

**Independent Auditors' Report  
and Related Financial Statements**

**For the Year Ended September 30, 2008**

**COUNCIL ON AGING, INC.**

**Teed & Associates, PLLC  
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Charleston, West Virginia 25304  
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# COUNCIL ON AGING, INC.

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# Teed & Associates, PLLC

## Certified Public Accountants

Established 1992

Member, American Institute of Certified Public Accountants

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## Independent Auditors' Report

To the Board of Directors  
Council on Aging, Inc.  
Itmann, West Virginia

We have audited the accompanying statement of financial position of the Council on Aging, Inc. (a nonprofit organization) as of September 30, 2008, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of America. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 2 to the financial statements, property and equipment of the Council on Aging, Inc. are expensed rather than capitalized and depreciated in the financial statements. Accounting principles generally accepted in the United States require that property and equipment be recorded at cost or fair value at date of purchase or receipt. It was not practicable to determine the effects of the unrecorded property and equipment on the financial statements.

In our opinion, except for the effects of not capitalizing and depreciating property and equipment as explained in paragraph three, the financial statements referred to above present fairly, in all material respects, the financial position of the Council on Aging, Inc.

To The Board of Directors  
Council on Aging, Inc.  
Itmann, West Virginia  
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as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2009, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Council on Aging, Inc. taken as a whole. The accompanying schedule of program expenses is presented for purposes of additional analysis as required by the West Virginia Bureau of Senior Citizens and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Teed & Associates, PLLC*

Charleston, West Virginia  
May 8, 2009

# COUNCIL ON AGING, INC.

## Statement of Financial Position

September 30, 2008

### ASSETS:

#### Current assets:

Cash and cash equivalents \$ 432,015

#### Receivables:

Medicaid, net of allowance for doubtful accounts 311,626

Grants 130,281

Total current assets 873,922

Capital assets--nondepreciable 54,000

Total assets \$ 927,922

### LIABILITIES AND NET ASSETS:

#### Current liabilities

Accounts payable \$ 70,737

Accrued salaries and wages 222,051

Accrued compensated absences 45,760

Accrued payroll liabilities 19,584

Total current liabilities 358,132

Total liabilities 358,132

#### Net assets:

Investment in capital assets 54,000

Unrestricted net assets 515,790

Total net assets 569,790

Total liabilities and net assets \$ 927,922

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

# COUNCIL ON AGING, INC.

## Statement of Activities

For the Year Ended September 30, 2008

	<u>Unrestricted Revenue</u>	<u>Restricted Revenue</u>	<u>Total</u>
<b>SUPPORT AND REVENUES:</b>			
Medicaid	\$ 4,100,167	\$ -	\$ 4,100,167
Federal grants	-	313,384	313,384
State grants	-	540,026	540,026
Project income	-	13,158	13,158
Bus fare and trip ticket revenue	1,259	-	1,259
Non-medicaid	53,966	-	53,966
Net assets released from restrictions	<u>866,568</u>	<u>(866,568)</u>	<u>-</u>
Total support and revenues	<u>5,021,960</u>	<u>-</u>	<u>5,021,960</u>
<b>OPERATING EXPENSES:</b>			
Personal care	1,953,389	-	1,953,389
Title 19 (Homemaker)	1,990,708	-	1,990,708
Section 18	31,741	-	31,741
Title V	182,753	-	182,753
Title III-B	92,283	-	92,283
Title III-D	1,075	-	1,075
Title III-C-1	97,386	-	97,386
Title III-C-2	139,297	-	139,297
Title III-E	20,392	-	20,392
Insurance benefits counseling	147	-	147
State Budget Digest	100,334	-	100,334
LIFE	95,894	-	95,894
Lighthouse	93,087	-	93,087
Fair	<u>16,034</u>	<u>-</u>	<u>16,034</u>
Total operating expenses	<u>4,814,520</u>	<u>-</u>	<u>4,814,520</u>
Operating income	<u>207,440</u>	<u>-</u>	<u>207,440</u>
<b>NONOPERATING INCOME (EXPENSES):</b>			
Interest income	<u>306</u>	<u>-</u>	<u>306</u>
Total nonoperating income	<u>306</u>	<u>-</u>	<u>306</u>
Change in net assets	<u>\$ 207,746</u>	<u>\$ -</u>	<u>\$ 207,746</u>

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

# COUNCIL ON AGING, INC.

## Statement of Changes in Net Assets

For the Year Ended September 30, 2008

	<u>Investment in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
Balance at October 1, 2007	\$ 54,000	\$ 308,044	\$ 362,044
Decrease in net assets	<u>-</u>	<u>207,746</u>	<u>207,746</u>
Balance at September 30, 2008	<u>\$ 54,000</u>	<u>\$ 515,790</u>	<u>\$ 569,790</u>

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

# COUNCIL ON AGING, INC.

## Statement of Cash Flows

For the Year Ended September 30, 2008

### Cash flows from operating activities:

Increase in net assets	\$ 207,746
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in Medicaid accounts receivable	(42,630)
(Increase) decrease in grants receivable	14,730
(Increase) decrease in prepaid assets and deposits	48,891
Increase (decrease) in accounts payable	11,120
Increase (decrease) in accrued salaries and wages	20,484
Increase (decrease) in accrued compensated absences	(27,119)
Increase (decrease) in accrued payroll liabilities	<u>3,127</u>
Net cash provided by operating activities	<u>236,349</u>
Net increase (decrease) in cash and equivalents	236,349
Cash and equivalents, beginning	<u>195,666</u>
Cash and equivalents, ending	<u>\$ 432,015</u>

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



# **COUNCIL ON AGING, INC.**

## **Notes to the Financial Statements**

**For the Year Ended September 30, 2008**

### **NOTE 1. NATURE OF OPERATIONS**

The Council on Aging, Inc. (The "Council") is a 501(c)3 non-profit organization.

The Council operates Medicaid Reimbursement In-Home Care Programs and Federal and State Grants primarily with the U.S. Department of Health and Human Services and State of West Virginia Bureau of Senior Services federal and state grants passed through to the Council from the Appalachian Area Agency on Aging (the "Agency").

The overall objective of the Title III grant program is to develop a system of coordinated and comprehensive services for older persons – services which will secure and maintain maximum independence and dignity in a home environment for older persons capable of self-care and also remove individual and social barriers to economic and personal independence for older persons.

The objective of the Title III B grant program is to provide the elderly with social, outreach, transportation, information and referral services, and nutritional education.

Title III C is a nutrition program designed to provide older persons with low cost nutritious meals served primarily in a congregate setting. The Title III C program also furnishes home delivered meals to the homebound.

Title III D, the Disease Prevention and Health Promotion Services Section of the Older Americans Act, encompasses twelve (12) broad categories of disease prevention and health promotion services.

Title III E, also known as respite, provides information and assistance, and in-home relief to caregivers.

The Division of Public Transit of the West Virginia Department of Transportation provides funding from the State of West Virginia for the Council to provide rural public transportation.

The Council also receives state funds through the Agency in connection with a Health Benefit Information, Counseling and Assistant Grant, the purpose of which is to help

older individuals understand their rights under the Social Security Act, Medicaid Programs, supplemental social security programs and general insurance policies. This information is provided to seniors by a counselor who has general knowledge of these areas.

The Title V Program provides an opportunity for low income persons over 55 years of age to train for available positions. The funds are used to pay salaries of participants while employers provide training for a specified period of time.

The Medicaid Reimbursement In-Home Care Program is a state funded program to allow eligible seniors to receive the assistance necessary to allow them to remain in their homes with minimal outside supervision. These services include housekeeping, personal care, or other related matters.

During the year, the Council started the Lighthouse and FAIR programs. The Lighthouse program provides in-home assistance for seniors who do not qualify for other programs. The FAIR program provides relief to care givers who care for individuals with dementia. The state provides the funding for this new program.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting**

The Council on Aging, Inc. prepares and maintains their financial statements and accounts on the accrual basis of accounting.

### **Allowance for Doubtful Accounts**

Management has taken a bad debt expense for doubtful accounts, primarily amounts billed to Medicaid for reimbursement but not collected due to rejected claims. Therefore, management believes that the receivables presented on the balance sheet are fully collectible.

### **Property and Equipment**

Property and equipment are expensed at the time of the purchase rather than being capitalized and depreciated over its estimated economic useful life. This is not in accordance with accounting principles generally accepted in the United States. Accordingly, no depreciation has been recorded.

### **Revenue Recognition**

Amounts received from funding agencies under cost-reimbursable grants are recognized as support only to the extent that related expenses have been incurred.

## **Income Tax Status**

Under provisions of the Internal Revenue Code, Section 501(c)3, and the applicable income tax regulations of the State of West Virginia, the Council on Aging, Inc. is exempt from taxes on income other than unrelated business income. Since the Council on Aging, Inc. had no net unrelated business income during the year ended September 30, 2008, no provision for income taxes has been made.

## **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **NOTE 3. RISK CONCENTRATIONS**

Substantially all of the Council on Aging, Inc.'s support and revenues are derived from its Medicaid services and from federal and state grants, the loss of which would have a materially adverse effect on the Council on Aging, Inc. During the year ended September 30, 2008, Medicaid revenues, federal and state grants, and other income accounted for approximately eighty-four percent (84%), thirteen percent (13%) and three percent (3%), respectively, of total support and revenue.

## **NOTE 4. RETIREMENT**

Effective January 1, 2008 the Council established a 401(k) retirement and savings plan for its employees. Salary deferrals for employees were effective September 5, 2008 and no match or profit share was made by the Council until April 2009.

## **NOTE 5. RELATED PARTY TRANSACTIONS**

The Council on Aging, Inc. is related to All Care Home and Community Services, Inc. through a common Board of Directors. During the year ended September 30, 2008, the Council paid the monthly health insurance premiums for All Care Home and Community Services, Inc. All Care Home and Community Services, Inc. reimbursed the Council for the premiums.

The Council on Aging has agreed to pay or advance for most of the overhead of All Care because reduced funding has brought them to an unprofitable level. The Council took this action because the services provided to the community by All Care helped fulfill the mission of the Council and referrals from All Care helped support the Council. At September 30, 2008 the Council has a receivable from All Care of approximately \$13,800. The receivable was for amounts paid on behalf of All Care for rent, wages, and associated overhead during the year ended September 30, 2008.

**NOTE 6. CONTINGENCIES**

Certain of the Council's programs are primarily funded through federal and state grants. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits 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 ultimately be disallowed by grantor agencies, cannot be determined at this time, although Council management believes such amounts, if any, to be immaterial.

**NOTE 7. LEASE AND RENTAL AGREEMENTS**

The Council rents its primary facility in Itmann, West Virginia from the Pocahontas Land Company for \$1,260 per year. This facility also houses the administrative activities for All Care Home and Community Services. It is a standard operating practice in the area for the coal and land holding companies to rent excess facilities to community service organizations at modest lease prices. This lease is on a ten-year lease. The Council rents a second facility in Welch, West Virginia for \$450 per month, a third facility in Charleston, West Virginia for \$1,388 per month, and a fourth facility in Princeton, West Virginia for \$625 per month. The Welch lease is on a month-to-month basis; the Charleston and Princeton lease are on a five-year lease.

**NOTE 8. PENDING LITIGATION**

The Council is involved in a number of legal proceedings and claims. While it is not possible to determine the ultimate outcome of any lawsuits with certainty, management believes that the ultimate outcome will not have a material adverse effect on the financial position of the Council.

**NOTE 9. FUNCTIONAL EXPENSES**

Expenses by function for the year ended September 30, 2008, were as follows:

**NOTE 9. FUNCTIONAL EXPENSES (continued)**

	<u>Personal Care</u>	<u>Title - 19 Homemaker</u>	<u>Section 18</u>	<u>Title V</u>
Salaries and wages	\$1,243,122	\$ 1,301,042	\$ 643	\$ 139,729
Payroll taxes	108,473	121,263	-	11,176
Fringe benefits	116,532	141,750	117	10,723
Training and travel	3,367	5,516	759	2,093
Legal and accounting	20,196	33,985	-	-
Food expense	1,496	2,547	-	-
Utilities	7,703	12,808	-	154
Printing and supplies	18,139	30,198	-	2,909
Licenses and taxes	158	268	-	-
Membership dues	305	520	-	-
Contracted services	217,456	2,090	166	-
Insurance expense	9,013	15,346	1,200	-
Mileage expense	66,226	86,287	-	1,340
Advertising	14,421	24,314	245	4,568
Matching expense -- general	-	-	-	-
Maintenance	1,369	2,293	27,921	-
Rent	10,931	18,679	-	-
Postage	510	553	-	-
Miscellaneous	4,735	8,176	618	98
Medical supplies	409	697	-	-
Bad debt expense	-	12,413	-	-
Equipment	1,624	2,765	70	-
Indirect costs	<u>107,204</u>	<u>167,198</u>	<u>2</u>	<u>9,963</u>
Total functional expenses	<u>\$1,953,389</u>	<u>\$ 1,990,708</u>	<u>\$ 31,741</u>	<u>\$ 182,753</u>

**NOTE 9. FUNCTIONAL EXPENSES (continued)**

	<u>III-B</u>	<u>III-D</u>	<u>III-C-1</u>	<u>III-C-2</u>
Salaries and wages	\$ 56,250	\$ 2,190	\$ 29,322	\$ 49,042
Payroll taxes	4,274	222	2,622	4,369
Fringe benefits	4,149	146	2,350	3,590
Training and travel	-	-	-	-
Legal and accounting	-	-	-	-
Food expense	-	-	54,857	71,963
Utilities	-	-	392	640
Printing and supplies	7	-	1,874	3,763
Licenses and taxes	-	-	-	-
Membership dues	-	-	-	-
Contracted services	75	-	-	-
Insurance expense	20,921	-	-	-
Mileage expense	-	-	160	262
Advertising	-	-	17	-
Matching expense -- general	-	-	-	-
Maintenance	-	-	1,404	354
Rent	(24)	-	-	-
Postage	-	-	-	-
Miscellaneous	11	-	858	413
Medical supplies	-	-	-	-
Bad debt expense	-	-	-	-
Equipment	-	-	1,420	1,567
Indirect costs	<u>5,132</u>	<u>5</u>	<u>2,110</u>	<u>3,334</u>
Total functional expenses	<u>\$ 90,795</u>	<u>\$ 2,563</u>	<u>\$ 97,386</u>	<u>\$ 139,297</u>

**NOTE 9. FUNCTIONAL EXPENSES (continued)**

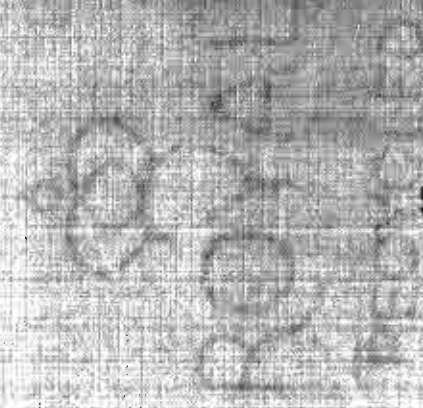
	Insurance Benefit <u>Counseling</u>	State Budget <u>Digest</u>	<u>Life</u>	<u>III-E</u>
Salaries and wages	\$ 130	\$ 130	\$ 30,038	\$ 15,270
Payroll taxes	17	-	2,500	1,434
Fringe benefits	-	-	7,267	-
Training and travel	-	-	160	-
Legal and accounting	-	-	-	1,390
Food expense	-	-	-	-
Utilities	-	-	-	-
Printing and supplies	-	2,691	13,918	484
Licenses and taxes	-	-	-	-
Membership dues	-	-	-	-
Contracted services	-	-	300	-
Insurance expense	-	-	13,805	-
Mileage expense	-	-	17	-
Advertising	-	19	-	-
Matching expense -- general	-	-	13,719	-
Maintenance	-	50,679	7,542	-
Rent	-	-	-	-
Postage	-	-	282	-
Miscellaneous	-	112	-	-
Medical supplies	-	-	-	-
Bad debt expense	-	-	-	-
Equipment	-	46,703	-	-
Indirect costs	-	-	6,346	1,814
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total functional expenses	<u>\$ 147</u>	<u>\$ 100,334</u>	<u>\$ 95,894</u>	<u>\$ 20,392</u>

**NOTE 9. FUNCTIONAL EXPENSES (continued)**

	<u>Lighthouse</u>	<u>Fair</u>	<u>Total</u>
Salaries and wages	\$ 78,382	\$ 13,680	2,958,970
Payroll taxes	7,786	1,408	265,544
Fringe benefits	5,146	946	292,716
Training and travel	-	-	11,895
Legal and accounting	-	-	55,571
Food expense	-	-	130,863
Utilities	-	-	21,697
Printing and supplies	-	-	73,983
Licenses and taxes	-	-	426
Membership dues	-	-	825
Contracted services	-	-	220,087
Insurance expense	-	-	60,285
Mileage expense	1,773	-	156,065
Advertising	-	-	43,584
Matching expense -- general	-	-	13,719
Maintenance	-	-	91,562
Rent	-	-	29,586
Postage	-	-	1,345
Miscellaneous	-	-	15,021
Medical supplies	-	-	1,106
Bad debt expense	-	-	12,413
Equipment	-	-	54,149
Indirect costs	-	-	303,108
	<u>          </u>	<u>          </u>	<u>          </u>
Total functional expenses	<u>\$ 93,087</u>	<u>\$ 16,034</u>	<u>\$ 4,814,520</u>



**SCHEDULE OF PROGRAM EXPENDITURES**



# COUNCIL ON AGING, INC.

## Schedule of Program Expenditures

For the Year Ended September 30, 2008

<u>Program</u>	<u>Program Year</u>	<u>Expenditures</u>	<u>Revenues</u>
Title V	July 1, 2007 to June 30, 2008	\$ <u>203,068</u>	\$ <u>197,739</u>
Lighthouse	July 1, 2007 to June 30, 2008	\$ <u>72,206</u>	\$ <u>98,827</u>
LIFE	July 1, 2007 to June 30, 2008	\$ <u>126,419</u>	\$ <u>123,793</u>
State Budget Digest	July 1, 2006 to June 30, 2008	\$ <u>132,996</u>	\$ <u>121,656</u>
FAIR	July 1, 2007 to June 30, 2008	\$ <u>16,551</u>	\$ <u>33,427</u>

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

# **COUNCIL ON AGING, INC.**

## **Notes to Schedule of Program Expenditures**

**For the Year Ended September 30, 2008**

### **BASIS OF PRESENTATION**

The accompanying schedules of program expenses of the Title V, State Budget Digest, Lighthouse, Fair and LIFE programs includes the grant activity of the Council on Aging, Inc. that the West Virginia Bureau of Senior Citizens oversees, and is presented on the accrual basis of accounting. Some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

To The Board of Directors  
Council on Aging, Inc.  
Itmann, West Virginia

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 Council's internal control.

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors of Council on Aging, Inc. (a nonprofit organization), the West Virginia State Auditor's Office and other federal and state agencies and is not intended to be used and should not be used by anyone other than these specified parties. However in accordance with *West Virginia Code 6-9-9a*, this report is a matter of public record and its distribution is not limited.

*Teed & Associates, PLLC*

Charleston, West Virginia  
May 8, 2009

# Teed & Associates, PLLC

## Certified Public Accountants

Established 1992

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Member, West Virginia Society of Certified Public Accountants  
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### INDEPENDENT AUDITORS' 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  
Council on Aging, Inc.  
Itmann, West Virginia

We have audited the financial statements of Council on Aging, Inc. (a nonprofit organization) as of and for the year ended September 30, 2008, and have issued our report thereon dated May 8, 2009. 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

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, prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council'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 Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control.

**REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE**

