

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

Commission on Aging Family Services, Inc.

For the Year Ended September 30, 2012

William Kenneth Yoho II

Certified Public Accountant

1037 Cave Hill Road, Little Hocking, Ohio 45742

Phone (740)989-0130 Cell (740)440-0272

Commission on Aging Family Services, Inc.
Table of Contents
September 30, 2012

	<u>Page</u>
Table of Contents	1
Independent Auditor's Report	2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets.....	4
Statements of Revenue, Support, and Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements.....	8-11
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	12-13
Management Letter	14-15

Financial Statements and Auditor's Reports

Commission on Aging Family Services, Inc.

For the Year Ended September 30, 2012

WILLIAM KENNETH YOHO II

CERTIFIED PUBLIC ACCOUNTANT

December 26, 2012

Board of Directors
Commission on Aging Family Services, Inc.
Petersburg, WV 26847

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statements of financial position of Commission on Aging Family Services, Inc. as of September 30, 2012, and the related statements of activities; revenue, support, and functional expenses; and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

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

In accordance with *Government Auditing Standards*, I have also issued a report dated December 26, 2012, on my consideration of the Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 read in conjunction with this report in considering the results of my audit.

William Kenneth Yoho II
Certified Public Accountant

Commission on Aging Family Services, Inc.
Statement of Financial Position
September 30, 2012

ASSETS

Current Assets:	
Cash in Banks	\$ 359,480
Investments	366,619
Accounts Receivable	73,984
Deposits & Prepaid Expenses	<u>1,072</u>
Total Current Assets	<u>801,155</u>
 Property, Plant and Equipment:	
Furniture and Equipment	127,374
Vehicles	125,660
Building Improvements	38,444
Less: Accumulated Depreciation	<u>(143,531)</u>
Total Property, Plant and Equipment	<u>145,947</u>
TOTAL ASSETS	<u><u>\$ 947,102</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ 9,640
Payroll Liabilities	90,947
Accrued & Withheld Taxes	<u>20,312</u>
Total Current Liabilities	120,899
Other Liability (OPEB Liability)	<u>229,750</u>
Total Liabilities	<u>350,649</u>
 Net Assets:	
Unrestricted Net Assets	<u>596,453</u>
Total Net Assets	<u>596,453</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 947,102</u></u>

Refer also to the notes to the financial statements and the auditor's reports.

Commission on Aging Family Services, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2012

Revenues:	
Grant Revenues - Federal	\$ 135,514
Grant Revenues - State	189,919
Grant Revenues - LIFE	157,782
Program Service Fees (DHHR)	550,283
Project Income	67,452
Miscellaneous Income	<u>272,574</u>
Total Revenues	<u>1,373,723</u>
Expenses:	
Salaries and Wages	760,668
Fringe Benefits	224,417
Professional Fees & Insurances	19,423
Supplies	16,138
Repairs and Maintenance	35,030
Communications and Utilities	20,409
Raw Food and Disposable Products	71,104
Travel and Training	45,360
Depreciation Expense	38,657
Miscellaneous Expense	<u>69,496</u>
Total Expenses	<u>1,300,702</u>
Net Income	73,020
Net Assets - Beginning of Year	<u>523,433</u>
Net Assets - End of Year	<u><u>\$ 596,453</u></u>

Refer also to the notes to the financial statements and the auditor's reports.

Commission on Aging Family Services, Inc.
Statement of Revenue, Support, and Functional Expenses
For the Year Ended September 30, 2012

	III-B	III C-1 Congregate	III C-2 Home- Delivered	III-D MM	III-E	Veteran	Elder Abuse	LIFE
Income								
Grant Revenues -- Federal	30,126	40,084	41,774	714	3,218	19,570	229	0
Grant Revenues -- State	15,251	1,366	195	59	0	0	0	0
Grant Revenues -- LIFE	0	0	0	0	0	0	0	157,782
Program Services Fees (DHHR)	0	0	0	0	0	0	0	0
Project Income	647	23,633	10,049	0	0	0	0	0
Miscellaneous Income	17,510	118	4,961	0	234	3,356	0	0
Total Income	63,534	65,201	56,979	773	3,452	22,926	229	157,782
Expense								
Payroll Expenses	34,220	21,213	23,719	841	2,750	15,756	194	77,787
Employee Benefits & Payroll Taxes	5,717	2,272	2,667	125	377	1,604	34	11,522
Professional Fees & Insurances	0	0	0	0	0	0	0	7,640
Supplies	14	17	13	6	9	25	0	2,051
Repairs & Maintenance	10,839	0	23	0	0	0	0	9,254
Communications & Utilities	1,408	0	0	0	0	0	0	12,983
Raw Food & Disposable Products	0	37,784	33,005	0	0	0	0	0
Travel and Training	94	425	305	1	626	718	0	3,278
Depreciation Expense	0	0	0	0	0	0	0	0
Miscellaneous & Other Expenses	1,335	2,887	853	0	12	0	0	1,596
Total Expense	53,627	64,598	60,585	972	3,774	18,103	228	126,111
Net Income (Loss)	9,907	603	(3,606)	(199)	(322)	4,823	1	31,670

Refer also to the auditor's report and the notes to the financial statements.

Commission on Aging Family Services, Inc.
Statement of Revenue, Support, and Functional Expenses (continued)
For the Year Ended September 30, 2012

	FAIR and Lighthouse	HBCG	Case Mgt (DHHR)	COC (DHHR)	Waiver (DHHR)	TOTAL PROGRAMS	Management and General	GRAND TOTAL
Income								
Grant Revenues -- Federal	0	0	0	0	0	135,714	0	135,714
Grant Revenues -- State	138,032	1,000	0	0	0	155,903	34,016	189,919
Grant Revenues -- LIFE	0	0	0	0	0	157,782	0	157,782
Program Services Fees (DHHR)	0	0	20,690	87,679	441,914	550,283	0	550,283
Project Income	11,744	0	0	0	0	46,073	21,379	67,452
Miscellaneous Income	12,402	0	7,821	10,377	35,175	91,953	180,621	272,574
Total Income	162,177	1,000	28,511	98,056	477,089	1,137,707	236,016	1,373,723
Expense								
Payroll Expenses	113,074	5,242	22,597	66,611	294,826	678,828	81,840	760,668
Employee Benefits & Payroll Taxes	11,935	909	2,124	8,069	33,644	80,998	143,419	224,417
Professional Fees & Insurances	0	0	0	0	0	7,640	11,783	19,423
Supplies	213	252	129	99	431	3,259	12,880	16,138
Repairs & Maintenance	0	0	0	0	0	20,116	14,913	35,030
Communications & Utilities	0	0	0	0	0	14,391	6,017	20,409
Raw Food & Disposable Products	0	0	0	0	0	70,789	315	71,104
Travel and Training	7,546	142	41	3,090	28,879	45,146	214	45,360
Depreciation Expense	0	0	0	0	0	0	38,657	38,657
Miscellaneous & Other Expenses	88	0	0	50	25,957	32,779	36,717	69,496
Total Expense	132,857	6,545	24,890	77,918	383,738	953,946	346,756	1,300,702
Net Income (Loss)	29,320	(5,545)	3,621	20,138	93,351	183,761	(110,741)	73,020

Refer also to the auditor's report and the notes to the financial statements.

Commission on Aging Family Services, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2012

Cash flows from operating activities:

Net Income	\$ <u>73,020</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	51,109
(Increase) decrease in deposits and prepaid items	4,006
Increase (decrease) in accounts payable	3,504
Increase (decrease) in payroll-related liabilities	<u>(21,806)</u>
Total adjustments	<u>36,813</u>
Net cash provided (used) by operating activities	<u>109,833</u>

Cash flows from investing activities:

Depreciation and amortization of fixed assets	<u>(43,015)</u>
Net cash provided by investing activities	<u>(43,015)</u>

Cash flows from financing activities:

Change in OPEB liability (PEIA health insurance)	<u>81,647</u>
Net cash provided by financing activities	<u>81,647</u>

Net increase (decrease) in cash and cash equivalents	148,465
Increase in Unrealized Gain(Loss) on investments	15,162
Cash and cash equivalents, beginning of year	<u>562,472</u>
Cash and cash equivalents, end of year	<u>\$ 726,099</u>

Refer also to the notes to the financial statements and the auditor's reports.

Commission on Aging Family Services, Inc.
Notes to Financial Statements
For the Year Ended September 30, 2012

Note 1. Summary of Significant Accounting Policies

Organization – The Commission on Aging Family Services, Inc. (COAFS) is a nonprofit organization whose purpose is to improve the quality of life for senior citizen in Grant County, West Virginia. The purpose of the organization is to assist elderly persons and their families regardless of race, religion, creed, or color in finding and making use of their resources; to establish and maintain programs and services which are appropriate and realistic to the elderly; to establish the value of human life, dignity, of self-worth, an atmosphere of respect, trust, and support; to make the elderly an integral part of the community allowing them to live with dignity and a purposeful life throughout their golden years and to help avoid institutionalization.

The summary of significant accounting policies of the Commission on Aging Family Services, Inc. is presented to assist in understanding the Commission's financial statements. The financial statements and note are the representation of management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting and Presentation -- The Commission on Aging Family Services, Inc. uses the cash basis of accounting for all recording purposes during the year. The Commission converts to the full accrual basis of accounting for reporting purposes. Basis of accounting refers to the timing of the recognition of transactions. For the cash basis of accounting, costs are incurred only when those costs are paid and revenues are recognized only when received. The full accrual basis accrues costs when incurred without regard to when those costs are paid; revenue is recognized when earned without regard to when it is received. These financial statements are presented in accordance with the recommendations of the American Institute of Certified Public Accountants in its industry guide, *Audits of Certain Nonprofit Organizations*.

Inventory – Inventory consists primarily of raw food, disposables, and supplies purchased under the Title III C grant. Because of the rapid inventory turnover, as well as the immaterial amount kept on hand, these costs are expensed when incurred.

Accounting Estimates -- In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents -- For purposes of the statement of cash flows, COAFS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Accounts and Grants Receivable – Accounts receivable represent amounts owed to the Commission for services provided to clients of the Commission under contracts with the West Virginia Department of Health and Human Resources; e.g. Medicaid Waiver, and Community Care programs. In addition, COAFS uses the allowance method for accounting for bad debts whereby an allowance for doubtful accounts is established based on the realization of the accounts receivable at year end. As of September 30, 2012, all account receivable are deemed collectible.

Commission on Aging Family Services, Inc.
Notes to Financial Statements
For the Year Ended September 30, 2012
Continued

Note 1. Summary of Significant Accounting Policies continued

Contributions and/or grants are recognized when the donor/grantor makes a promise to COAFS that is, in substance, unconditional. Contributions that are restricted by the donor/grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor/grantor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Commission uses the allowance method to determine the collectability of grants receivable. As of September 30, 2012, all grants receivable are deemed to collectible.

Property and Equipment – Prior to October 1, 1990, COAFS expensed all property and equipment in the period of acquisition as directed by the grantor agencies. COAFS currently capitalizes all purchases of equipment at cost and all donated equipment at fair market value. This recorded basis is depreciated using the straight-line method over the assets' estimated useful life. All equipment and/or vehicles purchased with grant monies must have approval from the grantor agency to dispose of such equipment and the method of disposition. COAFS capitalizes equipment with an estimated useful life of at least five years and a basis of at least \$1,000. Other fixed assets are expensed in the year of purchase.

Investments -- COAFS reports investments in marketable securities with readily determinable fair values at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets.

Income Taxes -- COAFS is a nonprofit organization and is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code.

Grant Monies -- Grant monies are received in three ways:

- 1) On a cost reimbursement basis for which the Commission requests reimbursement for monies already spent. This is utilized for the LIFE program grant.
- 2) On an as-needed basis in which the Commission request monies that it feels it will need in the immediate future. This is utilized for Title III-B, Title III-E, Title III-D/MM, and Elder Abuse grants. Upon completion of a grant year, any unexpended money has to be approved for carryover to the next year. If approval is denied, the money has to be reimbursed to the grantor agency.
- 3) Title III-C grant funds are received on a meal reimbursement basis but not to exceed the total grant award. Upon completion of the grant year, any unexpended monies are restricted for future Title III-C program operating expenses.

Operating expenditures made against federal and state grants are subject to audit by the granting agency. These agencies reserve the right to make subsequent adjustments to the grant's original award based on the audit findings.

Donated Facilities -- The Commission's facilities are owned by the Grant County Commission. These facilities are leased to COAFS and are recorded as in-kind contributions and in-kind expenses in the financial statements.

Advertising -- Advertising costs are expensed as incurred. There were no advertising costs for the year ended September 30, 2012.

Commission on Aging Family Services, Inc.
Notes to Financial Statements
For the Year Ended September 30, 2012
Continued

Note 2. Investments

Investments are stated in the financial statements at fair value and consist of U.S. government agency obligations and U.S. Treasury bills. All investments are held as unrestricted assets. Fair values and appreciation (depreciation) as of September 30, 2012 are summarized below:

Cost	\$333,689
Fair market value	\$366,619
Unrealized appreciation	\$ 32,930

Note 3. Receivables

The receivables reported in the financial statements consisted of the following items and amounts:

Federal and/or state grants	\$ 33,578
WV DHHR amounts receivables	<u>40,406</u>
Total	<u>\$ 73,984</u>

Note 4. Retirement Program

Certain employees are eligible to be included in the Commission's retirement program. The employee contributes 4.5% of his/her gross wages. It is combined with 9.5% contributed by the Commission on Aging Family Services, Inc. The covered employees are eligible to draw benefits upon retirement. Service contributions to the retirement program were \$24,095 for the year ended September 30, 2012.

Note 5. Other Post-Employment Benefits (OPEB Plan)

The Commission participates in the West Virginia Public Employees Insurance Agency (PEIA) for health insurance. In order to comply with GASB Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective July 7, 2007, COAFS began recording annual required contributions (ARC) as a liability. The liability accrued for the year was \$59,064. The total of this liability according to PEIA was \$229,750 as of September 30, 2012.

Note 6. Support Concentration

The Commission on Aging Family Services, Inc. receives approximately 55% of its support from the West Virginia Department of Health and Human Services for providing services under the Medicaid Waiver and Community Care programs. Any significant reduction in the level of support from these sources could have a material effect on the Commission's programs and activities

Commission on Aging Family Services, Inc.
Notes to Financial Statements
For the Year Ended September 30, 2012
Continued

Note 7. Endowment Fund

The Commission on Aging Family Services, Inc. is the beneficiary of an endowment held by the Tucker Community Foundation and currently invested under a trust agreement with Citizens Bank of West Virginia. Fund distributions occur at the discretion of the Tucker Community Foundation. The balance of this fund as of September 30, 2012 was \$9,313.

Note 8. Subsequent Events

Management has evaluated subsequent events through June 30, 2013. There appeared to be no events that should be reported with this document.

Commission on Aging Family Services, Inc.

For the Year Ended September 30, 2012

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

WILLIAM KENNETH YOHO II

CERTIFIED PUBLIC ACCOUNTANT

December 26, 2012

Board of Directors
Commission on Aging Family Services, Inc.
Petersburg, WV 26847

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

I have audited the financial statements of Commission on Aging Family Services, Inc. (a not-for-profit organization) as of and for the year ended September 30, 2012, and have issued my report thereon dated December 26, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management of 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.

My 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. I noted no matters involving the internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, I 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 the audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that would be required to be reported under *Government Auditing Standards*.

I noted other matters involving the internal control over financial reporting that I have reported to the management of Commission on Aging Family Services, Inc. during our exit conference and in a letter to management dated December 26, 2012.

This report is intended solely for the information and use of the audit committee, management, board of directors, and certain funding and oversight agencies of the Commission on Aging Family Services, Inc. This report is not intended to be and should not be used by anyone other than these specified parties.

William Kenneth Yoho II
Certified Public Accountant

Commission on Aging Family Services, Inc.

For the Year Ended September 30, 2012

MANAGEMENT LETTER

WILLIAM KENNETH YOHO II

CERTIFIED PUBLIC ACCOUNTANT

December 26, 2012

Board of Directors
Commission on Aging Family Services, Inc.
Petersburg, WV 26847

MANAGEMENT LETTER

In planning and performing my audit of the financial statements of Commission on Aging Family Services, Inc. for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America and under *Government Auditing Standards*, I considered the agency's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control.

However, during the audit I became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. A separate letter dated December 26, 2012 contains my communication of significant deficiencies or material weaknesses in the agency's internal control. This letter does not affect my report dated December 26, 2012, on the financial statements of Commission on Aging Family Services, Inc.

I will review the status of these comments during our next audit engagement. I have discussed these comments with various agency personnel, and would be willing to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized below.

Accounting Issues

The Commission on Aging Family Services, Inc. converted its core accounting system from a Peachtree Accounting software product to a QuickBooks program. For several months, Commission accounting staff was unable to reconcile bank account statements to their primary, operating cash account in the general ledger. At the time of this letter, all monthly bank reconciliations have been completed. There appears to have been no audit significant harm to the Commission. However, this situation reveals the importance of better training on the daily operating procedures of their new accounting software. The Commission appears to be pursuing such training.

Organizational Structure

The size of the Commission's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the agency to provide oversight and independent review functions.

Management Letter (continued)

This report is intended solely for the information and use of the audit committee, management, board of directors, and certain funding and oversight agencies of the Commission on Aging Family Services, Inc. This report is not intended to be and should not be used by anyone other than these specified parties.

William Kenneth Yoho II
Certified Public Accountant