

MASON COUNTY ACTION GROUP, INC.

Financial Statements

September 30, 2010

MASON COUNTY ACTION GROUP, INC.

Financial Statements

September 30, 2010

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ALICE M. HARRIS, CPA, A.C.

Independent Auditor's Report

Board of Directors
Mason County Action Group, Inc.:

I have audited the accompanying statement of financial position of Mason County Action Group, Inc., (a West Virginia non-profit corporation) as of September 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. The financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Mason County Action Group, Inc., as of September 30, 2010, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Audit Standards*, I have also issued my report dated November 30, 2010 on my consideration of Mason County Action Group, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 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* and should be considered in assessing the results of my audit.

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Independent Auditor's Report, Continued

My audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of support, revenue and expenses (Schedule 1 through Schedule 4) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alice M. Harris, CPA

Alice M. Harris, CPA
November 30, 2010

MASON COUNTY ACTION GROUP, INC.
Statement of Financial Position
September 30, 2010

ASSETS		
Current assets:		
Cash and cash equivalents	\$	97,376
Accounts receivable, net		112,728
Inventory		10,880
Prepaid insurance		7,623
Total current assets		228,607
Property and equipment:		
Land		6,800
Buildings		132,404
Equipment		44,267
Vehicles		143,805
Leasehold improvements		81,504
		408,780
Less accumulated depreciation		(250,227)
Net property and equipment		158,553
Total assets		387,160
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$	56,715
Accounts payable		17,967
Accrued payroll and related taxes		43,514
Accrued annual leave		12,668
Due to funding sources		16,820
Total current liabilities		147,684
Total liabilities		147,684
Net assets:		
Unrestricted, undesignated		80,923
Invested in properly plant and equipment		158,553
		239,476
Temporarily restricted		-
Permanently restricted		-
Total net assets		239,476
Total liabilities and net assets	\$	387,160

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.

Statement of Activities

Year ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Federal grant awards	\$ 214,451	-	-	214,451
Other grants and fees	858,647	-	-	858,647
Program income	31,067	-	-	31,067
Contributions	14,723	-	-	14,723
Funraising	10,320	-	-	10,320
In-kind revenues	24,914	-	-	24,914
Other income	8,788	-	-	8,788
Total support and revenue	1,162,910	-	-	1,162,910
Expenses:				
Program expenses:				
In-Home services	614,423	-	-	614,423
Nutrition	192,481	-	-	192,481
Transportation	52,794	-	-	52,794
Senior services	63,909	-	-	63,909
Total program expenses	923,607	-	-	923,607
Supporting services:				
Management and general	123,136	-	-	123,136
Fundraising	5,557	-	-	5,557
Total expenses	1,052,300	-	-	1,052,300
Change in net assets	110,610	-	-	110,610
Net assets, beginning of year	128,866	-	-	128,866
Net assets, end of year	\$ 239,476	-	-	239,476

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
Statement of Functional Expenses
Year ended September 30, 2010

		Personal care	Nutrition	Transportation	Senior services	Total program expenses	Management and general	Fundraising	Total expenses
Salaries and benefits	\$	501,858	70,107	46,264	37,533	655,762	78,996	-	734,758
Office supplies, printing & postage		15,715	-	-	163	15,878	2,789	5,557	24,224
Utilities		42,298	-	-	2,150	44,448	-	-	44,448
Travel and meetings		22,186	-	-	-	22,186	6	-	22,192
Transportation		4,718	-	5,694	-	10,412	-	-	10,412
Food and disposable supplies		-	106,964	-	-	106,964	-	-	106,964
Legal and professional		2,300	-	-	-	2,300	2,750	-	5,050
Repairs and maintenance		9,176	-	-	13,197	22,373	-	-	22,373
Insurance		14,107	836	836	418	16,197	17,917	-	34,114
Other expenses		2,065	9	-	99	2,173	841	-	3,014
Interest expense		-	-	-	-	-	3,854	-	3,854
In-kind match		-	14,565	-	10,349	24,914	-	-	24,914
Depreciation		-	-	-	-	-	15,983	-	15,983
Total expenses	\$	614,423	192,481	52,794	63,909	923,607	123,136	5,557	1,052,300

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.

Statement of Cash Flows

Year ended September 30, 2010

Cash flows from operating activities:		
Change in net assets	\$	110,610
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		15,983
(Increase) decrease in:		
Accounts receivable		18,278
Inventory		969
Prepaid expenses and deposits		1,240
Increase (decrease) in:		
Accounts payable		(18,313)
Accrued payroll and related taxes		10,600
Accrued annual leave		(260)
Net cash provided by operating activities		139,107
<hr/>		
Cash flows from investing activities:		
Proceeds from sale of assets		-
Cash paid for property and equipment purchases		(63,866)
Net cash used in investing activities		(63,866)
<hr/>		
Cash flows from financing activities		
Advances on line of credit		-
Repayment of line of credit		(24,000)
Net cash used in investing activities		(24,000)
<hr/>		
Increase in cash and cash equivalents		51,241
Cash and cash equivalents, beginning of year		46,135
Cash and cash equivalents, end of year	\$	97,376
<hr/>		
Supplemental cash flow disclosures:		
Cash paid for:		
Income taxes	\$	-
Interest		3,854

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
Notes to Financial Statements

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The mission of Mason County Action Group, Inc., (a not-for-profit organization) is to provide services to low income individuals and families in Mason County, WV. The Organization also operates three senior citizens centers throughout Mason County.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America.

Basis of Presentation - The Organization has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, an organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- . Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- . Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or passage of time.
- . Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the organization. Generally, the donors of the assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Contributed Property and Equipment - Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, then the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, Mason County Action Group, Inc., considers all highly-liquid investments purchased with maturities of three months or less to be cash and cash equivalents.

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Advertising – It is the policy of Mason County Action Group, Inc. to expense all advertising costs as incurred.

Functional expenses – The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated according to their natural classification.

MASON COUNTY ACTION GROUP, INC.
Notes to Financial Statements, Continued

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, CONTINUED

Property and Equipment - All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Computer and office equipment	5 to 10
Furniture and fixtures	5 to 10
Buildings	27.5

Depreciation expense for the fiscal year ended September 30, 2010 was \$15,983.

The property, furniture and equipment acquired is owned by Mason County Action Group, Inc. while used in the program for which it was purchased or in future authorized programs. The funding sources, however, have a reversionary interest in the property, furniture and equipment purchased with grant funds; therefore, its disposition, as well as the ownership of any sale proceeds there from, is subject to funding source regulations.

Fair Value of Financial Instruments – Mason County Action Group, Inc. has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at September 30, 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value of all financial instruments has been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Inventory – Inventory consists of raw food and supplies and are stated at the lower of cost or market determined by the first-in-first-out method.

USE OF 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATIONS OF RISK DISCLOSURE

The Organization is economically dependent on grants from various federal, state and local governments for the operation of their programs. The Organization's ability to receive these grants is somewhat dependent on the national, state and local economy.

MASON COUNTY ACTION GROUP, INC.
Notes to Financial Statements, Continued

ACCOUNTS AND GRANTS RECEIVABLE

The Organization operates in the Point Pleasant, WV area and receives support from various sources, substantially all of whom are local individuals or government agencies.

Line of Credit

The Organization entered into a line of credit arrangement with a local bank. Outstanding balances are payable on demand and accrue interest at 5.5% for 2010. The note is secured by all assets of the Organization. As of September 30, 2010, outstanding balances on the line of credit totaled \$56,715.

Interest expense paid during the year ended September 30, 2010 totaled \$3,854.

ACCRUED ANNUAL LEAVE

Accrued annual leave includes all obligations for vacation leave at the current rate of employee pay. Employees vest in earned but unused vacation leave up to a maximum of 120 hours. At September 30, 2010 the liability for accrued annual leave totaled \$12,668.

CONTINGENT LIABILITIES

The Organization's programs are generally funded from federal, state, and local sources, principal of which are programs of the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. Federal and state grants received for specific purposes are subject to audit and 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, or expenditures which may be disallowed by grantor agencies totaled \$16,820 and is reported as a liability due to funding sources.

RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Organization manages these risks of loss through the purchase of various insurance policies.

EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 30, 2010, the date which the financial statements were available to be issued.

MASON COUNTY ACTION GROUP, INC.
Schedule of Support, Revenue and Expenses - In Home Services
Year ended September 30, 2010

	General	Case Management	In-Home Services	Homemaker	L.I.F.E Grant	Personal Care	Private Pay	Veteran's Admin.	Totals
Support and revenue:									
Federal grant awards	\$ -	-	-	-	-	-	-	-	-
Other grants and fees	31,600	12,514	102,061	237,302	170,382	159,081	-	57,406	770,346
Program income	-	-	-	151	-	-	2,906	-	3,057
Contributions	10,575	-	4,148	-	-	-	-	-	14,723
Funraising	10,320	-	-	-	-	-	-	-	10,320
In-kind matching revenues	-	-	-	-	-	-	-	-	-
Other income	8,788	-	-	-	-	-	-	-	8,788
Total support & revenue	61,283	12,514	106,209	237,453	170,382	159,081	2,906	57,406	807,234
Expenses:									
Salaries and benefits	1,240	16,846	106,589	169,779	37,643	125,756	5,457	38,548	501,858
Office supplies, printing & postage	-	-	153	-	15,254	153	76	79	15,715
Utilities	-	-	-	-	42,298	-	-	-	42,298
Travel and meetings	-	-	6,155	2,153	5,433	7,128	156	1,161	22,186
Transportation	-	-	-	-	4,667	-	-	51	4,718
Food and disposable supplies	-	-	-	-	-	-	-	-	-
Legal and professional	-	-	-	-	2,300	-	-	-	2,300
Repairs and maintenance	-	-	-	-	9,176	-	-	-	9,176
Insurance	-	181	1,254	418	11,526	364	-	364	14,107
Other expenses	37	57	263	86	1,389	14	-	219	2,065
In-kind match	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Total direct expenses	1,277	17,084	114,414	172,436	129,686	133,415	5,689	40,422	614,423
Indirect cost allocation	509	3,025	19,410	32,441	6,385	24,012	826	7,073	93,681
Total expenses	1,786	20,109	133,824	204,877	136,071	157,427	6,515	47,495	708,104
Net program income (loss)	59,497	(7,595)	(27,615)	32,576	34,311	1,654	(3,609)	9,911	99,129

See accompanying notes to financial statements

MASON COUNTY ACTION GROUP, INC.
Schedule of Support, Revenue and Expenses - Nutrition Programs
Year ended September 30, 2010

	Title III C	Totals
Support and revenue:		
Federal grant awards	\$ 152,816	152,816
State grant awards	-	-
Program income	27,972	27,972
Contributions	-	-
Funraising	-	-
In-kind matching revenues	14,565	14,565
Other income	-	-
Total support & revenue	195,353	195,353
Expenses:		
Salaries and benefits	70,107	70,107
Office supplies, printing & postage	-	-
Utilities	-	-
Travel and meetings	-	-
Transportation	-	-
Food and disposable supplies	106,964	106,964
Legal and professional	-	-
Repairs and maintenance	-	-
Insurance	836	836
Other expenses	9	9
In-kind match	14,565	14,565
Depreciation	-	-
Total direct expenses	192,481	192,481
Indirect cost allocation	13,165	13,165
Total expenses	205,646	205,646
Net program income (loss)	(10,293)	(10,293)

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
Schedule of Support, Revenue and Expenses - Transportation Programs
Year ended September 30, 2010

	Transportation CSBG	Title III B	Totals
Support and revenue:			
Federal grant awards	\$ -	13,495	13,495
State grant awards	16,341	-	16,341
Program income	-	38	38
Contributions	-	-	-
Funraising	-	-	-
In-kind matching revenues	-	-	-
Other revenues	-	-	-
Total support & revenue	16,341	13,533	29,874
Expenses:			
Salaries and benefits	13,285	32,979	46,264
Office supplies, printing & postage	-	-	-
Utilities	-	-	-
Travel and meetings	-	-	-
Transportation	1,224	4,470	5,694
Food and disposable supplies	-	-	-
Legal and professional	-	-	-
Repairs and maintenance	-	-	-
Insurance	418	418	836
Other expenses	-	-	-
In-kind match	-	-	-
Depreciation	-	-	-
Total direct expenses	14,927	37,867	52,794
Indirect cost allocation	1,064	7,020	8,084
Total expenses	15,991	44,887	60,878
Net program income (loss)	350	(31,354)	(31,004)

See accompanying notes to financial statements.

Schedule of Support, Revenue and Expenses - Senior Services
Year ended September 30, 2010

	Elder Abuse	Title III B Senior Services	Title III D Medical Info. & Management	Community Partners	Title III E Caregiver Services	Totals
Support and revenue:						
Federal grant awards	\$ -	33,650	2,493	-	11,997	48,140
State grant awards	460	-	-	71,500	-	71,960
Program income	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Funraising	-	-	-	-	-	-
In-kind matching revenues	-	5,935	415	-	3,999	10,349
Other revenues	-	-	-	-	-	-
Total support & revenue	460	39,585	2,908	71,500	15,996	130,449
Expenses:						
Salaries and benefits	-	22,045	2,910	-	12,578	37,533
Office supplies, printing & postage	-	-	100	-	63	163
Utilities	-	2,150	-	-	-	2,150
Travel and meetings	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Food and disposable supplies	-	-	-	-	-	-
Legal and professional	-	-	-	-	-	-
Repairs and maintenance	-	155	-	13,042	-	13,197
Insurance	-	418	-	-	-	418
Other expenses	-	99	-	-	-	99
In-kind match	-	5,935	415	-	3,999	10,349
Depreciation	-	-	-	-	-	-
Total direct expenses	-	30,802	3,425	13,042	16,640	63,909
Indirect cost allocation	-	83,925	10,604	-	2,503	97,032
Total expenses	-	114,727	14,029	13,042	19,143	160,941
Net program income (loss)	460	(75,142)	(11,121)	58,458	(3,147)	(30,492)

See accompanying notes to financial statements.

**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, CONTINUED***

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the all of the significant deficiencies described in the schedule of findings and questioned costs are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mason County Action Group, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 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*.

This report is intended solely for the information and use of the audit committee, management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Alice M. Harris, CPA

Alice M. Harris, CPA
November 30, 2010

**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***

To the Board of Directors of
Mason County Action Group, Inc.

I have audited the financial statements of Mason County Action Group, Inc., (a nonprofit organization) as of and for the year ended September 30, 2010, and have issued my report thereon dated November 30, 2010. 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Mason County Action Group's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mason County Action Group's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

**MASON COUNTY ACTION GROUP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2010**

STATUS OF PRIOR YEAR FINDINGS: All prior year findings had been corrected at the time of the current year audit.

PART II FINANCIAL STATEMENT FINDINGS:

2010-1 Personnel Evaluation

Condition: During the course of the audit it was noted that not all employees had received their annual performance evaluations.

Criteria: Controls should be in place to ensure that all employees are provided with an annual performance evaluation. The Executive Director's evaluation should be performed by the Board of Directors and all other employees should be evaluated by their immediate supervisor and/or the Executive Director.

Effect: Employee evaluations provide opportunities for the employee and employer to communicate about recent job performance, expectations and future goals. Failure to conduct these evaluations can lead to poor or diminished job performance and a lack of understanding of the expectations the Organization has for its employees.

Recommendation: The Agency should develop a system which ensures all employees are provided an annual written performance evaluation. A copy of the evaluation should be signed by the employee and the supervisor. A copy of the evaluation should be given to the employee and one copy should be retained in the employee's personnel file.

Agency Response: The Agency agrees and will work to ensure that all employee evaluations are conducted at least annually and in a timely manner.