

**WAYNE COUNTY COMMUNITY
SERVICES ORGANIZATION, INC.
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2017
WITH INDEPENDENT AUDITOR'S REPORTS**

DHHR - Finance

JUN - 5 2018

Date Received

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2017**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11
ADDITIONAL INFORMATION	
Schedule of Support, Revenue, and Expenses	12 - 15
Schedule of Expenditures of Federal and State Awards	16 - 17
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND ON COMPLIANCE:	
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 <i>Government Auditing Standards</i>	18 - 19
Schedule of Findings	20
Corrective Action Plan	21

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Ware & Hall, PLLC

Certified Public Accountants

The River Tower, Suite 501, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

Daniel J. Ware, CPA
William L. Hall, CPA

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wayne County Community Services Organization, Inc.
Huntington, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne County Community Services Organization, Inc. (a non-profit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, 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 preparation 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 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 of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wayne County Community Services Organization, Inc. as of September 30, 2017, 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.

Substantial Doubt About the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 11 to the financial statements, the Organization has experienced cash flow difficulties, has a current year deficit in the change in unrestricted net assets of \$48,156 has a deficiency in net assets of \$249,542 as of September 30, 2017, and has current liabilities in excess of current assets of \$113,261 as of September 30, 2017. In addition, the Organization has experienced discontinuance of grant funding for certain programs. These issues raise substantial doubt about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 11. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of support, revenue and expenses; and expenditures of federal and state awards, as presented on pages 12 through 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2018, on our consideration of Wayne County Community Services Organization, 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 the 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 Wayne County Community Services Organization, Inc.'s internal control over financial reporting and compliance.

Ware & Hall PLLC

Huntington, West Virginia
April 9, 2018

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Date Received

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 31,812
Reimbursement receivables	144,841
Prepaid expenses	44,508
Deposits	<u>28,864</u>

TOTAL CURRENT ASSETS 250,025

PROPERTY AND EQUIPMENT, NET 1,236,639

TOTAL ASSETS \$ 1,486,664

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES

Accounts payable	\$ 78,424
Accrued annual leave	5,941
Accrued payroll	54,202
Payroll taxes withheld and accrued	11,280
Accrued interest	139,441
Security deposits	1,250
Current portion of notes payable	<u>72,748</u>

TOTAL CURRENT LIABILITIES 363,286

LONG TERM LIABILITIES

Notes payable, less current portion included above 1,372,920

TOTAL LONG-TERM LIABILITIES 1,372,920

TOTAL LIABILITIES 1,736,206

NET ASSETS (DEFICIT)

Unrestricted (249,542)

TOTAL NET ASSETS (DEFICIT) (249,542)

TOTAL LIABILITIES AND NET ASSETS (DEFICIT) \$ 1,486,664

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017**

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

Grants:	
Federal/State/pass-through	\$ 57,000
Contractual service revenues	1,846,106
Program income	683
Rent	71,610
Other	<u>3,183</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	<u>1,978,582</u>

EXPENSES

PROGRAM SERVICES

Transportation	5,027
Starting Points	52,725
Medicaid Personal Care/Waiver	1,388,914
Veterans Administration	12,850
Upper Mill Creek apartment rentals	43,885
Other programs	<u>185,616</u>

TOTAL PROGRAM SERVICES 1,689,017

SUPPORTING SERVICES

Management and general	<u>337,721</u>
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TOTAL EXPENSES **2,026,738**

CHANGE IN UNRESTRICTED NET ASSETS (48,156)

NET ASSETS (DEFICIT), BEGINNING OF YEAR (201,386)

NET ASSETS (DEFICIT), END OF YEAR **\$ (249,542)**

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (48,156)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	66,988
(Gain) on disposal of property and equipment	(501)
(Increase) decrease in operating assets:	
Reimbursement receivables	14,167
Prepaid expenses	(14,936)
Deposits	(28,864)
Increase (decrease) in operating liabilities:	
Accounts payable	(72,407)
Accrued annual leave	(1,359)
Accrued payroll	688
Payroll taxes withheld and accrued	(813)
Accrued interest	96,199
Security deposits	<u>(1,509)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>9,497</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of property and equipment	501
Purchase of property and equipment	<u>(6,149)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(5,648)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,849
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>27,963</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>31,812</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	\$ <u>2,410</u>
Income taxes	\$ <u>-0-</u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Wayne County Community Services Organization, Inc. is a non-profit organization which provides services to low income, minority, elderly, disadvantaged, and handicapped citizens of Wayne County, West Virginia. Wayne County Community Services Organization, Inc.'s headquarters is located in Huntington, West Virginia. The majority of the Organization's funding comes from medicaid reimbursements.

PROPERTY AND EQUIPMENT - Effective August 8, 2017, Wayne County Community Services Organization, Inc. adopted a policy to capitalize all property and equipment over \$3,000 and above. The previous capitalization level was \$1,000 and above. Property and equipment purchased is stated at cost and donated property and equipment received is stated at fair market value at the date of donation.

Property and equipment is depreciated over the estimated useful lives of the assets on the straight-line method as follows:

Building and Improvements	15-40 years
Office Furniture and Fixtures	5-15 years
Computer Equipment	5-15 years
Vehicles and Related Equipment	5 years

REVENUE AND EXPENSE RECOGNITION - The financial statements have been prepared on the accrual basis of accounting. Grants restricted for specific purposes are reported as revenue when qualifying expenses have been incurred. Funds received in advance of incurring qualifying expenses are recorded as deferred revenue. Revenue from fee for service contracts is recognized in the accompanying financial statements when the services have been provided.

EXPENSE ALLOCATION - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated between the programs and supporting services benefitted.

CASH AND CASH EQUIVALENTS -The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization held no cash equivalents at September 30, 2017.

INCOME TAXES - Wayne County Community Services Organization, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes the Organization is no longer subject to income tax examinations for years prior to 2014.

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.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

ADVERTISING COSTS - Advertising costs totaling \$2,299 for the fiscal year ending September 30, 2017 were charged to operations when incurred.

RECEIVABLES - Receivables consists of amounts due for services provided under federal, state, and other contracts. Receivables are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectibility. Once it is determined by management that the account will not be collectible, it is charged-off as bad debts.

BAD DEBTS - The Organization utilizes the direct charge-off method of accounting for bad debts. This method does not result in a materially different provision for bad debt expense than would result from the use of the reserve method.

NOTE 2 - SUMMARY OF GRANT AGREEMENTS

The following summarizes grant awards which were active during the period October 1, 2016 through September 30, 2017:

<u>Description</u>	<u>Grant Period</u>	<u>Amount of Award</u>
Federal Assistance		
U. S. Department of Health and Human Services		
Pass-through West Virginia Department of Health and Human Resources, Bureau for Children and Families:		
Community-Based Child Abuse Prevention G170290	07/01/16 - 06/30/17	\$ 2,955
Community-Based Child Abuse Prevention G180189	07/01/17 - 06/30/18	2,955
Promoting Safe and Stable Families G170290	07/01/16 - 06/30/17	12,658
Promoting Safe and Stable Families G180189	07/01/17 - 06/30/18	12,658
U.S. Department of Homeland Security		
FEMA Emergency Food and Shelter 895000-012	02/01/16 - 03/31/17	4,000
State Assistance		
West Virginia Department of Health and Human Resources, Bureau for Children and Families		
Starting Points G170290	07/01/16 - 06/30/17	\$ 37,387
Starting Points G180189	07/01/17 - 06/30/18	37,387

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2017:

Land	\$	54,500
Buildings		1,574,569
Improvements		476,905
Furniture, Fixtures and equipment		167,915
Vehicles		<u>109,308</u>
		2,383,197
Less: Accumulated depreciation		<u>(1,146,558)</u>
Property and Equipment, Net	\$	<u>1,236,639</u>

Depreciation expense charged to operations amounted to \$66,988 in 2017.

NOTE 4 - NOTES PAYABLE

Notes Payable consisted of the following as of September 30, 2017:

Note payable to Community Trust Bank dated 01/05/2007; original principal amount \$1,463,000; modified December 8, 2015; payable in 240 monthly payments including interest at 5.75% (7.75% default rate) from 01/01/2016 through 01/01/2036; secured by real estate, assignment of leases and rents, and a first priority lien on all business assets.	\$	<u>1,445,668</u>
Total		1,445,668
Less: Current Portion		<u>(72,748)</u>
Long-term Portion	\$	<u>1,372,920</u>

Following are maturities of notes payable at September 30, 2017 for each of the next five years and in aggregate:

<u>Years Ending September 30,</u>	<u>Amount</u>
2018	\$ 72,748
2019	36,166
2020	42,312
2021	45,710
2022	49,381
Thereafter	<u>1,199,351</u>
	\$ <u>1,445,668</u>

Interest expense for the year ended September 30, 2017 totaled \$96,199.

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 - OPERATING LEASES

The Organization leases facilities for senior centers as well as office space under operating leases expiring through 2025 and on a month-to-month basis. Total rent expense for the year ended September 30, 2017 amounted to \$33,600.

The Organization also leases office equipment under an operating lease expiring in 2020. Total rent expense for the year ended September 30, 2017 amounted to \$4,075.

Minimum future rental payments under non-cancelable operating leases having initial or remaining terms in excess of one year as of September 30, 2017 for each of the next five years and in the aggregate are.

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 28,380
2019	23,700
2020	18,475
2021	18,000
2022	18,000
Thereafter	<u>51,000</u>
Total minimum future lease payments	\$ <u>157,555</u>

The Organization is the lessor of a ten unit apartment building as well as space in it's corporate offices and senior centers under operating leases on an annual and/or month-to-month basis. Rental income for the year ended September 30, 2017 amounted to \$71,610.

Following is a summary of property on or held for lease at September 30, 2017:

Land	\$ 54,500
Building	868,012
Building improvements	<u>250,949</u>
	1,173,461
Less accumulated depreciation	<u>(524,633)</u>
Net	\$ <u>648,828</u>

NOTE 6 - COST ALLOCATION

Wayne County Community Services Organization, Inc. has adopted a cost allocation plan whereby each program is charged its fair share of the agency's indirect costs. Indirect costs are those costs incurred for a common purpose benefitting or supporting all agency programs and activities and are not readily assignable directly. Indirect costs are accumulated in an indirect cost pool and are allocated to the various programs in proportion to their personnel costs to total personnel costs or their modified total direct costs to total modified total direct costs depending on the type of cost.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Organization provides various services to the elderly and low income individuals of Wayne County, West Virginia on a third-party reimbursement basis. The Organization bills the various funding sources in accordance with contractual agreements without requiring collateral or any other security. Grants and other receivables have been adjusted for all known uncollectible accounts. An allowance for bad debts has not been set up as the amount is not considered material.

The Organization maintains cash balances with various financial institutions. All accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had no bank balances in excess of the FDIC coverage at these financial institutions at September 30, 2017.

NOTE 8 - PENSION PLAN

The Organization sponsors a defined contribution pension plan. Employer contributions to the plan for the fiscal year ended September 30, 2017 were \$7,811.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Organization is associated with Westmoreland Apts, Inc., a West Virginia 501(c)(3) entity incorporated to build housing for low-income elderly citizens of Wayne County, through authority to appoint board members and management. Westmoreland Apts, Inc.'s 20-unit apartment building is situated on land which is the property of the Organization. No rents are charged for use of the land.

The total amount paid to Westmoreland Apts, Inc. for fiscal year ended September 30, 2017 was \$27,486. This was for amounts previously advanced to the Organization. There were no amounts owed Westmoreland Apts, Inc. at September 30, 2017.

The Organization rents a facility, that houses the Starting Points' program, from the Executive Director's aunt. The amount paid to the Executive Director's aunt for the fiscal year ended September 30, 2017 was \$6,200.

The Organization rents a senior center from an Organization governed by the same board members of Wayne County Community Services Organization, Inc. The total amount paid to the Organization for the fiscal year ended September 30, 2017 was \$19,500. There were no amounts due the Organization at September 30, 2017.

NOTE 10 - CONTINGENCIES AND UNCERTAINTIES

The Organization's programs are generally funded by federal, state, and local sources. Federal and state grants received for specific purposes are subject to audit or review by grantor agencies. Such audits and reviews could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although management believes such amounts, if any, would be immaterial.

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 - MANAGEMENT'S PLAN TO IMPROVE OPERATIONS

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern and contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, the Organization has experienced cash flow difficulties, has a current year deficit in the change in unrestricted net assets of \$48,156, has a deficiency in net assets of \$249,542 as of September 30, 2017, and has current liabilities in excess of current assets of \$113,261 as of September 30, 2017. In addition, the Organization has experienced discontinuance of grant funding for certain programs. These issues raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or are available to be issued). Therefore, the Organization's ability to continue as a going concern is contingent upon management's ability to successfully implement their plan to improve operations. Management's inability to successfully implement their plan to improve operations could materially impact the amounts and classifications of assets and liabilities reported in the Organization's accompanying financial statements. The accompanying financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Organization be unable to continue as a going concern.

Management's plans to improve operations are as follows:

Wayne County Community Services Organization, Inc. continues its mission in providing excellent services to county residents. The WCCSO, Inc. management team, including our CPA, work diligently to make operations more efficient such as improvements on record keeping and more effective operating systems. Management continues to expand marketing to include new agency websites that will provide individuals with current information regarding all services, programs, trainings, etc. provided by WCCSO, Inc.

The entire WCCSO, Inc. staff is working to bring new energy to the current In-Home programs by making them more appealing to today's job seekers.

The Executive Director and CPA work closely with the Board of Directors to provide regular updates and to identify any issues and make plans for resolution. The WCCSO management team plans to seek new funding sources that will allow expansion of services in line with the WCCSO mission.

Public relations will be increased to provide better knowledge of WCCSO services to the general public. A resource development committee will be created. This committee will be the basis of support in determining the new partners, funding sources, etc.

Efforts to reduce program cost, expand services, and maintain quality programs are ongoing.

NOTE 12 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to September 30, 2017 through April 9, 2018 (the date the financial statements were available to be issued) for possible adjustment to, or disclosure in the accompanying financial statements as required by the Subsequent Events Topic of the FASB Accounting Standards Codification.

ADDITIONAL INFORMATION

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	<u>Transportation</u>	<u>Starting Points</u>
SUPPORT AND REVENUE		
Grant revenue-federal/state/pass-through	\$ -0-	\$ 53,000
Contractual service revenue	-0-	-0-
Program income	-0-	-0-
Rent	-0-	-0-
Other	<u>-0-</u>	<u>684</u>
TOTAL SUPPORT AND REVENUE	<u>-0-</u>	<u>53,684</u>
EXPENSES		
Salaries and benefits	-0-	35,367
Travel and training	-0-	536
Consumable supplies	-0-	1,853
Maintenance and repairs	-0-	-0-
Vehicles and equipment	5,027	-0-
Insurance	-0-	439
Occupancy	-0-	6,000
Contractual and consultants	-0-	75
Telephone and utilities	-0-	4,703
Food	-0-	-0-
Other	-0-	2,007
Indirect costs	-0-	21,828
Depreciation	-0-	1,745
Interest	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENSES	<u>5,027</u>	<u>74,553</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u>(5,027)</u>	\$ <u>(20,869)</u>

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2017**

	Lighthouse In-Home <u>Services</u>	FAIR In-Home <u>Services</u>
SUPPORT AND REVENUE		
Grant revenue-federal/state/pass-through	\$ -0-	\$ -0-
Contractual service revenue	-0-	-0-
Program income	123	560
Rent	-0-	-0-
Other	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>123</u>	<u>560</u>
EXPENSES		
Salaries and benefits	-0-	-0-
Travel and training	-0-	-0-
Consumable supplies	-0-	-0-
Maintenance and repairs	-0-	-0-
Vehicles and equipment	-0-	-0-
Insurance	-0-	-0-
Occupancy	-0-	-0-
Contractual and consultants	-0-	-0-
Telephone and utilities	-0-	-0-
Food	-0-	-0-
Other	-0-	-0-
Indirect costs	-0-	-0-
Depreciation	-0-	-0-
Interest	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENSES	<u>-0-</u>	<u>-0-</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u>123</u>	\$ <u>560</u>

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	<u>Medicaid Personal Care/Waiver</u>	<u>Veterans Administration</u>	<u>Upper Mill Creek Apartment Rentals</u>
SUPPORT AND REVENUE			
Grant revenue-federal/state/pass-through	\$ -0-	\$ -0-	\$ -0-
Contractual service revenue	1,815,679	30,427	-0-
Program income	-0-	-0-	-0-
Rent	-0-	-0-	34,916
Other	<u>-0-</u>	<u>-0-</u>	<u>94</u>
TOTAL SUPPORT AND REVENUE	<u>1,815,679</u>	<u>30,427</u>	<u>35,010</u>
EXPENSES			
Salaries and benefits	1,311,796	11,120	-0-
Travel and training	24,835	21	-0-
Consumable supplies	688	-0-	131
Maintenance and repairs	-0-	-0-	8,714
Vehicles and equipment	-0-	-0-	728
Insurance	11,685	105	3,606
Occupancy	-0-	-0-	-0-
Contractual and consultants	200	-0-	6,658
Telephone and utilities	-0-	-0-	11,673
Food	-0-	-0-	-0-
Other	6,368	844	3,522
Indirect costs	301,154	11,943	2,796
Depreciation	33,342	760	8,853
Interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENSES	<u>1,690,068</u>	<u>24,793</u>	<u>46,681</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u>125,611</u>	\$ <u>5,634</u>	\$ <u>(11,671)</u>

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2017**

	<u>Other Programs</u>	<u>Totals</u>
SUPPORT AND REVENUE		
Grant revenue-federal/state/pass-through	\$ 4,000	\$ 57,000
Contractual service revenue	-0-	1,846,106
Program income	-0-	683
Rent	36,694	71,610
Other	<u>2,405</u>	<u>3,183</u>
TOTAL SUPPORT AND REVENUE	<u>43,099</u>	<u>1,978,582</u>
EXPENSES		
Salaries and benefits	-0-	1,358,283
Travel and training	40	25,432
Consumable supplies	-0-	2,672
Maintenance and repairs	6,251	14,965
Vehicles and equipment	5,209	10,964
Insurance	6,123	21,958
Occupancy	27,600	33,600
Contractual and consultants	9,057	15,990
Telephone and utilities	834	17,210
Food	31	31
Other	9,574	22,315
Indirect costs	-0-	337,721
Depreciation	22,288	66,988
Interest	<u>98,609</u>	<u>98,609</u>
TOTAL EXPENSES	<u>185,616</u>	<u>2,026,738</u>
INCREASE (DECREASE) IN NET ASSETS	\$ <u>(142,517)</u>	\$ <u>(48,156)</u>

**WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2017**

<u>Federal or State Grantor/Pass-through Grantor/ Program Title</u>	<u>Agency/ Pass-through Number</u>
FEDERAL AWARDS	
U.S. Department of Health and Human Services	
Pass-through West Virginia Department of Health and Human Resources, Bureau for Children and Families:	
Community-Based Child Abuse Prevention	G170290
Community-Based Child Abuse Prevention	G180189
Promoting Safe and Stable Families	G170290
Promoting Safe and Stable Families	G180189
Total U.S. Department of Health and Human Services	
U.S. Department of Homeland Security	
FEMA Emergency Food and Shelter	895000-012
Total U.S. Department of Homeland Security	
Total Expenditures of Federal Awards	
STATE AWARDS	
West Virginia Department of Health and Human Resources, Bureau for Children and Families	
Starting Points	G170290
Starting Points	G180189
Total Expenditures of State Awards	
Total Expenditures of Federal and State Awards	

<u>Program Period</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
07/01/16 - 06/30/17	\$ 2,955	\$ 2,364
07/01/17 - 06/30/18	2,955	591
07/01/16 - 06/30/17	12,658	10,128
07/01/17 - 06/30/18	12,658	<u>2,530</u>
		<u>15,613</u>
02/01/16 - 03/31/17	4,000	<u>4,000</u>
		<u>4,000</u>
		<u>19,613</u>
07/01/16 - 06/30/17	\$ 37,387	29,913
07/01/17 - 06/30/18	37,387	<u>7,474</u>
		<u>37,387</u>
		\$ <u>57,000</u>

**INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL
AND ON COMPLIANCE**

Ware & Hall, PLLC

Certified Public Accountants

The River Tower, Suite 501, 1108 3rd Avenue
Post Office Box 819, Huntington, West Virginia 25712-0819
Telephone: (304) 525-7202 Fax: (304) 525-7282

Daniel J. Ware, CPA
William L. Hall, CPA

Members of
American Institute of
Certified Public Accountants
WV Society of Certified Public Accountants

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*

Board of Directors
Wayne County Community
Services Organization, Inc.
Huntington, West Virginia

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, the financial statements of Wayne County Community Services Organization, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wayne County Community Services Organization, 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 Wayne County Community Services Organization, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Wayne County Community Services Organization, 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.

Our consideration of 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 have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County Community Services Organization, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wayne County Community Services Organization, Inc.'s Response to Findings

Wayne County Community Services Organization, Inc.'s response to the finding identified in our audit is described in the accompanying corrective action plan. Wayne County Community Services Organization, Inc.'s 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 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.

Ware & Hall PLLC

Huntington, West Virginia
April 9, 2018

SCHEDULE OF FINDINGS

WAYNE COUNTY COMMUNITY SERVICES ORGANIZATION, INC.
SCHEDULE OF FINDINGS
YEAR ENDED SEPTEMBER 30, 2017

2017-001 Accrual of Interest Expense on Outstanding Note Payable

Condition: The Organization did not make any of the required principal or interest payments on its note payable outstanding to Community Trust Bank during the fiscal year ended September 30, 2017. We noted during our audit procedures that interest expense payable on the outstanding note payable was not accrued during the fiscal year ended September 30, 2017.

Criteria: Accounting principles generally accepted in the United States of America requires the accrual basis of accounting whereby expenses are recognized as they are incurred as opposed to when paid. Therefore, unpaid interest expense on outstanding notes payable should be accrued as of the reporting period.

Cause: Management discovered that the bank had placed the loan on nonaccrual status as required by their regulators due to the delinquent status of the loan whereby they recognize a reserve for uncollectible interest in their accounting records. Management erroneously assumed this meant that the interest was forgiven.

Effect: Interest expense and accrued interest payable were understated by \$96,199 in the September 30, 2017 financial statements. The necessary adjusting journal entry was made during the audit to correct this error.

Recommendation: Strengthen review procedures over these types of non-routine transactions to ensure such transactions are recorded correctly.

Views of responsible officials and planned corrective action: The Organization agrees with the finding and will strengthen review procedures over non-routine transactions to ensure these types of transactions are recorded properly. See current year corrective action plan.

CORRECTIVE ACTION PLAN

WCCSO, Inc. Management Corrective Action Response to finding:

WCCSO, Inc. is in negotiations with Community Trust Bank concerning this loan. The board of directors is currently considering options to remedy this issue. WCCSO, Inc. has a contract to sell an affordable housing property and has agreed to pay Community Trust Bank a lump sum when the sell is final. The buyer has encountered some obstacles in obtaining funding for the property. However, WCCSO management is working with that funding source by providing information that may help approve the funding. WCCSO, Inc. will begin making a monthly payment to Community Trust toward the accrued interest. Until WCCSO, Inc. has come to an agreement with Community Trust Bank, we will accrue the interest on this note accordingly.