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THE HARDY COUNTY COMMITTEE ON AGING, INC.

INDEPENDENT AUDITORS' REPORT AND RELATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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INDEPENDENT AUDITORS' REPORT

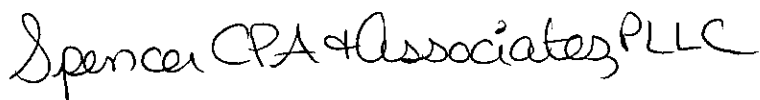
To the Board of Directors
The Hardy County Committee on Aging, Inc.
Moorefield, West Virginia

We have audited the accompanying statement of financial position of the Hardy County Committee on Aging, Inc. (a nonprofit organization) as of September 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hardy County Committee on Aging, Inc. as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2011, on our consideration of the Hardy County Committee on Aging, Inc.'s internal control over financial reporting and 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.



Buckhannon, West Virginia
June 27, 2011

THE HARDY COUNTY COMMITTEE ON AGING, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2010

ASSETS

Cash and cash equivalents	\$	356,590
Certificates of deposits		133,751
Investments		20,250
Grants receivable		9,705
Accounts receivable		45,207
Supplies inventory		3,403
Prepaid expenses		6,656
Property and equipment, net		<u>2,551,946</u>

TOTAL ASSETS	\$	<u>3,127,508</u>
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LIABILITIES

Mortgage payable	\$	914,862
Accounts payable		14,544
Accrued OPEB liability		96,004
Accrued compensation		<u>72,608</u>

TOTAL LIABILITIES		<u>1,098,018</u>
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NET ASSETS

Unrestricted		1,783,467
Permanently restricted		<u>246,023</u>

TOTAL NET ASSETS		<u>2,029,490</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>3,127,508</u>
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The accompanying notes are an integral part of this statement.

THE HARDY COUNTY COMMITTEE ON AGING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Unrestricted Net Assets	Permanently Restricted Net Assets	Total (Memorandum Only)
SUPPORT			
Contributions	\$ 12,958	\$	\$ 12,958
Federal monies	288,180		288,180
State monies	322,217		322,217
Program service fees	178,340		178,340
Interest income	1,854	588	2,442
Investment return		288	288
Rental income (net)	129,404		129,404
Net assets, expiration of time restrictions	<u>(840)</u>	<u>840</u>	
TOTAL SUPPORT	932,113	1,716	933,829
EXPENSES			
Program services	(793,433)		(793,433)
Management and general	<u>(173,792)</u>		<u>(173,792)</u>
TOTAL EXPENSES	(967,225)		(967,225)
INCREASE (DECREASE) IN NET ASSETS BEFORE INCOME TAXES	(35,112)	1,716	(33,396)
PROVISION FOR INCOME TAXES	<u>(19,021)</u>		<u>(19,021)</u>
INCREASE (DECREASE) IN NET ASSETS	(54,133)	1,716	(52,417)
NET ASSETS, BEGINNING OF YEAR	<u>1,837,600</u>	<u>244,307</u>	<u>2,081,907</u>
NET ASSETS, END OF YEAR	<u>\$ 1,783,467</u>	<u>\$ 246,023</u>	<u>\$ 2,029,490</u>

The accompanying notes are an integral part of this statement.

THE HARDY COUNTY COMMITTEE ON AGING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Program Services										Support	Total all
	LIFE Program	Title XIX	Community Care	Federal Title III-B Program	Federal Title III-D Program	Federal Title III-E Program	Elder Abuse	Federal Title III-C Programs	Other Programs	Total Program Services	Services	Accounts (Memorandum Only)
FUNCTIONAL EXPENSES												
Personnel/manpower	\$ 86,285	\$ 106,160	\$ 44,206	\$ 50,695	\$	\$ 4,689	\$	\$ 118,092	\$ 143,512	\$ 553,639	\$ 99,699	\$ 653,338
Travel	170	16,206	8,643						38,099	63,118		63,118
Printing and supplies	105	4,181	4,253		381		275	1,319		10,514	4,680	15,194
Rawfood								43,063		43,063		43,063
Disposables								10,762		10,762		10,762
Caregiver support						713				713		713
Contract services	11,300									11,300	702	12,002
Transportation								10,427		10,427		10,427
Communications												
and utilities	16,809			1,564				2,817		21,190	973	22,163
Other	33,348	3,739	4,148	167				16,658	10,647	68,707	38,292	106,999
Depreciation											29,446	29,446
Total Functional Expenses	\$ 148,017	\$ 130,286	\$ 61,250	\$ 52,426	\$ 381	\$ 5,402	\$ 275	\$ 203,138	\$ 192,258	\$ 793,433	\$ 173,792	\$ 967,225

The accompanying notes are an integral part of this statement.

THE HARDY COUNTY COMMITTEE ON AGING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Increase and (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (52,417)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	80,426
Unrealized gain on investment	(288)
(Increase) decrease in assets:	
Grants receivable	5,299
Accounts receivable	(1,356)
Supplies inventory	966
Prepaid expense	(884)
Increase (decrease) in liabilities:	
Accounts payable	(2,858)
Accrued compensation	(420)
Accrued OPEB liability	72,350

NET CASH PROVIDED BY OPERATING ACTIVITIES

100,818

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on mortgage payable	<u>(60,064)</u>
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NET CASH USED BY FINANCING ACTIVITIES

(60,064)

CASH FLOWS FROM INVESTING ACTIVITIES:

Increase in certificates of deposit	(390)
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NET CASH USED BY INVESTING ACTIVITIES

(390)

NET INCREASE IN CASH AND CASH EQUIVALENTS

40,364

CASH AND CASH EQUIVALENTS, BEGINNING

316,226

CASH AND CASH EQUIVALENTS, ENDING

\$ 356,590

SUPPLEMENTAL DISCLOSURE:

Cash paid during the year for:

Interest paid	<u>\$ 65,394</u>
Income taxes paid	<u>\$ 19,021</u>

The accompanying notes are an integral part of this statement.

THE HARDY COUNTY COMMITTEE ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Hardy County Committee on Aging, Inc. is a nonprofit organization whose purpose is to improve the quality of life for senior citizens in Hardy County, West Virginia. The purpose of the Organization is to study and document the needs of the seniors, to encourage, promote and aid in the establishment of programs for the seniors, to conduct programs of public education on the problems of aging, to utilize opportunities to establish demonstration programs, and to implement state and local programs for the aging that no other agency is implementing.

This summary of significant accounting policies of the Hardy County Committee on Aging, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representation of the management, who is responsible for their integrity and objectivity.

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 these estimates.

Grants Receivable

Contributions/grants are recognized when the donor/grantor makes a promise to the Organization 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. The Organization uses the allowance method to determine collectibility of grants receivable. As of September 30, 2010, all grants receivable are deemed collectible.

Accounts Receivable

Accounts receivable represent amounts owed to the Organization for services provided to clients of the Organization under contracts with the West Virginia Department of Health and Human Resources - Medicaid Waiver and Community Care Programs. In addition, the Organization 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, 2010, all accounts receivable are deemed collectible.

Supplies Inventory

Supplies inventory represents raw food, disposables and supplies purchased under the Title III-C grant and are recorded at lower of cost (first-in, first-out basis) or market.

THE HARDY COUNTY COMMITTEE ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment of the Organization is recorded at historical cost. The Organization uses the straight line method of depreciating fixed assets over their estimated useful lives. Certain equipment purchased with grant monies as identified on the statement of financial position must have approval from the grantor agency to dispose of such equipment and the method of disposition. The Organization has adopted a capitalization policy in the amount of \$500.

Income Taxes

The Organization is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3) in reference to its Senior services and activities provided to the public. However, the Organization does engage in and operate an unrelated business activity, as defined by the Internal Revenue Code, and therefore is required to pay, and does pay, federal and state income taxes on that activity.

Interest Expense

All interest expense incurred during the period has been expensed on the statement of activities.

Cash and Cash Equivalents

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

Grant Monies

Grant monies are received in three ways:

- 1 - On a cost reimbursement basis for which the Organization requests reimbursement for monies already spent. This is utilized for the LIFE program.
- 2 - On an as needed basis in which the Organization requests monies that it feels it will need in the immediate future; this is utilized for Title III-B, Title-III-E, Title III-D, SHIP, and Elder Abuse grants. Upon completion of a grant year, any unexpended money has to be approved for carryover to the next year, but if approval is denied, the money has to be reimbursed to the grantor.
- 3 - Title III-C monies 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.

Total federal and state grant revenues for the year ended September 30, 2010 was \$610,397.

THE HARDY COUNTY COMMITTEE ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

Grant Monies (Continued)

Operating expenditures made against federal and state grants are subject to audit by the grantor agency. These agencies may subsequently make adjustments to the grant as originally awarded due to their audit findings.

Memorandum Totals

The accompanying financial statements reflect totals of all net assets and activities. The totals are shown for memorandum purposes only and do not reflect the elimination of interagency activities using principles of consolidation.

Note 2. Investments

Investments are stated at fair value and consist of common stock. Fair values and appreciation (depreciation) at September 30, 2010 are summarized below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investment, permanently restricted	\$ 4,513	\$ 20,250	\$ 15,737

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2010:

Net unrealized gain, permanently restricted	\$ 288
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Note 3. Grants Receivable

Grants receivable consisted of the following at September 30, 2010:

LIFE grant	\$ 5,781
Title III-C grant	3,924
	<u>\$ 9,705</u>

Note 4. Property and Equipment, net

Property and equipment consisted of the following at September 30, 2010:

Land	\$ 703,180
Building	2,309,319
Office equipment	291,445
	<u>3,303,944</u>
Less accumulated depreciation	751,998
Net property and equipment	<u>\$ 2,551,946</u>

**THE HARDY COUNTY COMMITTEE ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 5. Retirement Program

Certain employees are eligible to be included in the Organization's retirement program. The employee contributes 4.5% of his/her gross wages which is combined with 9.5% contributed by The Hardy County Committee on Aging, Inc. The covered employees are eligible to draw benefits upon retirement. Service contributions, by the Organization, to the retirement program of \$17,843 are included in personnel/manpower costs on the respective statement of functional expenses.

Note 6. Lease Agreements

A lease agreement was entered into on January 12, 1987 between the Organization and the Henkel Addition Park for lot 12 of said Addition on Spring Avenue. This lease specifies that the lease term is for 99 years and the total lease amount was \$99 paid in full at the signing of the lease.

It was further agreed to that an attractive building would be erected along with a sign designating the property as the Henkel Addition Park and that the Organization would bear the cost of such sign. At the time of dissolution of the Organization, or for all practical purposes should it be unable to continue to serve the public, the lease shall become null and void, and all improvements and appurtenances placed on the property will become the property of Henkel Addition Park.

In accordance with the lease agreement, a brick building was constructed during 1989 with the majority of the monies contributed by the Hardy County Commission, through a Small Cities Block Grant from the State of West Virginia, and the remainder by The Hardy County Committee on Aging, Inc. Since a recent appraisal is not available for the land and building, a fair rental value was unable to be calculated and recorded as contributed support and rent expense in these financial statements.

Note 7. Long-Term Debt, Mortgage Payable

Long-term debt, mortgage payable, consisted of the following at September 30, 2010:

\$1,100,000, mortgage, dated May 18, 2007; 6.9% interest rate, payable in monthly installments of \$10,455, including principal and interest. Balloon payment due May 18, 2017, secured by deed of trust on Medical Building.

\$ 914,862

Maturities of long-term debt, mortgage payable at September 30, 2010 are as follows:

Year ending September 30,	2011	\$ 64,342
	2012	68,924
	2013	73,833
	2014	79,092
	Other	628,671
		<u>\$ 914,862</u>

THE HARDY COUNTY COMMITTEE ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8. Permanently Restricted Assets

The statement of financial position includes the following assets which have been permanently restricted by the Circuit Court of Hardy County, West Virginia dated March 15, 1975 in reference to the Last Will and Testament of Edgar A. Hawse, deceased, for the development of a rest and retirement center.

Cash and cash equivalents	\$ 55,468
Certificates of deposit	51,226
Investment	20,250
Receivable	87,805
Land	31,274
Total permanently restricted assets	<u>\$ 246,023</u>

Note 9. Income Taxes

The provision for federal and state income taxes consists of the following at September 30, 2010:

Current taxes	\$ 19,021
Deferred taxes	
	<u>\$ 19,021</u>

There is no provision for deferred income taxes as depreciation lives and methods are not materially different for reporting and income tax purposes.

Note 10. Rental Income, Net

The Organization rents space to five tenants on month to month operating leases. Rental income, net, consists of the following for the year ended September 30, 2010:

Rental income	\$ 254,112
Less: Mortgage interest	65,394
Depreciation	50,980
Repairs and maintenance	8,334
	<u>\$ 129,404</u>

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
The Hardy County Committee on Aging, Inc.
Moorefield, West Virginia

Our report on our audit of the basic financial statements of The Hardy County Committee on Aging, Inc. for the year ended September 30, 2010 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of revenues and receipts and expenditures-life funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Spencer CPA & Associates, PLLC

Buckhannon, West Virginia
June 27, 2011

THE HARDY COUNTY COMMITTEE ON AGING, INC.
SCHEDULE OF REVENUES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Other Programs	Title XIX	Community Care	Federal Title III-B Program	Federal Title III-D Program	Federal Title III-E Program	Veteran's Affairs	Federal Title III-C Programs	SHIP	E.A. Hawse	Total all Accounts (Memorandum Only)
GRANT REVENUES											
Federal monies	\$	\$	\$	\$ 27,566	\$ 132	\$ 2,345	\$ 38,877	\$	\$ 7,300	\$	\$ 76,220
State monies through Area Agency on Aging				16,040	52			100,108			116,200
Life Monies	147,099			4,862	158	2,344		57,497			211,960
Other state monies	187,005			4,098				14,914			206,017
Total Grant Revenues	334,104			52,566	342	4,689	38,877	172,519	7,300		610,397
OTHER REVENUES											
Program service fees	4,798	111,173	30,185					32,184			178,340
Local monies	12,958										12,958
Interest income	1,854									588	2,442
Investment return										288	288
Rental income (net)	129,404										129,404
Total Other Revenues	149,014	111,173	30,185					32,184		876	323,432
Total Revenues	\$ 483,118	\$ 111,173	\$ 30,185	\$ 52,566	\$ 342	\$ 4,689	\$ 38,877	\$ 204,703	\$ 7,300	\$ 876	\$ 933,829

The accompanying independent auditors' report on supplemental information
is an integral part of this schedule.

THE HARDY COUNTY COMMITTEE ON AGING, INC.
SCHEDULE OF RECEIPTS AND EXPENDITURES-LIFE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Award Period	Direct Services						Total Life Awards
	Award-Life FY2009 & FY2010	Federal Title III-C Program	Total Direct Life Awards	Federal Title III-B Program	Federal Title III-D Program	Federal Title III-E Program	
October, 2009	\$ 4,373	\$	\$ 4,373	\$ 4,862	\$ 158	\$ 2,344	\$ 11,737
November, 2009	22,364		22,364				22,364
December, 2009	22,195		22,195				22,195
January, 2010	18,735		18,735				18,735
February, 2010	9,379		9,379				9,379
March, 2010	9,846		9,846				9,846
April, 2010	5,724		5,724				5,724
May, 2010	11,113		11,113				11,113
June, 2010	61,050		61,050				61,050
July, 2010	14,824		14,824				14,824
August, 2010	9,216		9,216				9,216
September, 2010	5,781		5,781				5,781
Adjustment	(57,497)	57,497					
Total receipts	137,103	57,497	194,600	4,862	158	2,344	201,964
Personnel/manpower	86,285	37,792	124,077	4,862		2,344	131,283
Travel	170	89	259				259
Printing and supplies	105		105		158		263
Rawfood		11,710	11,710				11,710
Disposables		2,479	2,479				2,479
Caregiver support							
Training							
Transportation	3,517	2,445	5,962				5,962
Communications and utilities	16,809	1,372	18,181				18,181
Professional fees	11,300		11,300				11,300
Insurance	6,639		6,639				6,639
Match expense	7,364		7,364				7,364
Other	4,914	1,610	6,524				6,524
Total expenditures	137,103	57,497	194,600	4,862	158	2,344	201,964
Excess(deficit) of receipts over expenditures	\$	\$	\$	\$	\$	\$	\$

The accompanying independent auditors' report on supplemental information
is an integral part of this schedule.

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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
The Hardy County Committee on Aging, Inc.
Moorefield, West Virginia

We have audited the financial statements of the Hardy County Committee on Aging, Inc. (a nonprofit organization) as of and for the year ended September 30, 2010, and have issued our report thereon dated June 27, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardy County Committee on Aging, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-01, that we consider to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the Hardy County Committee on Aging, Inc. in a separate letter dated June 27, 2011 and included in this audit report on pages 17 and 18.

The Hardy County Committee on Aging, Inc.'s response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, and West Virginia Bureau of Senior Services and is not intended to be and should not be used by anyone other than these specified parties.

Spencer CPA + Associates, PLLC

Buckhannon, West Virginia
June 27, 2011

THE HARDY COUNTY COMMITTEE ON AGING, INC.
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2010

A. Reportable Conditions in Internal Control

2010-01 Segregation of Duties

Condition: We noted during our audit that the Hardy County Committee on Aging, Inc. did not have adequate segregation of duties in the financial and accounting office.

Criteria: During our analysis of internal control, we noted that duties related to the custody of assets, authorization of transactions, accounting function, and the record keeping responsibility are not properly separated.

Cause: The financial and accounting department consists of only two employees and a fee accountant. The office staff at the Hardy County Committee on Aging, Inc. is not adequate enough to have proper segregation of duties.

Effect: Because of the failure to segregate duties, internal accounting control does not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: Responsibilities of accounting and financial duties should be distributed among office staff to the best degree possible to assure proper segregation of duties. However, we recognize the Organization is not large enough to obtain complete segregation of duties from a financial standpoint.

Organization's Response: To the extent possible, the Organization has segregated duties. However, any further segregation of duties is not economically feasible.

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MANAGEMENT LETTER

To the Board of Directors
The Hardy County Committee on Aging, Inc.
Moorefield, West Virginia

Our audit of the financial statements of the Hardy County Committee on Aging, Inc. (a nonprofit organization) for the year ended September 30, 2010 highlighted areas where we would like to make recommendations which we feel would improve the internal control, accounting procedures, and internal financial information of the Organization. Since our audit was not designed to include a complete review of all systems, procedures, and controls, the following comments and recommendations should not be considered as being all inclusive of the areas where improvements may be necessary.

Segregation of Duties

During our audit we noted that two employees and a fee accountant perform most of the accounting and financial duties. As a result, many aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hardy County Committee on Aging, Inc. We recognize that the Organization is not large enough to make the employment of additional people for the purpose of segregating duties practicable from a financial standpoint, but we are required, under our professional responsibilities, to describe the situation.

Supplies Inventory

During our testing of the nutrition inventory listing at September 30, 2010, we noted that the "unit price" for a few items was different than the amounts listed on current invoices. The unit price should be evaluated at or near the date of inventory to ensure proper valuation of inventory items. Also, we noted instances where the quantity multiplied by the unit price did not agree to the total. Care should be exercised to ensure that totals are properly calculated to ensure proper accounting of inventory.

Gift Cards

Employees were provided gift cards for Christmas. The monetary value of the gift cards was not included in the employees' gross wages for payroll reporting purposes as required by the internal revenue service. The Organization should review regulations pertaining to items included as gross wages and ensure proper treatment and reporting of incentives.

Bank Reconciliations and Outstanding Checks

Our audit work disclosed that checks outstanding for more than six months were still being carried on the cash reconciliations. Our suggestion would be to reissue these checks to the original payees after contacting the respective parties in reference to the original checks issued. If no contact can be made with the original payee, the amount should be remitted to the State of West Virginia as unclaimed property.

Two paychecks, dated October 1, 2010, cleared the bank on September 30, 2010, indicating that the checks were given to the employees prior to the date on the paychecks. To assure that expenses are recorded in the correct period, checks should not be post-dated. All checks should be mailed or hand delivered on the date written.

We also noted a "reconciliation discrepancy" in the amount of \$233.04 during the year ended September 30, 2010, indicating errors in the financial recording process. Any errors discovered when reconciling the bank account should be reviewed and corrected at the original entry point with a journal entry and memorandum explaining the issue to assure accuracy in the financial reporting process. All bank reconciliations should be reviewed upon completion to help prevent errors or fraud.

The bank reconciliation for one bank account did not agree to the general ledger at September 30, 2010. Upon further examination of the account, we noted two checks were voided after completion of the reconciliation. Any changes made to the bank account should be documented on reconciliations to ensure they agree to the general ledger.

After you have had an opportunity to review these comments and recommendations, we would be pleased to discuss those points which you desire. We would like to thank your staff for their assistance in performing the audit and the Board of Directors for the opportunity to serve The Hardy County Committee on Aging, Inc.

Spencer CPA & Associates, PLLC

Buckhannon, West Virginia
June 27, 2011