

MARION COUNTY SENIOR CITIZENS, INC.

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Marion County Senior Citizens, Inc.
Fairmont, West Virginia

We have audited the accompanying statement of financial position of Marion County Senior Citizens, Inc. (a nonprofit organization) as of September 30, 2011 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 Marion County Senior Citizens, Inc. as of September 30, 2011, 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 our report dated March 24, 2012, on our consideration of Marion County Senior Citizens, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal awards and schedule of state awards and other assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Derrick B. Bouchard, PHD

March 24, 2012

MARION COUNTY SENIOR CITIZENS, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 166,896	
Grants receivable	85,545	
Prepaid expenses	<u>7,755</u>	\$ 260,196
Capital assets, net		<u>1,524,855</u>
TOTAL ASSETS		\$ <u>1,785,051</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable		\$ 21,929
Accrued wages		33,201
Accrued taxes		3,156
Accrued compensated absences		<u>12,217</u>
Total liabilities		70,503
Net Assets		
Unrestricted		<u>1,714,548</u>
TOTAL LIABILITIES AND NET ASSETS		\$ <u>1,785,051</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

MARION COUNTY SENIOR CITIZENS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Revenue and Support

Federal financial assistance	\$ 344,961		
State grant allocations	566,890		
Contributions	116,489		
Community service program	285,927		
Memberships	250		
Rental income	47,231		
Miscellaneous income	1,166		
Interest income	3,527		
Gain (loss) on investments	38		
Gain (loss) on disposal of assets	<u>2,050</u>	\$	1,368,529

Expenses

Management and general		198,384	
Fundraising		9,204	
Program services:			
Title III – B	\$ 140,443		
Title III – D	6,409		
Title III – E	45,870		
Title III – C	292,806		
Life	215,152		
Community service program	<u>489,915</u>	<u>1,190,595</u>	<u>1,398,183</u>
Change in net assets			(29,654)
Net assets – beginning			<u>1,744,202</u>
Net assets – ending			\$ <u>1,714,548</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

**MARION COUNTY SENIOR CITIZENS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Title</u> <u>III – B</u>	<u>Title</u> <u>III – D</u>	<u>Title</u> <u>III – E</u>	<u>Title</u> <u>III – C</u>	<u>Life</u>	<u>Community</u> <u>Service</u> <u>Program</u>	<u>Total</u> <u>Program</u> <u>Service</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u> <u>Expenses</u>
Salaries and related expenses	\$ 111,511	\$ -0-	\$ 45,870	\$ 95,426	\$ 119,292	\$ 449,968	\$ 822,067	\$ 32,658	\$ -0-	\$ 854,725
Food purchases	-0-	-0-	-0-	163,998	26,388	-0-	190,386	21,741	-0-	212,127
Telephone	4,213	283	-0-	988	6,767	526	12,777	-0-	-0-	12,777
Utilities	4,776	2,275	-0-	7,599	10,296	5,081	30,027	4,164	-0-	34,191
Printing and office supplies	-0-	-0-	-0-	-0-	-0-	-0-	-0-	19,181	-0-	19,181
Supplies	-0-	3,351	-0-	873	-0-	-0-	4,224	2,131	-0-	6,355
Repairs and maintenance	4,363	500	-0-	2,396	-0-	4,795	12,054	4,631	-0-	16,685
Accounting fees	-0-	-0-	-0-	-0-	-0-	2,500	2,500	4,200	-0-	6,700
Travel	55	-0-	-0-	5,988	663	20,295	27,001	2,084	-0-	29,085
Automobile expense	10,025	-0-	-0-	5,351	41,307	-0-	56,683	1,404	-0-	58,087
Insurance	5,500	-0-	-0-	8,985	10,439	2,755	27,679	4,124	-0-	31,803
Fundraisers	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,204	9,204
Licenses and permits	-0-	-0-	-0-	1,192	-0-	1,479	2,671	946	-0-	3,617
Advertising and promotions	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,211	-0-	4,211
Postage	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,098	-0-	2,098
Training and development	-0-	-0-	-0-	10	-0-	236	246	382	-0-	628
Miscellaneous	-0-	-0-	-0-	-0-	-0-	2,280	2,280	3,586	-0-	5,866
Depreciation expense	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>90,843</u>	<u>-0-</u>	<u>90,843</u>
Total expenses	<u>\$ 140,443</u>	<u>\$ 6,409</u>	<u>\$ 45,870</u>	<u>\$ 292,806</u>	<u>\$ 215,152</u>	<u>\$ 489,915</u>	<u>\$ 1,190,595</u>	<u>\$ 198,384</u>	<u>\$ 9,204</u>	<u>\$ 1,398,183</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

MARION COUNTY SENIOR CITIZENS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Cash Flows From Operating Activities

Change in net assets	\$ (29,654)	
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	90,843	
(Gain) on sale of capital assets	(2,050)	
Decrease in value of investments	1,670	
(Increase) decrease in:		
Grants receivable	(2,894)	
Prepaid expense	261	
Increase (decrease) in:		
Accounts payable	(9,326)	
Accrued wages	(16,643)	
Accrued taxes	(1,129)	
Accrued compensated absences	<u>2,497</u>	
Net cash provided by operating activities		\$ 33,575

Cash Flows From Capital and Related Financing Activities

Proceeds from the sale of assets	2,050	
Acquisition of capital assets	<u>(18,847)</u>	
Net cash (used in) financing activities		(<u>16,797</u>)
 Net increase in cash		 16,778
Cash at beginning of year		<u>150,118</u>
Cash at end of year		\$ <u>166,896</u>

The accompanying independent auditor's report and notes are integral parts of this statement.

MARION COUNTY SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Organization and Nature of Operations

Marion County Senior Citizens, Inc. (the Organization) provides a variety of social services to the elderly of Marion County, West Virginia. In-home care is provided to those Seniors that are otherwise unable to maintain independent living. Transportation throughout the local community as well as to and from the Senior Center is provided to those Seniors who require such services. The Organization is supported by various federal, state, and county governments in addition to contributions from Seniors and the local community.

(b) Basis of Accounting and Reporting

The financial statements of the Organization are prepared on the accrual basis of accounting and accordingly reflect all receivables, payables and other accruals.

(c) Basis of Presentation

The financial statements are prepared in accordance with the recommendations of FASB Codification (ASC) 958-205, "Presentation of Financial Statements". Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

(d) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(e) Income Tax Exemption

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

(f) Donated Services

Donated services are recognized as contributions in accordance with FASB Codification (ASC) 958-605, "Revenue Recognition", 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 received by the Organization met these requirements.

The accompanying independent auditor's report is an integral part of these notes.

MARION COUNTY SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(g) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash to be cash and cash equivalents. Cash on hand and deposits with banking institutions are considered cash while short-term investments with an original maturity of not more than three months are considered cash equivalents.

Investment risk is categorized as follows:

Interest rate risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

Credit risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk – The risk that, in the event of the failure of the counterparty to a transaction, the Organization will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

(h) Accounts Receivable and Grants Receivable

Uncollectible receivables are eliminated in the fiscal period that the receivables are actually determined to be uncollectible. Management has indicated that the accounts receivable and grants receivable, as shown in the accompanying financial statements, will be collected in full.

(i) Capital Assets

Capital assets are recorded at cost with depreciation being calculated by the straight line method over the estimated useful lives of the assets as follows:

Land	None
Vehicles	5 years
Equipment	5-10 years
Buildings and improvements	15-40 years

(j) Compensated Absences

Amounts owed to employees for earned but unused vacation time are accrued as a liability in the statement of financial position. As of September 30, 2011, the Organization had \$12,217 in accrued compensated absences.

The accompanying independent auditor's report is an integral part of these notes.

**MARION COUNTY SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

2. Deposits and Investments

The Organization's deposits and investments are categorized to give an indication of the level of risk assumed by the Organization at September 30, 2011. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Organization or its agent in the Organization's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Category 3 - Uncollateralized.

Deposits

	<u>Bank</u> <u>Balance</u>	Category			<u>Carrying</u> <u>Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash	\$ <u>203,447</u>	\$ <u>203,447</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>166,896</u>

The accompanying independent auditor's report is an integral part of these notes.

**MARION COUNTY SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

3. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Non-Depreciable Assets				
Land	\$ <u>283,576</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>283,576</u>
Depreciable Assets				
Buildings and improvements	1,797,747	-0-	-0-	1,797,747
Vehicles	300,199	10,026	48,278	261,947
Equipment	<u>211,983</u>	<u>8,821</u>	<u>-0-</u>	<u>220,804</u>
Total at historical cost	<u>2,309,929</u>	<u>18,847</u>	<u>48,278</u>	<u>2,280,498</u>
Less: Accumulated Depreciation				
Buildings and improvements	569,762	51,921	-0-	621,683
Vehicles	254,111	24,417	48,278	230,250
Equipment	<u>172,781</u>	<u>14,505</u>	<u>-0-</u>	<u>187,286</u>
Total accumulated depreciation	<u>996,654</u>	<u>90,843</u>	<u>48,278</u>	<u>1,039,219</u>
Total depreciable assets, net	<u>1,313,275</u>	<u>(71,996)</u>	<u>-0-</u>	<u>1,241,279</u>
Total capital assets, net	\$ <u>1,596,851</u>	\$ <u>(71,996)</u>	\$ <u>-0-</u>	\$ <u>1,524,855</u>

4. Retirement Program

All employees are eligible to be included in the Organization's retirement program. The defined-contribution plan establishes a simple individual retirement account for each participant. The Organization will match up to 4% of a participating employee's gross wages. The Organization contributed \$7,403 to the employees' retirement accounts during the fiscal year ending September 30, 2011.

The accompanying independent auditor's report is an integral part of these notes.

MARION COUNTY SENIOR CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

5. Operating Lease Income

The Organization rents a portion of the Center on a month to month basis and to the public for various events. Total rental income for the year ended September 30, 2011 was \$47,231.

6. Advertising Costs

The Organization expenses advertising costs as incurred. These costs were included in the financial statements and amounted to \$4,211 for the year ended September 30, 2011.

7. Labor Force Concentration

As of November 27, 2006, all non-administrative employees are members of a local union. The employees and the Organization are subject to a collective bargaining agreement that will expire November 27, 2012. The agreement is expected to be renegotiated at that time.

8. Concentration of Risks

The Organization receives a majority of its support from federal and state grants. Any significant reduction in the level of this support could have a material effect on the Organization's programs and activities.

The Organization purchases meals for seniors from a single vendor. Any significant reduction in the availability or a significant increase in the cost of these goods from this vendor could have a material effect on the Organization's programs and activities.

The Organization is at risk of loss from various torts and suits and mitigates this risk by maintaining insurance with the West Virginia Board of Risk.

9. Subsequent Events

The Organization has considered all subsequent events through March 24, 2012, the date the financial statements were made available.

The accompanying independent auditor's report is an integral part of these notes.

**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***

The Board of Directors
Marion County Senior Citizens, Inc.
Fairmont, West Virginia

We have audited the financial statements of Marion County Senior Citizens, Inc. as of and for the year ended September 30, 2011 and have issued our report thereon dated March 24, 2012. 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 Marion County Senior Citizens, 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 Marion County Senior Citizens, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marion County Senior Citizens, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described as items #11-01 and #11-02 in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County Senior Citizens, 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*.

Marion County Senior Citizens, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Marion County Senior Citizens, Inc.'s responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors of the Marion County Senior Citizens, Inc. and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Derrick A. Barclott, PCAA

March 24, 2012

**MARION COUNTY SENIOR CITIZENS, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

#11-01 Segregation of Duties

Condition: Analysis of the internal control system indicated a lack of segregation of duties.

Criteria: Responsibilities of approval, execution, recording and custody associated with all financial transactions should be distributed among the accounting staff to the highest degree possible.

Cause: The Organization has a limited number of employees who are responsible for the approval, execution, recording and custody associated with all financial transactions. This limits the degree to which these responsibilities can be segregated.

Effect: Because of the lack of segregation of duties, internal control elements do 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 approval, executing, recording and custody associated with all financial transactions should be distributed among the accounting staff to the highest degree possible.

Entity's Response: To the extent possible, the Organization has segregated the responsibilities of approval, execution, recording and custody associated with all financial transactions. Any further segregation of duties would not be economically feasible.

#11-02 Qualification and Knowledge

Condition: Analysis of the internal control system indicated a lack of skills, training, and knowledge in the recording of financial transactions or preparation of financial statements. More specifically, this should include all required financial statement presentations and all required financial statement note disclosures, as required by generally accepted accounting principles.

Criteria: Internal control should be implemented to the degree possible in recording the entity's financial transactions and the preparation of financial statements.

Cause: Individuals responsible for the accounting and reporting function lack the particular skills, training, and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

MARION COUNTY SENIOR CITIZENS, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Effect: Because of the lack of skills, training, and knowledge, internal control elements do 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: Individuals responsible for the accounting and reporting function should be trained to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

Entity's Response: To the extent possible, the individuals responsible for the accounting reporting function have been trained to perform their assigned duties. It would not be economically feasible for Center to train its employees to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

MARION COUNTY SENIOR CITIZENS, INC.
 SCHEDULE OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Federal Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Grantor Pass-through Number</u>	<u>Financial Awards Recognized</u>
U.S. Department of Health and Human Services			
Title III – B	93.044	T3 B/D/E 09-10	\$ 65,271
Title III – D	93.043	T3 B/D/E 09-10	5,265
Title III – E	93.052	T3 E 09-10	22,370
Title III – C	93.045	T3 C 09-10	250,771
Elder Abuse	93.044	EA 2932	<u>1,284</u>
 Total Federal Funds			 \$ <u>344,961</u>

The accompanying independent auditor's report and notes are integral parts of this schedule.

MARION COUNTY SENIOR CITIZENS, INC.
 SCHEDULE OF STATE AWARDS AND OTHER ASSISTANCE
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

State Grantor Program

West Virginia Bureau of Senior Services <u>Through the Bel-O-Mar Regional Council:</u>	<u>Award/Grant No.</u>	<u>Financial Awards Recognized</u>
LIFE	N/A	\$ 222,177
Lighthouse	N/A	180,901
Fair	N/A	53,774
State Matching Funds	N/A	<u>110,038</u>
 Total State Funds		 \$ <u>566,890</u>

The accompanying independent auditor's report and notes are integral parts of this schedule.