



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

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2012

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

CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012

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INTRODUCTORY SECTION

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

BOARD OF DIRECTORS

2011 - 2012

OFFICERS

President

Gladys Walters

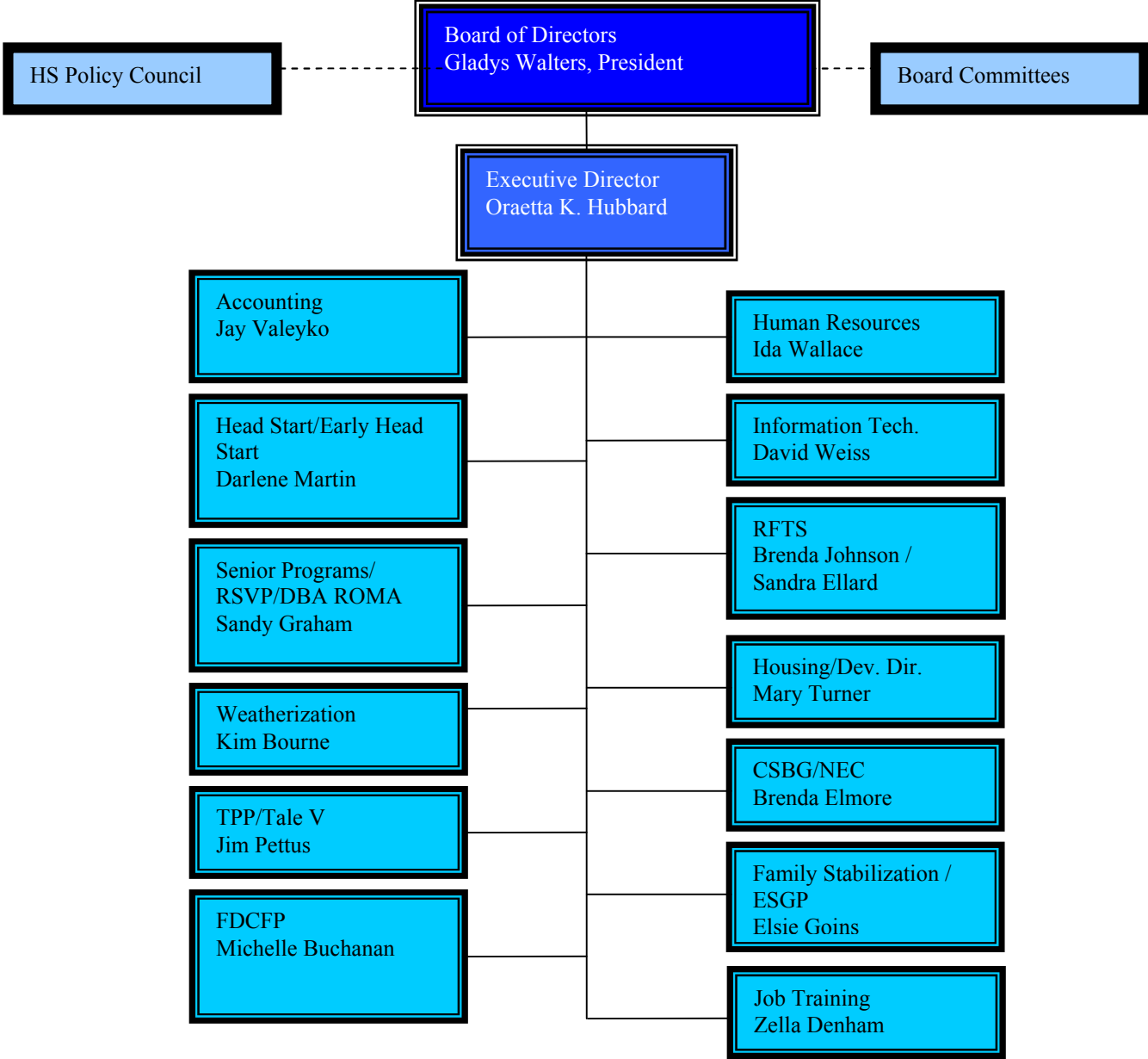
Treasurer

Joe Coburn

MEMBERS-AT-LARGE

**Jeana Carr
Jay Mills
Terri Philpott
Jerry Berry
Jack Woodrum
Lucille Lemons
Joyce Tedder
Margurite Fullen
John Feuchtenberger
Joyce Pritt
Brian DeRouen
Andi Bennett
Brenda Pruett
Margaret McLaughlin
Tammy Dotson Rhodes
William Bane
Vicky Reed
Bill Kraft
Kathy Wyrick
Lesley Woodrum**

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
Organizational Chart
2012



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 August 31, 2012 and 2011, and the related consolidated statements of activities, cash flows, and functional expenses for the years 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 audits.

We conducted our audits 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 financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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, 2012 and 2011, and the changes in its net assets, cash flows, and functional expenses for the years 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 7, 2013 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, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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, Other Information, and Supplementary Information Sections are presented for purposes of additional analysis and are not required parts of the consolidated 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 not a required part of the consolidated financial statements. The Supplementary Information Section and 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 Supplementary Information Section and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the consolidated financial statements as a whole. The Introductory and Other Information Sections 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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
May 7, 2013

CONSOLIDATED FINANCIAL STATEMENTS

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 684,814	\$ 1,090,219
Accounts receivable (Note 2)	1,264,681	1,397,011
Inventory (Note 3)	468,133	369,629
Prepaid insurance	34,698	21,612
	<hr/>	<hr/>
Total current assets	2,452,326	2,878,471
	<hr/>	<hr/>
Property and equipment, net (Note 4)	3,197,980	2,965,012
	<hr/>	<hr/>
Total assets	<u>\$ 5,650,306</u>	<u>\$ 5,843,483</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 166,059	\$ 340,658
Accrued liabilities	292,859	400,859
Current portion of long-term liabilities (Note 5)	55,895	54,143
Line of credit (Note 6)	-	169,559
Unearned revenue	8,889	34,274
Accrued leave	698,421	664,332
	<hr/>	<hr/>
Total current liabilities	1,222,123	1,663,825
	<hr/>	<hr/>
Long-term liabilities, less current portion (Note 5)	988,621	1,048,188
Other post-employment benefits (Note 8)	2,470,752	1,764,529
	<hr/>	<hr/>
Total liabilities	4,681,496	4,476,542
	<hr/>	<hr/>
NET ASSETS		
Unrestricted net assets	968,810	1,366,941
	<hr/>	<hr/>
Total net assets	968,810	1,366,941
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 5,650,306</u>	<u>\$ 5,843,483</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted Revenues:		
Federal	\$ 6,505,105	\$ 8,495,590
State	1,255,822	1,110,385
Other	3,187,803	3,376,327
In-kind	870,843	1,333,325
Net assets released from restrictions:		
Satisfaction of purpose restrictions	-	80,675
Total unrestricted revenues	<u>11,819,573</u>	<u>14,396,302</u>
Unrestricted Expenses:		
Salaries and wages	5,071,825	5,428,928
Fringe benefits	1,492,065	1,553,810
Travel	96,463	146,866
Space	716,422	879,711
Contractual	106,021	265,740
Supplies	514,006	1,012,567
Program costs	507,109	486,495
Equipment	18,958	113,881
Interest	67,932	79,802
Other	1,017,519	1,118,210
Indirect cost	727,501	806,045
Depreciation	304,817	287,851
Other post-retirement benefits (OPEB)	706,223	802,845
In-kind	870,843	1,333,325
Total unrestricted expenses	<u>12,217,704</u>	<u>14,316,076</u>
Change in unrestricted net assets	<u>(398,131)</u>	<u>80,226</u>
Temporarily Restricted Net Assets		
Net assets released from restrictions	-	(80,675)
Change in temporarily restricted net assets	<u>-</u>	<u>(80,675)</u>
Net change in net assets	(398,131)	(449)
Net Assets at September 1	<u>1,366,941</u>	<u>1,367,390</u>
Net Assets at August 31	<u>\$ 968,810</u>	<u>\$ 1,366,941</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (398,131)	\$ (449)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	304,817	287,851
Loss on sale of equipment	60,416	-
Changes in operating assets and liabilities:		
Accounts receivable	132,330	(585,986)
Inventory	(98,504)	(6,591)
Prepays	(13,086)	(21,612)
Accounts payable	(174,599)	83,627
Accrued liabilities	(108,000)	134,856
Accrued leave	34,089	12,502
OPEB liabilities	706,223	805,592
Unearned revenue	(25,385)	(152,064)
	<u>420,170</u>	<u>557,726</u>
Net cash and cash equivalents provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property and equipment	(711,016)	(579,100)
Proceeds from sale of property and equipment	112,815	-
	<u>(598,201)</u>	<u>(579,100)</u>
Net cash and cash equivalents used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on line of credit	(169,559)	-
Payment on long-term debt	(57,815)	(48,792)
	<u>(227,374)</u>	<u>(48,792)</u>
Net cash and cash equivalents used in financing activities		
Net decrease in cash and cash equivalents	(405,405)	(70,166)
CASH AND CASH EQUIVALENTS		
Beginning	<u>1,090,219</u>	<u>1,160,385</u>
Ending	<u>\$ 684,814</u>	<u>\$ 1,090,219</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 69,168</u>	<u>\$ 79,802</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended August 31, 2012 and 2011

	2012			2011		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Salary and wages	\$ 4,585,906	\$ 485,919	\$ 5,071,825	\$ 4,956,521	\$ 472,407	\$ 5,428,928
Fringe benefits	1,340,527	151,538	1,492,065	1,372,394	181,416	1,553,810
Travel	89,279	7,184	96,463	135,029	11,837	146,866
Space	544,799	171,623	716,422	617,997	261,714	879,711
Contractual	67,857	38,164	106,021	127,448	138,292	265,740
Supplies	477,243	36,763	514,006	969,611	42,956	1,012,567
Program costs	505,913	1,196	507,109	486,388	107	486,495
Equipment	17,599	1,359	18,958	108,851	5,030	113,881
Interest	35,323	32,609	67,932	51,380	28,422	79,802
Other	870,448	147,071	1,017,519	1,005,379	112,831	1,118,210
Indirect cost	727,501	-	727,501	806,045	-	806,045
Depreciation	304,817	-	304,817	287,851	-	287,851
Other post-retirement benefits (OPEB)	-	706,223	706,223	-	802,845	802,845
In-kind	870,843	-	870,843	1,333,325	-	1,333,325
	<u>\$ 10,438,055</u>	<u>\$ 1,779,649</u>	<u>\$ 12,217,704</u>	<u>\$ 12,258,219</u>	<u>\$ 2,057,857</u>	<u>\$ 14,316,076</u>

The Notes to Financial Statements are an integral part of these Statements.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012

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 that 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, 2012 and 2011 are unrestricted.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, demand deposits, and money market funds. For purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash is held in banks located in West Virginia and is insured by the Federal Deposit Insurance Commission (FDIC) up to \$250,000 per financial institution.

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:

Inventory is comprised of material supplies for the Weatherization program, stated at cost using a perpetual inventory system, and homes held for sale, built from Community Housing Development Organization (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, 2012

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 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 consist of accrued payroll and payroll taxes earned as of August 31.

Accrued leave:

Accrued leave consists of accrued vacation and sick 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:

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. Contributed services that are recognized are valued at the estimated cost that would be incurred by CASE to purchase similar services. Donated space is valued at the estimated fair rental value.

Supporting services

Supporting service are costs for activities not directly related to the purpose for which the Organization exists. Supporting service expenses are broadly categorized as management and general purpose expenses that have not been identified as, or allocated to, program service expenses.

Income taxes:

CASE is a nonprofit corporation classified under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes derived from its nonprofit activities. For the year ended August 31, 2012, management believes that CASE has no material uncertain tax positions to be accounted for in the financial statements. As of August 31, 2012, tax years ending on or after August 31, 2009 remain subject to examination.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation.

Subsequent events:

Subsequent events were considered through May 7, 2013, the date the financials were available to be issued.

Concentration:

CASE received approximately 54% 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.

Note 2. Accounts Receivable

Accounts receivable, consists of the following:

	<u>2012</u>	<u>2011</u>
Grant receivables	\$ 1,050,273	\$ 1,190,735
Other receivables	214,408	206,276
	<u>\$ 1,264,681</u>	<u>\$ 1,397,011</u>

Note 3. Inventory

Inventory, consists of the following:

	<u>2012</u>	<u>2011</u>
Homes held for sale from CHDO program	\$ 450,433	\$ 306,844
Inventory held for Weatherization program	17,700	62,785
	<u>\$ 468,133</u>	<u>\$ 369,629</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2012

Note 4. Property, Plant, and Equipment

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

	<u>2012</u>	<u>2011</u>
Land	\$ 709,784	\$ 594,964
Buildings	3,445,546	2,418,743
Vehicles and equipment	1,891,984	1,865,146
Construction in progress	<u>-</u>	<u>688,506</u>
Less: Accumulated depreciation	<u>2,849,334</u>	<u>2,602,347</u>
Property and equipment	<u>\$ 3,197,980</u>	<u>\$ 2,965,012</u>

Note 5. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Loans payable	<u>\$ 1,102,331</u>	<u>\$ -</u>	<u>\$ 57,815</u>	<u>\$ 1,044,516</u>

All loans have been fully collateralized by the building and property associated with the loans.

Details of loans payable are as follows:

	<u>Interest Rate</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>2012</u>	<u>2011</u>
Commission on Aging Building loan	7.000%	September 2008	September 2013	\$ 487,928	\$ 507,752
Administration Building, Hinton Building, and Thorn St. Building loan	5.875	January 2009	January 2014	312,130	331,346
Hope Development loan	5.875	January 2009	January 2014	147,057	160,365
Warehouse loan	6.375	March 2009	March 2014	<u>97,401</u>	<u>102,868</u>
Total				<u>\$ 1,044,516</u>	<u>\$ 1,102,331</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012

Note 5. Long-Term Liabilities (Continued)

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

Fiscal Year	Loans Payable	
	Principal	Interest
2013	\$ 55,895	\$ 65,694
2014	988,621	16,390
Totals	\$ 1,044,516	\$ 82,084

Note 6. Line of Credit

During a portion of the year, CASE had a \$250,000 operating line of credit arrangement with a financial institution. The credit line was secured by the “Security Agreement” made January 30, 2009 with an interest rate that fluctuated with changes in the prime rate. Prior to August 31, 2012, the line of credit was closed.

Note 7. 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. For the years ended August 31, 2012 and 2011, CASE contributed \$82,301 and \$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. For the years ended August 31, 2012 and 2011, CASE contributed \$13,036 and \$11,106 to the Section 457(b) plan.

Note 8. Other Post-Employment Benefits

CASE participates in the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple-employer defined benefits post-employment healthcare plan administered by the West Virginia Public Employees Insurance Agency (PEIA). RHBT provides medical benefits to eligible retired employees of participating employers. Eligibility is primarily established through participation in certain defined benefit plans.

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.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012

Note 8. Other Post-Employment Benefits (Continued)

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	\$ 706,223
Interest on net OPEB obligation	-
Annual OPEB cost	706,223
Contributions made	-
Increase in net OPEB obligation	706,223
Net OPEB obligation, beginning of year	1,764,529
Net OPEB obligation, end of year	\$ 2,470,752

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2012

Note 8. Other Post-Employment Benefits (Continued)

Certain OPEB trend information is as follows:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
August 31, 2012	\$ 706,223	0%	\$ 706,223
August 31, 2011	\$ 802,845	0%	\$ 802,845
August 31, 2010	\$ 703,853	0%	\$ 703,853

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

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Asset valuation method	Fair value
Remaining amortization period	25 years
Actuarial assumptions:	
Investment rate of return	6.10% blended rate reflecting long-term expected returns on RHBT and state investment
Health care cost trend rate	9.20% initial; 6.50% 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 \$2,470,752. Management believes that the differences in the basis are immaterial to the financial statements. In addition to the ARC amount, CASE paid \$218,940 to PEIA during the year which is considered as the pay as you go amount.

RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: West Virginia Retiree Health Benefits Trust, Building 5, Room 1001, 1900 Kanawha Blvd. East, Charleston, West Virginia, 25305-0710.

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, 2012

Note 9. 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 10. Related Party Transactions and Common Control

CASE is the managing partner and has a 1% interest in the Kennedy Center Limited Partnership with the authority to manage and control the 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.

CASE is the managing partner and has a 1% interest in 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.

For the years ended December 31, 2012 and 2011, CASE expensed \$32,080 and \$32,093, respectively, in loan payments as a result of CASE 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. For the years ended December 31, 2012 and 2011, \$37,470 and \$35,983 were paid for his services.

SUPPLEMENTARY INFORMATION

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2012

	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	\$ 3,401,886	\$ 494,214	\$ 228,891	\$ 771,652	\$ 414,982	\$ 506,476	\$ 578,844	\$ 108,160	\$ 6,505,105
State	-	-	132,331	-	-	293,116	260,557	569,818	1,255,822
Other	204,690	6,275	25,136	5,625	300	13,941	1,067,294	1,864,542	3,187,803
In-kind	816,309	-	-	-	-	-	54,534	-	870,843
Total revenues	4,422,885	500,489	386,358	777,277	415,282	813,533	1,961,229	2,542,520	11,819,573
Expenses:									
Salary and wages	1,882,726	210,905	89,773	276,886	46,233	124,831	1,117,724	1,322,747	5,071,825
Fringe benefits	642,149	79,820	34,367	123,902	18,802	29,931	248,232	314,862	1,492,065
Travel	20,953	11,304	1,250	1,475	6,196	-	35,850	19,435	96,463
Space	159,782	54,314	43,783	50,483	9,824	14,055	155,628	228,553	716,422
Contractual	16,935	4,000	5,488	19,574	1,445	7,706	5,583	45,290	106,021
Supplies	75,836	13,066	10,675	238,228	3,863	6,688	102,761	62,889	514,006
Program costs	6,523	61,379	-	-	323,280	89,672	25,059	1,196	507,109
Equipment	11,148	-	2,640	-	1,796	-	750	2,624	18,958
Interest	-	-	-	-	-	-	-	67,932	67,932
Other	392,770	17,640	174,694	71,944	-	52,335	97,734	210,402	1,017,519
Indirect cost	316,367	22,920	17,690	46,886	1,898	16,209	168,532	136,999	727,501
Depreciation	-	-	-	-	-	-	-	304,817	304,817
Other post retirement benefits (OPEB)	-	-	-	-	-	-	-	706,223	706,223
In-kind	816,309	-	-	-	-	-	54,534	-	870,843
Total expenses	4,341,498	475,348	380,360	829,378	413,337	341,427	2,012,387	3,423,969	12,217,704
Increase (decrease) in net assets	\$ 81,387	\$ 25,141	\$ 5,998	\$ (52,101)	\$ 1,945	\$ 472,106	\$ (51,158)	\$ (881,449)	(398,131)
Beginning net assets									1,366,941
Ending net assets									\$ 968,810

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
CSBG PROGRAMS

For the Year Ended August 31, 2012

	Community Service Block Grant	Emergency Services Grant Program ESGP	FEMA & United Way	Revolving Loan Fund	Homeless Prevention & Rapid Rehousing	Emergency Food & Shelter	Total CSBG
Revenues:							
Federal	\$ 339,787	\$ 15,168	\$ -	\$ -	\$ 132,840	\$ 6,419	\$ 494,214
Other	-	-	1,791	4,484	-	-	6,275
Total revenues	339,787	15,168	1,791	4,484	132,840	6,419	500,489
Expenses:							
Salary and wages	161,726	-	-	-	49,179	-	210,905
Fringe benefits	52,647	-	-	-	27,173	-	79,820
Travel	10,964	-	-	-	340	-	11,304
Space	39,033	8,952	-	-	6,329	-	54,314
Contractual	4,000	-	-	-	-	-	4,000
Supplies	10,331	-	-	-	2,735	-	13,066
Program costs	13,649	2,000	791	-	40,345	4,594	61,379
Other	11,421	4,004	-	-	2,215	-	17,640
Indirect cost	21,170	-	-	-	1,750	-	22,920
Total expenses	324,941	14,956	791	-	130,066	4,594	475,348
Increase in net assets	\$ 14,846	\$ 212	\$ 1,000	\$ 4,484	\$ 2,774	\$ 1,825	\$ 25,141

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
HOUSING PROGRAMS

For the Year Ended August 31, 2012

	Housing Development Organization	SHP	Economic Stabilization Program	Total Housing Programs
Revenues:				
Federal	\$ 388,793	\$ 117,683	\$ -	\$ 506,476
State	31,612	-	261,504	293,116
Other	2,140	11,801	-	13,941
	<u>422,545</u>	<u>129,484</u>	<u>261,504</u>	<u>813,533</u>
Expenses:				
Salary and wages	27,500	24,937	72,394	124,831
Fringe benefits	926	5,399	23,606	29,931
Space	2,191	11,864	-	14,055
Contractual	5,563	-	2,143	7,706
Supplies	-	908	5,780	6,688
Program costs	-	700	88,972	89,672
Other	-	36,830	15,505	52,335
Indirect cost	2,660	2,792	10,757	16,209
	<u>38,840</u>	<u>83,430</u>	<u>219,157</u>	<u>341,427</u>
Total expenses	<u>38,840</u>	<u>83,430</u>	<u>219,157</u>	<u>341,427</u>
Increase in net assets	<u>\$ 383,705</u>	<u>\$ 46,054</u>	<u>\$ 42,347</u>	<u>\$ 472,106</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
OTHER PROGRAMS

For the Year Ended August 31, 2012

	<u>Concord Child Daycare</u>	<u>Summer Food Service Program</u>	<u>Training & Energy Services OEO/TESC</u>	<u>Workforce Investment Act (WIA)</u>	<u>Retired Senior Volunteer Program (RSVP)</u>	<u>Right From the Start (RFTS)</u>	<u>Designated Care Coordinator (DCC)</u>	<u>Teen Programs</u>	<u>Total Other Programs</u>
Revenues:									
Federal	\$ -	\$ 18,864	\$ -	\$ -	\$ 44,360	\$ 223,483	\$ -	\$ 292,137	\$ 578,844
State	-	-	1,763	-	4,398	254,396	-	-	260,557
Other	341	20,141	-	118,797	1,000	23,028	903,987	-	1,067,294
In-kind	-	-	-	-	24,199	-	-	30,335	54,534
Total revenues	<u>341</u>	<u>39,005</u>	<u>1,763</u>	<u>118,797</u>	<u>73,957</u>	<u>500,907</u>	<u>903,987</u>	<u>322,472</u>	<u>1,961,229</u>
Expenses:									
Salary and wages	-	12,693	-	58,951	23,209	214,165	650,387	158,319	1,117,724
Fringe benefits	-	1,527	-	10,780	11,584	63,873	113,716	46,752	248,232
Travel	-	524	-	-	-	20,586	5,891	8,849	35,850
Space	-	-	1,750	12,496	7,849	76,077	38,947	18,509	155,628
Contractual	-	-	-	-	144	1,253	1,403	2,783	5,583
Supplies	-	225	13	2,214	104	40,207	14,504	45,494	102,761
Program costs	-	-	-	2,927	-	-	10,000	12,132	25,059
Equipment	-	-	-	-	-	-	750	-	750
Other	-	24,586	-	27,148	5,680	32,377	6,824	1,119	97,734
Indirect cost	-	1,187	-	2,107	3,634	37,521	96,748	27,335	168,532
In-kind	-	-	-	-	24,199	-	-	30,335	54,534
Total expenses	<u>-</u>	<u>40,742</u>	<u>1,763</u>	<u>116,623</u>	<u>76,403</u>	<u>486,059</u>	<u>939,170</u>	<u>351,627</u>	<u>2,012,387</u>
Increase (decrease) in net assets	<u>\$ 341</u>	<u>\$ (1,737)</u>	<u>\$ -</u>	<u>\$ 2,174</u>	<u>\$ (2,446)</u>	<u>\$ 14,848</u>	<u>\$ (35,183)</u>	<u>\$ (29,155)</u>	<u>\$ (51,158)</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
AGENCY PROGRAMS

For the Year Ended August 31, 2012

	Agency Administration	Property Management Services	CASE Commission on Aging Ex. A-4-1	Total Agency
Revenues:				
Federal	\$ -	\$ -	\$ 108,160	\$ 108,160
State	-	-	569,818	569,818
Other	1,042,246	161,255	661,041	1,864,542
Total revenues	<u>1,042,246</u>	<u>161,255</u>	<u>1,339,019</u>	<u>2,542,520</u>
Expenses:				
Salary and wages	447,716	38,203	836,828	1,322,747
Fringe benefits	145,922	5,616	163,324	314,862
Travel	7,184	-	12,251	19,435
Space	170,848	775	56,930	228,553
Contractual	38,164	-	7,126	45,290
Supplies	29,089	7,674	26,126	62,889
Program costs	1,196	-	-	1,196
Equipment	1,359	-	1,265	2,624
Interest	12,938	19,671	35,323	67,932
Other	140,245	6,826	63,331	210,402
Indirect cost	16,878	-	120,121	136,999
Depreciation	304,817	-	-	304,817
Other post-retirement benefits (OPEB)	706,223	-	-	706,223
Total expenses	<u>2,022,579</u>	<u>78,765</u>	<u>1,322,625</u>	<u>3,423,969</u>
Increase (decrease) in net assets	<u>\$ (980,333)</u>	<u>\$ 82,490</u>	<u>\$ 16,394</u>	<u>\$ (881,449)</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**SUPPORTING SCHEDULE FOR STATEMENT OF ACTIVITIES –
COMMISSION ON AGING
For the Year Ended August 31, 2012**

	<u>Title IIIB</u>	<u>Title IIID</u>	<u>Title IIIE</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>
Revenues:										
Federal	\$ 47,725	\$ 7,269	\$ 52,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 651	\$ 108,160
State	21,639	1,682	20,430	183,061	247,829	73,213	10,000	7,000	4,964	569,818
Other	3,973	-	-	-	2,430	-	-	-	654,638	661,041
Total revenues	<u>73,337</u>	<u>8,951</u>	<u>72,945</u>	<u>183,061</u>	<u>250,259</u>	<u>73,213</u>	<u>10,000</u>	<u>7,000</u>	<u>660,253</u>	<u>1,339,019</u>
Expenses:										
Salary and wages	26,780	3,858	42,263	94,846	168,625	53,202	-	6,000	441,254	836,828
Fringe benefits	6,936	867	6,258	20,773	40,106	13,636	-	1,054	73,694	163,324
Travel	-	-	467	1,698	983	1,011	-	-	8,092	12,251
Space	184	685	4,867	23,233	6,582	8,438	4,541	-	8,400	56,930
Contractual	1,215	-	350	2,875	-	-	1,714	-	972	7,126
Supplies	1,893	154	2,857	4,301	296	258	-	-	16,367	26,126
Equipment	-	-	-	-	-	-	544	-	721	1,265
Interest	-	-	4,950	14,759	2,980	3,716	-	-	8,918	35,323
Other	21,415	-	1,726	12,382	-	146	3,201	-	24,461	63,331
Indirect cost	5,203	1,452	5,067	12,250	26,949	8,859	-	-	60,341	120,121
Total expenses	<u>63,626</u>	<u>7,016</u>	<u>68,805</u>	<u>187,117</u>	<u>246,521</u>	<u>89,266</u>	<u>10,000</u>	<u>7,054</u>	<u>643,220</u>	<u>1,322,625</u>
Increase (decrease) in net assets	<u>\$ 9,711</u>	<u>\$ 1,935</u>	<u>\$ 4,140</u>	<u>\$ (4,056)</u>	<u>\$ 3,738</u>	<u>\$ (16,053)</u>	<u>\$ -</u>	<u>\$ (54)</u>	<u>\$ 17,033</u>	<u>\$ 16,394</u>

SUPPORTING SCHEDULE

SCHEDULE 1

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<u>DEPARTMENT OF EDUCATION</u>		
<u>West Virginia Department of Education</u>		
Child and Adult Care Food Program	10.558	\$ 573,194
Summer Food Service Program for Children	10.559	32,386
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Supportive Housing Program	14.235	75,527
<u>West Virginia Housing Development Fund</u>		
HOME Investment Partnerships Program	14.239	274,249
<u>Governor's Office of Economic Opportunity</u>		
Emergency Shelter Grants Program	14.231	14,956
ARRA – Homelessness Prevention and Rapid Re-Housing Program	14.257	132,840
<u>DEPARTMENT OF ENERGY</u>		
<u>Governor's Office of Economic Opportunity</u>		
Weatherization Assistance for Low-Income Persons	81.042	36
ARRA – Weatherization Assistance for Low-Income Persons	81.042	582,270
ARRA – Sustainable Energy Resources for Consumers Project	81.042	67,593
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Head Start Cluster		
Head Start	93.600	3,192,569
ARRA – Early Head Start	93.709	121,185
<u>West Virginia Department of Health and Human Resources</u>		
Medical Assistance Program	93.778	223,483
Title V Adolescent Health Initiative Grant	93.235	98,526
<u>Mission West Virginia</u>		
Teen Pregnancy Prevention Program	93.297	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	7,016
National Family Caregiver Support – Title III – Part E	93.052	52,515
Medicare Enrollment Assistance Program	93.071	7,054
Aging Cluster		
Special Programs for the Aging – Title III – Part B		
Grants for Supportive Services and Senior Centers	93.044	47,725
Special Programs for the Aging – Title III – Part C		
Nutrition Services	93.045	227,084
<u>Governor's Office of Economic Opportunity</u>		
Community Services Block Grant	93.569	318,232
Low-Income Home Energy Assistance	93.568	189,139
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</u>		
Retired and Senior Volunteer Program	94.002	47,340
<u>DEPARTMENT OF HOMELAND SECURITY</u>		
<u>United Way</u>		
Emergency Food and Shelter National Board Program	97.024	4,594
Total Expenditures of Federal Awards		<u>\$ 6,488,513</u>

Note to Schedule of Expenditures of Federal Awards

Note 1. Significant Accounting Policy

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 REVENUES AND EXPENSES
COMPARED TO BUDGET
For the Program Year Ending April 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Federal revenue	\$ 2,852,456	\$ 2,852,456	\$ -
Other revenue	-	102,080	102,080
In-kind revenue	713,114	815,063	101,949
Total program revenues	<u>3,565,570</u>	<u>3,769,599</u>	<u>204,029</u>
Expenses:			
Salaries and wages	1,608,182	1,566,827	41,355
Fringe benefits	468,419	509,773	(41,354)
Travel	18,446	16,940	1,506
Contractual	15,972	15,093	879
Equipment	40,000	44,285	(4,285)
Supplies	56,539	87,631	(31,092)
Indirect cost	259,575	259,575	-
Other	385,323	454,412	(69,089)
Total program expenses	<u>2,852,456</u>	<u>2,954,536</u>	<u>(102,080)</u>
In-kind expense:			
Personnel	-	90,533	(90,533)
Fringe benefits	-	35,308	(35,308)
Other	713,114	689,222	23,892
Total in-kind	<u>713,114</u>	<u>815,063</u>	<u>(101,949)</u>
Total program cost	<u>3,565,570</u>	<u>3,769,599</u>	<u>(204,029)</u>
Program year revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 2

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
EARLY HEADSTART
(Unaudited)
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET
For the Program Year Ending September 30, 2011

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance
Revenues:			
Health and human services	\$ 997,648	\$ 997,648	\$ -
In-kind revenue	249,412	292,063	42,651
Total program revenues	<u>1,247,060</u>	<u>1,289,711</u>	<u>42,651</u>
Expenses:			
Salaries and wages	671,163	629,094	42,069
Fringe benefits	152,420	175,641	(23,221)
Travel	18,758	7,518	11,240
Contractual	4,000	3,100	900
Supplies	17,156	28,650	(11,494)
Indirect cost	108,651	102,262	6,389
Other	25,500	51,383	(25,883)
Total program expenses	<u>997,648</u>	<u>997,648</u>	<u>-</u>
In-kind expense:			
Personnel	199,788	29,812	169,976
Fringe benefits	34,264	12,839	21,425
Other	15,360	249,412	(234,052)
Total in-kind	<u>249,412</u>	<u>292,063</u>	<u>(42,651)</u>
Total program cost	<u>1,247,060</u>	<u>1,289,711</u>	<u>(42,651)</u>
Program year revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 3

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
COMMUNITY SERVICE BLOCK GRANT (CSBG)
(Unaudited)
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET
For the Program Year Ending December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Federal revenue	\$ 437,562	\$ 339,847	\$ (97,715)
Total revenues	<u>437,562</u>	<u>339,847</u>	<u>(97,715)</u>
Expenses:			
Salaries and wages	218,030	166,073	51,957
Fringe benefits	68,851	54,777	14,074
Contractual	4,000	1,254	2,746
Travel	11,980	11,890	90
Space	28,180	23,127	5,053
Utilities	32,810	24,548	8,262
Supplies	7,477	6,643	834
Equipment	327	327	-
Other	12,572	10,166	2,406
Program costs	17,965	15,403	2,562
Indirect cost	35,370	25,639	9,731
Total CSBG expenses	<u>437,562</u>	<u>339,847</u>	<u>97,715</u>
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 4

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
WEATHERIZATION ASSISTANCE PROGRAM
(Unaudited)
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET
For the Grant Period Ending June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
DOE Weatherization Assistance	\$ 1,929,110	\$ 1,929,110	\$ -
Low Income Energy Assistance Program	517,695	517,695	-
Total revenues	<u>2,446,805</u>	<u>2,446,805</u>	<u>-</u>
Expenses:			
DOE Weatherization Assistance: SERC			
Administration	7,630	1,254	6,376
Insurance	-	-	-
Materials	46,300	34,561	11,739
Personnel	27,000	40,572	(13,572)
Program support	3,000	7,543	(4,543)
Total DOE Weatherization Regular Grant	<u>83,930</u>	<u>83,930</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	24,283	-
WAP Rel Home Repair	3,750	3,750	-
Total DHHR Weatherization Assistance	<u>517,695</u>	<u>517,695</u>	<u>-</u>
DOE ARRA GRANT EXTENDED TO 06/30/2012			
DOE ARRA			
Administration	116,450	123,355	(6,905)
Insurance	25,939	25,939	-
Materials	519,266	519,266	-
Personnel	980,762	976,172	4,590
Program support	202,763	200,448	2,315
Total DOE ARRA	<u>1,845,180</u>	<u>1,845,180</u>	<u>-</u>
Total Weatherization Programs	<u>2,446,805</u>	<u>2,446,805</u>	<u>-</u>
Revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TABLE 5

COMMUNITY ACTION OF SOUTH EASTERN, WEST VIRGINIA, INC.
NUTRITION PROGRAM
(Unaudited)
SCHEDULE OF REVENUES AND EXPENSES
For the Program Year Ending September 30, 2012

	C-1 Congregate	C-2 Home-Delivered	Total
Revenues:			
Federal revenue	\$ -	\$ 208,692	\$ 208,692
State revenue	132,331	-	132,331
Other resources	151	1,265	1,416
Program Income	19,606	1,753	21,359
Total revenues	<u>152,088</u>	<u>211,710</u>	<u>363,798</u>
Expenses:			
Manpower	40,751	80,524	121,275
Raw food	74,924	63,831	138,755
Disposable supplies	4,223	7,602	11,825
Equipment	1,122	1,677	2,799
Contracted services	940	1,880	2,820
Transportation	248	5,910	6,158
Other expenses	26,935	34,726	61,661
Indirect cost	9,099	9,359	18,458
Total expenses	<u>158,242</u>	<u>205,509</u>	<u>363,751</u>
Program revenues over (under) expenses	<u>\$ (6,154)</u>	<u>\$ 6,201</u>	<u>\$ 47</u>

TABLE 6

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, 2012

	<u>III B</u>	<u>III D</u>	<u>III E</u>	<u>Total</u>
Revenues:				
Federal revenue	\$ 60,276	\$ 6,895	\$ 39,593	\$ 106,764
State revenue	21,639	1,682	20,430	43,751
Program income	3,354	-	-	3,354
Total revenues	<u>85,269</u>	<u>8,577</u>	<u>60,023</u>	<u>153,869</u>
Expenses:				
Line item expenditures				
Personnel and fringe	43,014	6,813	48,815	98,642
Printing and supplies	2,306	170	3,297	5,773
Building space	15,000	-	311	15,311
Communication and utilities	5,389	-	643	6,032
Other expenses	15,043	615	2,326	17,984
Indirect cost	4,517	979	4,631	10,127
Total expenses	<u>85,269</u>	<u>8,577</u>	<u>60,023</u>	<u>153,869</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 REVENUES AND EXPENSES
COMPARED TO BUDGET
For the Program Year Ending June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance
Revenues:			
State revenue	\$ 203,728	\$ 203,728	\$ -
Total revenues	<u>203,728</u>	<u>203,728</u>	<u>-</u>
Expenses:			
Personnel and fringe	125,890	125,890	-
Travel	2,700	2,700	-
Printing and supplies	4,338	4,338	-
Building space	18,516	18,521	5
Communication and utilities	21,421	21,421	-
Other	17,645	17,640	(5)
Indirect cost	13,218	13,218	-
Total expenses	<u>203,728</u>	<u>203,728</u>	<u>-</u>
Revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE SECTION

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

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, 2012 and have issued our report thereon dated May 7, 2013. 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.

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questions costs as Item 12-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

Management's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit management'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 7, 2013



**INDEPENDENT AUDITOR'S 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 CASE's major federal programs for the year ended August 31, 2012. 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, 2012.

Internal Control over Compliance

Management of CASE is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the 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 previously.**

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

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

Roanoke, Virginia
May 7, 2013

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2012**

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 not 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:

Child and Adult Care Food Program	10.558
Weatherization Assistance for Low-Income Persons	81.042
ARRA – Weatherization Assistance for Low-Income Persons	81.042
ARRA – Sustainable Energy Resources for Consumers Project	81.042
Head Start	93.600
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

12-1: Internal Transactions (Significant Deficiency)

Condition:

As a result of audit procedures, it was determined that internal transactions are not easily identifiable through account coding, and as a result, significant misstatement of the financial **could occur**. The absence of complete eliminating entries for internal transactions resulted in the overstatement of payables, receivables, revenues, and expenses in the current year. As a result, adjusting journal entries were required to fairly present the financial statements in accordance with generally accepted accounting principles.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2012**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

12-1: Internal Transactions (Significant Deficiency) (Continued)

Recommendations:

We recommend that CASE implement procedures to easily identify and eliminate all internal transactions.

Management's Response:

CASE recognizes the necessity to eliminate inter-entity transactions, and we have implemented procedures to identify and highlight these transactions in our accounting records. These transactions will be reviewed by the CFO and eliminated as part of the financial statement preparation process in the future.

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

None noted.