

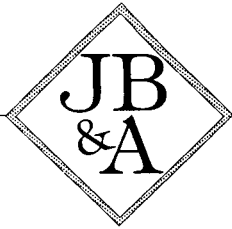
**APPALACHIAN AREA AGENCY ON AGING, INC.**

**INDEPENDENT AUDITORS' REPORT AND  
RELATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to financial statements	8-10
<b>ADDITIONAL INFORMATION</b>	
Schedule of Expenditures of Federal Awards	11
Schedule of Expenditures of State Awards	12
Schedule of Findings and Questioned Costs	13
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u></b>	14-15
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	16-17
<b>MANAGEMENT LETTER</b>	18-19



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 418 • BUCKHANNON, WV 26201 • (304) 472-3600 • FAX (304) 472-3601

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Appalachian Area Agency on Aging, Inc.  
Princeton, West Virginia

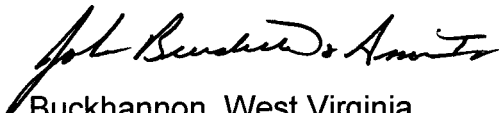
We have audited the accompanying statements of financial position of Appalachian Area Agency on Aging, Inc. (a nonprofit organization) as of September 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility 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 the 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 Appalachian Area Agency on Aging, 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*, we have also issued a report dated June 17, 2013, on our consideration of Appalachian Area Agency 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 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 our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Appalachian Area Agency on Aging, Inc. taken as a whole. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U. S. Office Management and Budget Circular A-133, Audits of State, Local Government, and Non-Profit Organizations, and West Virginia Department of Health and Human Services, 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.

  
Buckhannon, West Virginia  
June 17, 2013





**APPALACHIAN AREA AGENCY ON AGING, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

FUNCTIONAL EXPENSES	Title III-B	Title III-C		Title III-E	Title III-D	VITALS	LIFE	Lighthouse
		C-1	C-2					
Personnel/manpower	\$ 234,194	\$	\$	\$	\$	\$ 34,400	\$	\$
Travel	12,593					1,340		
Printing and supplies	4,558					3,779		
Equipment								
Space	3,600					3,450		
Contract services						300		
Communications and utilities	7,554					1,229		
Training						141		
Other	75	12,166						
Insurance	1,050	1,000				125		
Advertising								
Passed-thru to sub-recipients:								
Federal awards	543,833	530,787	962,573	251,690	43,734			
State awards:								
Regular State	305,061	446,665	761,311	55,548	11,199		2,507,671	2,079,202
Total Expenses	<u>\$ 1,112,518</u>	<u>\$ 990,618</u>	<u>\$ 1,723,884</u>	<u>\$ 307,238</u>	<u>\$ 54,933</u>	<u>\$ 44,764</u>	<u>\$ 2,507,671</u>	<u>\$ 2,079,202</u>

**APPALACHIAN AREA AGENCY ON AGING, INC.  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<b>FUNCTIONAL EXPENSES</b>	<u>FAIR</u>	<u>Client Tracking</u>	<u>Chronic Disease</u>	<u>Elder Abuse</u>	<u>ADRC</u>	<u>LIEAP</u>	<u>SHIP</u>	<u>Other/ Budget Digest</u>	<u>Total</u>
Personnel/manpower	\$	\$	\$ 14,490	\$	\$ 164,173	\$ 4,319	\$ 81,695	\$ 22,624	\$ 555,895
Travel			171		8,367		696		23,167
Printing and supplies			6,686		26,814		867	4,953	47,657
Equipment									
Space			3,325		13,898		825		25,098
Contract services					2,245			2,500	5,045
Communications and utilities			693		10,362		1,003		20,841
Training				7,618	5,185		1,044		13,988
Other					1,045		270	20	13,576
Insurance					1,132		150	100	3,557
Advertising					11,657				11,657
Passed-thru to sub-recipients:									
Federal awards				2,024		18,081	55,000		2,407,722
State awards:									
Regular State	<u>650,934</u>	<u>35,952</u>						<u>24,167</u>	<u>6,877,710</u>
<b>Total Expenses</b>	<u><u>\$650,934</u></u>	<u><u>\$ 35,952</u></u>	<u><u>\$ 25,365</u></u>	<u><u>\$ 9,642</u></u>	<u><u>\$ 244,878</u></u>	<u><u>\$ 22,400</u></u>	<u><u>\$141,550</u></u>	<u><u>\$ 54,364</u></u>	<u><u>\$ 10,005,913</u></u>

The accompanying notes are an integral part of this statement.



**APPALACHIAN AREA AGENCY ON AGING, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (1,559)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
(Increase) decrease in operating assets:	
Accounts and grants receivable	(370,658)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(1,342)
Accrued compensation	7,905
Due to sub-recipients	124,097
Deferred revenue	(53,056)
	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(294,613)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>533,557</b>
	<hr/>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 238,944</b>
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

**APPALACHIAN AREA AGENCY ON AGING, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

Organization - Appalachian Area Agency on Aging, Inc. is a nonstock corporation organized under the laws of the State of West Virginia and has been determined by the Internal Revenue Service to be a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3).

The Agency's purpose is to improve the quality of life for senior citizens in Southeastern West Virginia by studying and documenting their needs; encouraging, promoting and aiding in the establishment of programs for these seniors; conducting programs of public education on the problems on aging; utilizing opportunities to establish demonstration programs; and implementing and administering federal, state and local programs for the aging that no other agency is implementing.

**Basis of Accounting**

The financial statements of Appalachian Area Agency on Aging, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. In addition, all property and equipment purchased with grant monies must be used and disposed of in accordance with the grantor agency's policies. Maintenance and repairs are expensed as incurred.

**Income Taxes**

The Organization is exempt from income taxes under the provisions of Internal Revenue Code Section 501 (c)(3).

The Organization's Forms 990, Return of Organization Exempt from Income Tax, are generally subject to examination by the Internal Revenue Service for three years after they are filed.

**APPALACHIAN AREA AGENCY ON AGING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2. Property and Equipment**

Property and equipment consisted of the following at September 30, 2012:

Equipment, furniture and fixtures	\$ 19,352
Accumulated depreciation	19,352
	-----
Net property and equipment	\$ -0-
	=====

**Note 3. Restrictions on Net Assets**

There are no restricted net assets at September 30, 2012.

**APPALACHIAN AREA AGENCY ON AGING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 4. Retirement Program**

All full-time employees are eligible to be included in the Organization's retirement program. The employee contributes 4.5% of his/her gross salary, which is combined with 14% match contributed by the Organization.

The covered employees are eligible to draw benefits upon retirement. The Organization contributions to the retirement program of \$ 46,612 are included in personnel costs on the statement of functional expenses.

**Note 5. Cash Deposited**

The Organization routinely at various times during the course of the year will have more than the FDIC insured limit of \$ 250,000 in the bank on any given day. The bank in which all monies are deposited has pledged a \$ 1,000,000 security to the Organization in order to maintain insurance on all of the Organization's deposits.

**Note 6. Subsequent Events**

Management has evaluated subsequent events through June 17, 2013, the date which the financial statements were available to be issued.

## **ADDITIONAL INFORMATION**

**APPALACHIAN AREA AGENCY ON AGING, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Health and Human Services</b>		
Low Income Energy Assistance Program	93.568	\$ 22,400
Cronic Disease Self-Management - ARRA	93.725	25,365
Pass-through from West Virginia Bureau of Senior Services		
Special Programs for the Aging - Title III, Part B	93.044	683,833
Title III, Part C	93.045	1,089,608
Title III, Part D	93.043	43,734
Title III, Part E	93.052	267,690
NSIP	93.053	416,919
Title VII Elder Abuse	93.041	9,642
Affordable Care Act	93.518	125,426
Call Center/SHIP	93.779	16,123
Vitals	93.048	<u>49,572</u>
Total		<u><u>\$ 2,750,312</u></u>

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards included the federal grant activity of Appalachian Area Agency on Aging, Inc. and is presented on the accrual basis of accounting. 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 presentation of, the basic financial statements.

The accompanying notes are an integral part of this schedule.

**APPALACHIAN AREA AGENCY ON AGING, INC.  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Grant Period</u>	<u>Grant Identificaiton Number</u>	<u>State Expenditures</u>
Direct Programs:			
WV Bureau of Senior Services			
Community Partnership Grants			\$    35,196
IIIB State	June 30, 2012	2012	394,732
IIIC-1	June 30, 2012	2012	446,665
IIIC-2	June 30, 2012	2012	761,311
IIID	June 30, 2012	2012	11,199
IIIE	June 30, 2012	2012	55,548
LIFE	June 30, 2013	2013	1,970,090
LIFE	June 30, 2012	2012	562,581
In-Home Services	June 30, 2013	2013	731,293
In-Home Services	June 30, 2012	2012	2,052,962
ADRC	June 30, 2013	2013	43,890
ADRC	June 30, 2012	2012	<u>188,272</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$  7,253,739</u>

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

**APPALACHIAN AREA AGENCY ON AGING, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**SECTION I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?	_____ yes	___X___ no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no

**Federal Awards**

Internal control over major programs?

Material weakness identified?	_____ yes	___X___ no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ yes	___X___ no
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Identification of major programs:

CFDA Number	Name of Federal Program Cluster
93.044	Title III, Part B
93.045	Title III, Part C
93.053	NSIP

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>300,000</u>
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Auditee qualified as low-risk auditee?	_____ yes	___X___ no
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**Section II - Financial Statements Findings**

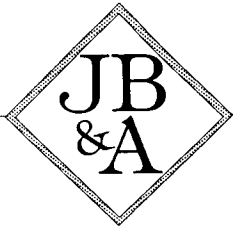
None

**Section III - Federal Award Findings and Questions Costs**

None

The accompanying notes are an integral part of this schedule.





# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors  
Appalachian Area Agency on Aging, Inc.  
Princeton, West Virginia

We have audited the financial statements of Appalachian Area Agency on Aging, Inc. (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated June 17, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United State 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 Appalachian Area Agency 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 Appalachian Area Agency on Aging, Inc.'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 designated to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

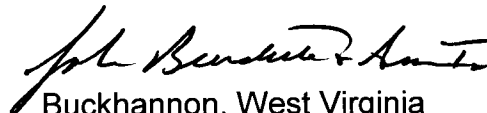
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

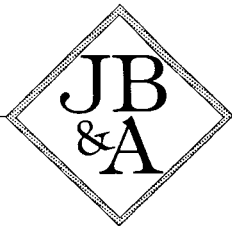
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Appalachian Area Agency 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 other matters that we reported to management of Appalachian Area Agency on Aging, Inc. in a separate letter dated June 17, 2013.

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

  
Buckhannon, West Virginia  
June 17, 2013



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Appalachian Area Agency on Aging, Inc.  
Princeton, West Virginia

### **Compliance**

We have audited Appalachian Area Agency on Aging, 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 material effect on each of Appalachian Area Agency on Aging, Inc.'s major federal programs for the year ended September 30, 2012. Appalachian Area Agency on Aging, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Appalachian Area Agency on Aging, Inc.'s management. Our responsibility is to express an opinion on Appalachian Area Agency on Aging, Inc.'s compliance based on our audit.

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

In our opinion, Appalachian Area Agency on Aging, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2012.

## Internal Control Over Compliance

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

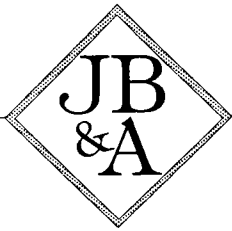
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

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



Buckhannon, West Virginia  
June 17, 2013



# JOHN BURDETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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## MANAGEMENT LETTER

To the Board of Directors  
and Senior Management  
Appalachian Area Agency on Aging, Inc.  
Princeton, West Virginia

In planning and performing our audit of the financial statements of Appalachian Area Agency on Aging, Inc. for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Organization'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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of some matters noted below that are opportunities for strengthening internal controls and operating efficiency. A separate letter dated June 17, 2013, included on pages 14 and 15 of this report, contains our communication on internal control and compliance. This letter does not affect our report dated June 17, 2013, included on pages 1 and 2 of this report, on the financial statements of Appalachian Area Agency on Aging, Inc.

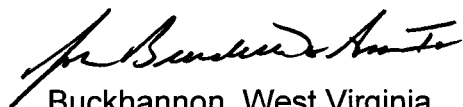
We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### **Segregation of Duties**

We noted that two employees are responsible for most accounting and financial duties. As a result, many aspects of the internal control which rely upon an adequate segregation of duties are, for all practical purposes, missing in Appalachian Area Agency on Aging, Inc. We recognize that the Organization has segregated financial duties as much as possible among its present staff and 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.

We wish to thank the Executive Director and her staff for their support and assistance during our audit.

This report is intended solely for the information and use of management, Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Buckhannon, West Virginia".

Buckhannon, West Virginia  
June 17, 2013