

HARRISON COUNTY SHELTERED WORKSHOP, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2007

HARRISON COUNTY SHELTERED WORKSHOP, INC.
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April 28, 2008

To the Board of Directors
Harrison County Sheltered Workshop, Inc
Stonewood, WV

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Harrison County Sheltered Workshop, Inc. (a non-profit organization) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Harrison County Sheltered Workshop, Inc.'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. 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 Harrison County Sheltered Workshop, Inc. as of December 31, 2007, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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HARRISON COUNTY SHELTERED WORKSHOP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 140,242
Accounts Receivable	82,925
Inventory	17,924
Prepaid Brickstreet Insurance	1,602
TOTAL CURRENT ASSETS	<u>242,693</u>

PROPERTY AND EQUIPMENT

Land	10,000
Building	1,093,391
Road Improvements	22,017
Furniture and Fixtures	13,771
Equipment	78,746
Vehicles	16,442
TOTAL PROPERTY AND EQUIPMENT	<u>1,234,367</u>
Less: Accumulated Depreciation	<u>(327,148)</u>

NET PROPERTY AND EQUIPMENT 907,219

TOTAL ASSETS \$ 1,149,912

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 8,058
Accrued Payroll and Sales Tax	1,838
Compensated Absences	2,626
Notes Payable Current Portion	15,421
TOTAL CURRENT LIABILITIES	<u>27,943</u>

LONG TERM LIABILITIES

Notes Payable (Net of Current Portion)	149,402
Accrued Retiree Health Benefits Trust Fund	3,468
TOTAL LONG TERM LIABILITIES	<u>152,870</u>

TOTAL LIABILITIES 180,813

NET ASSETS

Unrestricted Net Assets	<u>969,099</u>
TOTAL NET ASSETS	<u>969,099</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,149,912

See accompanying notes to the financial statements.

**HARRISON COUNTY SHELTERED WORKSHOP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

UNRESTRICTED REVENUES AND OTHER SUPPORT

PUBLIC SUPPORT

Program Fees From State of WV	\$ 88,400
Contributions	10,428
United Way	<u>52,330</u>
TOTAL SUPPORT	151,158

PRODUCT AND SERVICE REVENUES

Sales	473,449
Less: Cost of Sales	<u>(284,676)</u>

GROSS PROFIT	188,773
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OTHER INCOME

Interest	<u>3,270</u>
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TOTAL SUPPORT AND REVENUES	343,201
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UNRESTRICTED EXPENSES

Salaries and Wages	149,728
Employee Benefits	35,012
Occupancy	33,006
Payroll Taxes	20,027
Depreciation	33,008
Professional Fees	5,398
Telephone	4,273
Travel	4,243
Interest	6,950
Insurance	1,629
Equipment Rental and Maintenance	1,511
Postage	973
Membership Dues	1,080
Awards and Memorials	2,153
Advertising	692
Miscellaneous	409
Conferences, Conventions and Meetings	61
TOTAL UNRESTRICTED EXPENSES	<u>300,153</u>

CHANGE IN NET ASSETS	43,048
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NET ASSETS AT BEGINNING OF YEAR	<u>926,051</u>
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NET ASSETS AT END OF YEAR	\$ <u><u>969,099</u></u>
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See accompanying notes to the financial statements.

**HARRISON COUNTY SHELTERED WORKSHOP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in Net Assets	\$ 43,048
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	33,008
(Increase) Decrease in:	
Accounts Receivable	32,963
Inventory	(574)
Prepaid Brickstreet Insurance	(1,602)
Increase (Decrease) in:	
Accounts Payable	4,382
Accrued Payroll, Sales Tax and Benefits	4,088
NET CASH PROVIDED FROM OPERATIONS	<u>115,313</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	<u>(20,887)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(20,887)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payments on Notes Payable	<u>(15,177)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(15,177)</u>
NET INCREASE IN CASH	79,249
CASH - BEGINNING OF YEAR	<u>60,993</u>
CASH - END OF YEAR	<u>\$ 140,242</u>
SUPPLEMENTAL DISCLOSURE	
Interest Paid	<u>\$ 6,950</u>

See accompanying notes to the financial statements.

**HARRISON COUNTY SHELTERED WORKSHOP, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Organization - The Harrison County Sheltered Workshop, Inc. is a nonprofit organization that provides employment training and activities for persons with disabilities. Their major revenues come from sale of wood products, screen printing and service reimbursements.

Basis of Presentation - The Organization has adopted Statement of Financial Accounting Standard No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116). The Organization has also adopted Statement of Financial Accounting Standard (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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. In addition, the Organization is required to present a statement of cash flows. There are no permanently restricted assets as of December 31, 2007.

Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions would be 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 would be reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Basis of Accounting - The accompanying statements have been prepared on the accrual basis of accounting.

Cash - Cash is on deposit with one institution that is F.D.I.C. insured and one institution that invests in U.S. Treasury Obligations with 90 day or less maturities. For the purpose of the statement of cash flows, the Organization considers cash and certificates of deposit with an original maturity of three months or less to be cash equivalents. Cash consists of:

Petty Cash	\$	402
Checking Account		29,451
Savings		53,754
Money Market		56,635
Total	\$	140,242

Inventory - Inventories of materials are carried at the lower of cost (first-in, first-out basis) or market

Property, Equipment and Depreciation - The Organization records all property and equipment at cost if purchased and at fair market value if donated and follows the practice of depreciating its assets over their estimated useful lives using the straight line and accelerated methods of depreciation. Generally, when items of property are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded in the statement of activities. All fixed assets are capitalized.

Asset Classification	Useful Life
Building	25-40 years
Road Improvements	10-40 years
Equipment	3-10 years
Vehicle	5 years

**HARRISON COUNTY SHELTERED WORKSHOP, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Organization has been approved as an organization exempt under Internal Revenue Code. Section 501 (C) (3), and therefore is not liable for federal or state income taxes.

Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No services were received during the year that met those requirements.

Grants - Resources from government grants are recorded as revenue when the grant is pledged or received. In some instances these are multi - year grants and, therefore current year's revenue will include amounts which will not be expended in the current year. Thus, awards in support of multi - year projects result in surpluses in the early stages of the project and deficits in the latter stages as fund balances are drawn down.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts - The Organization believes all accounts receivable to be collectible, so no allowance is recognized.

Prepaid Insurance - Prepaid insurance is based on the effective dates of the policies.

NOTE 2 INVENTORIES

Inventories, valued at the lower of cost or market, consists of the following:

Raw Materials – lumber, tape, shirts, hats, ink, caning supplies	\$ 7,365
Work in Process – Wood products, caned products, markers	3,606
Finished Goods – caned products, wood products, printed shirts and hats	6,953
TOTAL	\$ 17,924

NOTE 3 ADVERTISING COSTS

Harrison County Sheltered Workshop, Inc. expenses advertising costs as they are incurred. Advertising expense for the year was \$692.

NOTE 4 RETIREMENT PROGRAM

The Workshop's eligible employees are covered by a 401-K pension plan after one year of employment. The Workshop contributes a matching amount up to 5% of the employee's monthly wages and it is 100% vested after four years of participation. Employees are eligible to draw benefits upon retirement. A total of \$7,948 was contributed to the Workshop's 401-K program during 2007.

**HARRISON COUNTY SHELTERED WORKSHOP, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007**

NOTE 5 CONTINGENCIES

The Organization receives a majority of its support from a grant from the State of West Virginia and a grant from the United Way. Any significant reduction in the level of this support could have a material effect on the Organization's programs and activities.

NOTE 6 SHIPPING AND HANDLING COSTS

All shipping and handling costs are expensed when incurred as cost of sales.

NOTE 7 FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2007.

	Total	Program Services	Management and General	Fundraising
Compensation of Officers	\$ 52,493	\$ 13,123	\$ 39,370	\$ -
Other Salaries and Wages	97,235	74,975	22,260	-
Pension Plan Costs	9,933	5,860	4,073	-
Other Employee Benefits	25,079	14,797	10,282	-
Payroll Taxes	20,027	11,816	8,211	-
Telephone	4,273	3,418	855	-
Postage and Shipping	973	778	195	-
Occupancy	33,006	31,356	1,650	-
Equipment Rental and Maintenance	1,511	1,284	227	-
Travel	4,243	2,122	2,121	-
Conferences, Conventions and Meetings	61	31	30	-
Depreciation	33,008	30,734	2,274	-
Membership Dues	1,080	1,080	-	-
Miscellaneous	409	205	204	-
Insurance	1,629	-	1,629	-
Awards/Grants	2,153	2,153	-	-
Advertising	692	692	-	-
Professional Fees	5,398	2,699	2,699	-
Interest	6,950	6,950	-	-
Totals	\$ 300,153	\$ 204,073	\$ 96,080	\$ -

NOTE 8 COST OF SALES

Beginning Inventory	\$ 17,350
Wages	135,333
Payroll Taxes	12,327
Purchases	137,590
Less: Ending Inventory	<u>(17,924)</u>
Cost of Sales	\$ <u>284,676</u>

**HARRISON COUNTY SHELTERED WORKSHOP, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007**

NOTE 5 NOTES PAYABLE

The Organization borrowed \$180,000 from City National Bank in January, 2006 to complete the addition to the building. The note was refinanced in December, 2006 with the WV Economic Development Authority. The note payments are \$1,844 a month for ten years with an interest rate of 4.25%. The WV Economic Development Authority loan is secured by a deed of trust and fixture filing.

<u>Beginning Balance</u>	<u>Reduction</u>	<u>Ending Balance</u>
\$ 180,000	\$ 15,177	\$ 164,823
	2008 \$ 15,421	
	2009 16,089	
	2010 16,787	
	2011 17,514	
	2012 18,273	
	2013-2016 80,739	
	Total \$ 164,823	

NOTE 6 POST RETIREMENT BENEFITS

The Organization participates in the WV Public Employee Insurance Program. Effective July 1, 2007, the Organization is required to accrue monthly or pay \$144.48 per active participant to the WV Retiree Health Benefits Trust Fund. The required contribution will be calculated on an annual basis. During the year, the Organization accrued \$3,468 of liability of which \$0 was paid.