

**COMMUNITY ACTION OF
SOUTH EASTERN WEST VIRGINIA, INC.
(A NON-PROFIT ORGANIZATION)**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

YEARS ENDED AUGUST 31, 2016 AND 2015

WITH INDEPENDENT AUDITOR'S REPORTS



**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION
YEARS ENDED AUGUST 31, 2016 AND 2015**

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**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION
YEARS ENDED AUGUST 31, 2016 AND 2015**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Community Action of South Eastern
West Virginia, Inc.
Bluefield, West Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action of South Eastern West Virginia, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities 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

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 Community Action of South Eastern West Virginia, Inc. as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Rewards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules of State Grant Receipts and Expenditures are presented for purposes of additional analysis as required by *West Virginia Code 12-4-14*, and is not a required part of the financial statements. The schedules of Grant Support, Revenue and Expenses Compared to Grant Budgets (Non-GAAP Basis) are presented for purposes of additional analysis, and are not a required part of the financial statements. The schedules of Program Revenues and Expenses – AAA are presented for purposes of additional analysis, and are not a required part of the financial statements. The schedule of Salaries & Wages, Fringes, and Indirect Cost Charged, and schedule of Indirect Cost 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 19, 2017, on our consideration of Community Action of South Eastern West Virginia, 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 Community Action of South Eastern West Virginia, Inc.'s internal control over financial reporting and compliance.



Huntington, West Virginia
April 19, 2017

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,381,703	\$ 1,386,448
Accounts receivable	1,116,550	1,061,962
Inventory	23,687	23,687
TOTAL CURRENT ASSETS	<u>2,521,940</u>	<u>2,472,097</u>
PROPERTY AND EQUIPMENT, NET OF DEPRECIATION	<u>3,976,946</u>	<u>3,763,015</u>
OTHER ASSETS		
Prepaid expense	8,263	-0-
TOTAL OTHER ASSETS	<u>8,263</u>	<u>-0-</u>
TOTAL ASSETS	<u>\$ 6,507,149</u>	<u>\$ 6,235,112</u>

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable	\$ 397,582	\$ 302,571
Accrued liabilities	305,099	252,885
Current portion of long-term liabilities	76,527	93,034
Accrued leave	719,578	723,861
TOTAL CURRENT LIABILITIES	<u>1,498,786</u>	<u>1,372,351</u>
LONG-TERM LIABILITIES		
Long-term liabilities, less current portion	681,284	764,719
Other post-employment benefits	2,947,038	2,792,280
TOTAL LONG-TERM LIABILITIES	<u>3,628,322</u>	<u>3,556,999</u>
TOTAL LIABILITIES	<u>5,127,108</u>	<u>4,929,350</u>
NET ASSETS		
Unrestricted	1,380,041	1,305,762
TOTAL NET ASSETS	<u>1,380,041</u>	<u>1,305,762</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,507,149</u>	<u>\$ 6,235,112</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES:		
Federal	\$ 7,609,292	\$ 6,377,193
State	1,011,635	1,077,122
Fee for Service	1,247,288	1,266,924
Other	870,131	983,769
In-kind	<u>992,406</u>	<u>1,402,818</u>
TOTAL UNRESTRICTED REVENUES	<u>11,730,752</u>	<u>11,107,826</u>
UNRESTRICTED EXPENSES:		
Salaries and wages	4,910,354	4,584,605
Fringe benefits	1,079,033	1,129,892
Travel	119,832	108,016
Space cost	48,812	61,881
Telephone and utilities	400,297	403,248
Postage and supplies	360,800	250,823
Food and disposable	321,802	301,690
Provider meals	339,912	315,794
Vehicle related cost	183,305	234,371
Indirect costs	781,849	732,377
Interest expense	48,788	53,650
Depreciation	315,152	301,576
Construction related cost	487,356	381,396
Training expense	182,993	33,577
Buildings and equipment maintenance and expense	395,519	253,544
Materials	267,053	236,473
Professional fees	131,895	35,714
Other post-employment retirement benefits (OPEB)	154,742	158,186
Miscellaneous	132,400	341,486
In-kind	<u>994,579</u>	<u>1,402,818</u>
TOTAL UNRESTRICTED EXPENSES	<u>11,656,473</u>	<u>11,321,117</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>74,279</u>	<u>(213,291)</u>
NET ASSETS AT BEGINNING OF THE YEAR	<u>1,305,762</u>	<u>1,519,053</u>
NET ASSETS AT END OF THE YEAR	<u>\$ 1,380,041</u>	<u>\$ 1,305,762</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 74,279	\$ (213,291)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	315,152	301,576
(Gain)/Loss on disposition of assets	-0-	(25,875)
Non-cash contributions (Property)	(89,790)	-0-
Changes in operating assets and liabilities:		
Accounts receivable	(54,588)	184,295
Inventory	-0-	233,307
Prepays	(8,263)	15,333
Accounts payable	95,011	(163,729)
Accrued liabilities	52,214	42,372
Accrued leave	(4,283)	(480)
OPEB liabilities	154,758	158,186
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	534,490	531,694
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(439,293)	(81,495)
Proceeds from sale of property and equipment	-0-	34,775
	<hr/>	<hr/>
NET CASH (USED IN) INVESTING ACTIVITIES	(439,293)	(46,720)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	-0-	-0-
Payments on long-term debt	(99,942)	(96,441)
	<hr/>	<hr/>
NET CASH (USED IN) FINANCING ACTIVITIES	(99,942)	(96,441)
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,745)	388,533
CASH AND CASH EQUIVALENTS		
Beginning of year	1,386,448	997,915
	<hr/>	<hr/>
End of year	\$ 1,381,703	\$ 1,386,448
	<hr/>	<hr/>
Supplemental Information:		
Cash payments for interest	\$ 48,788	\$ 53,650
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial reporting entity:

The Community Action of South Eastern West Virginia, Inc. (CASE) is a private, not-for-profit organization that serves the economically disadvantaged citizens of Mercer County, Summers County, and Monroe County of West Virginia. CASE is governed by a volunteer Board of Directors that is tripartite in nature in that; 1/3 of the members are elected or appointed government officials, 1/3 are from the low-income sector, and 1/3 are from the private sector. All of CASE's programs are geared towards helping the low-income, elderly, and handicapped achieve greater self-sufficiency.

Basis of financial statement presentation:

CASE's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In addition, CASE is required to report information regarding its financial position and activities according to the three classes of net assets; unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor imposed restrictions. All net assets at August 31, 2016 and 2015 are unrestricted.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, demand deposits, and money market funds. For purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash is held in banks located in West Virginia and is insured by the Federal Deposit Insurance Commission (FDIC) up to \$250,000 per financial institution.

Valuation of receivables:

Receivables are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Inventory:

Inventory is comprised of material supplies for the Weatherization program, stated at cost using a perpetual inventory system, and homes held for sale, built from Community Housing Development Organization (CHDO) funding, stated at their historical cost.

Principles of consolidation:

The consolidated financial statements include the accounts of CASE and its subsidiary, Property Management Services, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant, and equipment:

Property, plant, and equipment consist of items with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated property, plant, and equipment are recorded at fair value at date of donation. The costs of normal maintenance and repairs that do not materially add to the value of an asset or its life are expensed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-30 years
Furniture and equipment	3-10 years
Vehicles	5 years

Accrued liabilities:

Accrued liabilities consist of accrued payroll and payroll taxes earned as of August 31.

Accrued leave:

Accrued leave consists of accrued vacation and sick leave time earned as of August 31. CASE allows employees to accrue up to a maximum of 480 sick and 80 vacation hours.

Unearned revenue:

Unearned revenue consists of amounts received which have not been used for their intended purpose.

In-kind contributions:

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. Contributed services that are recognized are valued at the estimated cost that would be incurred by CASE to purchase similar services. Donated space is valued at the estimated fair rental value.

Supporting services:

Supporting services are costs for activities not directly related to the purpose for which the Organization exists. Supporting service expenses are broadly categorized as management and general purpose expenses that have not been identified as, or allocated to, program service expenses.

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes:

CASE is a nonprofit corporation classified under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes derived from its nonprofit activities. For the year ended August 31, 2016, management believes that CASE has no material uncertain tax positions to be accounted for in the financial statements. As of August 31, 2016, tax years ending on or after August 31, 2013 remain subject to examination.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation.

Concentration:

CASE received approximately 65% of its support for the year from the federal government in the form of grants and cost reimbursement programs.

Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and assets, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 919,574	\$ 925,713
Fee for service receivable	195,643	134,315
Other receivables	<u>1,333</u>	<u>1,934</u>
Total	<u>\$ 1,116,550</u>	<u>\$ 1,061,962</u>

NOTE 3 – INVENTORY

Inventory consists of the following:

	<u>2016</u>	<u>2015</u>
Inventory - Weatherization	\$ <u>23,687</u>	\$ <u>23,687</u>
Total	<u>\$ 23,687</u>	<u>\$ 23,687</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 AUGUST 31, 2016 AND 2015**

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 732,484	\$ 706,884
Buildings	4,805,878	4,530,374
Vehicles and equipment	<u>2,226,577</u>	<u>2,074,955</u>
	7,764,939	7,312,213
Less: Accumulated depreciation	<u>(3,787,993)</u>	<u>(3,549,198)</u>
Total	<u>\$ 3,976,946</u>	<u>\$ 3,763,015</u>

NOTE 5 – LONG-TERM LIABILITIES

Details of loans payable are as follows:

	<u>2016</u>	<u>2015</u>
Note payable to Branch Banking & Trust; Commission on Aging building, interest rate of 5.58%, final payment September 2018 collateralized by the building, originally due September 2013.	\$ 371,904	\$ 407,110
Note payable to Branch Banking & Trust; Admin., Hinton, & Thorn St. bldgs, interest rate of 5.875%, final payment January 2019 collateralized by the buildings, originally due January 2014.	223,244	248,545
Note payable to Branch Banking & Trust; Hope Development Project, interest rate of 5.875%, final payment January 2019 collateralized by the building, originally due January 2014.	86,818	103,484

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

	<u>2016</u>	<u>2015</u>
Note payable to Branch Banking & Trust; Warehouse, interest rate of 6.375% final payment January 2019, collateralized by the building, originally due March 2014.	64,989	74,635
Note payable to Branch Banking and Trust; 2010 Dodge Ram 2500 interest rate of 4.50% final payment August 2017, collateralized by the vehicle.	6,521	13,340
Note payable to Ramey Chevrolet, Inc.; 2014 Jeep Patriot interest rate of 3.250% final payment May 2017, collateralized by the vehicle.	<u>4,335</u>	<u>10,639</u>
Total Notes Payable	<u>757,811</u>	<u>857,753</u>
Less current portion	<u>(76,527)</u>	<u>(93,034)</u>
NOTES PAYABLE, NET OF CURRENT PORTION	<u><u>\$ 681,284</u></u>	<u><u>\$ 764,719</u></u>

Principal maturities on notes payable for the next five years and in the aggregate are as follows:

<u>Year ending August 31</u>	
2017	\$ 76,527
2018	102,833
2019	578,451
2020	-0-
2021 and thereafter	<u>-0-</u>
TOTAL NOTES PAYABLE	<u><u>\$ 757,811</u></u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 6 – LINE OF CREDIT

CASE has a \$100,000 operating line of credit arrangement with Branch Banking and Trust Corporation (BB&T). The credit line was secured by the "Security Agreement" made January 30, 2009 with an interest rate that fluctuated with changes in the prime rate.

NOTE 7 – RETIREMENT PLANS

CASE has adopted a defined contribution annuity for its employees qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees of the organization who have completed one year of service. The contributions to the plan are discretionary and are determined each year. For the years ended August 31, 2016 and 2015, CASE contributed \$120,566 and \$106,599, respectively to the Section 403(b) plan. CASE has also adopted a Section 457(b) deferred compensation plan for a select group of management employees. The organization's contributions to the plan are discretionary and determined each year. For the years ended August 31, 2016 and 2015, CASE contributed \$19,580 and \$17,635, respectively, to the Section 457(b) plan.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

CASE participates in the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple-employer defined benefits post-employment healthcare plan administered by the West Virginia Public Employees Insurance Agency (PEIA). RHBT provides medical benefits to eligible retired employees of participating employers. Eligibility is primarily established through participation in certain defined benefit plans. *Annual OPEB Cost:* CASE's annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future postretirement costs requires consideration of a broad array of complex social and economic events. Future changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs option, changes in the investment rate of return, and other matters increase the level of uncertainty of such estimates. As such, the estimate of postretirement program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated obligation.

The following table shows the components of CASE's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in CASE's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 154,758	\$ 158,186
Interest on net OPEB obligation	-0-	-0-
Annual OPEB cost	<u>154,758</u>	<u>158,186</u>
Contributions made	<u>-0-</u>	<u>-0-</u>
Increase in net OPEB obligation	154,758	158,186
Net OPEB obligation, beginning of year	<u>2,792,280</u>	<u>2,634,094</u>
Net OPEB obligation, end of year	<u>\$ 2,947,038</u>	<u>\$ 2,792,280</u>

COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

An actuarial valuation report for PEIA is prepared annually in accordance with standards set forth by the Governmental Accounting Standards Board (GASB) to determine the unfunded portion of each participant's future liability. CASE's financial statements are prepared in accordance with standards set forth by the Financial Accounting Standards Board (FASB). Information valuing the liability in accordance with FASB standards is not available. Based on the GASB valuation, CASE's unfunded liability at year end was \$2,947,038. Management believes that the differences in the basis are immaterial to the financial statements. In addition to the ARC amount, CASE paid \$144,732 and \$178,904 to PEIA during the years ended August 31, 2016 and 2015, respectively which is considered as the pay as you go amount.

RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: West Virginia Retiree Health Benefits Trust, Building 5, Room 1001, 1900 Kanawha Blvd. East, Charleston, West Virginia, 25305-0710.

The PEIA Finance Board members voted to cap the state subsidy for PEIA retiree coverage for employees hired before 2010 at current levels, with no more than 3% growth a year. By doing this, the Employer is no longer exposed to ever increasing trends in healthcare costs, significantly reducing future retiree premium subsidy costs.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in request 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, to be immaterial.

The Organization is a Defendant in several administrative claims pending before the West Virginia Human Rights Commission, and the Circuit Court of Mercer County, West Virginia, filed by prior employees. The claims are in various stages of progress at this time and the potential outcomes of those claims are unknown at this time, as such no liability has been recorded in these financial statements relating to those claims.

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

In addition to the above-referenced claims, the Organization was a Defendant in an administrative claim with the Human Rights Commission in which the Defendant and Plaintiff reached a settlement of all claims in February 2016. The Organization denied all allegations in the settlement, but agreed to pay \$24,000 representing payment of alleged damages, and \$7,000 representing payment of attorney fees and expenses. All expenses were paid with Corporate funds. The claims were filed prior to August 31, 2015 and the settlement provides a reasonable estimate of loss, as such, a liability has been recorded and reflected in the financial statements as of August 31, 2015.

The Organization was named in a lawsuit filed in the Circuit Court of Mercer County on December 3, 2015 asserting claims under the Whistleblower Act. The Organization denies all claims and intends to defend itself. The litigation is in the early stages and no outcomes are known or predictable.

NOTE 10 – RELATED PARTY TRANSACTIONS AND COMMON CONTROL

CASE is the managing partner and has a 1% interest in the Kennedy Center Limited Partnership with the authority to manage and control the partnership. This partnership was formed for the purpose of acquiring and renovating real estate and personal property to provide multifamily residential housing for low-income tenants.

CASE is the managing partner and has a 1% interest in the Hinton Center Limited Partnership. This partnership was formed for the purpose of acquiring and renovating real estate and personal property to provide multifamily residential housing for low-income tenants.

For the years ended December 31, 2016 and 2015, CASE expensed \$32,208 and \$32,115, respectively, in loan payments as a result of CASE being the guarantor on the loans for the Hinton and Kennedy Centers.

CASE employs the husband of the executive director as the supervisor of Property Management Services, a wholly-owned subsidiary of CASE, formed to perform maintenance operations on various properties belonging to CASE. For the years ended August 31, 2016 and 2015, \$30,388 and \$39,108, respectively, was paid for his services.

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 11 – COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)

The Organization receives grant funds from the U.S. Department of Housing and Urban Development, under the HOME Investment Partnership Program (HOME), whereas, the Organization has been recognized as a Community Housing Development Organization (CHDO). As a CHDO, the Organization may use HOME funds to construct single-family dwellings that are then sold to eligible participants below Fair Market Value. The program allows for a lien to be filed against the property for the difference between Fair Market Value and the selling price in order to protect against the participant selling the home at a gain. The lien is released after 10 years from the date of the transaction.

As of August 31, 2016 and 2015, the Organization had liens totaling \$-0- and \$68,650, respectively.

NOTE 12 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 19, 2017, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass-through Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF AGRICULTURE</u>			
<u>West Virginia Department of Education</u>			
Child and Adult Care Food Program	N/A	10.558	\$ 528,363
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Supportive Housing Program	N/A	14.235	81,959
<u>West Virginia Housing Development Fund</u>			
HOME Investment Partnerships Program	N/A	14.239	179,517
<u>DEPARTMENT OF ENERGY</u>			
<u>Governor's Office of Economic Opportunity</u>			
Weatherization Assistance for Low-Income Persons	DOEWX1403	81.042	288,936
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Head Start	N/A	93.600	4,502,793
<u>West Virginia Department of Health and Human Resources</u>			
Medical Assistance Program	G150358	93.778	225,653
Affordable Care Act (ACA) Abstinence Education	G150637	93.235	80,305
Early Headstart Home Visitation Grant	G150794	93.505	288,839
<u>Mission West Virginia</u>			
Teen Pregnancy Prevention Program	N/A	93.297	279,681
Competitive Abstinence Education	N/A	93.060	24,869
<u>West Virginia Bureau of Senior Services</u>			
<u>Appalachian Area Agency on Aging:</u>			
Special Programs for the Aging - Title III - Part D			
Disease Prevention and Health Promotion Services	21538-06	93.043	2,372
Special Programs for the Aging - Title III - Part B			
Grants for Supportive Services and Senior Centers	21538-06	93.044	50,710
Special Programs for the Aging - Title III - Part C			
Nutrition Services	N/A	93.045	194,366
National Family Caregiver Support - Title III - Part E	21538-06	93.052	39,991
<u>West Virginia Bureau of Senior Services</u>			
Medicare Enrollment Assistance Program	SHIP1519	93.071	8,425
<u>Governor's Office of Economic Opportunity</u>			
Community Services Block Grant	15CSBG-F-04	93.569	420,718
Low-Income Home Energy Assistance	DHHRWX1403	93.568	436,415
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
<u>United Way</u>			
Emergency Food and Shelter National Board Program	N/A	97.024	1,007
Total Expenditures of Federal Awards			\$ 7,634,919

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of Community Action of South Eastern West Virginia, Inc. is presented on the basis of accounting required by the Organization's funding sources. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Rewards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – INDIRECT COST RATE

Community Action of South Eastern West Virginia, Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
HEAD START/EARLY HEAD START - GRANT 03CH9410/02
GRANT PERIOD MAY 1, 2015 TO APRIL 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
SUPPORT AND REVENUE			
Federal revenue	\$ 3,323,760	\$ 3,323,760	\$ -0-
Other revenue	-0-	122,117	(122,117)
In-kind revenue	<u>830,940</u>	<u>839,941</u>	<u>(9,001)</u>
TOTAL SUPPORT AND REVENUE	<u>4,154,700</u>	<u>4,285,818</u>	<u>(131,118)</u>
EXPENSES			
Salaries and wages	1,803,995	1,739,590	64,405
Fringe benefits	665,574	484,405	181,169
Travel	38,347	44,795	(6,448)
Contractual	18,000	76,460	(58,460)
Equipment	40,000	163,416	(123,416)
Supplies	87,695	165,578	(77,883)
Indirect cost	292,036	292,036	-0-
Other	<u>378,113</u>	<u>479,597</u>	<u>(101,484)</u>
TOTAL PROGRAM EXPENSES	<u>3,323,760</u>	<u>3,445,877</u>	<u>(122,117)</u>
 In-kind expense	 <u>830,940</u>	 <u>839,941</u>	 <u>(9,001)</u>
TOTAL EXPENSES	<u>4,154,700</u>	<u>4,285,818</u>	<u>(131,118)</u>
 REVENUES OVER (UNDER) EXPENSES	 <u><u>\$ -0-</u></u>	 <u><u>\$ -0-</u></u>	 <u><u>\$ -0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
COMMUNITY SERVICE BLOCK GRANT - 15CSBG-F04
GRANT PERIOD JANUARY 1, 2015 TO MARCH 31, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
SUPPORT AND REVENUE			
Federal revenue	\$ 359,864	\$ 359,864	\$ -0-
TOTAL SUPPORT AND REVENUE	<u>359,864</u>	<u>359,864</u>	<u>-0-</u>
EXPENSES			
Salaries and wages	206,119	206,119	-0-
Fringe benefits	55,122	55,122	-0-
Contractual	1,410	1,410	-0-
Travel	3,633	3,633	-0-
Space costs	-0-	-0-	-0-
Utilities	-0-	-0-	-0-
Supplies and materials	3,311	3,311	-0-
Equipment	-0-	-0-	-0-
Other costs	46,874	46,874	-0-
Program costs	11,770	11,770	-0-
Indirect cost	31,625	31,625	-0-
TOTAL EXPENSES	<u>359,864</u>	<u>359,864</u>	<u>-0-</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
 COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
 WEATHERIZATION PROGRAM – DHHRWX1403
 GRANT PERIOD JANUARY 1, 2015 TO SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
SUPPORT AND REVENUE			
Federal revenue	\$ <u>460,247</u>	\$ <u>460,247</u>	\$ <u>-0-</u>
TOTAL SUPPORT AND REVENUE	<u>460,247</u>	<u>460,247</u>	<u>-0-</u>
EXPENSES			
Administration	37,795	37,795	-0-
Insurance	4,334	4,334	-0-
Materials	97,825	97,825	-0-
Personnel	252,914	252,914	-0-
Program support	41,925	41,925	-0-
ECIP	16,200	16,200	-0-
Electrical upgrade	9,254	9,254	-0-
Audit	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EXPENSES	<u>460,247</u>	<u>460,247</u>	<u>-0-</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
WEATHERIZATION PROGRAM - DOEWX1503
GRANT PERIOD JULY 1, 2015 TO JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
SUPPORT AND REVENUE			
Federal revenue	\$ 214,620	\$ 214,620	\$ -0-
TOTAL SUPPORT AND REVENUE	<u>214,620</u>	<u>214,620</u>	<u>-0-</u>
EXPENSES			
Administration	21,218	21,218	-0-
Insurance	5,351	5,351	-0-
Materials	45,864	45,864	-0-
Personnel	114,008	114,008	-0-
Program support	25,736	25,736	-0-
Audit	2,443	2,443	-0-
TOTAL EXPENSES	<u>214,620</u>	<u>214,620</u>	<u>-0-</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF GRANT SUPPORT, REVENUE AND EXPENSES
COMPARED TO GRANT BUDGETS (NON-GAAP BASIS)
EARLY HEAD START – CHILD CARE PARTNERSHIP – 03HP0004-01-03
GRANT PERIOD JANUARY 1, 2015 TO JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
SUPPORT AND REVENUE			
Federal revenue	\$ 1,543,967	\$ 1,283,291	\$ 260,676
TOTAL SUPPORT AND REVENUE	<u>1,543,967</u>	<u>1,283,291</u>	<u>260,676</u>
EXPENSES			
Salaries and wages	426,670	425,937	733
Fringe benefits	137,248	58,833	78,415
Travel	17,200	2,504	14,696
Contractual	487,920	399,059	88,861
Equipment	-0-	-0-	-0-
Supplies	45,500	54,669	(9,169)
Indirect cost	68,298	61,162	7,136
Other	361,131	281,127	80,004
TOTAL EXPENSES	<u>1,543,967</u>	<u>1,283,291</u>	<u>260,676</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 TITLE III-B SERVICES – 21638-06
 FOR THE YEAR ENDED JUNE 30, 2016**

REVENUE:	<u>III-B</u>
State Grant Award	\$ <u>14,346</u>
 EXPENSES:	
Personnel and fringe	8,511
Printing and supplies	220
Communication and utilities	1,717
Other	2,919
Indirect	<u>979</u>
TOTAL EXPENSES	<u>14,346</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u><u>-0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 TITLE III-D MED MGT - 21638-06
 FOR THE YEAR ENDED JUNE 30, 2016**

REVENUE:	<u>III-D</u>
State Grant Award	\$ <u>1,165</u>
EXPENSES:	
Personnel and fringe	873
Printing and supplies	200
Communication and utilities	-0-
Other	-0-
Indirect	<u>92</u>
TOTAL EXPENSES	<u>1,165</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u>-0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 TITLE III-E – 21638-06
 FOR THE YEAR ENDED JUNE 30, 2016**

REVENUE:	<u>III-E</u>
State Grant Award	\$ <u>25,302</u>
EXPENSES:	
Personnel and fringe	20,686
Printing and supplies	-0-
Communication and utilities	-0-
Other	1,927
Indirect	<u>2,689</u>
TOTAL EXPENSES	<u>25,302</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u><u>-0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUE:	C-1 <u>Congregate</u>	C-2 <u>Home-Delivered</u>
State Grant Award	\$ <u>53,108</u>	\$ <u>76,867</u>
 EXPENSES:		
Personnel and fringe	25,514	23,743
Supplies	699	1,481
Communication and utilities	637	551
Food	16,651	33,602
Space	3,162	3,705
Other	2,439	11,067
Indirect	<u>4,006</u>	<u>2,718</u>
TOTAL EXPENSES	<u>53,108</u>	<u>76,867</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
LIFE PROGRAM – 21605-06
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUE:	<u>LIFE</u>
State Grant Award	\$ <u>197,109</u>
 EXPENSES:	
Personnel and fringe	121,138
Travel	2,670
Printing and supplies	4,900
Space cost	28,843
Communication and utilities	21,068
Other	5,771
Indirect	<u>12,719</u>
TOTAL EXPENSES	<u>197,109</u>
 REVENUES OVER (UNDER) EXPENSES	 \$ <u><u>-0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
 SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
 IN-HOME SERVICES – IH1648
 FOR THE YEAR ENDED JUNE 30, 2016**

REVENUE:	<u>In-Home Lighthouse</u>	<u>In-Home Fair</u>	<u>In-Home Data Entry</u>
State Grant Award	\$ <u>235,656</u>	\$ <u>104,072</u>	\$ <u>5,000</u>
 EXPENSES:			
Personnel and fringe	193,771	85,239	4,425
Space	1,544	2,057	-0-
Supplies	2,962	524	-0-
Utilities	1,687	5,486	-0-
Other	6,955	322	-0-
Indirect	<u>27,030</u>	<u>12,151</u>	<u>575</u>
TOTAL EXPENSES	<u>233,949</u>	<u>105,779</u>	<u>5,000</u>
REVENUES OVER (UNDER) EXPENSES	\$ <u>1,707</u>	\$ <u>(1,707)</u>	\$ <u>-0-</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
RIGHT FROM THE START PROJECT – G160358
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUE:	<u>Right From The Start</u>
State Grant Award	\$ <u>233,112</u>
 EXPENSES:	
Personnel	125,563
Fringe benefits	33,259
Equipment	-0-
Supplies	19,486
Contractual costs	2,311
Construction	-0-
Other	31,846
Indirect	<u>20,647</u>
TOTAL EXPENSES	<u><u>233,112</u></u>
REVENUES OVER (UNDER) EXPENSES	<u><u>\$ -0-</u></u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF PROGRAM REVENUE AND EXPENSES - AAA
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Pass-Through Grantor	Appalachian Area Agency on Aging	Appalachian Area Agency on Aging	Appalachian Area Agency on Aging	Appalachian Area Agency on Aging	Appalachian Area Agency on Aging
Program Title	Title III-B Senior Citizens	Title III-C-1 Nutrition	Title III-C-2 Nutrition	Title III-D In-Home Services	Title III-E Family Caregiver
Program Dates	10/01/14- 09/30/15	10/01/14- 09/30/15	10/01/14- 09/30/15	10/01/14- 09/30/15	10/01/14- 09/30/15
Federal CFDA Number	93.044	93.045	93.045	93.042	93.052
REVENUE					
Grant Revenue - Federal	\$ 59,654	\$ 66,296	\$ 138,686	\$ 6,426	\$ 39,186
Grant Revenue - State	14,382	51,760	73,744	1,246	25,185
Fee For Service Revenue	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Other Revenue	3,667	- 0 -	- 0 -	- 0 -	50
TOTAL REVENUE	77,703	118,056	212,430	7,672	64,421
EXPENSES					
Wages and fringe	40,602	44,666	80,339	6,759	50,254
Contracted services	- 0 -	230	676	- 0 -	- 0 -
Travel	- 0 -	776	863	- 0 -	69
Telephone and utilities	7,701	4,062	5,599	- 0 -	- 0 -
Space cost	4,870	2,500	2,500	- 0 -	4,925
Supplies and copier	1,277	3,248	3,881	207	- 0 -
Food and disposable products	- 0 -	43,353	89,028	- 0 -	- 0 -
Gasoline and vehicle maintenance	12,556	- 0 -	4,928	- 0 -	- 0 -
Equipment/Maintenance	2,517	800	800	- 0 -	- 0 -
Insurance and licenses	2,500	336	745	- 0 -	2,891
Building Maintenance	- 0 -	325	2,420	- 0 -	- 0 -
Indirect	4,263	6,807	8,819	706	6,282
Space Cost Transfers	- 0 -	10,953	9,452	- 0 -	- 0 -
Vehicle Maintenance Transfers	1,417	- 0 -	2,380	- 0 -	- 0 -
TOTAL EXPENSES	77,703	118,056	212,430	7,672	64,421
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENSES					
	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF SALARIES & WAGES, FRINGES
AND INDIRECT COST CHARGED
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>Salaries & Wages</u>	<u>Fringes</u>	<u>Indirect Charged</u>
Headstart	\$1,802,610	\$481,088	\$304,653
EHS Child Care Partnership	\$341,123	\$48,535	\$54,646
EHS Home Visitation	\$146,196	\$32,188	\$23,454
CSBG	250,541	62,691	29,874
Nutrition	99,766	19,584	15,868
Weatherization	274,154	79,979	52,972
Family Daycare	39,887	9,883	8,170
CCOA	586,184	112,831	127,480
Right From The Start	681,877	93,531	104,824
Other Programs	624,782	116,004	56,698
Agency Programs	67,517	22,719	3,210
Total	<u>\$4,914,637</u>	<u>\$1,079,033</u>	<u>\$781,849</u>

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF INDIRECT COST
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>2016</u>
Salaries and wages	\$ 419,666
Fringe	110,482
Professional fees	89,125
Travel	6,006
Space cost	68,029
Telephone and utilities	14,306
Postage and supplies	25,799
Copier cost	11,899
Fuel and vehicle related cost	24,329
Insurance	156
Training	2,091
Dues and subscriptions	3,290
Licenses and fees	631
Building maintenance	<u>6,040</u>
Total Indirect Expenses	<u>\$ 781,849</u>

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

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

To the Board of Directors
Community Action of South Eastern
West Virginia, Inc.
Bluefield, 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 Community Action of South Eastern West Virginia, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, 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 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action of South Eastern West Virginia, 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 Community Action of South Eastern West Virginia, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action of South Eastern West Virginia, 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*.

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.



Huntington, West Virginia
April 19, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
Community Action of South Eastern
West Virginia, Inc.
Bluefield, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Community Action of South Eastern West Virginia, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Community Action of South Eastern West Virginia, Inc.'s major federal programs for the year ended August 31, 2016. Community Action of South Eastern West Virginia, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action of South Eastern West Virginia, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action of South Eastern West Virginia, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Action of South Eastern West Virginia, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community Action of South Eastern West Virginia, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

Management of Community Action of South Eastern West Virginia, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action of South Eastern West Virginia, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action of South Eastern West Virginia, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Huntington, West Virginia
April 19, 2017

AUDIT FINDINGS

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015**

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENT IN ACCORDANCE WITH
GENERALLY ACCEPTED *GOVERNMENTAL AUDITING STANDARDS***

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

A. SUMMARY OF AUDITOR'S RESULTS

1. We have issued an unmodified opinion on the financial statements of Community Action of South Eastern West Virginia, Inc.
2. No deficiencies relating to the audit of financial statements are reported in the "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*."
3. No instances of noncompliance material to the financial statements of Community Action of South Eastern West Virginia, Inc. were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal and state award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance."
5. The independent auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in Part C of this schedule.
7. The programs tested as a major program were:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start	93.600
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8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Community Action of South Eastern West Virginia, Inc. was determined to be a low-risk auditee.

**COMMUNITY ACTION OF SOUTH EASTERN WEST VIRGINIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENT IN ACCORDANCE WITH
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS**

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None