

**KANAWHA VALLEY SENIOR SERVICES, INC.**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Kanawha Valley Senior Services, Inc.  
Charleston, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kanawha Valley Senior Services, Inc. (KVSS), a nonprofit organization, which comprise the statements of financial position as of September 30, 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 audits. We conducted our audits 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 KVSS as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule of Federal, State and Other Support, Expenditures and Changes in Net Assets on pages 17 – 18 and the Schedule of Direct State Grant Awards on page 19 are presented for purposes of additional analysis and are not a required part of the financial statements. 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 Awards*, is presented on page 20 for purposes of additional analysis and is 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 February 22, 2017 on our consideration of KVSS'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 KVSS's internal control over financial reporting and compliance.



Charleston, West Virginia  
February 22, 2017

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2016 AND 2015**

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	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 553,864	\$ 648,574
Investments	883,986	620,729
Client service receivables, less allowance for uncollectable accounts	240,119	270,681
Grants receivable	160,773	87,980
Other current assets	18,953	13,037
Total current assets	1,857,695	1,641,001
Property and equipment, less accumulated depreciation	1,108,163	1,034,311
Other noncurrent assets	10,509	10,331
Total noncurrent assets	1,118,672	1,044,642
<b>Total assets</b>	<b>\$ 2,976,367</b>	<b>\$ 2,685,643</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 45,431	\$ 37,189
Accrued liabilities	180,769	152,503
Refundable advances	99,889	96,524
Total current liabilities	326,089	286,216
Noncurrent liabilities		
Other post employment benefits	773,388	747,523
Total liabilities	1,099,477	1,033,739
Net assets		
Unrestricted	1,876,890	1,651,904
Total net assets	1,876,890	1,651,904
<b>Total liabilities and net assets</b>	<b>\$ 2,976,367</b>	<b>\$ 2,685,643</b>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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	2016	2015
Changes in unrestricted net assets		
Support and revenue		
Federal support	\$ 810,133	\$ 311,315
State support	1,777,012	1,472,745
Client service revenue	998,691	1,137,881
Other	308,641	101,677
Total support and revenue	3,894,477	3,023,618
Expenses		
Salaries and wages	2,304,509	1,948,394
Payroll taxes and fringes	442,475	403,775
Insurance	32,476	19,964
Office expense	132,816	121,664
Program costs	112,724	52,711
Rent	21,077	21,076
Depreciation	98,745	101,095
Printing and publications	15,609	17,256
Travel	83,181	86,459
Equipment	4,450	10,659
Repairs and maintenance	37,204	18,055
Vehicles	65,977	45,597
Contractual services	80,985	84,188
Food	347,563	-
Miscellaneous expense	23,931	20,698
Total operating expenses	3,803,722	2,951,591
Operating income	90,755	72,027
Nonoperating revenue (expense)		
Non-operating other post employment benefits (OPEB) expense	(25,865)	(32,771)
Grant support for capital expenditures	160,096	32,133
Total nonoperating revenue (expense)	134,231	(638)
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>224,986</b>	<b>71,389</b>
Net assets, beginning of year	1,651,904	1,580,515
<b>Net assets, end of year</b>	<b>\$ 1,876,890</b>	<b>\$ 1,651,904</b>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**KANAWHA VALLEY SENIOR SERVICES, INC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 224,986	\$ 71,389
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	98,745	101,095
Net investment (income) loss credited directly to investment account	(63,257)	24,098
(Gain) loss on disposal of assets	25	(1,488)
(Increase) decrease in assets		
Client service receivables	30,562	26,504
Grants receivable	(72,793)	38,422
Other current assets	(5,916)	5,180
Other noncurrent assets	(178)	140,098
Increase (decrease) in liabilities		
Accounts payable	8,242	(5,348)
Accrued liabilities	28,266	(20,856)
Refundable advances	3,365	(14,772)
Other post employment benefits	25,865	32,771
	<u>277,912</u>	<u>397,093</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchase of investment securities	(200,000)	(644,827)
Cash purchases of property and equipment	(172,632)	(32,133)
Proceeds from disposal of assets	10	1,525
	<u>(372,622)</u>	<u>(675,435)</u>
Net cash provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	(94,710)	(278,342)
Cash and cash equivalents, beginning of year	<u>648,574</u>	<u>926,916</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 553,864</b>	<b>\$ 648,574</b>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS** - Kanawha Valley Senior Services, Inc. (KVSS) is a nonprofit organization located in Charleston, West Virginia created to provide programs to serve the elderly of the Kanawha Valley. The primary sources of support and revenue are fees for services provided and grants.

**TEMPORARILY RESTRICTED NET ASSETS** - The temporarily restricted category is comprised of funds whose use has been limited by donors to a specific time period and/or purpose. KVSS had no temporarily restricted net assets at September 30, 2016 or 2015.

**UNRESTRICTED NET ASSETS** - Unrestricted net assets are comprised of funds whose use is limited only to the extent that the organization's by-laws limit the activities of the organization. Contributions with donor-imposed restrictions that are met in the same year in which the contribution is recognized are reported as changes in unrestricted net assets.

**USE OF ESTIMATES** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**REVENUE RECOGNITION** - Contributions and grants with donor imposed conditions are reported as revenue when qualifying expenses have been incurred or other conditions have been met. Cash received but not yet expended for these conditional grants is recorded as refundable advances. Unrestricted grants and contributions are recorded as revenue in the period received.

**PROPERTY AND EQUIPMENT** - Property and equipment with a cost of \$1,000 or more are capitalized at cost and depreciated over the estimated useful lives of the assets. Useful lives are 3 to 7 years for office equipment and vehicles, 20 years for building improvements, and 39 years for buildings.

**INCOME TAXES** - KVSS 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. The Internal Revenue Service has classified KVSS as a publicly supported organization, which is not a private foundation. Accordingly, no provision for income taxes has been recorded.

For the year ended September 30, 2016, KVSS has no material uncertain tax positions to be accounted for in the financial statements under professional standards. KVSS recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. KVSS returns for years ending on or after September 30, 2013 remain subject to examination.

**CONTRIBUTED SERVICES** - 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 which are recognized are valued at the estimated cost that would have been incurred by KVSS to purchase similar services.



**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**CASH AND CASH EQUIVALENTS** - For purposes of the statements of cash flows, cash and cash equivalents include cash deposits in bank accounts and investments in highly liquid debt instruments with a maturity of three months or less.

**CLIENT SERVICE RECEIVABLES** - KVSS provides service programs for eligible seniors requiring in-home health related services and transportation to specific services. Caregiver programs are also provided to those who have a family member to whom they provide care. These services are reimbursable by Medicaid based on prospectively determined per diem rates. Services billed by KVSS are subject to adjustment by Medicaid. Adjustments, if any, are recorded when they are identified. Therefore, client service receivables are reported at estimated net realizable value. Amounts are generally written off if unresolved differences between KVSS and Medicaid exceed a twelve-month period. Receivables must have Board approval prior to charging off.

**ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS** - KVSS has established an allowance for uncollectible accounts based on amounts charged off subsequent to September 30, 2016, and an analysis of the likelihood of collectability of the remaining accounts. The allowance for doubtful accounts as of September 30, 2016 and 2015 was \$35,756 and \$20,183, respectively and has been netted against client service receivables and revenue.

**ADVERTISING COSTS** - Advertising costs are expensed as incurred. Total advertising costs for the years ended September 30, 2016 and 2015 were \$2,031 and \$2,230, respectively.

**SUBSEQUENT EVENTS** - In preparing these financial statements, KVSS has evaluated events and transactions for potential recognition or disclosure through February 22, 2017, the date the financial statements were issued.

NOTE 2 -- CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits with banking institutions in checking and savings accounts. Bank balances are insured by federal deposit insurance by the Federal Deposit Insurance Corporation (FDIC). Balances in these accounts sometimes exceed the federal deposit insurance limits; however, management believes the financial institutions to be creditworthy and believes that credit risk associated with these deposits is minimal. At September 30, 2016, the amount of cash deposits in excess of FDIC insurance was approximately \$335,000.

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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NOTE 3 -- INVESTMENTS

Investments are stated at fair value and consist of the following:

	2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
<b>Fixed Income:</b>			
Cash equivalents	\$ 43,352	\$ 43,352	\$ -
Certificate of deposit	200,000	200,449	449
Corporate bonds	356,410	364,972	8,562
Government agency bonds	7,959	8,255	296
<b>Equity:</b>			
Corporate stocks	217,290	230,304	13,014
Small cap growth mutual funds	3,500	3,027	(473)
Mid cap growth mutual funds	6,000	5,489	(511)
Small cap value mutual funds	4,500	4,700	200
International equities	15,000	13,240	(1,760)
Other	10,147	10,198	51
	<u>\$ 864,158</u>	<u>\$ 883,986</u>	<u>\$ 19,828</u>

	2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
<b>Fixed Income:</b>			
Cash equivalents	\$ 33,002	\$ 33,002	\$ -
Corporate bonds	303,433	300,260	(3,173)
Government agency bonds	54,381	54,735	354
<b>Equity:</b>			
Corporate stocks	219,916	198,284	(21,632)
Small cap growth mutual funds	3,500	3,002	(498)
Mid cap growth mutual funds	6,000	5,580	(420)
Small cap value mutual funds	4,500	4,114	(386)
International equities	15,000	12,717	(2,283)
Other	10,147	9,035	(1,112)
	<u>\$ 649,879</u>	<u>\$ 620,729</u>	<u>\$ (29,150)</u>

Investment return is summarized as follows:

	2016	2015
Interest and dividend income	\$ 18,360	\$ 8,933
Net realized and unrealized gains (losses)	50,344	(28,335)
Investment fees	(5,447)	(4,696)
Net investment return (loss)	<u>\$ 63,257</u>	<u>\$ (24,098)</u>

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

NOTE 4 -- FAIR VALUE MEASUREMENTS

Accounting standards generally accepted in the United States of America establish a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach, and cost approach). The levels of the hierarchy are described below:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

Fair value of assets and liabilities measured on a recurring basis at September 30, 2016 and 2015 are as follows:

<u>September 30, 2016</u>	<u>Fair Value</u>	2016		
		<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed Income:				
Cash equivalents	\$ 43,352	\$ 43,352	\$ -	\$ -
Certificate of deposit	200,449	200,449		
Corporate bonds	364,972	364,972	-	-
Government agency bonds	8,255	8,255	-	-
Equity:				
Corporate stocks	230,304	230,304	-	-
Small cap growth mutual funds	3,027	3,027	-	-
Mid cap growth mutual funds	5,489	5,489	-	-
Small cap value mutual funds	4,700	4,700	-	-
International equities	13,240	13,240	-	-
Other	<u>10,198</u>	<u>10,198</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 883,986</u>	<u>\$ 883,986</u>	<u>\$ -</u>	<u>\$ -</u>

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

NOTE 4 -- FAIR VALUE MEASUREMENTS (Continued)

<u>September 30, 2015</u>	<u>Fair Value</u>	2015		
		<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed Income:				
Cash equivalents	\$ 33,002	\$ 33,002	\$ -	\$ -
Corporate bonds	300,260	300,260	-	-
Government agency bonds	54,735	54,735	-	-
Equity:				
Corporate stocks	198,284	198,284	-	-
Small cap growth mutual funds	3,002	3,002	-	-
Mid cap growth mutual funds	5,580	5,580	-	-
Small cap value mutual funds	4,114	4,114	-	-
International equities	12,717	12,717	-	-
Other	<u>9,035</u>	<u>9,035</u>	-	-
Total investments at fair value	<u>\$ 620,729</u>	<u>\$ 620,729</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 -- PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 70,222	\$ 70,222
Buildings and improvements	1,440,837	1,314,497
Equipment	<u>505,273</u>	<u>476,618</u>
	2,016,332	1,861,337
Less accumulated depreciation	<u>(908,169)</u>	<u>(827,026)</u>
	<u>\$ 1,108,163</u>	<u>\$ 1,034,311</u>

Depreciation expense charged to operations totaled \$98,745 and \$101,095 for the years ended September 30, 2016 and 2015, respectively.

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

NOTE 6 -- FUNDRAISING

KVSS held several fundraising events during the years ended September 30, 2016 and 2015. A summary of such fundraising revenue and expense for the years ended September 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Revenue	\$ 26,595	\$ 22,184
Expense	<u>(3,485)</u>	<u>(3,931)</u>
	<u>\$ 23,110</u>	<u>\$ 18,253</u>

NOTE 7 -- CONCENTRATIONS OF CREDIT RISK

KVSS generates a substantial portion of its revenue from Medicaid reimbursements and Title III grants. Medicaid amounts are paid on a cost reimbursement basis and are subject to audit and disallowance of charges based on a determination of whether the charges complied with all pertinent Medicaid regulations. If amounts are required to be repaid, such amounts will be recognized if an audit is performed and an amount can be reasonably determined.

KVSS extends credit for services provided without collateral. The mix of net receivables and revenue of its total unrestricted support and revenue at September 30, 2016 and 2015 and for the years then ended was as follows:

	<u>2016</u>	<u>2015</u>
Net receivable from:		
Medicaid	18%	22%
Title III	29%	19%
Lighthouse	27%	26%
Other	<u>26%</u>	<u>33%</u>
	<u>100%</u>	<u>100%</u>
Net revenue from:		
Medicaid	20%	30%
Title III	37%	18%
Lighthouse	18%	25%
Other	<u>25%</u>	<u>27%</u>
	<u>100%</u>	<u>100%</u>

A reduction in the level of this reimbursement and support, if this were to occur, may have a significant effect on KVSS's programs and activities.

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

NOTE 8 -- FUNCTIONAL EXPENSES

KVSS incurred expenses in the conduct of the following programs for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Community Care Program: KVSS provides an in-home care program, funded by the Medicaid program and the Veterans Administration that makes personal assistance available to eligible adults.	\$ 881,101	\$ 993,515
Title III Programs: Older Americans Act funds that cover social support activities including nutrition, case management, transportation, assessments, etc. KVSS also makes caregiver training available to family members providing care.	1,427,992	412,156
Lighthouse: KVSS provides for in-home assistance for seniors who have functional needs in their homes who do not qualify for other programs.	656,971	681,530
Transportation: KVSS provides transportation services to seniors.	305,014	350,282
Other programs that benefit senior citizens	<u>558,509</u>	<u>546,879</u>
	<u>\$ 3,829,587</u>	<u>\$ 2,984,362</u>

The above amounts include a proportionate allocation of all management and general and indirect costs, which totaled approximately \$462,000 and \$426,000 for the years ended September 30, 2016 and 2015, respectively.

NOTE 9 -- CONTINGENT LIABILITIES

KVSS's programs are generally funded from federal, state, and local sources, principal of which are programs of the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in requests for reimbursement 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.

Also, KVSS is involved in various legal actions from time to time in the ordinary course of business. Management is not currently aware of any matters, which will have a significant adverse effect on the accompanying financial statements.

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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**NOTE 10 -- PENSION PLAN**

KVSS sponsors a contributory defined contribution pension plan covering qualified employees. All regular, full-time employees of KVSS with at least one full year of service are eligible to participate. Under the Plan employees are able to contribute up to 6% of their annual compensation to the Plan, which is 100% vested with the employee. KVSS matches 200% of contributions up to 2% of employee salary and 50% of contributions that exceed 2% of salary, but do not exceed 6% of salary. Employer contributions become fully vested after four years. KVSS's contributions to the Plan for the years ended September 30, 2016 and 2015, totaled \$25,129 and \$29,298, respectively.

**NOTE 11 -- OTHER POST EMPLOYMENT BENEFITS**

KVSS is part of the State of West Virginia's Other Post Employment Benefits (OPEB) plan. OPEB costs are accrued based upon invoices received from the West Virginia Retiree Health Benefits Trust Fund (RHBT) based upon actuarially determined amounts. At September 30, 2016 and 2015, the noncurrent liability related to OPEB costs was \$773,388 and \$747,523, respectively. This represents amounts billed by RHBT but not currently required to be paid by KVSS consistent with RHBT guidance. The total OPEB expense incurred for the years ending June 30, 2016 and 2015 was \$68,760 and \$69,240, respectively.

The West Virginia Legislature passed legislation to provide alternate funding sources for the RHBT OPEB unfunded liability. In addition the PEIA Finance Board imposed limits on the retiree subsidy currently provided for PEIA premiums for retirees. Future increases in the subsidy will be limited to no more than 3% per year. These actions are expected to have a material impact on the amounts billed by the RHBT to KVSS in the future, resulting in credits being issued to reduce the recorded OPEB liability.

**NOTE 12 -- OPERATING LEASES**

KVSS leases certain equipment under an operating lease agreement. Aggregate payments under this agreement for September 30, 2016 and 2015 were \$6,372 and \$6,372, respectively. There were no future minimum rental commitments as of September 30, 2016.

## SUPPLEMENTAL INFORMATION



**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**Schedule of Federal, State and Other Support, Expenditures and Changes in Net Assets**  
**Year Ended September 30, 2016**

Federal Agency	U.S. Department of Health and Human Services (USDHHS)				N/A				USDHHS				N/A	
	Title IIB Senior Citizens	Title IIC Nutrition Services	Title IID Preventative Health	Title IIE Caregiver	LIFE	Lighthouse	FAIR	State Health Insurance Assistance	Community Partnership	Transportation	WVBOSS & WVDHHR			
State Agency	WV Bureau of Senior Services (WVBOSS)													
Pass-Thru Grantor	WVSC Metro Area Agency on Aging													
Program Title	Title IIB Senior Citizens	Title IIC Nutrition Services	Title IID Preventative Health	Title IIE Caregiver	LIFE	Lighthouse	FAIR	State Health Insurance Assistance	Community Partnership	Transportation				
Program Year	10/01/15 - 09/30/16	10/01/15 - 09/30/16	10/01/15 - 09/30/16	10/01/15 - 09/30/16	07/01/15 - 06/30/16	07/01/15 - 06/30/16	07/01/15 - 06/30/16	04/01/15 - 03/31/16		10/01/15 - 09/30/16				
Federal CFDA Number	93.044	93.045	93.043	93.052										
Support and Revenue	\$ 149,837	\$ 509,985	\$ 18,914	\$ 106,989	\$ -	\$ -	\$ -	\$ 24,408	\$ -	\$ -	\$ -	\$ -	\$ -	
Federal support	167,916	369,948	1,700	-	218,039	715,615	280,711	-	23,083	-	-	-	-	
Client service revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	41,634	130,638	3,494	3,372	618	50	475	-	-	-	-	-	41,886	
Total support and revenue	359,387	1,010,571	24,108	110,361	218,657	715,665	281,186	24,408	23,083	-	-	-	600	
Expenditures														
Salary and wages	129,397	383,674	9,269	66,783	-	472,316	176,437	16,064	-	-	-	-	132,751	
Payroll taxes and benefits	45,568	76,067	4,220	17,765	-	63,671	34,880	2,084	-	-	-	-	36,890	
Insurance	479	6,871	36	374	-	3,393	919	-	-	-	-	-	9,163	
Office expense	724	20,878	126	1,392	13,553	347	2,088	1,435	-	-	-	-	8,702	
Program costs	189	52,246	6,176	3,484	8,364	2,470	3,920	130	21,427	-	-	-	6,727	
Rent	-	-	-	4,488	-	-	8,065	-	-	-	-	-	8,063	
Printing and publications	-	1,110	60	-	5,701	263	91	284	-	-	-	-	560	
Travel	7,701	2,021	498	889	-	32,476	889	894	-	-	-	-	723	
Non-capitalized equipment	-	171	-	-	2,149	417	-	-	-	-	-	-	-	
Repairs and maintenance	-	17,319	-	249	325	72	373	-	1,656	-	-	-	202	
Vehicle costs	-	32,554	-	-	-	-	-	-	-	-	-	-	33,115	
Consultant/Contractual	-	-	800	144	4,268	310	216	-	-	-	-	-	1,563	
Food	-	347,038	-	210	-	-	315	-	-	-	-	-	-	
Miscellaneous	319	3,528	-	643	109	408	233	-	-	-	-	-	4,270	
Total expenses	184,377	943,477	21,185	96,421	34,469	576,143	228,426	20,891	23,083	-	-	-	242,729	
Allocation of indirect costs	26,055	129,442	3,029	14,160	4,651	80,091	31,699	1,255	-	-	-	-	37,375	
Total expenditures	210,432	1,072,919	24,214	110,581	39,120	656,234	260,125	22,146	23,083	-	-	-	280,104	
Support and revenue over (under) expenditures	148,955	(62,348)	(106)	(220)	179,537	59,431	21,061	2,262	-	-	-	-	(237,618)	
Depreciation expense under GAAP	(1,562)	(246)	(90)	(652)	-	-	-	-	-	-	-	-	(19,101)	
Other post employment benefits	(3,505)	(2,479)	(112)	(1,201)	(737)	(1,215)	(33)	(33)	-	-	-	-	(5,809)	
Grant support for capital expenditures	23,209	1,055	-	-	43,720	-	-	-	92,112	-	-	-	-	
Transfer in/(out)	(173,190)	37,901	-	34,665	(218,870)	-	-	(2,937)	(92,112)	-	-	-	261,466	
CHANGE IN NET ASSETS	\$ (6,093)	\$ (26,117)	\$ (308)	\$ 32,592	\$ 4,387	\$ 58,694	\$ 19,846	\$ (708)	\$ -	\$ -	\$ -	\$ -	(1,062)	

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**Schedule of Federal, State and Other Support, Expenditures and Changes in Net Assets**

(Continued)

Year Ended September 30, 2016

Federal Agency	USDHHS		Veterans Administration		N/A					
	West Virginia Department of Health and Human Resources (WVDHHR)									
State Agency	N/A		N/A		N/A					
Pass-Thru Grantor	N/A		N/A		Management					
Program Title	Community Care Program (CCP)	Medicaid Waiver	Veterans Homemaker	Creative Care Program	Private Pay Respite	General	Property & Building	Tiskelwah	Indirect	Totals
Program Year	10/01/15 - 09/30/16					10/01/15 - 09/30/16	10/01/15 - 09/30/16	10/01/15 - 09/30/16	10/01/15 - 09/30/16	
Federal CFDA Number										
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 810,133
Federal support	-	-	-	-	-	-	-	-	-	1,777,012
State support	650,327	130,406	165,969	3,400	6,703	-	-	-	-	998,691
Client service revenue	20	-	337	-	-	104,501	-	22,902	-	308,641
Other	650,347	130,406	166,306	3,400	6,703	104,501	-	22,902	-	3,894,477
Total support and revenue	438,423	91,420	100,131	1,674	6,995	2,035	-	25,014	252,126	2,304,509
Salary and wages	62,569	12,186	18,600	140	1,219	258	-	4,959	61,399	442,475
Payroll taxes and benefits	3,487	723	629	-	22	-	-	2,134	4,246	32,476
Insurance	487	47	214	-	-	-	-	31,955	50,868	132,816
Office expense	2,163	487	384	2	-	3,485	-	23	1,047	112,724
Program costs	-	-	-	-	461	-	-	-	-	21,077
Rent	246	59	29	-	-	1,488	-	529	5,189	15,609
Printing and publications	20,561	5,079	8,207	34	-	125	-	306	2,778	83,181
Travel	152	38	152	-	-	-	-	794	577	4,450
Non-capitalized equipment	81	15	13	-	-	-	-	9,867	7,032	37,204
Repairs and maintenance	-	-	-	-	-	-	-	-	308	65,977
Vehicle costs	277	58	44	-	-	-	-	6,047	67,258	80,985
Consultant/Contractual	-	-	-	-	-	-	-	-	-	347,563
Food	-	-	-	-	-	-	-	-	-	-
Miscellaneous	2,785	759	82	-	-	3,950	-	1,030	5,815	23,931
Total expenses	531,231	110,871	128,485	1,850	8,697	11,341	-	82,658	458,643	3,704,977
Allocation of indirect costs	74,684	15,489	18,276	165	1,151	3,554	5,269	16,124	(462,469)	-
Total expenditures	605,915	126,360	146,761	2,015	9,848	14,895	5,269	98,782	(3,826)	3,704,977
Support and revenue over (under) expenditures	44,452	4,046	19,545	1,385	(3,145)	89,606	(5,269)	(75,880)	3,826	189,500
Depreciation expense under GAAP	(328)	-	-	-	-	(4,940)	(37,748)	(30,252)	(3,826)	(98,745)
Other post employment benefits	(459)	(168)	(1,110)	(18)	(44)	(8,254)	-	(721)	-	(25,865)
Grant support for capital expenditures	-	-	-	-	-	-	-	-	-	160,096
Transfer in/(out)	-	-	-	-	-	610	115,135	37,332	-	-
CHANGE IN NET ASSETS	\$ 43,645	\$ 3,878	\$ 18,435	\$ 1,367	\$ (3,189)	\$ 77,022	\$ 72,118	\$ (69,521)	\$ -	\$ 224,986

**KANAWHA VALLEY SENIOR SERVICES  
SCHEDULE OF DIRECT STATE GRANT AWARDS  
YEAR ENDED SEPTEMBER 30, 2016**

AWARDING AGENCY: Bureau of Senior Services

GRANT NAME	GRANT IDENTIFICATION	PERIOD AWARDED	TOTAL AWARD	FUNDS RECEIVED	FUNDS EXPENDED	UNEXPENDED FUNDS RECEIVED	GRANT BALANCE
In-Home Service Funds - Kanawha County	IH1719	7/1/16-6/30/17	\$ 935,060	\$ 262,954	\$ 262,954	\$ -	\$ 672,106
In-Home Service Funds - Kanawha County	IH1619	7/1/15-6/30/16	815,060	815,060	815,060	-	-
In-Home Service Funds - Putnam County	IH1759	7/1/16-6/30/17	40,000	8,928	8,928	-	31,072
In-Home Service Funds - Putnam County	IH1659	7/1/15-6/30/16	40,000	36,668	36,668	-	3,332
Tiskelwah Center	SC21489	7/1/13-6/30/14	98,000	98,000	98,000	-	-
Clendenin	SC21277	7/1/11-6/30/12	14,000	11,312	11,312	-	2,688
Tiskelwah Center - Lighting	SC21389	7/1/12-6/30/14	20,000	20,000	20,000	-	-
Tiskelwah Center - Paving	SC21289	7/1/11-6/30/12	17,500	17,500	17,500	-	-
Tiskelwah Center - Capital Improvements	SC21289A	7/1/14-6/30/15	5,000	5,000	5,000	-	-
KVSS - Capital and Safety Improvements	SC21277A	7/1/14-6/30/15	15,000	15,000	15,000	-	-
Elk River Senior Center	SC21589	7/1/13-6/30/15	20,000	20,000	20,000	-	-

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Passed through WVSC Metro Area Agency on Aging			
Aging Cluster			
Special Programs for the Aging - Title III, Part B Grants for			
Supportive Services and Senior Centers	93.044	21636	\$ 149,837
Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	N/A	387,654
Nutrition Services Incentive Program	93.053	N/A	<u>109,015</u>
Aging cluster total			<u>646,506</u>
Special Programs for the Aging - Title III, Part D Disease Prevention			
and Health Promotion Services	93.043	21636	18,914
National Family Caregiver Support, Title III, Part E	93.052	21636	106,989
Passed through WV Bureau of Senior Services			
Medicare Enrollment Assistance Program	93.071	MIPPA1419	3,200
Centers for Medicare and Medicaid Services			
(CMS) Research, Demonstrations and Evaluations	93.779	SHIPXXXX	<u>21,208</u>
Total for U.S. Department of Health and Human Services			<u>796,817</u>
U.S. Department of Homeland Security			
Passed-through West Virginia Department of Homeland Security			
Disaster Grants - Public Assistance	97.036	N/A	<u>13,316</u>
Total for U.S. Department of Homeland Security			<u>13,316</u>
Total Expenditures of Federal Awards			<u>\$ 810,133</u>

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2016**

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NOTE 1 -- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of KVSS and is prepared on the accrual basis of accounting. 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 Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

NOTE 2 -- INDIRECT COST RATE

KVSS has not elected to use the 10% de minimis indirect cost rate allowed under Section 200.414 of the Uniform Guidance.

**KANAWHA VALLEY SENIOR SERVICES, INC.**  
**AUDITEE'S SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED SEPTEMBER 30, 2016**

Program	Findings/Noncompliance	Questioned Cost
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There were no prior year Single Audit findings.

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*

The Board of Directors  
Kanawha Valley Senior Services, Inc.  
Charleston, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kanawha Valley Senior Services, Inc. (KVSS), which comprise the statement of financial position as of September 30, 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 February 22, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered KVSS'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 KVSS's internal control. Accordingly, we do not express an opinion on the effectiveness of KVSS'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 KVSS'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 KVSS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KVSS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia  
February 22, 2017



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

The Board of Directors  
Kanawha Valley Senior Services, Inc.  
Charleston, West Virginia

**Report on Compliance for Each Major Federal Program**

We have audited Kanawha Valley Senior Services, Inc.'s (KVSS's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KVSS's major federal programs for the year ended September 30, 2016. KVSS'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of KVSS'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 KVSS'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 KVSS's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, KVSS 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 September 30, 2016.

### **Report on Internal Control Over Compliance**

Management of KVSS 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 KVSS'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 our 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 KVSS'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 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.



Charleston, West Virginia  
February 22, 2017

**KANAWHA VALLEY SENIOR SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued: Unmodified Opinion

Internal control over financial reporting:

    Material weakness(es) identified? \_\_\_\_\_ yes      X   no

    Significant deficiency(ies) identified that are not considered to  
    be material weaknesses? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

**Federal Awards**

Internal control over major programs:

    Material weakness(es) identified? \_\_\_\_\_ yes      X   no

    Significant deficiency(ies) identified that are not considered to  
    be material weaknesses? \_\_\_\_\_ yes      X   none reported

Type of auditor's report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in  
accordance with section .717(a) of the Uniform Guidance? \_\_\_\_\_ yes      X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.044/93.045/93.053	Aging Cluster

Dollar threshold used to distinguish between Type A and Type B  
programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      X   no

**KANAWHA VALLEY SENIOR SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2016**

SECTION II

FINANCIAL STATEMENT

FINDINGS SECTION

None

**KANAWHA VALLEY SENIOR SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2016**

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SECTION III

FEDERAL AWARD FINDINGS  
AND QUESTIONED COSTS SECTION

None