

**SENIOR LIFE SERVICES
OF MORGAN COUNTY, INC.**

AUDITED FINANCIAL STATEMENTS

September 30, 2014

Audited by

**Williams & Associates, AC
204 Davis Avenue, PO Box 2727
Elkins, West Virginia 26241
(304) 637-9110**

**SENIOR LIFE SERVICES OF MORGAN COUNTY, INC.
SEPTEMBER 30, 2014**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements.	6-13
SUPPLEMENTAL INFORMATION	
Statement of Activities by Grant (Includes Functional Expenses)	14
Schedule of Expenditures of Federal & State Awards	15
INTERNAL CONTROL AND COMPLIANCE REPORTS	
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
MANAGEMENT INFORMATION	
MANAGEMENT LETTER	18-19

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Senior Life Services of Morgan County, Inc.
106 Sandmine Road, Suite 1
Berkeley Springs, West Virginia

We have audited the accompanying financial statements of Senior Life Services of Morgan County, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and cash flows for the year 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. 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 Senior Life Services of Morgan County, Inc. as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of activities by program on page 13 and the schedule of expenditures of federal and state awards on page 14 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 June 23, 2015, on our consideration of Senior Life Services of Morgan County, 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 Senior Life Services of Morgan County, Inc.'s internal control over financial reporting and compliance.

Williams & Associates, A.C.

Williams & Associates, A.C.

Elkins, West Virginia

June 23, 2015

Senior Life Services of Morgan County, Inc.
STATEMENT OF FINANCIAL POSITION
September 30, 2014

ASSETS

Current Assets		
Cash and Equivalents	\$ 229,036	
Accounts/Grants Receivable, net	209,022	
Prepaid Expenses	21,574	
Total Current Assets		\$ 459,632
Fixed Assets		
Land	117,837	
Building & Improvements	1,509,462	
Furniture & Equipment	146,465	
Vehicles	288,436	
Accumulated Depreciation	(647,748)	
Net Fixed Assets		1,414,452
Other Assets		
Endowment Held by Community Foundation	13,017	
Total Other Assets		13,017
TOTAL ASSETS		\$ 1,887,101

LIABILITIES & NET ASSETS

Liabilities

Current Liabilities		
Accounts Payable	\$ 26,100	
Accrued Compensation	74,559	
Payroll Liabilities	1,207	
Deferred Rental Income	9,895	
Current Portion of Long-Term Debt	21,814	
Total Current Liabilities		\$ 133,575
Long-Term Liabilities		
Mortgage Payable	1,323,747	
Total Long-Term Liabilities		1,323,747
Total Liabilities		1,457,322
Net Assets		
Net Assets, Unrestricted	416,762	
Net Assets, Temporarily Restricted	13,017	
Total Net Assets		429,779
TOTAL LIABILITIES AND NET ASSETS		\$ 1,887,101

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

Senior Life Services of Morgan County, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTAL</u>
REVENUES & SUPPORT			
Contributions	\$ 9,548	\$ -	\$ 9,548
Grants			
Federal	131,240		131,240
State	369,687		369,687
Other	834		834
Program Service Fees	1,080,039		1,080,039
Project Income	14,952		14,952
Interest Income	62	802	864
Rental Income	117,969		117,969
In-Kind Rent Revenue	5,444		5,444
Other	105,075		105,075
	<u>\$ 1,834,850</u>	<u>\$ 802</u>	<u>\$ 1,835,652</u>
EXPENSES			
Program Services	\$ 1,722,074		\$ 1,722,074
Management and General	204,016		204,016
	<u>\$ 1,926,090</u>	<u>\$ -</u>	<u>\$ 1,926,090</u>
CHANGE IN NET ASSETS	(91,240)	802	(90,438)
NET ASSETS RELEASED FROM RESTRICTIONS	729	(729)	-
NET ASSETS, 10/1/13	<u>507,273</u>	<u>12,944</u>	<u>520,217</u>
NET ASSETS, 9/30/14	<u>\$ 416,762</u>	<u>\$ 13,017</u>	<u>\$ 429,779</u>

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

Senior Life Services of Morgan County, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets		\$ (90,438)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		78,972
(Increase)Decrease in Operating Assets:		
Accounts/Grants Receivable		53,941
Prepaid Expenses		415
Endowment Held by Community Foundation		(802)
Increase(Decrease) in Operating Liabilities:		
Accounts Payable		(3,181)
Deferred Rental Income		9,895
Accrued Compensation		(3,897)
Payroll Liabilities		<u>(3,891)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 41,014

CASH FLOW FROM FINANCING ACTIVITIES

Loan Principle Payments		<u>(21,427)</u>
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES		<u>(21,427)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,587
CASH AND CASH EQUIVALENTS, 10/1/13		<u>209,449</u>
CASH AND CASH EQUIVALENTS, 9/30/14		<u><u>\$ 229,036</u></u>

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

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Senior Life Services of Morgan County, Inc. provides escort, transportation, nutrition, in-home care, case management and referral services to elderly citizens of Morgan County, West Virginia. The primary objective of the Organization is to assist the elderly with independent, in-home living arrangements. The Organization was established on November 29, 1971. The Organization relies on funding under Title III of the Older Americans Act of 1965, as amended; Lottery Direct Services Allocations from the State of West Virginia; nutritional funding from the U.S. Department of Agriculture; allocations from the United Way of Berkeley and Morgan counties; vehicle funding from the West Virginia Department of Transportation; and Medicaid service provider reimbursements. Without these funding sources, the Organization would not be a self-sustaining entity.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Under this method, support is recognized in the period in which it is earned or committed to the Organization while expenses are recognized in the period the liability is incurred.

Basis of Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-210-45, formerly known as Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements for Not-For-Profit Organizations* for the presentation of its financial statements.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. These are resources over which the Board of Directors has discretionary control.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or with the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – Resources subject to a donor restriction that they be maintained permanently by the Organization. There were no permanently restricted net assets as of September 30, 2014.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Note 1. Organization and Summary of Significant Accounting Policies

Income Taxes

The Organization is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes, except on net income derived from unrelated business activities.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the report period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all highly liquid unrestricted investments with an initial maturity of six months or less to be cash equivalents.

Accounts and Grants Receivable

Grants receivable represent amounts invoiced by the Organization to grantor agencies under the terms of their grant agreements. As of September 30, 2014, all grants receivable are deemed collectible.

Accounts receivable represent amounts owed the Organization for services provided to clients of the Organization under contracts with the West Virginia Department of Health and Human Resources – Medicaid Waiver and Community Care Programs, the Veterans Administration, as well as amounts due from private pay clients.

The Organization uses the allowance method to determine the uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of the uncollected accounts. The allowance for doubtful accounts was \$2,900 as of September 30, 2014.

Inventory

The Organization considers inventories, such as raw food, fruit, frozen meals, and other inventories, such as office supplies, utilized in operations as expended at the time of purchase or donation. These amounts are considered immaterial and, therefore, do not appear in the Organization's financial statements.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Purchases of property and equipment having an estimated useful life of more than one year are capitalized at cost. Donated assets are capitalized at the estimated fair market value at time of receipt. In the absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as unrestricted support. Depreciation is calculated on all property and equipment using the straight-line or accelerated method based upon the estimated useful lives of the assets.

Retirement Benefits

The Organization provides a tax-sheltered annuity retirement plan to full-time employees who have elected to participate. The plan is funded through the purchase of a group insurance annuity contract. Employee contributions are voluntary and are made on a “pre-tax” basis. The contributions of each employee who participates are matched by employer contributions that are dollar-for-dollar up to 5% of the employee’s earnings. The employer’s contribution was \$9,287 for the year ended September 30, 2014.

Compensated Absences

The Organization reports accrued leave expenses in accordance with U.S. generally accepted accounting principles. The amount has been determined and included in the Statement of Financial Position line item “accrued compensation.”

Contributed Facilities

The Organization has a ten-year written lease for the donated use of a kitchen and office located in a building owned by the Morgan County Commission. Donated facilities are reflected as “in-kind rent” in the accompanying statement of activities at their estimated fair market value with an off-setting expense. In-kind rent was \$5,444 for the year ended September 30, 2014.

Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers. No amounts have been recognized in the Statement of Activities because the criteria for recognition under FASB ASC 958-605-25-16, formerly known as SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, have not been satisfied.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received, if subject to reasonable estimation.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Risk Management

The Organization is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Organization participates in various insurance programs to mitigate this risk.

Advertising

Advertising costs are expensed as incurred and totaled \$2,490 for the year ended September 30, 2014.

Subsequent Events

Management has reviewed events subsequent to the balance sheet date through the date of the independent accountants' report, which is the date of release, for items requiring adjustment or disclosure in these financial statements.

Note 2. Significant Grant Funding and Programs

The WV Bureau of Senior Services (BOSS) administers the Older Americans Act for the State of West Virginia. BOSS, through the use of area agencies on aging, provides short and long range planning, acts as an advocate on behalf of the region's elderly, and monitors and assists the local senior centers. Funds are allocated to the area agencies on aging by a federally mandated formula. The Older Americans Act provides various programs to assist seniors, the significant programs in which the Organization participates are detailed below:

Title III-B

This program provides grants to states for supportive services for seniors to include health, education, transportation, and various other services to assist older individuals. The Organization received \$51,542 for the fiscal year ended September 30, 2014 under this program.

Title III-C (Congregate and Home-Delivered Meals)

The purposes of this part are to provide nutrition services to reduce hunger and food insecurity, to promote socialization of older individuals and to promote health and well-being by providing access to nutrition and other disease prevention and health promotion services. The Organization received \$95,595 for this program for the fiscal year ended September 30, 2014.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Note 2. Significant Grant Funding and Programs (Continued)

In addition to the Older Americans Act, BOSS also administers other programs and grants on behalf of the State of West Virginia. The significant programs in which the Organization participates are detailed below:

Legislative Initiative for the Elderly (LIFE)

This program is funded by the State Legislature through lottery funds. The services provided by these funds are modeled after those provided by the Older Americans Act. Each county aging provider receives funds that are to be used to enhance and expand the services provided under the Older Americans Act. This program and the other State programs run on a fiscal year which ends June 30. For the fiscal year ended September 30, 2014, the Organization received \$177,662 for this program.

Family Alzheimer's In-Home Respite (FAIR)/Lighthouse

The FAIR program offers relief to family caregivers and provides one-on-one attention and individualized activities for persons with a written diagnosis of Alzheimer's disease or a related dementia. For the fiscal year ended September 30, 2014, the Organization received \$30,352 for this program.

The Lighthouse program is designed to assist those seniors who have functional needs in their homes, but whose income or assets disqualify them for Medicaid services. This program provides support in personal care, mobility, nutrition and housekeeping. For the fiscal year ended September 30, 2014, the Organization received \$116,268 for this program.

The Organization also receives a significant amount of support from programs through the WV Department of Health and Human Services. The significant programs in which the Organization participates are detailed below:

Medicaid Waiver/Continuum of Care

The Medicaid Aged and Disabled Waiver program provides in-home health care for eligible members. To be eligible, the individual must be eighteen years of age or older, be a resident of West Virginia, require the same level of care provided by a nursing facility as determined by a comprehensive medical assessment and their services cannot exceed the average cost of nursing home care. The Organization received \$1,016,241 for services provided to eligible members for the year ended September 30, 2014.

Senior Life Services of Morgan County, Inc.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended September 30, 2014

Note 3. Accounts Receivable

Accounts receivable consisted of the following at September 30, 2014:

WV DHHR	\$	70,768
Veterans Administration		35,420
Private Pay		<u>21,397</u>
	\$	127,585
Less Allowance for Doubtful Accounts		<u>(2,900)</u>
	\$	<u><u>124,685</u></u>

Note 4. Grants Receivable

Grants receivable consisted of the following at September 30, 2014:

Upper Potomac Area Agency on Aging Inc.		
LIFE	\$	31,493
Title III-B		13,995
Title III-C		<u>4,232</u>
Total		49,720
WV Bureau of Senior Services		
FAIR/Lighthouse		<u>34,617</u>
	\$	<u><u>84,337</u></u>

Note 5. Property and Equipment

Property and Equipment consisted of the following on September 30, 2014:

Building		\$1,289,166
Land		117,837
Leasehold Improvements		220,296
Furniture & Equipment		146,465
Vehicles		<u>288,436</u>
Subtotal		\$2,062,200
Accumulated Depreciation		<u>(647,748)</u>
Property and Equipment, net		<u><u>\$1,414,452</u></u>

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2014

Note 6. Endowment

The Organization is the beneficiary of the Senior Life Services of Morgan County, Inc., endowment fund established in 2009 and held by the Eastern West Virginia Community Foundation. The fund is intended to be a perpetual endowment for charitable purposes and shall be dedicated to the payment of grants from time to time. The Community Foundation maintains variance power over the fund (a) to modify any restriction or condition on the distribution of funds; (b) to replace any trustee, custodian or agent for breach of fiduciary duty; and (c) to replace any trustee, custodian or agent for failure to produce a reasonable rate of return of net income over a reasonable period of time, as determined by the Foundation's Board of Directors. Distributions from the fund are determined under the spending policy of the Foundation and can be made annually to the Organization. In the event the Organization has an emergency need, the Foundation, upon written request of the Organization's Board of Directors, may, at its discretion, make an excess distribution from the fund provided that only one such excess distribution may be made annually and at least \$5,000 must remain in the fund after such excess distribution. No distributions have been made from the fund and the Board of Directors has elected to reinvest all investment income from the fund until such time as the Board designates otherwise. The Organization has contributed \$7,500 to this fund as of September 30, 2014, which is reported as Endowment Held by Community Foundation in the Statement of Financial Position. The investment income, including gains and losses, are reported in the Statement of Activities net of investment expenses and administrative fees. The balance in this account at September 30, 2014 was \$13,017.

Note 7. Lease Agreements

On March 1, 2012, the Organization entered into a one-year lease agreement with U.S. Silica Company, a Delaware corporation, for space at 106 Sand Mine Road, Berkeley Springs, WV, ending on February 28, 2015, at \$4,967 per month.

On March 1, 2012, the Organization entered into a one-year lease agreement with U.S. Silica Company Education Foundation, a West Virginia non-profit corporation with IRS 501(c)(3) status, for space located at 106 Sand Mine Road, Berkeley Springs, WV, ending on February 28, 2015, at \$4,512 per month.

The Organization entered into an agreement with Mountaineer Community Health Organization to house a Paw Paw, WV service location. This agreement states that the Organization will lease approximately 3,500 square feet of the ground floor of the health care facility for at least 10 years. The service location opened in April 2005. The Organization provided \$125,000 to the Health Organization to assist with the construction of the new building as part of the agreement, which constituted payment in full for the first two years of occupancy. In years three through six, rent

Senior Life Services of Morgan County, Inc.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended September 30, 2014

Note 7. Lease Agreements (continued)

shall be \$280 per month. In years seven through ten, the amount of rent is negotiable, but cannot be increased by more than 1% per year. Rent expense for the year ended September 30, 2014 was \$3360. The future required minimum lease payments are as follows:

Year Ended September 30, 2015	\$	3,360
2016		3,360
Total	\$	6,720

Note 8. Mortgage Payable

The Organization financed the purchase of land and building located at 106 Sandmine Road, Berkeley Springs, WV, on January 26, 2012 through the United States Department of Agriculture (USDA) for \$1,400,000 at 3.75% for 35 years with a monthly payment of \$5,992. The balance of the note at September 30, 2014 was \$1,345,561. Principle maturities over the next five years are:

2015	\$	21,814
2016		22,646
2017		23,510
2018		24,407
2019		25,338
Thereafter		1,227,846
Total	\$	1,345,561

Note 9. Support Concentrations

The Organization receives approximately 55.36% of its revenues from the West Virginia Department of Health and Human Services under the Medicaid Waiver and Community Care programs. Any significant loss of this revenue could be detrimental to the Organization.

SUPPLEMENTAL INFORMATION

Senior Life Services of Morgan County, Inc.
STATEMENT OF ACTIVITIES BY PROGRAM
For the Year Ended September 30, 2014

	III-C		III-E	SHIP	LIFE	FAIR/ Lighthouse	In-Home Care	Other Programs	General Fund	TOTALS
	Congregate	Home-Delivered								
GRANT REVENUES										
Federal	\$ 34,852	\$ 29,923	\$ 4,190	\$ 692				\$ 22,480		\$ 131,240
State	16,690	7,618		18,951	177,662	146,620		2,146		369,687
Local								834		834
Total Grant Revenues	51,542	37,541	4,190	692	177,662	146,620	-	25,460		501,761
OTHER REVENUES										
Donations								\$ 9,548		\$ 9,548
Service Fees					10,964	18,693	1,016,241	34,141		1,080,039
Project Income	9,951	4,890						111		14,952
Interest Income									864	864
Rental Income								117,969		117,969
In-Kind Rent	5,444									5,444
Other								105,075		105,075
Total Other Revenues	5,444	9,951	-	-	10,964	18,693	1,016,241	148,875	118,833	1,333,891
TOTAL REVENUES	\$ 56,986	\$ 47,492	\$ 4,190	\$ 692	\$ 188,626	\$ 165,313	\$ 1,016,241	\$ 174,335	\$ 118,833	\$ 1,835,652
EXPENSES										
Personnel	18,516	31,263		52,210	110,854	163,679	911,838	80,771		1,376,655
Food & Disposables		13,204		21,569				2,273		37,046
Travel							60,399	1,904		62,303
Depreciation									78,972	78,972
Communication/Utilities	2,112	786		1,286	16,786	1,330	6,622	2,538	74,566	106,026
Supplies	2,587	198		295	5,310	542	2,994	2,127		14,053
Insurance	1,420	230		344	6,564	284	4,640	99		13,581
Interest									50,478	50,478
Professional Fees	182							6,421		6,421
Advertising								205		2,490
Repairs & Maintenance								899		1,370
Rent	5,444									8,804
Other	29,323	7,633	2,179	11,552	41,436	250	17,192	58,326		167,891
	59,584	53,314	2,179	87,256	185,336	166,085	1,005,233	155,563	204,016	1,926,090
	\$ (2,598)	\$ (5,822)	\$ 2,011	\$ (24,312)	\$ 3,290	\$ (772)	\$ 11,008	\$ 18,772	\$ (85,183)	\$ (90,438)

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

Senior Life Services of Morgan County, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
For the Year Ended September 30, 2014

	Grant Identification Number	Expenditures
FEDERAL:		
U.S. Department of Health and Human Services:		
Administration on Aging	93.044	\$ 34,852
Special Programs for the Aging Title III Part B		
Grants for Supportive Services and Senior Centers		
Administration on Aging	93.052	4,190
Special Programs for the Aging Title III Part E		
National Family Caregiver Support		
Administration on Aging	93.045	69,026
Special Programs for the Aging Title III Part C		
Nutrition Services		
Centers for Medicare & Medicaid Services	93.778	692
State Planning and Establishment Grants		
for the Affordable Care Act's Exchanges		
State Health Insurance Assistance Programs		
Centers for Medicare & Medicaid Services	93.525	22,480
State Planning and Establishment Grants		
for the Affordable Care Act's Exchanges		
State In-Person Assistance Programs		
<i>Total Expenditures of Federal Awards</i>		\$ 131,240
STATE:		
LIFE	7/1/13-6/30/14	2014
		\$ 136,281
LIFE	7/1/14-6/30/15	2015
		41,381
Lighthouse	7/1/13-6/30/14	2014
		79,084
Lighthouse	7/1/14-6/30/15	2015
		37,184
FAIR	7/1/13-6/30/14	2014
		20,583
FAIR	7/1/14-6/30/15	2015
		9,769
WV DOT		2,146
III-B		16,690
III-C		26,569
<i>Total Expenditures of State Awards</i>		\$ 369,687
TOTAL EXPENDITURES OF FEDERAL & STATE AWARDS		\$ 500,927

The notes are an integral part of these financial statements.

Williams & Associates, A.C.

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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
Senior Life Services of Morgan County, Inc.
106 Sandmine Road, Suite 1
Berkeley Springs, 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 Senior Life Services of Morgan County, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, 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 June 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Senior Life Services of Morgan County, 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 Senior Life Services of Morgan County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Senior Life Services of Morgan County, 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 a 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.

Senior Life Services of Morgan County, Inc.
Page 2

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 Senior Life Services of Morgan County, 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.

Williams & Associates, A.C.

Williams & Associates, A.C.
Elkins, West Virginia
June 23, 2015

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MANAGEMENT LETTER

To the Board of Directors
Senior Life Services of Morgan County, Inc.
106 Sandmine Road, Suite 1
Berkeley Springs, West Virginia

Our audit on the financial statements of Senior Life Services of Morgan County, Inc., for the year ended September 30, 2014, highlighted areas where we would like to make recommendations which would improve the internal control, accounting procedures, and internal financial information of the Organization. Since our audit was not designed to include a complete review of all systems, procedures and controls, the following comments and recommendations should not be considered to be all inclusive of the areas where improvements may be necessary.

Failure to File IRS Form 1099-MISC

During our audit we noted that there were contract workers who were not being paid and reported properly. There were two different issues. (1) A contract worker did not file Form W-9 *Request for Taxpayer Identification Number and Certification* with the Organization nor was a Form 1099-MISC form submitted to the Internal Revenue Service. (2) An employee was paid contract wages, with no taxes withheld or paid. Anyone acting as an employee must have taxes withheld and paid. See IRS definition of employee in IRS Publication 15-A *Employer's Supplemental Tax Guide*.

Gift Cards

During our audit we noted that employees were given gift cards. According to IRS Publication 5137 *Fringe Benefit Guide*, gift cards are taxable. The value of the gift card must be taxed as regular wages.

Inadequate Documentation for Credit Card Charges

During our audit we noted that, in some instances, there were no receipts for credit card charges. Additionally, even when receipts were present, it was not entirely clear the purpose of the purchase. All credit card charges should be adequately documented.

Segregations of Duties

During our audit we noted that two people perform most of the accounting and financial duties. As a result, many aspects of internal accounting control which rely upon an adequate segregation of duties are for all practical purposes missing in Senior Life Services of Morgan County, Inc. We recognize that the Organization is not large enough to make the employment of additional staff for the purpose of segregating duties practicable from a financial standpoint, but we are required, under our professional responsibilities, to describe the situation.

After you have had the opportunity to review these comments and recommendations, we would be pleased to discuss those points that you desire. We would like to thank your staff for their assistance in performing the audit and the Board of Directors for the opportunity to serve Senior Life Services of Morgan County, Inc.

Williams & Associates, A.C.

Elkins, West Virginia
June 23, 2015