

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

AUDITED FINANCIAL STATEMENTS

**For the Years Ended
September 30, 2017 and 2016**

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**SENIOR LIFE SERVICES OF MORGAN COUNTY, INC.
SEPTEMBER 30, 2017 and 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Senior Life Services of Morgan County Inc

Report on Financial Statements

We have audited the accompanying financial statements of Senior Life Services of Morgan County, Inc (a nonprofit organization), which comprise the comparative statement of financial position as of September 30, 2017 and 2016, and the related comparative 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Senior Life Services of Morgan County, Inc, as of September 30, 2017 & 2016, 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

Supplemental and Other Information

The accompanying schedule of revenues and schedule of expenditures of federal (and state) awards are presented for purposes of additional analysis and 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 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 27, 2018, 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 & Bright A.C.

Elkins, West Virginia
June 27, 2018

Senior Life Services of Morgan County, Inc.
COMPARATIVE STATEMENT OF FINANCIAL POSITION
September 30, 2017 & 2016

ASSETS		
Current Assets	2017	2016
Cash and Equivalents	\$ 72,786	\$ 157,034
Accounts/Grants Receivable, net	151,594	190,484
Prepaid Expenses	20,208	14,867
Total Current Assets	<u>\$ 244,588</u>	<u>\$ 362,385</u>
Fixed Assets		
Land	117,837	117,837
Building & Improvements	1,740,346	1,751,346
Furniture & Equipment	148,955	146,465
Vehicles	402,682	334,465
Accumulated Depreciation	<u>(830,315)</u>	<u>(786,012)</u>
Net Fixed Assets	1,579,505	1,564,101
Other Assets		
Endowment Held by Community Foundation	<u>15,325</u>	<u>13,872</u>
Total Other Assets	<u>15,325</u>	<u>13,872</u>
TOTAL ASSETS	<u><u>\$1,839,418</u></u>	<u><u>\$1,940,358</u></u>
LIABILITIES & NET ASSETS		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 14,631	\$ 10,026
Accrued Expenses	8,529	3,592
Accrued Compensation	67,481	69,631
Payroll Liabilities	2,870	3,600
Deferred Rental Income	937	-
Current Portion of Long-Term Debt	<u>24,407</u>	<u>23,510</u>
Total Current Liabilities	<u>\$ 118,855</u>	<u>\$ 110,359</u>
Long-Term Liabilities		
Mortgage Payable	<u>1,253,618</u>	<u>1,278,012</u>
Total Long-Term Liabilities	<u>1,253,618</u>	<u>1,278,012</u>
Total Liabilities	1,372,473	1,388,371
Net Assets		
Net Assets without Donor Restrictions	453,928	538,115
Net Assets with Donor Restrictions	<u>13,017</u>	<u>13,872</u>
Total Net Assets	<u>466,945</u>	<u>551,987</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,839,418</u></u>	<u><u>\$1,940,358</u></u>

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

Senior Life Services of Morgan County, Inc.
COMPARATIVE STATEMENT OF ACTIVITIES
For the Years Ended September 30, 2017 & 2016

	2017	2016
REVENUES & SUPPORT		
Contributions	\$ 8,810	\$ 5,862
Grants		
Federal	142,219	113,872
State	361,112	432,635
Other	133	377
Program Service Fees	878,444	924,459
Project Income	31,925	34,427
Interest Income	1,594	1,416
Rental Income	52,617	88,613
In-Kind Rent Revenue	65,377	37,310
Other	18,757	58,241
	\$ 1,560,988	\$ 1,697,212
EXPENSES		
Program Services	\$ 1,406,812	\$ 1,367,090
Management and General	239,218	296,552
	\$ 1,646,030	\$ 1,663,642
TOTAL EXPENSES		
	(85,042)	33,570
CHANGE IN NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	551,987	518,417
NET ASSETS, END OF YEAR	\$ 466,945	\$ 551,987

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

Senior Life Services of Morgan County, Inc.
COMPARATIVE STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2017 & 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (85,042)	\$ 33,570
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	54,539	63,935
(Increase)Decrease in Operating Assets:		
Accounts/Grants Receivable	38,890	42,247
Prepaid Expenses	(5,341)	(1,431)
Endowment Held by Community Foundation	(1,453)	(1,184)
Increase(Decrease) in Operating Liabilities:		
Accounts Payable	4,605	(6,721)
Accrued Expenses	4,937	(10,870)
Deferred Rental Income	937	-
Accrued Compensation	(2,150)	1,167
Payroll Liabilities	(730)	(2,292)
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,192	118,421
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(69,943)	(78,763)
NET CASH USED IN INVESTING ACTIVITIES	(69,943)	(78,763)
CASH FLOW FROM FINANCING ACTIVITIES		
Loan Principle Payments	(23,497)	(22,238)
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	(23,497)	(22,238)
NET INCREASE(DECREASE) IN CASH AND EQUIVALENTS	(84,248)	17,420
CASH AND EQUIVALENTS, BEGINNING OF YEAR	157,034	139,614
CASH AND EQUIVALENTS, END OF YEAR	\$ 72,786	\$ 157,034

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

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 & 2016

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Accounting Standards Codification 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions (both permanent and temporary).

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:

Net Assets Without Donor Restrictions - These are resources over which the Board of Directors has discretionary control.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 & 2016

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

Basis of Presentation (Continued)

Net Assets With Donor Restrictions –

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2017 and 2016.

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. Tax returns for the last three years are still open to examination by the Internal Revenue Service.

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.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 & 2016

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

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, 2017 and 2016, 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 account for 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, 2017 and 2016.

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.

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 \$4,917 and \$10,179 for the years ended September 30, 2017 and 2016, respectively.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 & 2016

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

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." Accrued leave for the years ended September 30, 2017 and 2016 were \$25,048 and \$22,434, respectively.

Contributed Facilities

The Organization had 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, 2017. There was no in-kind rent for the year ended September 30, 2016.

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. There were no such donations for the years ended September 30, 2017 and 2016.

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 \$2,521 and \$2,789 for the years ended September 30, 2017 and 2016, respectively.

Subsequent Events

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

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 & 2016

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 \$51,183 each year for the fiscal years ended September 30, 2017 and 2016, under this program.

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

The purposes of this program 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 \$90,095 and \$93,310 for this program for the fiscal years ended September 30, 2017 and 2016, respectively.

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 years ended September 30, 2017 and 2016, the Organization received \$174,190 and \$200,120, respectively, 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 years ended September 30, 2017 and 2016, the Organization received \$34,755 and \$28,231, respectively, for this program.

Senior Life Services of Morgan County, Inc.
 NOTES TO FINANCIAL STATEMENTS
 For the Years Ended September 30, 2017 & 2016

Note 2. Significant Grant Funding and Programs (Continued)

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 years ended September 30, 2017 and 2016, the Organization received \$154,570 and \$134,609, respectively, 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 \$850,662 and \$846,756 for services provided to eligible members for the years ended September 30, 2017 and 2016, respectively.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at September 30:

	<u>2017</u>	<u>2016</u>
WV DHHR	\$ 53,380	\$ 65,140
Veterans Administration	28,567	34,003
NEMT	10,567	8,138
Demand Response Transportation	3,718	2,842
Private Pay	<u>22,019</u>	<u>18,278</u>
	\$ 118,251	\$ 128,401
Less Allowance for Doubtful Accounts	<u>(2,900)</u>	<u>(2,900)</u>
	<u>\$ 115,351</u>	<u>\$ 125,501</u>

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 & 2016

Note 4. Grants Receivable

Grants receivable consisted of the following at September 30:

Upper Potomac Area Agency on Aging Inc.	<u>2017</u>	<u>2016</u>
LIFE	\$ 22,127	\$ 30,694
III-B	2,435	10,258
III-C	0	2,225
WV Bureau of Senior Services		
FAIR/Lighthouse	<u>11,681</u>	<u>\$ 21,806</u>
	<u>\$ 36,243</u>	<u>\$ 64,983</u>

Note 5. Property and Equipment

Property and Equipment consisted of the following on September 30:

	<u>2017</u>	<u>2016</u>
Building	\$ 1,498,316	\$ 1,529,581
Land	117,837	117,837
Leasehold Improvements	242,030	221,765
Furniture & Equipment	148,955	146,465
Vehicles	<u>402,682</u>	<u>334,465</u>
Subtotal	\$ 2,409,820	\$ 2,350,113
Accumulated Depreciation	<u>(830,315)</u>	<u>(786,012)</u>
Property and Equipment, net	<u>\$ 1,579,505</u>	<u>\$ 1,564,101</u>

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.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 & 2016

Note 6. Endowment (Continued)

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, 2017, 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, 2017 and 2016 was \$15,325 and \$13,872, respectively.

Note 7. Lease Agreements

On January 26, 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, 2019, at \$3,092 per month.

On August 1, 2016, the Organization entered into a five-year lease with Shenandoah Valley Medical Systems, Inc., 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 July 31, 2021 at \$894.50 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 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, 2017 and 2016 was \$4,600 and \$4,020, respectively. The future required minimum lease payments are as follows:

Year Ended September 30, 2018	<u>6,000</u>
Total	<u>\$ 6,000</u>

Senior Life Services of Morgan County, Inc.
 NOTES TO FINANCIAL STATEMENTS
 For the Years Ended September 30, 2017 & 2016

Note 7. Lease Agreements (Continued)

On August 5, 2016, the Organization entered into a one-year lease with Bob Marggraf, an individual, for space at 106 Sand Mine Road, Berkeley Springs, WV, ending August 5, 2017, at \$152 per month.

On October 1, 2015, the Organization entered into a one-year lease with Audibel for space at 106 Sand Mine Road, Berkeley Springs, WV. This lease has been extended for five more years and ends on September 30, 2021. Rent is \$175 per month.

Note 8. Mortgage Payable

The Organization financed the purchase of land and building located at 106 Sand Mine 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, 2017 and 2016 was \$1,278,025 and \$1,301,522, respectively. Principle maturities over the next five years are:

2018	24,407
2019	25,338
2020	26,305
2021	27,308
2022	28,415
Thereafter	<u>1,146,252</u>
 Total	 <u>\$ 1,278,025</u>

Note 9. Support Concentrations

The Organization receives approximately 32.25% of its support from government grants and 51.56% of its support 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.

Senior Life Services of Morgan County, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 & 2016

Note 10. Cash Deposits

Cash consists of interest and non-interest bearing checking and savings accounts on deposit in institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. All the carrying values are the same as market value. As of the years ended September 30, 2017 and 2016, all deposits were fully insured by the FDIC.

Senior Life Services of Morgan County, Inc.
STATEMENT OF ACTIVITIES BY PROGRAM
For the Year Ended September 30, 2017

	III-C			III-E	LIFE	FAIR/ Lighthouse	In-Home Care	Other Programs	Subtotal	General Fund	TOTALS
	III-B	Congregate	Home-Delivered								
GRANT REVENUES											
Federal	\$ 29,367	\$ 34,955	\$ 44,604	\$ 6,327	\$ -	\$ -	\$ -	\$ 26,966	\$ 142,219	\$ -	\$ 142,219
State	21,816	5,045	5,491		174,190	154,570			361,112		361,112
Local								133	133		133
Total Grant Revenues	51,183	40,000	50,095	6,327	174,190	154,570	-	27,099	503,464		503,464
OTHER REVENUES											
Donations									-	8,810	8,810
Service Fees		549	105		1,400		804,814	71,576	878,444		878,444
Project Income	20	10,164	2,556			19,125		60	31,925		31,925
Interest Income									-	1,594	1,594
Rental Income									-	52,617	52,617
In-Kind Rent								65,377	65,377		65,377
Other								16,909	16,909	1,848	18,757
Total Other Revenues	20	10,713	2,661	-	1,400	19,125	804,814	153,922	992,655	64,869	1,057,524
TOTAL REVENUES	\$ 51,203	\$ 50,713	\$ 52,756	\$ 6,327	\$ 175,590	\$ 173,695	\$ 804,814	\$ 181,021	\$ 1,496,119	\$ 64,869	\$ 1,560,988
EXPENSES											
Personnel	38,480	32,008	40,763		112,422	124,529	749,305	70,480	1,167,987		1,167,987
Food & Disposables		21,633	24,426						46,059	2,822	48,881
Travel					20,433		34,900		55,333	781	56,114
Depreciation									-	54,539	54,539
Communication/Utilities	1,414	1,115	892		16,562	1,833	7,625	916	30,357	86,838	117,195
Supplies	2,093	135	188		2,260	388	3,163	335	8,562	663	9,225
Insurance	2,705	238	358		2,900	954	9,008	358	16,521	9,345	25,866
Interest									-	48,407	48,407
Professional Fees									-	6,458	6,458
Advertising	273	25	35		1,037	72	824	255	2,521		2,521
Repairs & Maintenance	106	176	534		18,128	157	786	1,640	21,527	13,889	35,416
Rent				5,444	5,950				11,394		11,394
Bad Debt			384			6,492	14,058	282	21,216		21,216
Loss on Sale of Fixed Assets									-	9,773	9,773
Other			8				5,422	19,905	25,335	5,703	31,038
Indirect	7881	6,556	8,349		23,025	25,505	153,467	14,435	239,218	(239,218)	-
TOTAL EXPENSES	52,952	61,886	75,937	5,444	202,717	159,930	978,558	108,606	1,646,030	-	1,646,030
	\$ (1,749)	\$ (11,173)	\$ (23,181)	\$ 883	\$ (27,127)	\$ 13,765	\$ (173,744)	\$ 72,415	\$ (149,911)	\$ 64,869	\$ (85,042)

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

Senior Life Services of Morgan County, Inc.
STATEMENT OF ACTIVITIES BY PROGRAM
For the Year Ended September 30, 2016

	III-C			III-E	LIFE	FAIR/ Lighthouse	In-Home Care	Other Programs	Subtotal	General Fund	TOTALS
	III-B	Congregate	Home- Delivered								
GRANT REVENUES											
Federal	\$ 44,581	\$ 23,536	\$ 39,428	\$ 6,327					\$ 113,872		\$ 113,872
State	6,602	13,787	16,559		200,120	162,840		32,727	432,635		432,635
Local								377	377		377
Total Grant Revenues	51,183	37,323	55,987	6,327	200,120	162,840	-	33,104	546,884		546,884
OTHER REVENUES											
Donations				\$ 60			\$ 170		\$ 230	\$ 5,632	\$ 5,862
Service Fees		1,261			2,476	5,277	846,756	68,689	924,459		924,459
Project Income		11,243	2,213			20,824		147	34,427		34,427
Interest Income									-	1,416	1,416
Rental Income									-	88,613	88,613
In-Kind Rent								37,310	37,310		37,310
Other								48,559	48,559	9,682	58,241
Total Other Revenues	-	12,504	2,213	60	2,476	26,101	846,926	154,705	1,044,985	105,343	1,150,328
TOTAL REVENUES	\$ 51,183	\$ 49,827	\$ 58,200	\$ 6,387	\$ 202,596	\$ 188,941	\$ 846,926	\$ 187,809	\$ 1,591,869	\$ 105,343	\$ 1,697,212
EXPENSES											
Personnel	27,287	31,467	41,018		112,790	136,713	758,353	15,773	1,123,401	70,665	1,194,066
Food & Disposables		20,293	19,130					50	39,473		39,473
Travel							37,446	664	38,110		38,110
Depreciation									-	63,935	63,935
Communication/Utilities	3,503	593	836		16,381	1,197	6,997		29,507	98,475	127,982
Supplies	2,644	185	277		3,052	549	2,995	1,297	10,999		10,999
Insurance	2,597	469	703		7,096	1,667	8,895		21,427		21,427
Interest									-	49,666	49,666
Professional Fees									-	6,138	6,138
Advertising	133	13	19		357	39	915		1,476	1,313	2,789
Repairs & Maintenance	167	839	109		23,356	219	920		25,610	4,408	30,018
Rent					4,020				4,020		4,020
Other			474		21,139	15	5,275	46,164	73,067	1,952	75,019
Indirect	7203	8,307	10,828		29,774	36,089	200,188	4,163	296,552	(296,552)	-
TOTAL EXPENSES	43,534	62,166	73,394	-	217,965	176,488	1,021,984	68,111	1,663,642	-	1,663,642
	\$ 7,649	\$ (12,339)	\$ (15,194)	\$ 6,387	\$ (15,369)	\$ 12,453	\$ (175,058)	\$ 119,698	\$ (71,773)	\$ 105,343	\$ 33,570

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

Senior Life Services of Morgan County, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<i>Pass-Through Programs from Upper Potomac Area Agency on Aging:</i>		
U.S. Department of Health & Human Services:		
Administration for Community Living Special Programs for the Aging Title III Part B Grants for Supportive Services and Senior Centers	93.044	\$ 29,367
Administration for Community Living Special Programs for the Aging Title III Part E National Family Caregiver Support	93.052	\$ 6,327
Administration for Community Living Special Programs for the Aging Title III Part C Nutrition Services	93.045	\$ 79,559
<i>Total US Department of Health & Human Services</i>		<u>\$ 115,253</u>
<i>Pass-Through Program from WV Department of Transportation:</i>		
United States Department of Transportation:		
Federal Transit Administration Formula Grants for Rural Areas	20.509	<u>\$ 26,966</u>
<i>Total US Department of Transportation</i>		<u>\$ 26,966</u>
<i>Total Expenditures of Federal Awards</i>		<u><u>\$ 142,219</u></u>
STATE:		
LIFE	7/1/16-6/30/17	2017 \$ 116,479
LIFE	7/1/17-6/30/18	2018 57,711
Lighthouse	7/1/16-6/30/17	2017 88,064
Lighthouse	7/1/17-6/30/18	2018 37,848
FAIR	7/1/16-6/30/17	2017 20,629
FAIR	7/1/17-6/30/18	2018 8,029
IIIB	10/1/16-9/30/17	21,816
IIIC	10/1/16-9/30/17	<u>10,536</u>
<i>Total Expenditures of State Awards</i>		<u>\$ 361,112</u>
TOTAL EXPENDITURES OF FEDERAL & STATE AWARDS		<u><u>\$ 476,365</u></u>

The accompanying notes are an integral part of this schedule.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards

To the Board of Directors of
Senior Life Services of Morgan County, Inc.

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 Senior Life Services of Morgan County, Inc (a nonprofit organization), which comprise the comparative statement of financial position as of September 30, 2017 and 2016, the related comparative statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2018.

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.

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 identified a deficiency in internal control that we consider to be a significant deficiency, noted as 2017-1 in the management letter on page 21-22. 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 on 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 & Bright A.C.

Elkins, West Virginia

June 27, 2018

MANAGEMENT LETTER

To the Board of Directors
Senior Life Services of Morgan County, Inc.
Berkeley Springs, West Virginia

Our audit on the financial statements of Senior Life Services of Morgan County, Inc., for the years ended September 30, 2017 and 2016, 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.

SIGNIFICANT DEFICIENCIES

2017-1 LACK OF SEGREGATION OF DUTIES

Criteria: Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

Condition: The same employee is responsible for recording accounts receivable, reconciling the bank statements and posting journal entries.

Cause: The organization has limited staff and responsibilities for approving, executing, and recording transactions and custody of the resulting assets arising from financial transactions are not assigned to different individuals because the organization does not employ enough administrative staff members to make the necessary segregation possible.

Effect: More than a remote likelihood exists that a material misstatement of the financial statements will not be prevented or detected by the organization's internal controls.

Recommendation: We recommend responsibilities of approval, execution, recording and custody should be distributed among employees, management and the board of directors to the degree possible. However, we recognize that full and complete segregation of duties is not economically feasible.

Response: We concur with the finding and recommendation.

2017-2 BAD DEBT RECOGNITION

Criteria: Accounting standards require recognition of bad debts as they are able to be identified.

Condition: The current invoicing process does not address aged, outstanding/unpaid items.

Cause: Improper receivables reporting.

Effect: The financial statements could be materially misstated.

Recommendation: We recommend reviewing outstanding/unpaid items monthly to determine if they should be written-off as bad debt.

Response: We concur with the finding and recommendation.

2017-3 CASH RECONCILIATION DISCREPANCY

Criteria: Accounting standards require use of a proper reconciliation process for cash accounts.

Condition: The current reconciliation process does not address aged, uncleared transactions.

Cause: Improper cash value reporting.

Effect: The financial statements could be materially misstated.

Recommendation: We recommend reviewing uncleared transactions monthly to determine if they require adjustment.

Response: We concur with the finding and recommendation.

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 & Bright A. C.

Elkins, West Virginia
June 27, 2018