

**COMMUNITY ACTION OF
SOUTH EASTERN WEST VIRGINIA, INC.
(A NON-PROFIT ORGANIZATION)**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

YEARS ENDED AUGUST 31, 2014 AND 2013

WITH INDEPENDENT AUDITOR'S REPORTS

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION
YEARS ENDED AUGUST 31, 2014 AND 2013**

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**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION
YEARS ENDED AUGUST 31, 2014 AND 2013**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action of South Eastern West Virginia, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action of South Eastern West Virginia, Inc. as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of state grant receipts and expenditures is presented for purposes of additional analysis as required by *West Virginia Code 12-4-14*, and is not a required part of the financial statements. The schedules of budget to actual grant revenues and expenses are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2015, on our consideration of Community Action of South Eastern West Virginia, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Community Action of South Eastern West Virginia, Inc.'s internal control over financial reporting and compliance.



Huntington, West Virginia
February 13, 2015

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2014 AND 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 997,915	\$ 678,244
Accounts receivable	1,246,257	1,299,487
Inventory	256,994	243,762
TOTAL CURRENT ASSETS	<u>2,501,166</u>	<u>2,221,493</u>
PROPERTY AND EQUIPMENT, NET OF DEPRECIATION	<u>3,991,997</u>	<u>3,508,125</u>
OTHER ASSETS		
Prepaid expense	15,333	35,615
TOTAL OTHER ASSETS	<u>15,333</u>	<u>35,615</u>
TOTAL ASSETS	<u>\$ 6,508,496</u>	<u>\$ 5,765,233</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable	\$ 466,300	\$ 356,397
Accrued liabilities	210,513	217,361
Current portion of long-term liabilities	83,501	994,501
Unearned revenue	-0-	-0-
Accrued leave	724,341	724,341
TOTAL CURRENT LIABILITIES	<u>1,484,655</u>	<u>2,292,600</u>
LONG-TERM LIABILITIES		
Long-term liabilities, less current portion	870,694	17,474
Other post-employment benefits	2,634,094	2,544,817
TOTAL LONG-TERM LIABILITIES	<u>3,504,788</u>	<u>2,562,291</u>
TOTAL LIABILITIES	<u>4,989,443</u>	<u>4,854,891</u>
NET ASSETS		
Unrestricted	1,519,053	910,342
TOTAL NET ASSETS	<u>1,519,053</u>	<u>910,342</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,508,496</u>	<u>\$ 5,765,233</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEARS ENDED AUGUST 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CHANGES IN UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES:		
Federal	\$ 6,227,402	\$ 6,542,233
State	1,399,397	1,322,792
Fee for Service	1,406,810	1,608,474
Other	940,331	1,029,845
In-kind	1,043,227	1,190,639
	<u>11,017,167</u>	<u>11,693,983</u>
TOTAL UNRESTRICTED REVENUES		
UNRESTRICTED EXPENSES:		
Salaries and wages	4,448,255	4,788,502
Fringe benefits	1,183,081	1,441,641
Travel	94,470	102,577
Space Cost	68,697	51,718
Telephone & Utilities	424,967	419,459
Postage & Supplies	231,548	262,191
Food & Disposable	283,118	287,271
Provider Meals	294,201	294,272
Vehicle Related Cost	283,899	265,051
Indirect costs	745,387	779,242
Interest Expense	54,099	71,879
Depreciation	275,801	286,796
Construction Related Cost	157,412	244,605
Training Expense	49,299	83,287
Buildings & Equipment Maintenance & Expense	202,496	433,554
Materials	208,554	261,155
Professional Fees	31,276	79,036
Other post-employment retirement benefits (OPEB)	89,277	74,065
Miscellaneous	239,392	335,511
In-kind	1,043,227	1,190,639
	<u>10,408,456</u>	<u>11,752,451</u>
TOTAL UNRESTRICTED EXPENSES		
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>608,711</u>	<u>(58,468)</u>
NET ASSETS AT BEGINNING OF THE YEAR	<u>910,342</u>	<u>968,810</u>
NET ASSETS AT END OF THE YEAR	<u>\$ 1,519,053</u>	<u>\$ 910,342</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 608,711	\$ (58,468)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	275,801	286,796
(Gain)/Loss on disposition of assets	(3,705)	18,263
Changes in operating assets and liabilities:		
Accounts receivable	53,230	(34,806)
Inventory	(13,232)	224,371
Prepays	20,282	(917)
Accounts payable	109,903	190,338
Accrued liabilities	(6,848)	(75,498)
Accrued leave	-0-	25,920
OPEB liabilities	89,277	74,065
Unearned revenue	-0-	(8,889)
	<u>1,133,419</u>	<u>641,175</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(759,673)	(650,205)
Proceeds from sale of property and equipment	3,705	35,000
	<u>(755,968)</u>	<u>(615,205)</u>
NET CASH (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	1,008,977	24,336
Payments on long-term debt	(1,066,757)	(56,876)
	<u>(57,780)</u>	<u>(32,540)</u>
NET CASH (USED IN) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	319,671	(6,570)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>678,244</u>	<u>684,814</u>
End of year	<u>\$ 997,915</u>	<u>\$ 678,244</u>
Supplemental Information:		
Cash payments for interest	<u>\$ 54,099</u>	<u>\$ 71,879</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 1 – NATURE OF ACTIVITIES AND 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 the 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, 2014 and 2013 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.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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
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 and 80 vacation hours.

Unearned revenue:

Unearned revenue consists of amounts received but have not 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.

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014, management believes that CASE has no material uncertain tax positions to be accounted for in the financial statements. As of August 31, 2014, tax years ending on or after August 31, 2011 remain subject to examination.

Reclassifications:

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

Concentration:

CASE received approximately 56% 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 consist of the following:

	<u>2014</u>	<u>2013</u>
Grants receivable	\$ 1,053,130	\$ 1,067,454
Fee for service receivable	190,083	123,917
Other receivables	<u>3,044</u>	<u>108,116</u>
Total	<u>\$ 1,246,257</u>	<u>\$ 1,299,487</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

NOTE 3 – INVENTORY

Inventory consists of the following:

	<u>2014</u>	<u>2013</u>
Homes held for sale - CHDO	\$ 226,062	\$ 226,062
Inventory - Weatherization	<u>30,932</u>	<u>17,700</u>
Total	<u>\$ 256,994</u>	<u>\$ 243,762</u>

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 715,784	\$ 709,784
Buildings	4,595,375	3,511,176
Vehicles and equipment	1,993,460	1,951,564
Construction in progress	<u>-0-</u>	<u>433,036</u>
	7,304,619	6,605,560
Less: Accumulated depreciation	<u>(3,312,622)</u>	<u>(3,097,435)</u>
Total	<u>\$ 3,991,997</u>	<u>\$ 3,508,125</u>

NOTE 5 – LONG-TERM LIABILITIES

Details of loans payable are as follows:

	<u>2014</u>	<u>2013</u>
Note payable to Branch Banking & Trust; Commission on Aging building, interest rate of 5.58%, final payment September 2018 collateralized by the building, originally due September 2013.	\$ 440,456	\$ 471,029
Note payable to Branch Banking & Trust; Admin., Hinton, & Thorn St. bldgs, interest rate of 5.875%, final payment January 2019 collateralized by the buildings, originally due January 2014.	273,569	293,107

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

	<u>2014</u>	<u>2013</u>
Note payable to Branch Banking & Trust; Hope Development Project, interest rate of 5.875%, final payment January 2019 collateralized by the building, originally due January 2014.	119,210	132,907
Note payable to Branch Banking & Trust; Warehouse, interest rate of 6.375% final payment January 2019, collateralized by the building, originally due March 2014.	84,093	91,552
Note payable to Branch Banking and Trust; 2010 Dodge Ram 2500 interest rate of 4.50% final payment August 2017, collateralized by the vehicle.	19,857	-0-
Note payable to Ramey Chevrolet, Inc.;; 2014 Jeep Patriot interest rate of 3.250% final payment May 2017, collateralized by the vehicle.	17,010	23,381
Total Notes Payable	954,195	1,011,976
Less current portion	(83,501)	(994,501)
NOTES PAYABLE, NET OF CURRENT PORTION	\$ 870,694	\$ 17,475

Principal maturities on notes payable for the next five years and in the aggregate are as follows:

<u>Year ending August 31</u>		
2015	\$	83,501
2016		96,554
2017		101,527
2018		93,793
2019 and thereafter		578,820
TOTAL NOTES PAYABLE	\$	954,195

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 6 – LINE OF CREDIT

CASE has a \$100,000 operating line of credit arrangement with Branch Banking and Trust Corporation (BB&T). 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.

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, 2014 and 2013, CASE contributed \$103,091 and \$96,355, respectively 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, 2014 and 2013, CASE contributed \$24,033 and \$30,980, respectively, 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.

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.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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	\$ 89,277	\$ 74,065
Interest on net OPEB obligation	-0-	-0-
Annual OPEB cost	89,277	74,065
Contributions made	-0-	-0-
Increase in net OPEB obligation	89,277	74,065
Net OPEB obligation, beginning of year	2,544,817	2,470,752
Net OPEB obligation, end of year	\$ 2,634,094	\$ 2,544,817

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 \$2,634,094. Management believes that the differences in the basis are immaterial to the financial statements. In addition to the ARC amount, CASE paid \$206,492 and \$237,808 to PEIA during the years ended August 31, 2014 and 2013, respectively which is considered as the pay as you go amount.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Organization's programs are generally funded from federal, state, and local sources, principal of which are programs of the U.S. Department of Health and Human Services. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although management believes such amounts, if any, to 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, 2014 and 2013, CASE expensed \$26,555 and \$32,080, 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 August 31, 2014 and 2013, \$38,594 and \$38,594, respectively, was paid for his services.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

NOTE 11 – COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)

The Organization receives grant funds from the U.S. Department of Housing and Urban Development, under the HOME Investment Partnership Program (HOME), whereas, the Organization has been recognized as a Community Housing Development Organization (CHDO). As a CHDO, the Organization may use HOME funds to construct single-family dwellings that are then sold to eligible participants below Fair Market Value. The program allows for a lien to be filed against the property for the difference between Fair Market Value and the selling price in order to protect against the participant selling the home at a gain. The lien is released after 10 years from the date of the transaction.

As of August 31, 2014 and 2013, the Organization had liens totaling \$68,650 and \$56,400, respectively.

NOTE 12 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 13, 2015, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF AGRICULTURE</u>		
<u>West Virginia Department of Education</u>		
Child and Adult Care Food Program	10.558	432,519
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Supportive Housing Program	14.235	97,612
<u>West Virginia Housing Development Fund</u>		
HOME Investment Partnerships Program	14.239	402,995
<u>Governor's Office of Economic Opportunity</u>		
Emergency Shelter Grants Program	14.231	129,785
<u>DEPARTMENT OF ENERGY</u>		
<u>Governor's Office of Economic Opportunity</u>		
Weatherization Assistance for Low-Income Persons	81.042	210,119
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Head Start	93.600	3,017,502
<u>West Virginia Department of Health and Human Resources</u>		
Medical Assistance Program	93.778	283,917
Title V Adolescent Health Initiative Grant	93.235	77,976
<u>Mission West Virginia</u>		
Teen Pregnancy Prevention Program	93.092	199,000
Competitive Abstinence Education	93.297	70,313
<u>West Virginia Bureau of Senior Services</u>		
<u>Appalachian Area Agency on Aging</u>		
Special Programs for the Aging - Title III - Part D		
Disease Prevention and Health Promotion Services	93.043	6,969
Special Programs for the Aging - Title III - Part B		
Grants for Supportive Services and Senior Centers	93.044	59,199
Special Programs for the Aging - Title III - Part C		
Nutrition Services	93.045	190,674
National Family Caregiver Support - Title III - Part E	93.052	35,544
<u>West Virginia Bureau of Senior Services</u>		
Medicare Enrollment Assistance Program	93.071	7,207
<u>Governor's Office of Economic Opportunity</u>		
Community Services Block Grant	93.569	420,424
Low-Income Home Energy Assistance	93.568	394,990
<u>DEPARTMENT OF VETERANS AFFAIRS</u>		
<u>West Virginia Community Action Partnership</u>		
Supportive Services for Veterans Families	64.033	106,791
<u>DEPARTMENT OF HOMELAND SECURITY</u>		
<u>United Way</u>		
Emergency Food and Shelter National Board Program	97.024	3,978
Total Expenditures of Federal Awards		\$ 6,147,514

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of Community Action of South Eastern West Virginia, Inc. is presented on the basis of accounting required by the Organization's funding sources. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
HEAD START/EARLY HEAD START - GRANT 03CH9410/01
GRANT PERIOD MAY 1, 2013 TO APRIL 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
SUPPORT AND REVENUE			
Federal revenue	\$ 3,111,749	\$ 3,111,749	\$ -0-
Other revenue	-0-	248,435	(248,435)
In-kind revenue	<u>777,937</u>	<u>777,937</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>3,889,686</u>	<u>4,138,121</u>	<u>(248,435)</u>
EXPENSES			
Salaries and wages	1,675,079	1,833,315	(158,236)
Fringe benefits	642,510	651,070	(8,560)
Travel	5,520	25,158	(19,638)
Contractual	18,000	7,532	10,468
Equipment	40,000	83,552	(43,552)
Supplies	62,565	95,943	(33,378)
Indirect cost	289,699	289,699	-0-
Other	<u>378,376</u>	<u>373,915</u>	<u>4,461</u>
TOTAL PROGRAM EXPENSES	<u>3,111,749</u>	<u>3,360,184</u>	<u>(248,435)</u>
In-kind expense	<u>777,937</u>	<u>777,937</u>	<u>-0-</u>
TOTAL EXPENSES	<u>3,889,686</u>	<u>4,138,121</u>	<u>(248,435)</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
COMMUNITY SERVICE BLOCK GRANT 2013-F-0004
GRANT PERIOD JANUARY 1, 2013 TO MARCH 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
SUPPORT AND REVENUE			
Federal revenue	\$ 379,615	\$ 379,615	\$ -0-
TOTAL SUPPORT AND REVENUE	<u>379,615</u>	<u>379,615</u>	<u>-0-</u>
EXPENSES			
Salaries/wages	195,278	195,278	-0-
Fringe benefits	70,902	70,902	-0-
Contractual	5,739	5,739	-0-
Travel	3,448	3,387	61
Space costs	-0-	-0-	-0-
Utilities	-0-	-0-	-0-
Supplies/materials	3,638	3,659	(21)
Equipment	-0-	-0-	-0-
Other costs	49,616	49,617	(1)
Program costs	17,722	17,761	(39)
Indirect cost	33,272	33,272	-0-
TOTAL EXPENSES	<u>379,615</u>	<u>379,615</u>	<u>-0-</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
WEATHERIZATION PROGRAM 13WXDHHR03
GRANT PERIOD SEPTEMBER 30, 2012 TO DECEMBER 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
SUPPORT AND REVENUE			
Federal revenue	\$ 442,763	\$ 442,763	\$ -0-
TOTAL SUPPORT AND REVENUE	<u>442,763</u>	<u>442,763</u>	<u>-0-</u>
EXPENSES			
Administration	33,000	33,000	-0-
Insurance	5,992	5,992	-0-
Materials	95,773	95,773	-0-
Personnel	237,162	237,162	-0-
Program support	50,141	50,141	-0-
ECIP	17,500	17,500	-0-
Electrical Upgrade	1,500	1,500	-0-
Audit	<u>1,695</u>	<u>1,695</u>	<u>-0-</u>
TOTAL EXPENSES	<u>442,763</u>	<u>442,763</u>	<u>-0-</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
WEATHERIZATION PROGRAM DOE 2013-WX-1003
GRANT PERIOD JULY 1, 2013 TO JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
SUPPORT AND REVENUE			
Federal revenue	\$ 210,119	\$ 210,119	\$ -0-
TOTAL SUPPORT AND REVENUE	<u>210,119</u>	<u>210,119</u>	<u>-0-</u>
EXPENSES			
Administration	15,068	15,068	-0-
Insurance	7,021	7,021	-0-
Materials	42,428	42,428	-0-
Personnel	112,402	112,402	-0-
Program support	31,183	31,183	-0-
Audit	2,017	2,017	-0-
TOTAL EXPENSES	<u>210,119</u>	<u>210,119</u>	<u>-0-</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 TITLE III-B SERVICES – 21438-06
 FOR THE YEAR ENDED JUNE 30, 2014**

REVENUE:	<u>III-B</u>
State Grant Award	\$ <u>19,256</u>
EXPENSES:	
Personnel and fringe	9,412
Printing and supplies	461
Communication and utilities	1,893
Other	6,416
Indirect	<u>1,074</u>
TOTAL EXPENSES	<u><u>19,256</u></u>
REVENUES OVER (UNDER) EXPENSES	\$ <u><u>-0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 TITLE III-D MED MGT – 21438-06
 FOR THE YEAR ENDED JUNE 30, 2014**

REVENUE:	<u>III-D</u>
State Grant Award	\$ <u>2,429</u>
EXPENSES:	
Personnel and fringe	2,063
Printing and supplies	-0-
Communication and utilities	-0-
Other	145
Indirect	<u>221</u>
TOTAL EXPENSES	<u>2,429</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u><u>-0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 TITLE III-E – 21438-06
 FOR THE YEAR ENDED JUNE 30, 2014**

REVENUE:	<u>III-E</u>
State Grant Award	\$ <u>28,014</u>
EXPENSES:	
Personnel and fringe	19,749
Printing and supplies	118
Communication and utilities	553
Other	4,625
Indirect	<u>2,969</u>
TOTAL EXPENSES	<u>28,014</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u>-0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2014**

REVENUE:	C-1	C-2
	<u>Congregate</u>	<u>Home-Delivered</u>
State Grant Award	\$ 56,921	\$ 72,438
 EXPENSES:		
Personnel and fringe	22,859	21,593
Supplies	2,881	3,842
Communication and utilities	1,753	2,050
Food	16,328	21,253
Space	6,136	5,198
Other	4,050	14,969
Indirect	2,914	3,533
TOTAL EXPENSES	<u>56,921</u>	<u>72,438</u>
 REVENUES OVER (UNDER) EXPENSES	 \$ <u>-0-</u>	 \$ <u>-0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 LIFE PROGRAM – 21405-06
 FOR THE YEAR ENDED JUNE 30, 2014**

REVENUE:	<u>LIFE</u>
State Grant Award	\$ <u>202,664</u>
EXPENSES:	
Personnel and fringe	119,661
Travel	2,181
Printing and supplies	4,891
Space cost	26,488
Communication and utilities	20,602
Other	16,367
Indirect	<u>12,474</u>
TOTAL EXPENSES	<u><u>202,664</u></u>
REVENUES OVER (UNDER) EXPENSES	\$ <u><u>-0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
IN-HOME SERVICES – IH1453
FOR THE YEAR ENDED JUNE 30, 2014**

REVENUE:	<u>In-Home Lighthouse</u>	<u>In-Home Fair</u>	<u>In-Home Data Entry</u>
State Grant Award	\$ 249,260	\$ 91,728	\$ 5,000
 EXPENSES:			
Personnel and fringe	204,271	77,230	5,000
Space	11,933	3,709	-0-
Supplies	1,175	4	-0-
Utilities	3,457	356	-0-
Other	1,965	775	-0-
Indirect	<u>26,459</u>	<u>9,654</u>	<u>-0-</u>
TOTAL EXPENSES	<u>249,260</u>	<u>91,728</u>	<u>5,000</u>
 REVENUES OVER (UNDER) EXPENSES	 <u>\$ -0-</u>	 <u>\$ -0-</u>	 <u>\$ -0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 RIGHT FROM THE START PROJECT – G140370
 FOR THE YEAR ENDED JUNE 30, 2014**

REVENUE:	Right From The Start
State Grant Award	\$ <u>233,111</u>
 EXPENSES:	
Personnel	127,133
Fringe benefits	39,204
Equipment	-0-
Supplies	10,504
Contractual costs	573
Construction	-0-
Other	34,907
Indirect	20,790
TOTAL EXPENSES	<u>233,111</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u><u>-0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
COMMUNITY PARTNERSHIP GRANT #SC21464
FOR THE YEAR ENDED JUNE 30, 2014**

REVENUE:	Community Partnership
State Grant Award	\$ <u>5,000</u>
EXPENSES:	
Food	<u>5,000</u>
TOTAL EXPENSES	<u>5,000</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u><u>-0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF PROGRAM REVENUE AND EXPENSES - AAA
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Pass-Through Grantor	Appalachian Area Agency on Aging	Appalachian Area Agency on Aging	Appalachian Area Agency on Aging	Appalachian Area Agency on Aging	Appalachian Area Agency on Aging
Program Title	Title III-B Senior Citizens	Title III-C-1 Nutrition	Title III-C-2 Nutrition	Title III-D In-Home Services	Title III-E Family Caregiver
Program Dates	10/01/12- 09/30/13	10/01/12- 09/30/13	10/01/12- 09/30/13	10/01/12- 09/30/13	10/01/12- 09/30/13
Federal CFDA Number	93.044	93.045	93.045	93.042	93.052
<u>REVENUE</u>					
Grant Revenue - Federal	\$ 59,021	\$ 91,900	\$ 110,306	\$ 6,474	\$ 39,548
Grant Revenue - State	19,894	53,231	73,508	1,200	21,289
Fee For Service Revenue	1,697	- 0 -	- 0 -	- 0 -	- 0 -
Other Revenue	835	- 0 -	- 0 -	- 0 -	- 0 -
TOTAL REVENUE	81,447	145,131	183,814	7,674	60,837
<u>EXPENSES</u>					
Wages and fringe	35,928	46,461	63,713	6,943	43,154
Contracted services	1,215	3,992	2,034	- 0 -	511
Travel	- 0 -	204	286	- 0 -	- 0 -
Telephone and utilities	9,353	2,517	4,306	- 0 -	723
Space cost	- 0 -	3,355	4,842	- 0 -	8,496
Supplies and copier	4,160	4,534	9,552	- 0 -	471
Food and disposable products	- 0 -	38,882	67,109	- 0 -	- 0 -
Gasoline and vehicle maintenance	19,999	- 0 -	6,898	- 0 -	- 0 -
Equipment/Maintenance	- 0 -	1,679	1,027	- 0 -	- 0 -
Insurance	6,600	324	893	- 0 -	2,088
Building Maintenance	85	75	75	- 0 -	- 0 -
Indirect	3,733	5,808	7,964	731	5,394
Space Cost Transfers	- 0 -	12,860	12,543	- 0 -	- 0 -
Reserve expense	- 0 -	24,440	2,427	- 0 -	- 0 -
Vehicle Maintenance Transfers	374	- 0 -	145	- 0 -	- 0 -
TOTAL EXPENSES	81,447	145,131	183,814	7,674	60,837
EXCESS (DEFICIT)) OF REVENUE					
OVER (UNDER) EXPENSES	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

**INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE AND INTERNAL
CONTROL**

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Community Action of South Eastern West Virginia, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action of South Eastern West Virginia, Inc. 's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action of South Eastern West Virginia, Inc. 's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Francis, Wright & Paterno".

**Huntington, West Virginia
February 13, 2015**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROLOVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Community Action of South Eastern West Virginia, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Community Action of South Eastern West Virginia, Inc.'s major federal programs for the year ended August 31, 2014. Community Action of South Eastern West Virginia, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action of South Eastern West Virginia, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Community Action of South Eastern West Virginia, Inc.'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Community Action of South Eastern West Virginia, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community Action of South Eastern West Virginia, Inc. complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of Community Action of South Eastern West Virginia, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Community Action of South Eastern West Virginia, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Community Action of South Eastern West Virginia, Inc.'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



**Huntington, West Virginia
February 13, 2015**

AUDIT FINDINGS

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013**

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENT IN ACCORDANCE WITH
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS**

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

A. SUMMARY OF AUDITOR'S RESULTS

1. We have issued an unqualified opinion on the financial statements of Community Action of South Eastern West Virginia, Inc.
2. No deficiencies relating to the audit of financial statements is reported in the "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*."
3. No instances of noncompliance material to the financial statements of Community Action of South Eastern West Virginia, Inc. were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal and state award programs are reported in the "Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The independent auditor's report on compliance for the major federal award programs expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Community Action of South Eastern West Virginia, Inc. are reported in Part C of this schedule.
7. The programs tested as a major program were:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start	93.600
Home Investment Partnership Program	14.239
Low-Income Home Energy Assistance Program	93.568
Medical Assistance Program	93.778
Supportive Services for Veterans Families	64.033

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Organization qualified as a high-risk auditee due to the requirements within OMB Circular A-133 and the Organization having audit findings within the last two fiscal years.

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENT IN ACCORDANCE WITH
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS**

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None