

**HARRISON COUNTY
SENIOR CITIZENS CENTER, INC.
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2020, 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.



November 30, 2020

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2020 and 2019

	ASSETS	
	2020	2019
Current assets		
Cash and cash equivalents	\$ 256,110	\$ 91,907
Grants and allocations receivable	52,694	63,465
Accounts receivable	41,252	14,931
Prepaid expenses	12,761	16,941
Inventory	9,557	7,759
Total current assets	<u>372,374</u>	<u>195,003</u>
Property and equipment		
Land	5,000	5,000
Building and improvements	594,290	579,162
Furniture and fixtures	16,662	12,920
Equipment	46,616	78,708
Vehicles	397,461	397,461
Less: accumulated depreciation	(589,727)	(576,671)
Net property and equipment	<u>470,302</u>	<u>496,580</u>
Other assets		
Beneficial interest in YCF fund	21,043	-
Certificate of deposit	-	18,110
Total other assets	<u>21,043</u>	<u>18,110</u>
Total assets	<u>\$ 863,719</u>	<u>\$ 709,693</u>
	LIABILITIES AND NET ASSETS	
Current liabilities		
Accounts payable	\$ 8,503	\$ 11,831
Accrued payroll and payroll taxes	44,180	43,246
Accrued compensated absences	21,862	20,086
Total current liabilities	<u>74,545</u>	<u>75,163</u>
Net assets		
Without donor restrictions	703,609	507,345
With donor restrictions		
Purpose restrictions	64,522	108,849
Perpetual in nature	21,043	18,336
Total net assets	<u>789,174</u>	<u>634,530</u>
Total liabilities and net assets	<u>\$ 863,719</u>	<u>\$ 709,693</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, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
State grants and financial assistance	\$ 508,394	\$ -	\$ 508,394
Federal financial assistance	251,316	-	251,316
SBA Paycheck Protection Program and Cares Act	186,306	-	186,306
Medicaid and Veterans service revenue	154,892	-	154,892
Harrison County vital services levy	84,263	-	84,263
Community service programs	45,933	-	45,933
City and local grants and allocations	40,000	-	40,000
Contributions	12,984	1,664	14,648
Meal program service revenue	13,774	-	13,774
Membership fees	11,940	-	11,940
Activity fees	5,816	-	5,816
Foundation grants	5,000	-	5,000
Other income	1,036	-	1,036
Special events	2,763	-	2,763
Less direct expense	(622)	-	(622)
Change in beneficial interest in YCF fund	-	1,043	1,043
Interest income	748	-	748
Net assets released from restrictions	44,327	(44,327)	-
Total revenue and support	<u>1,368,870</u>	<u>(41,620)</u>	<u>1,327,250</u>
Expenses and losses			
Program activities:			
Program expenses	916,169	-	916,169
Supporting activities:			
Management and general	233,459	-	233,459
Fundraising	22,978	-	22,978
Total expenses	<u>1,172,606</u>	<u>-</u>	<u>1,172,606</u>
Change in net assets	196,264	(41,620)	154,644
Net assets - beginning of year	<u>507,345</u>	<u>127,185</u>	<u>634,530</u>
Net assets - end of year	<u>\$ 703,609</u>	<u>\$ 85,565</u>	<u>\$ 789,174</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, 2020

	<u>Program expenses</u>	<u>Management and general</u>	<u>Fundraising and development</u>	<u>Total</u>
Expenses and losses				
Salaries and wages	\$ 595,013	\$ 161,956	\$ 17,921	\$ 774,890
Payroll taxes and related expenses	52,312	14,177	1,572	68,061
Utilities and occupancy expenses	37,749	20,972	1,198	59,919
Vehicle expense	42,084	2,215	-	44,299
Supplies - meal programs	37,669	-	-	37,669
Insurance	22,804	6,180	685	29,669
Repairs and maintenance	12,776	7,097	406	20,279
Supplies and expense - activities	19,632	-	-	19,632
Travel - program	17,998	-	-	17,998
Office supplies and expense	8,531	2,312	256	11,099
Contract services	7,320	1,984	220	9,524
Professional services	6,903	1,871	207	8,981
Supplies - building	2,283	1,268	73	3,624
Advertising and public awareness	2,033	551	61	2,645
Licenses, permits, and fees	1,652	448	49	2,149
Travel and training expense	1,420	385	45	1,850
Loss on disposition of assets	-	1,686	-	1,686
Bank and merchant service fees	-	852	-	852
Miscellaneous expense	-	717	-	717
	<u>868,179</u>	<u>224,671</u>	<u>22,693</u>	<u>1,115,543</u>
Total expenses before depreciation				
Depreciation	47,990	8,788	285	57,063
	<u>\$ 916,169</u>	<u>\$ 233,459</u>	<u>\$ 22,978</u>	<u>\$ 1,172,606</u>

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

STATEMENT OF ACTIVITIES

Year ended September 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
State grants and financial assistance	\$ 569,771	\$ -	\$ 569,771
Harrison County vital services levy	236,887	-	236,887
Medicaid and Veterans service revenue	155,706	-	155,706
Federal financial assistance	154,203	-	154,203
City and local grants and allocations	35,071	-	35,071
Meal program service revenue	33,443	-	33,443
Community service programs	27,952	-	27,952
Contributions	13,619	50	13,669
Membership fees	13,521	-	13,521
Other income	8,787	-	8,787
Activity fees	7,516	-	7,516
Gain on sale of assets	1,040	-	1,040
Special events	11,185	-	11,185
Less direct expense	(1,963)	-	(1,963)
Interest income	4	-	4
Net assets released from restrictions	47,198	(47,198)	-
Total revenue and support	<u>1,313,940</u>	<u>(47,148)</u>	<u>1,266,792</u>
Expenses and losses			
Program activities:			
Program expenses	1,012,820	-	1,012,820
Supporting activities:			
Management and general	275,837	-	275,837
Fundraising	23,563	-	23,563
Total expenses	<u>1,312,220</u>	<u>-</u>	<u>1,312,220</u>
Change in net assets	1,720	(47,148)	(45,428)
Net assets - beginning of year	<u>505,625</u>	<u>174,333</u>	<u>679,958</u>
Net assets - end of year	<u>\$ 507,345</u>	<u>\$ 127,185</u>	<u>\$ 634,530</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, 2019

	<u>Program expenses</u>	<u>Management and general</u>	<u>Fundraising and development</u>	<u>Total</u>
Expenses and losses				
Salaries and wages	\$ 631,952	\$ 190,435	\$ 17,880	\$ 840,267
Payroll taxes and related expenses	55,273	16,950	1,474	73,697
Utilities and occupancy expenses	38,000	21,111	1,206	60,317
Vehicle expense	55,806	2,937	-	58,743
Supplies - meal programs	47,866	-	-	47,866
Insurance	35,814	10,983	955	47,752
Travel - program	22,236	-	-	22,236
Supplies and expense - activities	15,492	-	-	15,492
Office supplies and expense	10,269	3,149	274	13,692
Professional services	7,285	2,234	194	9,713
Repairs and maintenance	6,051	3,362	192	9,605
Supplies - building	4,636	2,576	147	7,359
Contract services	5,470	1,678	146	7,294
Advertising and public awareness	4,623	1,418	123	6,164
Travel and training expense	3,111	954	83	4,148
Licenses, permits, and fees	1,822	559	49	2,430
Bank and merchant service fees	-	1,010	-	1,010
Miscellaneous expense	-	543	-	543
	<u>945,706</u>	<u>259,899</u>	<u>22,723</u>	<u>1,228,328</u>
Total expenses before depreciation				
Depreciation	67,114	15,938	840	83,892
	<u>\$ 1,012,820</u>	<u>\$ 275,837</u>	<u>\$ 23,563</u>	<u>\$ 1,312,220</u>

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

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

STATEMENTS OF CASH FLOWS

Years ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 154,644	\$ (45,428)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,063	83,893
Loss (Gain) on sale of assets	1,686	(1,040)
Change in:		
Grants and allocations receivable	10,771	23,779
Accounts receivable	(26,321)	(7,111)
Prepaid expenses	4,179	(3,650)
Inventory	(1,798)	(5,574)
Beneficial interest in YCF fund	(21,043)	-
Accounts payable	(3,328)	299
Accrued payroll and payroll taxes	934	3,457
Accrued compensated absences	1,776	(3,158)
Net cash from operating activities	<u>178,563</u>	<u>45,467</u>
Cash flows from investing activities		
Purchases of property and equipment	(32,470)	(13,418)
Cash received on sale of assets	-	4,310
Redemption of certificate of deposit	18,110	-
Net cash used from investing activities	<u>(14,360)</u>	<u>(9,108)</u>
Net change in cash and cash equivalents	164,203	36,359
Cash and cash equivalents - beginning of year	<u>91,907</u>	<u>55,548</u>
Cash and cash equivalents - end of year	<u>\$ 256,110</u>	<u>\$ 91,907</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ -

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

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.

Net Assets

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 based on the existence or absence of donor or grantor-imposed restrictions. The Organization's net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: represent resources available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: represent resources whose use is limited by donor - (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are permanent or perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Unconditional promises to give are recognized as revenue and included in receivables 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. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 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.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

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.

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, 2020 and 2019 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. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses are charged to program or supporting services as incurred, allocated expenses were charged on the basis of estimates of time and effort or other statistical bases.

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.

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, 2020 and 2019.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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, 2020 and 2019, 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.

Fair Value Measurements

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.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 3 Fair Value Measurement

In accordance with FASB Codification Section 825 (ASC 825) *Financial Instruments*, the Organization has elected fair value as the initial measurement attribute for the beneficial interest in a fund held by Your Community Foundation of North Central West Virginia, Inc. (YCF Fund) (see Note 5.). Entities electing the fair value option are 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 fair value of the beneficial interest in YCF Fund is based on the Organization's assumption that market value of the underlying assets is an appropriate measure of the present value of the expected cash flows from the Organization's beneficial interest in the perpetual trust held by a third party.

The following table presents the Organization's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2020.

YCF Fund beginning balance	\$	20,000
Net capital gains/(losses) and other income/(fees)		522
Net unrealized gains/(losses)		<u>521</u>
	\$	<u>21,043</u>

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, 2020 and 2019, 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.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

In 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The application of this ASU did not effect the Organization’s net assets.

Reclassifications

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

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, 2020 and 2019, 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. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at year ended September 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 256,110	\$ 91,907
Grants and allocations receivable	52,694	63,465
Accounts receivable	41,252	14,931
	<u>\$ 350,056</u>	<u>\$ 170,303</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, future planned program funding allocations and other obligations come due.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

5. Net Assets with Donor Restrictions

Net assets with donor restrictions subject to purpose or temporary restrictions 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.

Purpose restricted net assets are comprised of the following at September 30, 2020 and 2019:

	2020	2019
Section 5310 vehicles	<u>\$ 64,522</u>	<u>\$ 108,849</u>

A member of the community contributed funds and designated a portion (Principal) as net assets with donor restriction that were perpetual or permanent in nature. The restriction further stipulated that one half (1/2) of the interest or earnings on the Principal is to be applied back and included as perpetually or permanently restricted, and the remaining one half (1/2) is to be without restrictions 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 with donor restrictions or without donor restrictions”.

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, 2020 and 2019 is reflected below.

	2020	2019
Endowment – beginning of year	\$ 18,286	\$ 18,286
Endowment activity:		
Contributions	-	50
Interest earned	-	-
Amount transferred to YCF Fund	<u>(18,286)</u>	<u>-</u>
Endowment – end of year	<u>\$ -</u>	<u>\$ 18,336</u>

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

5. Net Assets with Donor Restrictions (continued)

During 2020, and with the permission of the endowment donor, the Organization transferred the entire amount of the endowment as an irrevocable gift to Your Community Foundation of North Central West Virginia, Inc. (YCF) to establish a fund entitled Harrison County Senior Citizens Center Endowment Fund (Fund). The Organization has continued to contribute assets to grow the Fund under the original agreement (Agreement) stipulating that the purpose of the Fund, and use of Fund assets, shall be devoted solely for:

“support of the charitable, scientific, or educational purposes of the Harrison County Senior Citizens Center, Inc.”

The Agreement grants YCF variance power to modify any restriction or condition on the distribution of funds, and YCF has discretion to invest the funds in accordance with its investment policies; however, the Organization has designated itself as the beneficiary of the Fund. In accordance with accounting principles generally accepted in the United States of America, the Organization includes the beneficial interest in the Fund in its statement of financial position.

Net assets with donor restrictions consists of the following for years ended September 30, 2020 and 2019:

	2020	2019
Temporarily (purpose) restricted		
Section 5310 vehicles	\$ 64,522	\$ 108,849
Permanently restricted		
Endowed funds	-	18,336
Beneficial interest in YCF Fund	<u>21,043</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 85,565</u>	<u>\$ 127,185</u>

6. Line of Credit

During 2020, the Organization executed a commercial line of credit (Line) with a local financial institution. The Line provides for a maximum principal amount of \$50,000 with a variable interest rate at Prime plus 1.0%, but at no time less than 5.0%. The line is secured by a commercial security agreement on collateral which includes virtually all accounts and equipment. There was no outstanding balance on this Line at September 30, 2020.

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

7. Operating Leases

The Organization entered into several non-cancelable lease agreement for certain office equipment. Total monthly lease expense under these lease agreements is approximately \$555 per month and extends through year ending September 30, 2023. Total lease expense under the leases was \$6,306 and \$6,369 for the years ended September 30, 2020 and 2019, respectively. Total expected minimum lease payments under these agreements is as follows for years ending September 30:

2021	\$	6,660
2022		6,660
2023		5,600
2024		449
		<u>19,369</u>
	\$	<u>19,369</u>

8. 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.

9. 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 November 30, 2020, 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.

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include a disruption to the Organization's service revenue and general donations.

***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, 2020, 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 November 30, 2020.

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 20-01 and 20-02, 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
November 30, 2020

HARRISON COUNTY SENIOR CITIZENS CENTER, INC.

SCHEDULE OF FINDINGS AND RESPONSES

September 30, 2020

20-01 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, 2020

20-02 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.