

**OLIVE HILL HISTORICAL SOCIETY, INC.**

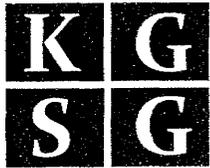
**FINANCIAL STATEMENT AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**TABLE OF CONTENTS**  
\*\*\*\*\*

	<u>PAGE</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	2-3
<b>FINANCIAL STATEMENT</b>	
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CASH BALANCES – CASH BASIS .....	4
NOTES TO FINANCIAL STATEMENT .....	5-6
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> .....	7-8
<b>SCHEDULE OF FINDINGS AND RESPONSES</b> .....	9

\*\*\*\*\*



**Kelley Galloway  
Smith Goolsby, PSC**

*Certified Public Accountants and Advisors*

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41102

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web [www.ksgcpa.com](http://www.ksgcpa.com) Member of *PKF North America*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Olive Hill Historical Society, Inc.  
Olive Hill, Kentucky

### Report on the Financial Statement

We have audited the accompanying statement of receipts, disbursements, and cash balances – cash basis of Olive Hill Historical Society, Inc., (a nonprofit organization), for the year ended June 30, 2015, and the related notes to the financial statement.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the statement of receipts, disbursements, and cash balances – cash basis in accordance with the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of receipts, disbursements, and cash balances – cash basis that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the statement of receipts, disbursements, and cash balances – cash basis based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of receipts, disbursements, and cash balances – cash basis is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 statement of receipts, disbursements, and cash balances – cash basis referred to above present fairly, in all material respects, the receipts, disbursements, and cash balances of Olive Hill Historical Society, Inc. for the year ended June 30, 2015, in accordance with the cash basis of accounting as described in Note 2.

## **Basis of Accounting**

We draw attention to Note 2 to the financial statement, which describes the basis of accounting. The statement of receipts, disbursements, and cash balances – cash basis is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 on our consideration of Olive Hill Historical Society, 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 Olive Hill Historical Society, Inc.'s internal control over financial reporting and compliance.

*Kelley Dalloway Smith Goolsby, PSC*

Ashland, Kentucky  
March 21, 2016

**OLIVE HILL HISTORICAL SOCIETY, INC.  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CASH BALANCES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2015**

RECEIPTS	
Grant income	\$ 441,256
Donations	19,835
Rental income	20,768
Fundraising income	20,835
Vendor sales, less direct costs	1,450
Memberships	<u>3,000</u>
 Total Receipts	 <u>507,144</u>
DISBURSEMENTS	
Utilities	31,636
Advertising	210
Insurance	14,124
Fundraising expense	8,296
Maintenance	5,044
Other expenses	1,123
Security	1,407
Interest	3,001
Capital outlay	<u>440,047</u>
 Total Disbursements	 <u>504,888</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	2,256
 CASH BALANCES - BEGINNING OF YEAR	 <u>4,046</u>
 CASH BALANCES - END OF YEAR	 <u>\$ 6,302</u>

The accompanying notes to the financial statement are an integral part of this statement.

# OLIVE HILL HISTORICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENT

JUNE 30, 2015

### (1) NATURE OF ORGANIZATION

The Olive Hill Historical Society, Inc. (the Organization), a non-profit organization, was established in 1998. The Organization makes art, education, and cultural history accessible to Olive Hill, Kentucky, and the surrounding community.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The Organization follows the policy of preparing its financial statement on the cash basis of accounting. That basis differs from accounting principles generally accepted in the United States primarily because receivables, payables, inventories, long-lived assets, accrued income and expenses and amortization and depreciation, which may be material, are not reflected in the accompanying financial statement. The only asset recognized is cash. Revenues are recognized only when received rather than when earned and disbursements are recognized only when paid rather than when the actual obligation is incurred.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

#### Grants

Support received under grants and contracts is recorded as received.

#### Advertising

Advertising costs are charged to operations when paid and totaled \$210.

#### Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The State of Kentucky also recognizes this tax-exempt status. The Organization is not classified as a private foundation by the Internal Revenue Service.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2015, there are no uncertain positions taken or expected to be taken that would require disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

#### Subsequent Events

Subsequent events have been evaluated through March 21, 2016, which is the date the financial statement was available to be issued.

**(3) CASH AND INVESTMENTS**

At June 30, 2015, cash consisted of the following:

<u>Unrestricted Funds</u>	
Commercial Bank of Grayson	\$ 5,009
	<u>\$ 5,009</u>
<u>Restricted Funds</u>	
Commercial Bank of Grayson	\$ 1,293
	<u>\$ 1,293</u>

**(4) CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Buildings and land	\$ 56,620	\$ -	\$ -	\$ 56,620
Building renovations	502,411	322,589	-	825,000
Furniture and equipment	<u>40,715</u>	<u>10,550</u>	<u>-</u>	<u>51,265</u>
Totals at historical cost	<u>\$ 599,746</u>	<u>\$ 333,139</u>	<u>\$ -</u>	<u>\$ 932,885</u>

The historic building that houses the Organization was purchased in 1998 for an original purchase price of \$10,000. In 2012, the Organization was approved for a \$500,000 CDBG grant and a \$325,000 ARC grant to renovate the building. All work under these grants was completed on October 5, 2014.

During 2014, the Organization purchased an old elementary building and lot, cafeteria, shop, and playground with a loan from a local bank in the amount of \$45,920 at 6.5% interest with interest only until May 28, 2016. The loan is to be refinanced on May 28, 2016 on a 20 year amortization with monthly payments of principal and interest.

**(5) CONCENTRATIONS OF CREDIT RISK**

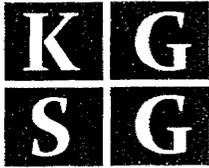
The Organization received approximately 87% of its support through government and local grants in the current year.

Financial instruments that potentially subject the Organization to credit risk include unrestricted and restricted cash with financial institutions. The difference between cash bank balances as set forth below and book balances as shown on the statement of receipts and disbursements at June 30, 2015 represents in transit items.

	<u>Cash</u>
Insured, commercial banks	\$ 6,760
Uninsured, uncollateralized	-
	<u>\$ 6,760</u>

**(6) CONTRIBUTED SERVICES**

Volunteers assisting Olive Hill Historical Society, Inc. contributed a significant amount of time, for which no value has been assigned or recognized in the financial statements.



Kelley Galloway  
Smith Goolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41102

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web [www.kgscpa.com](http://www.kgscpa.com) Member of PKF North America

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Olive Hill Historical Society, Inc.  
Olive Hill, Kentucky

We have audited, 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, the financial statements of Olive Hill Historical Society, Inc. (a nonprofit organization), which comprise the statement of receipts, disbursements, and cash balances – cash basis for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Olive Hill Historical Society, 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 Olive Hill Historical Society, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Olive Hill Historical Society, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-01 to be a significant deficiency in internal control over financial reporting.

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 Olive Hill Historical Society, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kelley Dalloway Smith Doolby, PSC*

Ashland, Kentucky  
March 21, 2016

**OLIVE HILL HISTORICAL SOCIETY, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2015**

**Finding 2015-01**

Segregation of Duties

Because of the size of Olive Hill Historical Society, Inc. and its limited number of employees, it is not possible from a practical perspective to achieve segregation of duties in many areas. As a result, a highly structured internal control system cannot exist. Management and the Board of Directors should remain aware of the inherent risks resulting from the reliance that is placed on the integrity of the employees and the need to provide appropriate supervision.

Management's Response

Management keeps the Board apprised of all financial activities to minimize inherent risks.