

**BI-COUNTY NUTRITION PROGRAM, INC.**

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

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**SEPTEMBER 30, 2013**

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# INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Bi-County Nutrition Program, Inc.  
Nutter Fort, West Virginia

## **Report on the Financial Statements**

We have audited the accompanying financial statements of Bi-County Nutrition Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 presentation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 risk 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, we 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 from the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

***Basis for Qualified Opinion***

We did not observe the taking of inventory at September 30, 2013, stated at \$14,773, since that date was prior to the time we were initially engaged as auditors for the Organization. We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Bi-County Nutrition Program, Inc. as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal and state funds is presented for purpose 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 our 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*, we have also issued our report dated February 12, 2014, on our consideration of Bi-County Nutrition Program, 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* in considering Bi-County Nutrition Program, Inc.'s internal control over financial reporting and compliance.

February 12, 2014

**BI-COUNTY NUTRITION PROGRAM, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2013**

**Assets**

**Current Assets**

Cash	\$ 124,705	
Accrued revenues	447	
Inventory	14,773	
Prepaid expenses	<u>11,299</u>	\$ 151,224

**Property and Equipment**

Property and equipment	784,432	
Accumulated depreciation	<u>(523,869)</u>	<u>260,563</u>

**Total assets**

411,787

**Liabilities**

**Current Liabilities**

Accounts payable	24,193	
Payroll taxes and benefits payable	3,330	
Accrued payroll	7,416	
Compensated absences	<u>8,641</u>	43,580

**Long-Term Liabilities**

Compensated absences		<u>8,641</u>
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**Total liabilities**

52,220

**Net Assets**

Unrestricted		<u>359,567</u>
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**Total net assets**

\$ 359,567

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

**BI-COUNTY NUTRITION PROGRAM, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Support**

Federal and state assistance	\$ 497,146	
NSIP	30,000	
United Way	73,518	
LIFE	23,270	
Contributions	<u>72,426</u>	\$ 696,360

**Revenues**

Program income	122,523	
Interest income	53	
Miscellaneous	<u>800</u>	<u>123,376</u>

Total support and revenue		<u>819,736</u>
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**Expenses**

Program expense:		
Title III C - congregante	170,552	
Title III C - home delivered	439,357	
Other programs	28,747	
LIFE	20,576	
Management and general	<u>102,774</u>	<u>762,006</u>

Change in net assets		57,730
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Net assets, beginning		<u>301,837</u>
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Net assets, ending		<u><u>\$ 359,567</u></u>
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The accompanying independent auditor's report and notes are integral parts of this statement.

**BI-COUNTY NUTRITION PROGRAM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Title III-C</u>				<u>Management and General</u>	<u>Totals (Memorandum Only)</u>
	<u>Congregate</u>	<u>Home Delivered</u>	<u>Other Programs</u>	<u>LIFE</u>		
Salaries and related expenses	\$ 60,667	\$ 156,001	\$ -	\$ -	\$ 54,167	\$ 270,835
Fringe benefits and taxes	8,593	22,097	-	-	7,672	38,362
Office	-	-	-	-	16,952	16,952
Repairs and maintenance	-	-	-	-	10,011	10,011
Occupancy	7,721	20,075	-	-	3,089	30,885
Depreciation	9,453	24,569	6,371	-	1,249	41,642
Raw food	59,928	154,320	22,376	20,576	-	257,200
Disposables	10,448	26,868	-	-	-	37,316
Transportation	9,235	23,747	-	-	8,246	41,228
Professional services	1,401	3,604	-	-	-	5,005
Insurance and audit	3,106	8,076	-	-	1,243	12,425
Volunteer recognition	-	-	-	-	145	145
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145</u>	<u>145</u>
 Total expenses	 <u>\$ 170,552</u>	 <u>\$ 439,357</u>	 <u>\$ 28,747</u>	 <u>\$ 20,576</u>	 <u>\$ 102,774</u>	 <u>\$ 762,006</u>

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

**BI-COUNTY NUTRITION PROGRAM, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Cash Flows From Operating Activities**

Change in net assets	\$	57,730
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation		41,642
(Increase) decrease in :		
Grant receivable		2,186
Accounts receivable - other		700
Inventory		3,445
Prepaid expenses		(5,899)
Increase (decrease) in :		
Accounts payable		(741)
Compensated absences		4,210
Accrued payroll		1,337
Payroll taxes and benefits payable		640
Net cash provided by operating activities		\$ 105,250

**Cash Flows From Capital Investment Activities**

Acquisition of property and equipment	(28,880)	
Net cash (used in) investing activities		(28,880)

Net increase in cash		76,370
Cash - beginning of year		48,335
Cash - end of year		\$ 124,705

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

# BI-COUNTY NUTRITION PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1. Description of Entity and Summary of Significant Accounting Policies

#### Description of Entity

Bi-County Nutrition Program, Inc. is a nonprofit corporation which is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Entity was incorporated on March 4, 1983, and its Articles of Incorporation were amended on October 19, 1983.

The Corporation's operations consist of a program for providing congregate and home delivered meals under Title III-C of the Older Americans Act in Harrison and Doddridge Counties of West Virginia. The Entity also operates various nutrition sites located in Nutter Fort, Shinnston, West Union, Salem, Bridgeport, and Lost Creek.

#### Summary of Significant Accounting Policies

##### Basis of Accounting and Reporting

Bi-County Nutrition Program, Inc. uses the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred. The Entity maintains its accounting records and prepares its financial reports in accordance with the grantor funding cycles.

##### Cash

Cash is held on deposit with banking institutions covered by federal depository insurance. For the purpose of the statement of cash flows, the Organization considers cash and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

##### Basis of Presentation

The Organization has adopted FASB ACS 958-605-25-2, *Contributions Received* (formerly SFAS No. 116). The Organization has also adopted FASB ACS 958-205, *Presentation of Financial Statements* (formerly SFAS No. 117). Under FASB ACS 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. There are no permanently or temporarily restricted assets as of September 30, 2013.

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

**BI-COUNTY NUTRITION PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

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

**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 those estimates.

**Prepayments**

This account consists of prepaid insurance based on the effective dates of the policies and Title V Workers.

**Inventory**

Inventory is stated at the lower of cost or market (first in, first-out basis) and consists of raw food and disposables.

**Functional Expenses**

Expenses are directly allocated to each program based on the approved budgets of the grants or programs.

**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.

**Income Tax Exemption**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

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

**BI-COUNTY NUTRITION PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

All required federal tax returns for the Organization have been filed up to, and including the tax year ended September 30, 2012. The Organization's federal income tax returns for 2011, 2010, and 2009 remain subject to examination by the Internal Revenue Service ("IRS").

**Pension Plan**

The Corporation provides individual retirement annuities for all supervisory employees. The individual agreements provide that an approved monthly contribution be paid into the annuity on a monthly basis. The Corporation had one employee covered by the pension arrangement during the fiscal year. The cost of the plan for the year ended September 30, 2013 was \$1,320.

**Advertising Costs**

Bi-County Nutrition Program, Inc. expenses advertising costs as they are incurred.

**Compensated Absences**

Compensated absences consists of unpaid, accumulated annual sick and accrued vacation time. As of September 30, 2013, the Organization owed \$17,282 in accrued compensated absences.

**2. Deposits and Investments**

The Organization's deposits are categorized to give an indication of the level of risk assumed by the Organization at September 30, 2013. 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.

	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
Cash	\$ 147,726	\$ 147,726	\$ -	\$ -	\$ 124,705

The Organization had no investments as of September 30, 2013.

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

**BI-COUNTY NUTRITION PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**3. Property and Equipment**

Property and equipment are stated at cost or at the fair value at the date of donation. All assets are capitalized. Property and equipment consists of the following at September 30, 2013:

Land	\$	18,443
Building and improvements		337,213
Food service equipment		138,164
Office furniture and equipment		40,248
Vehicles		<u>250,364</u>
 Total property and equipment at cost	 \$	 <u>784,432</u>

Assets are being depreciated on a straight-line basis over the following number of years:

Building and improvements	40 years
Food service equipment	5 – 7 years
Office furniture and equipment	5 – 7 years
Vehicles	5 years

Depreciation expense was \$41,642 for the fiscal year ended September 30, 2013.

In July of 1996, the Harrison County Board of Education deeded property and building to the Organization. The site is to be used exclusively as a nutrition site for the Shinnston area. If, for any reason, Bi-County Nutrition Program, Inc. ceases to exist or substantially changes its activities, the property will revert back to the Board of Education. At the date of donation, the land and building had an appraised value of \$5,000 and \$90,000 respectively.

**4. Line of Credit**

In August 2008, Bi-County Nutrition Program, Inc. obtained a revolving line of credit loan from Huntington National Bank which allows the Organization to borrow up to \$25,000 in order to meet working capital needs. The loan is secured by a deed of trust on the Organization's Ohio Avenue real property. The balance of the line of credit at September 30, 2013 was \$-0-.

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

**BI-COUNTY NUTRITION PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**5. Risks and Uncertainties**

The majority of Bi-County Nutrition Program, Inc.'s revenues comes from service contracts with the Northwestern Area Agency on Aging. A loss or decrease in these contracts could adversely affect the operation of the organization.

**6. Commitment**

Bi-County Nutrition Program, Inc. has a contract with Doddridge County Senior Citizens, Inc. to provide meals in Doddridge County. This contract expires on September 30 each year if not renewed. This contract was renewed for the September 30, 2013 year.

**7. Subsequent Events**

The Bi-County Nutrition Program, Inc. has considered all subsequent events through February 12, 2014 the date the financial statements were made available.

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

**INDEPENDENT AUDITOR'S 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  
Bi-County Nutrition Program, Inc.  
Nutter Fort, West Virginia

Except as discussed in the following sentence we 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 of America, the financial statements of Bi-County Nutrition Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2014. Our opinion was modified because we did not observe the taking of the physical inventory stated at \$14,773.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bi-County Nutrition Program, 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bi-County Nutrition Program, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bi-County Nutrition Program, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control 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 deficiency described in the accompanying schedule of findings and responses as finding 2013-01 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bi-County Nutrition Program, Inc.'s financial statements are free from 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*.

### **Bi-County Nutrition Program, Inc.'s Response to Finding**

Bi-County Nutrition Program, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Bi-County Nutrition response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

February 12, 2014

**BI-COUNTY NUTRITION PROGRAM, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**2013-01 Segregation of Duties**

**Criteria:** Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

**Condition:** Responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction should be assigned to different individuals.

**Cause:** Responsibilities for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction are not assigned to different individuals.

**Effect:** The lack of complete segregation of duties increases the risk that errors or irregularities in recording, processing, summarizing and reporting financial data could occur and not be detected in a timely manner.

**Recommendation:** Responsibilities of approval, execution, recording and custody be distributed among the accounting staff to the degree possible. We recommend that the Board should remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

**Entity's Response:** To the extent possible, the Organization has segregated its duties. Any further segregation of duties would not be economically feasible.

**BI-COUNTY NUTRITION PROGRAM, INC.  
SCHEDULE OF FEDERAL AND STATE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Financial Awards Recognized</u>
<b>Federal Awards</b>				
<b>U.S. Department of Health and Human Services</b>				
Passed through the WV Bureau of Services and Bel-O-Mar Regional Council:				
	Title IIIC – Nutrition Services	93.045	N/A	\$ 286,356
	Nutritional Services Incentive Program	93.053	N/A	<u>30,000</u>
Total federal funds				<u>\$ 316,356</u>
<b>State Awards</b>				
WV Bureau of Senior Services through the Bel-O-Mar Regional Council:				
	Title IIIC - Nutrition Services	N/A	N/A	\$ 210,790
	LIFE	N/A	N/A	<u>23,270</u>
Total state funds				<u>\$ 234,060</u>

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

**BI-COUNTY NUTRITION PROGRAM, INC.**  
**NOTES TO THE SCHEDULE OF FEDERAL AND STATE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Note 1 Basis of Presentation:**

The accompanying Schedule of Federal and State Funds is prepared on the accrual basis of accounting which is the same basis used in the preparation of the financial statements.

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