



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

FINANCIAL STATEMENTS

AUGUST 31, 2011

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

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

CONTENTS

Page

INTRODUCTORY SECTION

| | |
|--|----|
| Directory of Principal Officials | i |
| Organization Chart | ii |

FINANCIAL SECTION

| | |
|---|---|
| Independent Auditor’s Report | 1 |
| Consolidated Financial Statements | |
| Exhibit 1 – Consolidated Statements of Financial Position | 4 |
| Exhibit 2 – Consolidated Statements of Activities..... | 5 |
| Exhibit 3 – Consolidated Statements of Cash Flows | 6 |
| Exhibit 4 – Consolidated Statement of Functional Expenses | 7 |
| Notes to Consolidated Financial Statements | 8 |

SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Exhibit A – Supporting Schedule for Consolidated Statement of Activities..... | 19 |
| Exhibit A-1 – Supporting Schedule for Statement of Activities – CSBG Programs | 20 |
| Exhibit A-2 – Supporting Schedule for Statement of Activities – Housing Program | 21 |
| Exhibit A-3 – Supporting Schedule for Statement of Activities – Other Programs..... | 22 |
| Exhibit A-4 – Supporting Schedule for Statement of Activities – Agency Programs | 23 |
| Exhibit A-4-1 – Supporting Schedule for Statement of Activities – Commission on Aging | 24 |

SUPPORTING SCHEDULE

| | |
|---|----|
| Schedule 1 – Schedule of Expenditures of Federal Awards | 26 |
|---|----|

**CONTENTS
(Continued)**

Page

OTHER INFORMATION

| | |
|--|----|
| Table 1 – Head Start – Schedule of Revenue and Expenses – Compared to Budget | 28 |
| Table 2 – Early Head Start – Schedule of Revenue and Expenses – Compared to Budget | 29 |
| Table 3 – Head Start ARRA – Schedule of Revenue and Expenses – Compared to Budget | 30 |
| Table 4 – Community Service Block Grant (CSBG) – Schedule of Revenue and Expenses – Compared to Budget | 31 |
| Table 5 – Weatherization Assistance Programs – Schedule of Revenue and Expenses – Compared to Budget | 32 |
| Table 6 – Nutrition Program – Schedule of Revenue and Expenses | 33 |
| Table 7 – Title III B, D, & E – Schedule of Revenue and Expenses | 34 |
| Table 8 – Life Program – Schedule of Revenue and Expenses – Compared to Budget | 35 |

COMPLIANCE SECTION

| | |
|--|----|
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 37 |
| Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 39 |
| Schedule of Findings and Questioned Costs | 41 |
| Summary Schedule of Prior Audit Findings | 43 |

INTRODUCTORY SECTION

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

BOARD OF DIRECTORS

2010-2011

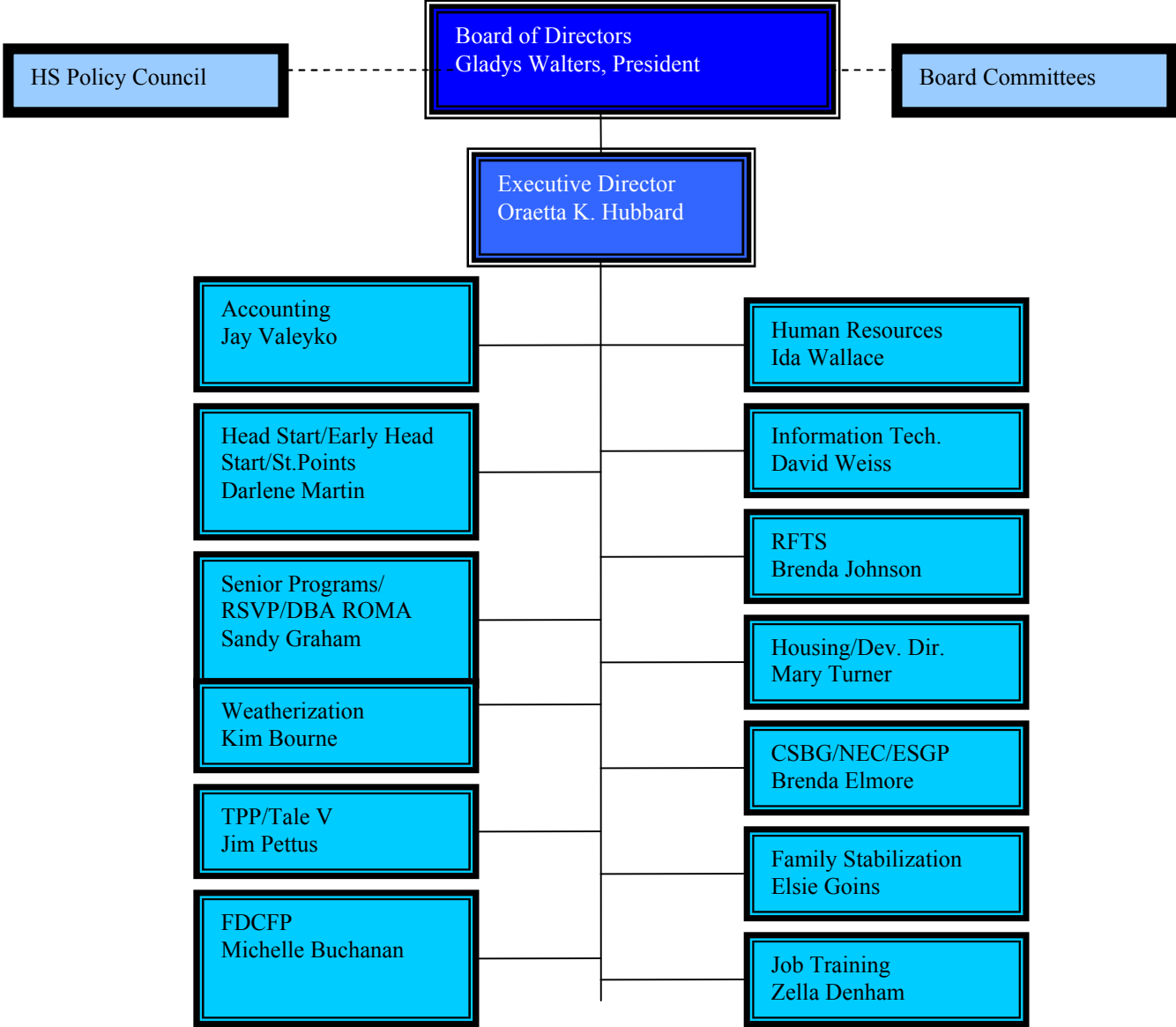
OFFICERS

| | |
|-----------------------|------------------------|
| President | Gladys Walters |
| Vice-President | Mary Lou Haley |
| Secretary | Tracey Robinson |
| Treasurer | Joe Coburn |

MEMBERS-AT-LARGE

**Dana Steele
Jeana Carr
Jay Mills
Terri Philpott
Reverend Grover Morris
Jerry Berry
Jack Woodrum
Judy Hartwell
Lucille Lemons
Joyce Tedder
Margurite Fullen
John Feuchtenberger
Joyce Pritt
Brian DeRowen**

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



FINANCIAL SECTION

**The Financial Section contains
the Financial Statements.**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Action of South Eastern West Virginia, Inc.
Bluefield, West Virginia

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of CASE's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CASE, as of August 31, 2011, and the changes in its net assets, cash flows, and functional expenses for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2012 on our consideration of CASE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on CASE's consolidated financial statements as a whole. The introductory section, supplementary information section, and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the consolidated financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The introductory section and other information section have not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brown, Edwards & Company, S. L. P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
May 4, 2012

CONSOLIDATED FINANCIAL STATEMENTS

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31, 2011 and 2010

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2011 and 2010

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2011 and 2010

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2011 and 2010

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

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 1. Summary of Significant Accounting Policies

Financial reporting entity:

The Community Action of South Eastern West Virginia, Inc. (CASE) is a private, not-for-profit organization exempt from income tax under Section 501(c)(3) of the U.S. *Internal Revenue Code*. CASE serves the economically disadvantaged citizens of Mercer County, Summers County, and Monroe County of West Virginia. CASE is governed by a volunteer Board of Directors that is tripartite in nature in that; 1/3 of the members are elected or appointed government officials, 1/3 are from low-income sector; and 1/3 are from the private sector. All of CASE's programs are geared towards helping the low-income, elderly, and handicapped achieve greater self-sufficiency.

Basis of financial statement presentation:

CASE's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In addition, CASE is required to report information regarding its financial position and activities according to the three classes of net assets; unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor imposed restrictions. All net assets at August 31, 2011 are unrestricted.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, demand deposits, and money market funds.

Cash is held in banks located in West Virginia and is insured by the Federal Deposit Insurance Commission (FDIC).

Valuation of receivables:

Receivables are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Inventory:

Inventories are comprised of material supplies for the Weatherization program, stated at cost using the moving average method of cost accounting, and homes held for sale, built from CHDO funding, stated at their historical cost.

Principles of consolidation:

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment:

Property, plant, and equipment consist of items with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated property, plant, and equipment are recorded at estimated fair value at date of donation. The costs of normal maintenance and repairs that do not materially add to the value of an asset or its life are expensed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|-------------|
| Buildings and improvements | 10-30 years |
| Furniture and equipment | 3-10 years |
| Motor vehicles | 5 years |

Accrued liabilities:

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

Accrued leave:

Accrued leave consists of accrued vacation, sick, and personal leave time earned as of August 31. CASE allows employees to accrue up to a maximum of 480 sick, 240 vacation, and 40 personal hours.

Unearned revenue:

Unearned revenue consists of amounts received from the West Virginia Office of Economic Opportunity. The funds were provided as part of an exchange-type transaction and have been shown as unearned until the amounts have been used for their intended purpose.

In-kind contributions:

In-kind contributions are recorded as revenue and expense in the accompanying financial statements. These contributions consist of personnel related services, fringes, and others.

Income taxes:

CASE is a nonprofit West Virginia corporation and is exempt from income taxes under *Internal Revenue Code* Section 501(c)(3) as long as the exemption remains in effect.

The federal Forms 990 of CASE for 2007, 2008, and 2009 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events:

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

Concentration:

CASE received approximately 60.4% of its support for the year from the federal government in the form of grants and cost reimbursement programs.

Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and assets, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Comparative data:

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

Note 2. Accounts Receivable

Accounts receivable, consists of the following:

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

Note 3. Inventory

Inventory, consists of the following:

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 4. Property, Plant, and Equipment

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

| Program | Beginning Balance* | Increase | Decrease | Ending Balance |
|------------------------------------|-------------------------------|-------------------|-----------------|---------------------------|
| Head Start | \$ 953,897 | \$ 89,230 | \$ - | \$ 1,043,127 |
| Monroe | 49,963 | - | - | 49,963 |
| Nutrition | 36,246 | - | - | 36,246 |
| Weatherization | 441,764 | - | - | 441,764 |
| Housing Programs | 291,113 | 472,370 | - | 763,483 |
| Agency vehicles and equipment | 174,199 | 17,500 | - | 191,699 |
| Law and commerce building | 400,000 | - | - | 400,000 |
| Thorn Street School Complex | 105,160 | - | - | 105,160 |
| Bluefield Avenue warehouse | 123,195 | - | - | 123,195 |
| Summers County building | 65,000 | - | - | 65,000 |
| Administration building | 360,123 | - | - | 360,123 |
| Hinton Child Care Center | 350,000 | - | - | 350,000 |
| Hope Land Development land | 223,000 | - | - | 223,000 |
| PMS vehicle | 16,270 | - | - | 16,270 |
| Subtotal | <u>3,589,930</u> | <u>579,100</u> | <u>-</u> | <u>4,169,030</u> |
| CASE Commission on Aging: | | | | |
| Land and land improvements | 136,384 | - | - | 136,384 |
| Buildings | 941,982 | - | - | 941,982 |
| Furniture, fixtures, and equipment | 102,225 | - | - | 102,225 |
| Vehicles | 217,738 | - | - | 217,738 |
| Total Commission on Aging | <u>1,398,329</u> | <u>-</u> | <u>-</u> | <u>1,398,329</u> |
| Total fixed assets | <u>\$ 4,988,259</u> | <u>\$ 579,100</u> | <u>\$ -</u> | <u>\$ 5,567,359</u> |

*As restated, see Note 11.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

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

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

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

*As restated, see Note 11.

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

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

*As restated, see Note 11.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2011

Note 5. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Loans payable | \$ 1,151,123 | \$ - | \$ 48,792 | \$ 1,102,331 | \$ 54,143 |

Details of loans payable are as follows:

| | Interest Rate | Date Issued | Final Maturity Date | Amount of Original Issue | Balance Due |
|---|--------------------------|------------------------|------------------------------------|---|------------------------|
| Commission on Aging Building Loan | 7.000% | September 2008 | September 2013 | \$ 543,678 | \$ 507,752 |
| Administration Building, Hinton Building, and Thorn St. Building Loan | 5.875 | January 2009 | January 2014 | 375,107 | 331,346 |
| Hope Development Loan | 5.875 | January 2009 | January 2014 | 223,000 | 160,365 |
| Warehouse Loan | 6.375 | March 2009 | March 2014 | 114,750 | 102,868 |
| Total | | | | \$ 1,256,535 | \$ 1,102,331 |

Annual debt service requirements on the loans payable are as follows:

| Fiscal Year | Loans Payable | |
|--------------------|----------------------|-------------------|
| | Principal | Interest |
| 2012 | \$ 54,143 | \$ 69,187 |
| 2013 | 57,636 | 65,694 |
| 2014 | 990,552 | 16,390 |
| Totals | \$ 1,102,331 | \$ 151,271 |

Note 6. Line of Credit

CASE has a \$250,000 operating line of credit arrangement with a financial institution. The credit line is secured by the "Security Agreement" made January 30, 2009 and bears an interest rate fluctuating with changes in prime rate. The rate was 4.25% at year end. The line of credit matures on June 10, 2013.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 7. Other Post-Employment Benefits

CASE is a participant in the West Virginia Retiree Health Benefits Trust Fund, a cost-sharing multiple-employer, defined benefit, other post-employment benefit plan. The plan is administered by the Public Employees Insurance Agency (“PEIA”).

Annual OPEB Cost. CASE’s annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of the employer (***ARC***), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future postretirement costs requires consideration of a broad array of complex social and economic events. Future changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs option, changes in the investment rate of return, and other matters increase the level of uncertainty of such estimates. As such, the estimate of postretirement program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated obligation.

The following table shows the components of CASE’s annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in CASE’s net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation.

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2011

Note 7. Other Post-Employment Benefits (Continued)

Certain OPEB trend information is as follows:

| | Annual OPEB Cost | Percentage of Annual OPEB Contributed | Net OPEB Obligation |
|-----------------|-----------------------------|--|--------------------------------|
| August 31, 2010 | \$ 703,853 | 0% | \$ 703,853 |
| August 31, 2011 | \$ 805,592 | 0% | \$ 805,592 |

Other assumptions used to arrive at the calculations are as follows:

| | |
|-------------------------------|---|
| Actuarial valuation date | June 30, 2009 |
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of projected payroll, closed |
| Asset valuation method | Fair value |
| Remaining amortization period | 26 years |

Actuarial assumptions:

| | |
|-----------------------------|---|
| Investment rate of return | 3.56% blended rate reflecting long-term expected returns on RHB and state investment |
| Health care cost trend rate | 9.20% initial; 6.00% ultimate |
| Payroll growth rate | 4.25% to 6.00% |

An actuarial valuation report for PEIA is prepared annually in accordance with standards set forth by the Governmental Accounting Standards Board (GASB) to determine the unfunded portion of each participant's future liability. CASE's financial statements are prepared in accordance with standards set forth by the Financial Accounting Standards Board (FASB). Information valuing the liability in accordance with FASB standards is not available. Based on the GASB valuation, CASE's unfunded liability at year end was \$1,764,529. Management believes that the differences in the basis are immaterial to the financial statements. In addition to the ARC amount, CASE paid \$217,299 to PEIA during the year which is considered as the pay as you go amount.

The financial report for the Retiree Health Benefit Trust Fund can be obtained by contacting Public Employees Insurance Agency, 601 57th Street Southeast, Suite 2, Charleston, West Virginia 25304-2345 or by calling 1-888-680-7342.

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2011

Note 8. Commitments and Contingencies

Certain state and federal grants and programs are subject to audit to determine compliance with their requirements. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 9. Related Party Transactions and Common Control

In March 1998, CASE entered into a limited partnership agreement whereby CASE became managing general partner of the Kennedy Center Limited Partnership. This partnership was formed for the purpose of acquiring and renovating real estate and personal property to provide multifamily residential housing for low-income tenants. As the managing partner, CASE has a 1% interest in the partnership and the authority to manage and control the partnership. The West Virginia Housing Development Fund issued a non interest-bearing loan in the amount of \$657,000 to the partnership to be repaid over 30 years. The Housing Development Fund also issued a grant to CASE in the amount of \$725,000 secured by a lien on the general partners' interest in the partnership. This grant is to be forgiven at the rate of 4% per year provided there is compliance with the terms of the grant agreement. As of August 31, 2003, \$1,400,000 had been received by CASE from the West Virginia Housing Development Fund and invested in the Partnership.

In February 1999, CASE entered into a limited partnership agreement whereby CASE became the managing general partner of the Hinton Center Limited Partnership. This partnership was formed for the purpose of acquiring and renovating real estate and personal property to provide multifamily residential housing for low-income tenants. As the managing partner, CASE has a 1% interest in the partnership and the authority to manage and control the partnership.

During the audit period, CASE expensed \$32,093 in loan payments as a result of its being the guarantor on the loans for the Hinton and Kennedy Centers.

CASE employs the husband of the executive director as the supervisor of Property Management Services, a wholly-owned subsidiary of CASE, formed to perform maintenance operations on various properties belonging to CASE. During the audit period, \$35,983 was paid to Mr. Hubbard for his services.

Note 10. Retirement Plans

CASE has adopted a defined contribution annuity for its employees qualified under Section 403(b) of the *Internal Revenue Code*. The plan covers all full-time employees of the organization who have completed one year of service. The contributions to the plan are discretionary and are determined each year. During the year, CASE contributed \$90,814 to the Section 403(b) plan.

CASE has also adopted a Section 457(b) deferred compensation plan for a select group of management employees. The organization's contributions to the plan are discretionary and determined each year. During the year, CASE contributed \$11,106 to the Section 457(b) plan.

Mutual of America is the provider of both retirement plans.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2011

Note 11. Restatement of Net Assets

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

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

Prior Period Adjustments:

Consolidation as of 8/31/2009

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

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

| | | |
|-----------------------|----|---------|
| Inventory restatement | \$ | 306,844 |
| Net Asset restatement | \$ | 306,844 |

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

| | | |
|---|----|-----------|
| Accrued liability restatement | \$ | 161,118 |
| Contractual expense restatement | \$ | (129,995) |
| Fixed asset restatement for amounts previously expensed | \$ | 291,113 |

SUPPLEMENTARY INFORMATION

EXHIBIT A

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**SUPPORTING SCHEDULE FOR CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2011**

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
CSBG PROGRAMS

For the Year Ended August 31, 2011

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

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
HOUSING PROGRAMS

For the Year Ended August 31, 2011

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
OTHER PROGRAMS

For the Year Ended August 31, 2011

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
AGENCY PROGRAMS

For the Year Ended August 31, 2011

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

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
COMMISSION ON AGING

For the Year Ended August 31, 2011

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

SUPPORTING SCHEDULE

SCHEDULE 1

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2011

| Federal Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Federal Expenditures |
|---|------------------------|-------------------------|
| <u>DEPARTMENT OF AGRICULTURE</u> | | |
| <u>West Virginia Department of Education</u> | | |
| Child and Adult Care Food Program | 10.558 | \$ 585,934 |
| Summer Food Service Program for Children | 10.559 | 43,930 |
| <u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | |
| Supportive Housing Program | 14.235 | 57,323 |
| <u>West Virginia Housing Development Fund</u> | | |
| HOME Investment Partnerships Program | 14.239 | 467,923 |
| <u>Governor's Office of Economic Opportunity</u> | | |
| Emergency Shelter Grants Program | 14.231 | 1,038 |
| ARRA - Homelessness Prevention and Rapid Re-Housing Program | 14.257 | 133,433 |
| <u>DEPARTMENT OF ENERGY</u> | | |
| <u>Governor's Office of Economic Opportunity</u> | | |
| Weatherization Assistance for Low-Income Persons | 81.042 | 57,488 |
| ARRA - Weatherization Assistance for Low-Income Persons | 81.042 | 1,375,726 |
| ARRA - Sustainable Energy Resources for Consumers Project | 81.042 | 16,337 |
| <u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | |
| Head Start | 93.600 | 2,426,036 |
| ARRA - Head Start | 93.708 | 4,425 |
| ARRA - Early Head Start | 93.709 | 1,151,407 |
| <u>West Virginia Department of Health and Human Resources</u> | | |
| Medical Assistance Program | 93.778 | 216,044 |
| Title V Adolescent Health Initiative Grant | 93.235 | 70,000 |
| <u>Mission West Virginia</u> | | |
| Community Based Abstinence Education | 93.010 | 16,714 |
| Teen Pregnancy Prevention Program | 93.092 | 199,000 |
| <u>West Virginia Bureau of Senior Services</u> | | |
| Special Programs for the Aging - Title III - Part D | | |
| Disease Prevention and Health Promotion Services | 93.043 | 6,895 |
| Special Programs for the Aging - Title III - Part B | | |
| Grants for Supportive Services and Senior Centers | 93.044 | 60,276 |
| Special Programs for the Aging - Title III - Part C | | |
| Nutrition Services | 93.045 | 162,254 |
| National Family Caregiver Support - Title III - Part E | 93.052 | 39,593 |
| Medicare Enrollment Assistance Program | 93.071 | 7,000 |
| <u>Governor's Office of Economic Opportunity</u> | | |
| Community Services Block Grant | 93.569 | 406,121 |
| ARRA - Community Services Block Grant | 93.710 | 38,613 |
| Low-Income Home Energy Assistance | 93.568 | 478,265 |
| <u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</u> | | |
| Retired and Senior Volunteer Program | 94.002 | 61,145 |
| <u>DEPARTMENT OF HOMELAND SECURITY</u> | | |
| <u>United Way</u> | | |
| Emergency Food and Shelter National Board Program | 97.024 | 1,613 |
| Total Expenditures of Federal Awards | | <u>\$ 8,084,533</u> |

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

OTHER INFORMATION

TABLE 1

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

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

TABLE 2

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
EARLY HEADSTART
(Unaudited)
SCHEDULE OF REVENUE AND EXPENSES
COMPARED TO BUDGET
For the Program Year Ending September 29, 2010

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

TABLE 3

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

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

TABLE 4

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

**SCHEDULE OF REVENUE AND EXPENSES
COMPARED TO BUDGET
For the Program Year Ending December 31, 2010**

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

TABLE 5

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

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

TABLE 6

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
NUTRITION PROGRAM
(Unaudited)

SCHEDULE OF REVENUE AND EXPENSES
For the Program Year Ending September 30, 2010

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

TABLE 7

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

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

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

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

COMPLIANCE SECTION



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

To the Board of Directors
Community Action of South Eastern West Virginia, Inc.
Bluefield, West Virginia

We have audited the consolidated financial statements of the Community Action of South Eastern West Virginia, Inc. (CASE), as of and for the year ended August 31, 2011 and have issued our report thereon dated May 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of CASE is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CASE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of CASE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CASE's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 10-1 to be a material weakness.**

Compliance and Other Matters

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

We made certain additional suggestions that we reported to management of the Board in a separate letter dated May 4, 2012.

CASE's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit CASE's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, state and federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
May 4, 2012



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

To the Board of Directors
Community Action of South Eastern West Virginia, Inc.
Bluefield, West Virginia

Compliance

We have audited the compliance of the Community Action of South Eastern West Virginia, Inc. (CASE) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. CASE's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CASE's management. Our responsibility is to express an opinion on CASE's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CASE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CASE's compliance with those requirements.

In our opinion, the Community Action of South Eastern West Virginia, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control over Compliance

Management of CASE is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CASE's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CASE's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

This report is intended solely for the information of management, the Board of Directors, state and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
May 4, 2012

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

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

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the consolidated financial statements.
2. **One significant deficiency** relating to the audit of the consolidated financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **This significant deficiency was determined to be a material weakness.**
3. **No instances of noncompliance** material to the consolidated financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The programs tested as major were:

| | |
|---|--------|
| HOME Investment Partnerships Program | 14.239 |
| Weatherization Assistance for Low-Income Persons | 81.042 |
| ARRA – Weatherization Assistance for Low-Income Persons | 81.042 |
| Head Start | 93.600 |
| ARRA – Head Start | 93.708 |
| ARRA – Early Head Start | 93.709 |
8. The threshold for distinguishing Type A and B programs was **\$300,000**.
9. CASE was determined to not be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

10-1: Auditor Adjustments – (Material Weakness)

Condition:

During our audit, we made several material audit adjustments. These adjustments related to items such as inventory, accounts receivable, net assets, and certain revenues and expenses.

Recommendation:

We recommend that CASE implement a system for identifying these types of transactions and complete a more detailed review and analysis of transactions that are unusual and infrequent in nature.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

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

Management's Response:

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

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

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

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

None noted.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AUGUST 31, 2011**

Auditor Reference Number:

10-2: Submission of Single Audit Reporting Package

Condition:

The August 31, 2008 Single Audit reporting package was not submitted to the Single Audit Clearinghouse within the nine month due date.

Current Status:

No similar findings in the 2011 audit.