

**HARRISON COUNTY
SENIOR CITIZENS CENTER, INC.
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 and 2017**

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HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Harrison County Senior Citizens Center, Inc.
Clarksburg, West Virginia

I have audited the accompanying financial statements of **Harrison County Senior Citizens Center, Inc.** (a West Virginia not-for-profit organization) which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Harrison County Senior Citizens Center, Inc.** as of September 30, 2018 and 2017, and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements of **Harrison County Senior Citizens Center, Inc.** as a whole. The accompanying schedule of federal and state awards for year ended September 30, 2018 on page 20 is presented for purposes of additional analysis, and is 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 27, 2018, on my consideration of **Harrison County Senior Citizens Center, Inc.'s** internal control over financial reporting and on my 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 my 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* in considering **Harrison County Senior Citizens Center, Inc.'s** internal control over financial reporting and compliance.



December 27, 2018

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2018 and 2017

	ASSETS	
	2018	2017
Current assets		
Cash and cash equivalents	\$ 55,548	\$ 92,422
Grants and allocations receivable	87,244	70,635
Accounts receivable	7,820	2,972
Prepaid expenses	13,290	5,252
Inventory	2,185	2,185
Total current assets	<u>166,087</u>	<u>173,466</u>
Property and equipment		
Land	5,000	5,000
Building and improvements	571,779	567,086
Furniture and fixtures	72,674	68,616
Equipment	12,920	12,120
Vehicles	402,911	427,578
Less: accumulated depreciation	(494,958)	(564,061)
Net property and equipment	<u>570,326</u>	<u>516,339</u>
Other assets		
Certificate of deposit	18,110	18,110
Total assets	<u>\$ 754,523</u>	<u>\$ 707,915</u>
	LIABILITIES AND NET ASSETS	
Current liabilities		
Accounts payable	\$ 11,532	\$ 19,128
Accrued payroll and payroll taxes	39,789	37,303
Accrued compensated absences	23,244	8,925
Total current liabilities	<u>74,565</u>	<u>65,356</u>
Net assets		
Unrestricted	505,625	548,773
Temporarily restricted net assets	156,047	75,550
Permanently restricted net assets	18,286	18,236
Total net assets	<u>679,958</u>	<u>642,559</u>
Total liabilities and net assets	<u>\$ 754,523</u>	<u>\$ 707,915</u>

The accompanying notes are an integral part of these financial statements.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

STATEMENT OF ACTIVITIES

Year ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
State grants and financial assistance	\$ 523,568	\$ -	\$ -	\$ 523,568
Federal financial assistance	145,744	115,703	-	261,447
Medicaid and Veterans service revenue	177,543	-	-	177,543
Harrison County vital services levy	149,139	-	-	149,139
Meal program service revenue	35,803	-	-	35,803
City of Clarksburg allocations	25,000	-	-	25,000
Community service programs	22,123	-	-	22,123
Membership fees	12,550	-	-	12,550
Contributions	12,445	-	50	12,495
Other income	9,924	-	-	9,924
Activity fees	8,349	-	-	8,349
Gain on sale of assets	7,466	-	-	7,466
Special events	3,701	-	-	3,701
Less direct expense	(2,139)	-	-	(2,139)
Interest income	7	-	-	7
Net assets released from restrictions	<u>35,206</u>	<u>(35,206)</u>	<u>-</u>	<u>-</u>
Total revenue and support	1,166,429	80,497	50	1,246,976
Expenses				
Program activities:				
Program expenses	933,159	-	-	933,159
Supporting activities:				
Management and general	254,596	-	-	254,596
Fundraising	21,822	-	-	21,822
Total expenses	1,209,577	-	-	1,209,577
Change in net assets	(43,148)	80,497	50	37,399
Net assets - beginning of year	548,773	75,550	18,236	642,559
Net assets - end of year	<u>\$ 505,625</u>	<u>\$ 156,047</u>	<u>\$ 18,286</u>	<u>\$ 679,958</u>

The accompanying notes are an integral part of these financial statements.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2018

	Program expenses	Management and general	Fundraising and development	Total
Expenses				
Salaries and wages	\$ 582,002	\$ 176,079	\$ 16,524	\$ 774,605
Payroll taxes and related expenses	47,939	14,701	1,278	63,918
Utilities and occupancy expenses	38,379	21,321	1,218	60,918
Vehicle expense	57,173	3,009	-	60,182
Supplies - meal programs	43,231	-	-	43,231
Insurance	28,410	8,712	758	37,880
Travel - program	19,425	-	-	19,425
Professional services	14,565	4,467	388	19,420
Office supplies and expense	9,112	2,795	243	12,150
Supplies and expense - activities	11,653	-	-	11,653
Contract services	7,199	2,208	192	9,599
Repairs and maintenance	4,483	2,491	142	7,116
Advertising and public awareness	5,035	1,544	134	6,713
Supplies - building	3,785	2,103	120	6,008
Travel and training expense	2,969	910	79	3,958
Licenses, permits, and fees	1,536	471	43	2,050
Miscellaneous expense	-	322	-	322
Bank fees	-	100	-	100
Total expenses before depreciation	<u>876,896</u>	<u>241,233</u>	<u>21,119</u>	<u>1,139,248</u>
Depreciation	56,263	13,363	703	70,329
	<u>\$ 933,159</u>	<u>\$ 254,596</u>	<u>\$ 21,822</u>	<u>\$ 1,209,577</u>

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

STATEMENT OF ACTIVITIES

Year ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
State grants and financial assistance	\$ 492,951	\$ -	\$ -	\$ 492,951
Medicaid and Veterans service revenue	232,006	-	-	232,006
Federal financial assistance	113,257	49,285	-	162,542
Harrison County vital services levy	142,625	-	-	142,625
Meal program service revenue	44,402	-	-	44,402
Community service programs	20,928	-	-	20,928
City of Clarksburg allocations	19,583	-	-	19,583
Contributions	16,388	-	50	16,438
Membership fees	13,557	-	-	13,557
Other income	9,528	-	-	9,528
Special events and activities	8,100	-	-	8,100
Less direct expense	(4,190)	-	-	(4,190)
Interest income	19	-	13	32
Net assets released from restrictions	<u>14,183</u>	<u>(14,183)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,123,337</u>	<u>35,102</u>	<u>63</u>	<u>1,158,502</u>
Expenses				
Program activities:				
Program expenses	907,777	-	-	907,777
Supporting activities:				
Management and general	218,741	-	-	218,741
Fundraising	<u>20,940</u>	<u>-</u>	<u>-</u>	<u>20,940</u>
Total expenses	<u>1,147,458</u>	<u>-</u>	<u>-</u>	<u>1,147,458</u>
Change in net assets	(24,121)	35,102	63	11,044
Net assets - beginning of year	<u>572,894</u>	<u>40,448</u>	<u>18,173</u>	<u>631,515</u>
Net assets - end of year	<u>\$ 548,773</u>	<u>\$ 75,550</u>	<u>\$ 18,236</u>	<u>\$ 642,559</u>

The accompanying notes are an integral part of these financial statements.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2017

	<u>Program expenses</u>	<u>Management and general</u>	<u>Fundraising and development</u>	<u>Total</u>
Expenses				
Salaries and wages	\$ 567,957	\$ 146,034	\$ 15,643	\$ 729,634
Payroll taxes and related expenses	51,852	13,295	1,330	66,477
Utilities and occupancy expenses	37,279	20,711	1,184	59,174
Supplies - meal programs	45,840	-	-	45,840
Insurance	34,077	8,738	874	43,689
Vehicle expense	40,605	2,137	-	42,742
Program service expense	36,097	-	-	36,097
Office supplies and expense	11,810	3,028	303	15,141
Professional services	10,523	2,698	270	13,491
Repairs and maintenance	7,014	3,897	223	11,134
Supplies - building	5,234	2,908	166	8,308
Contract services	4,876	1,250	125	6,251
Advertising and public awareness	3,803	975	97	4,875
Licenses, permits, and fees	3,525	904	90	4,519
Travel and training expense	2,157	553	55	2,765
Employee benefits	786	202	19	1,007
Bank fees	-	185	-	185
	<u>863,435</u>	<u>207,515</u>	<u>20,379</u>	<u>1,091,329</u>
Total expenses before depreciation				
Depreciation	44,342	11,226	561	56,129
	<u>\$ 907,777</u>	<u>\$ 218,741</u>	<u>\$ 20,940</u>	<u>\$ 1,147,458</u>

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

STATEMENTS OF CASH FLOWS

Years ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 37,399	\$ 11,044
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,329	56,129
Gain on sale of assets	(7,466)	-
Change in:		
Grants and allocations receivable	(16,609)	10,946
Accounts receivable	(4,848)	322
Prepaid expenses	(8,038)	2,310
Accounts payable	(7,596)	11,579
Accrued payroll and payroll taxes	2,486	4,819
Accrued compensated absences	14,319	(10,612)
Net cash from (used in) operating activities	<u>79,976</u>	<u>86,537</u>
Cash flows from investing activities		
Additions to certificates of deposit (reinvested interest)	-	(27)
Purchases of property and equipment	(127,355)	(75,652)
Cash received on sale of assets	10,505	-
Net cash used from investing activities	<u>(116,850)</u>	<u>(75,679)</u>
Net change in cash	(36,874)	10,858
Cash - beginning of year	<u>92,422</u>	<u>81,564</u>
Cash - end of year	<u>\$ 55,548</u>	<u>\$ 92,422</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ -
Noncash investing and financing activities:		
Value of Section 5310 vehicle contributed	\$ 92,507	\$ 49,285

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

1. Organization and Nature of Business

Harrison County Senior Citizens Center, Inc. (Organization), a not-for-profit organization, incorporated in West Virginia in 1967, provides a variety of programs and social services and serves as a focal point for the delivery of services to the senior citizens of Harrison County, West Virginia. Programs and services include in-home personal care and case management, a nursing clinic, a health insurance assistance program, transportation services, health and fitness services, a lunch program providing healthy and nutritious meals, as well as many other organized social activities and events. Through these programs and services, the Organization enriches the lives of older adults, responds to their needs and interests, supports their independence, and encourages their involvement in the community.

The Organization is supported by various federal, state, and county government grants, awards and financial assistance, as well as contributions from seniors and the local community.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting as contemplated by generally accepted accounting principles, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Codification Section 958.205 *Not-for-Profit Entities Presentation of Financial Statements* (ASC 958.205). Under ASC 958.205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor restrictions. The Organization's net assets and changes therein are classified and reported as follows:

Unrestricted net assets: represent resources whose use is not limited or restricted by donors.

Temporarily restricted net assets: represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled or otherwise removed by the organization's actions.

Permanently restricted net assets: represent resources whose use is limited by donor-imposed stipulations that neither expire or can be fulfilled or otherwise removed by the organization's actions.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Additionally, the Organization follows FASB Codification Section 958.605 *Not-for-Profit Entities Revenue Recognition* (ASC 958.605). In accordance with ASC 958.605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the same reporting period in which the support is received. 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 reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions

Unconditional promises to give are recognized as revenue and included in grants and allocations receivable, in the period the promise is given. Such unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Contributions of long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how those long-lived assets are to be used, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Grants and Accounts Receivable

Grants receivable and the related revenues are recorded when expenses applicable to grants operating on a cost reimbursement basis have been incurred. The Organization's grants receivable consist primarily of receivables from federal and state granting agencies and are deemed fully collectible; consequently, no provision for uncollectible accounts is considered necessary.

Accounts receivable is comprised of billings for services rendered. The Organization evaluates each accounts receivable individually and provides a charge to revenue that is appropriate, in the opinion of management, to absorb probable credit losses.

Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or market.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Donated Services

In accordance with ASC 905.605, donated services are recognized as contributions 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. For the years ending September 30, 2018 and 2017 no services were received that met the criteria for recognition as donated services.

Functional Expenses

The costs of providing program and supporting activities have been presented on a functional basis in the statement of functional expenses, and are summarized in the statement of activities. Expenses are charged to program or supporting activities as incurred or are allocated based on actual or estimated time employees spend on each function, space utilization, or using a statistical basis.

Property and Equipment

Purchases of property and equipment are capitalized at cost. Donated assets are capitalized at the estimated fair value at the date of receipt. The Organization capitalizes purchased or donated property and equipment based on an assessment of the individual asset's useful life and cost or fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to fifty years.

Reclassifications

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

Income Taxes

For Federal tax purposes the Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and was determined not to be a private foundation by the Internal Revenue Service; however, the Organization remains subject to tax on any business income unrelated to its tax-exempt purpose. There was no unrelated business income for years ending September 30, 2018 and 2017.

The Organization follows FASB Codification Section 740 *Accounting for Uncertainty in Income Taxes* (ASC 740). This guidance provides a recognition threshold and measurement process for uncertain tax positions, including any estimated penalties and interest associated with those uncertain tax positions. For years ended September 30, 2018 and 2017, there were no uncertain tax positions requiring accrual.

The Organization's Form 990, *Return of Organization Exempt from Income Tax* for the prior three (3) years are open to audit by the Internal Revenue Service.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fair Value Measurements

FASB Codification Section 825 (ASC 825) *Financial Instruments* permits an entity to elect fair value as the initial and subsequent measurement attribute for certain financial statement assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value earnings. The adjustment to reflect the difference between fair value and the carrying amount is accounted for as cumulative effect adjustment to net assets as of the date of the adoption. The adoption of this pronouncement did not have an effect on the Organization's financial statements. The Organization did not elect the fair value methodology permitted under ASC 825 for any financial instrument or other item that is not currently required to be measured at fair value.

FASB Codification Section 820 (ASC 820) *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Under ASC 820, various inputs are used in determining the fair value of assets and liabilities. These inputs are summarized in a hierarchy that segregates fair value measurement in the three levels (levels 1, 2, and 3), determined by the nature of input as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted market price in an active market provides the most reliable evidence of fair value.
- Level 2 – Other significant observable inputs, including quoted prices of similar securities in active markets, quoted prices for identical securities in markets that are not active, and other market-corroborated inputs.
- Level 3 – Significant unobservable inputs, including the Organization's own assumptions in determining the fair value of investments, based on the best information available in the circumstances.

The adoption of ASC 820 did not have a significant impact on the Organization's financial statements. The fair value of the Organization's cash and cash equivalents, grants, allocations, and accounts, accounts payable, and accrued expenses approximate their carrying amounts due to the short-term nature of these instruments.

For the years ended September 30, 2018 and 2017, the Organization did not hold any assets or liabilities utilizing level 3 inputs for determining fair value.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in various checking and savings accounts. The Organization considers all highly liquid investments with a remaining maturity date of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents associated permanently restricted cash balances are reported as part of long-term or other assets, and not included in cash and cash equivalents for cash flow statement purposes. At September 30, 2018 and 2017, the Organization held zero (\$0) cash equivalents.

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 reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from these estimates.

3. Concentration

The Organization maintains its cash accounts in financial institutions located in West Virginia. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's cash balances at various times throughout the year may be in excess of amounts insured.

During the years ended September 30, 2018 and 2017, the Organization received a significant amount of support from the U.S Department of Health and Human Services and the West Virginia Bureau of Senior Services. A loss or substantial reduction in this funding may have a significant impact on the Organization.

4. Accrued Compensated Absences

Accrued compensated absences are included in these financial statements at the employee's current hourly rate at each respective years' end. In accordance with FASB Codification Section 710 *Compensation*, amounts accrued for future absences include amounts that are attributable to the employees' services already rendered, and those for which the employer has an obligation to make payment in the event an employee is terminated.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

5. Temporarily Restricted Assets

Temporarily restricted net assets includes the estimated restricted value of vehicles purchased with the assistance of, and pursuant to an agreement (Agreement) with, the State of West Virginia, acting by and through the Division of Public Transit of the Department of Transportation (Division). In accordance with the agreement...“the title(s) to and ownership of the vehicle(s), during the *useful life*, shall at all times remain with the Division”. *Useful life*, as used in the Agreement, means at least 100,000 miles or four years, whichever comes first, from the date of the signing of the Agreement by the Division. At the conclusion of this period of *useful life*, the Division will transfer title(s) of the vehicles to the Organization.

Temporarily restricted net assets are comprised of the following at September 30, 2018 and 2017:

	2018	2017
Section 5310 vehicles	<u>\$ 156,047</u>	<u>\$ 75,550</u>

6. Permanently Restricted and Endowment Funds

A member of the community contributed funds and designated a portion (Principal) as permanently restricted. The restriction further stipulates that one half (1/2) of the interest or earnings on the Principal is to be applied back and included as permanently restricted, and the remaining one half (1/2) is to be unrestricted as to use.

The Financial Accounting Standards Board (FASB) defines an endowment as “an established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit organization. The use of the assets may be permanently restricted, temporarily restricted, or unrestricted”.

For the purposes of these financial statements, the Organization has interpreted this definition to include amounts dedicated to building funds for perpetuity. Endowment funds and changes therein for the years ended September 30, 2018 and 2017 is reflected below.

	2018	2017
Endowment – beginning of year	\$ 18,236	\$ 18,173
Endowment activity:		
Contributions	50	50
Interest earned	-	13
Amount appropriated for expenditure	-	-
Endowment – end of year	<u>\$ 18,286</u>	<u>\$ 18,236</u>

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018 and 2017

7. Subsequent Events

FASB Codification Section 855 *Subsequent Events* (ASC 855) establishes general accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC 855 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. In preparing these financial statements, the Organization has evaluated transactions for potential recognition or disclosure through December 27, 2018, the date the financial statements were available to be issued. During this period no material subsequent events were noted that require recognition or disclosure under ASC 855.

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

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

To the Board of Directors
Harrison County Senior Citizens Center, Inc.
Clarksburg, West Virginia

I have audited, in accordance with the 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, the financial statements of **Harrison County Senior Citizens Center, Inc.** (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 27, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered **Harrison County Senior Citizens Center, Inc.'s** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Harrison County Senior Citizens Center, Inc.'s** internal control. Accordingly, I do not express an opinion on the effectiveness of **Harrison County Senior Citizens Center, Inc.'s** internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 18-01 and 18-02, that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Harrison County Senior Citizens Center, Inc.'s** financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Harrison County Senior Citizens Center, Inc.'s Response to Findings

Harrison County Senior Citizens Center, Inc.'s response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. **Harrison County Senior Citizens Center, Inc.'s** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Morgantown, WV
December 27, 2018

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

SCHEDULE OF FINDINGS AND RESPONSES

September 30, 2018

18-01 Segregation of Duties

Condition: The Organization has a limited number of personnel with responsibility for accounting and financial reporting matters. As a result, there is a lack of segregation of duties over the initiation, authorization, recording, and reporting of transactions and the preparation and review of financial reports by persons sufficiently independent of the transactions.

Criteria: Segregation of duties is a critical piece of the internal control framework. This key internal control element dictates that duties should be aligned so that no one individual controls too many critical aspects of a process or transaction.

Cause: Limited staff decreases the ability to provide for segregation of some accounting processes.

Effect: Increased potential that fraud and abuse could occur.

Recommendation: Responsibility for initiation, authorization, recording, and reporting of transactions should be segregated to the extent possible. Although complete segregation of duties is not feasible given the limited staff available, management has been mindful and resourceful in its efforts to segregate duties and is commended for its efforts. I recommend continued review and assessment in this area of internal control, as this key internal control is vital to ensure errors or irregularities are detected and prevented in a timely basis in the normal course of business. It is incumbent upon the board to remain strong and active; additionally, the board should recognize that its scope of oversight of the internal control system applies to all major areas of control, to include: operations, compliance with laws and regulations, and financial reporting.

Management Response: Management and the board will remain vigilant in their efforts to consider the control environment, assess risks, monitor activities, and improve policies and procedures when deficiencies are identified.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

SCHEDULE OF FINDINGS AND RESPONSES

September 30, 2018

18-02 Drafting Financial Statements

Condition: The Organization does not have adequate staff to prepare the financial statements in accordance with generally accepted accounting principles (GAAP).

Criteria: Reliable financial reporting requires that financial statements conform with GAAP. Preparing financial statements is the culminating step of financial reporting.

Cause: Limited staff and time decreases the ability to prepare financial statements in conformity with GAAP.

Effect: Increased potential that fraud and abuse could occur.

Recommendation: The Organization should engage the services of a certified public accountant or other professional with the expertise and ability to prepare financial statements in conformity with GAAP, with the understanding that preparing the financial statements in conformity with GAAP includes not only the broad guidelines of general application, but also detailed practices and procedures. GAAP includes pronouncements of authoritative bodies designated by the AICPA to establish accounting principles.

Management Response: It is not cost efficient to hire additional professionals to prepare financial statements in accordance with GAAP, but we will ensure there is always a member of management or governance with the skills, knowledge and experience to evaluate and assume responsibility for GAAP basis financial statements.

SUPPLEMENTARY SCHEDULE

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

SUPPLEMENTARY SCHEDULE

September 30, 2018

1. Schedule of Federal and State Awards

Federal grant and award support consists of the following for year ending September 30, 2018:

	<u>CFDA</u>	<u>Awards and Support</u>
U.S DHHS through:		
Belomar Regional Council		
Title IIIB	93.044	\$ 72,392
Title IIID	93.043	5,500
Title IIIE	93.052	<u>35,272</u>
		<u>\$ 113,164</u>
 U.S. FTA through:		
WV Dept. of Transportation		
5310 Grant Program	20.513	<u>\$ 148,283</u>

State grant and award support consists of the following for year ending September 30, 2018:

	<u>Grant, Contract, or Commitment Number</u>	<u>Awards and Support</u>
WV Bureau of Senior Services		
Fair and Lighthouse	IH1805	\$ 185,215
Fair and Lighthouse	IH1905	71,567
 WV Bureau of Senior Services through:		
Belomar Regional Council		
Title IIIB		75,909
L.I.F.E Program		145,156
L.I.F.E Program		<u>45,721</u>
		<u>\$ 523,568</u>

Basis of Presentation

The accompanying schedule of federal and state grants and awards includes the significant federal and state grant and award activity of **Harrison County Senior Citizens Center, Inc.** and is presented on the accrual basis of accounting.