause: Management was not aware that these forms needed to be filed.

Effect: The Organization is out of compliance with IRS regulations.

Recommendation: Management should familiarize itself with IRS regulations and insure that Form 1099-MISC is filed annually when required.

Response: We concur with the finding and the recommendation.