

**COUNCIL ON AGING, INC.
AND SUBSIDIARY**

Independent Auditors' Report
and
Consolidated Financial Statements

For the Years Ended September 30, 2017 and 2016

COUNCIL ON AGING, INC. AND SUBSIDIARY

INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS For the Years Ended September 30, 2017 and 2016

TABLE OF CONTENTS

| | <u>Pages</u> |
|--|--------------|
| Independent Auditors' Report | 1-3 |
| Consolidated Statement of Financial Position | 4 |
| Consolidated Statement of Activities and Changes in Net Assets | 5 |
| Consolidated Statement of Cash Flows | 6 |
| Notes to the Consolidated Financial Statements | 7-15 |
| 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 <i>Government Auditing Standards</i> | 16-17 |
| SUPPLEMENTARY INFORMATION | |
| Consolidated Schedule of Financial Position – 2017 | 18-19 |
| Consolidated Schedule of Financial Position – 2016 | 20-21 |
| Consolidated Schedule of Activities – 2017 | 22 |
| Consolidated Schedule of Activities – 2016 | 23 |
| Schedule of Functional Expenses – 2017 | 24-25 |
| Schedule of Functional Expenses – 2016 | 26-27 |
| Schedule of Program Expenditures: West Virginia Bureau of Senior Citizens – 2017 | 28 |



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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Council on Aging, Inc. (a nonprofit organization) and Subsidiary, which comprise the statement of financial position as of September 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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.

Auditors' Responsibility (Continued)

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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Council on Aging, Inc. and Subsidiary, as of September 30, 2017 and 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of program expenses is presented for purposes of additional analysis as required by the West Virginia Bureau of Senior Citizens and is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. The schedule of functional expenses, consolidating statement of financial position, and consolidating statement of activities and changes in net assets are also presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relate 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 May 1, 2018, on our consideration of Council on Aging, 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 the Council on Aging, Inc.'s internal control over financial reporting and compliance.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
May 1, 2018

COUNCIL ON AGING, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

September 30, 2017 and 2016

| <u>ASSETS</u> | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 782,409 | \$ 649,440 |
| Receivables: | | |
| Medicaid | 312,384 | 306,348 |
| Grants | 70,308 | 46,040 |
| Senior service fees | 3,289 | 2,001 |
| Prepaid expenses | 8,725 | 16,642 |
| Total current assets | <u>1,177,115</u> | <u>1,020,471</u> |
| Assets whose use is limited - debt service fund | <u>16,875</u> | <u>9,889</u> |
| Capital assets | 2,435,892 | 2,364,939 |
| Less accumulated depreciation | <u>(201,603)</u> | <u>(127,728)</u> |
| | <u>2,234,289</u> | <u>2,237,211</u> |
| Assets under finance lease | 84,000 | 84,000 |
| Less accumulated amortization | <u>(34,399)</u> | <u>(17,020)</u> |
| | <u>49,601</u> | <u>66,980</u> |
| Total assets | <u>\$ 3,477,880</u> | <u>\$ 3,334,551</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities: | | |
| Accounts payable | \$ 9,761 | \$ 8,842 |
| Accrued salaries and wages | 203,391 | 194,990 |
| Accrued compensated absences | 87,288 | 88,149 |
| Retirement plan contributions | 16,635 | 9,255 |
| Accrued payroll liabilities | 31,096 | 33,336 |
| Accrued interest payable | 4,018 | 3,851 |
| Deferred Revenue | 4,943 | - |
| Current portion of lease liability | 17,394 | 17,206 |
| Current portion of long-term debt | 22,080 | 20,651 |
| Total current liabilities | <u>396,606</u> | <u>376,280</u> |
| Lease liability, less current portion | 32,380 | 49,774 |
| Long-term debt, less current portion | <u>1,626,737</u> | <u>1,649,687</u> |
| Total liabilities | <u>2,055,723</u> | <u>2,075,741</u> |
| Net Assets: | | |
| Investment in capital assets | 635,073 | 566,873 |
| Net assets without donor restrictions | <u>787,084</u> | <u>691,937</u> |
| Total net assets | <u>1,422,157</u> | <u>1,258,810</u> |
| Total liabilities and net assets | <u>\$ 3,477,880</u> | <u>\$ 3,334,551</u> |

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Years Ended September 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------------|-------------------------|
| REVENUES AND OTHER SUPPORT: | | |
| Medicaid | \$ 3,826,456 | \$ 3,518,262 |
| Federal grants | 167,059 | 170,408 |
| State grants | 647,870 | 531,785 |
| Project income | 25,757 | 23,283 |
| Bus fare revenue | 3,477 | 2,132 |
| Case management | 153,844 | 159,677 |
| Non-medicaid | 46,874 | 56,775 |
| Inter-Project Match Revenue | 15,085 | 4,478 |
| Other revenue | 29,947 | 43,879 |
| Total revenues and other support | <u>4,916,369</u> | <u>4,510,679</u> |
| OPERATING EXPENSES: | | |
| Personal care | 1,877,814 | 1,713,836 |
| Title 19 (Homemaker) | 1,973,855 | 2,088,796 |
| TBI | 11,122 | 7,168 |
| Section 5310 | 55,170 | 43,279 |
| Title III-B | 86,154 | 89,820 |
| Title III-C-1 | 54,021 | 2,666 |
| Title III-C-2 | 169,798 | 42,799 |
| Title III-D | 2,756 | 213,911 |
| Title III-E | 16,222 | 23,040 |
| Insurance Benefits Counseling | 19,348 | 70,026 |
| MIPPA | 35,279 | - |
| LIFE | 72,122 | 14,487 |
| Lighthouse | 168,223 | 143,220 |
| Fair | 40,263 | 35,347 |
| DOTS | 158 | - |
| Title III Add'l Funds | 5,000 | - |
| Fundraising | 5,472 | 13,494 |
| All Care Home and Community Services, Inc. | 160,376 | 167,392 |
| Total operating expenses | <u>4,753,153</u> | <u>4,669,281</u> |
| Operating gain (loss) | 163,216 | (158,602) |
| NONOPERATING INCOME (EXPENSES): | | |
| Interest income | <u>131</u> | <u>129</u> |
| Change in net assets | 163,347 | (158,473) |
| Net assets at beginning of year | <u>1,258,810</u> | <u>1,417,283</u> |
| Net assets at end of year | <u><u>1,422,157</u></u> | <u><u>1,258,810</u></u> |

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Years Ended September 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 163,347 | \$ (158,473) |
| Depreciation and amortization | 91,254 | 88,553 |
| Adjustments to reconcile increase in net assets to cash provided by (used for) operating activities: | | |
| Decrease (Increase) in operating assets: | | |
| Medicaid accounts receivable | (6,036) | 2,345 |
| Grants receivable | (24,268) | 49,659 |
| Senior service fees receivable | (1,288) | (410) |
| Prepaid expenses | 7,917 | 6,750 |
| (Decrease) Increase in operating liabilities: | | |
| Accounts payable | 919 | (9,471) |
| Accrued salaries and wages | 8,401 | 19,492 |
| Accrued compensated absences | (861) | 8,060 |
| Retirement plan contributions | 7,380 | (330) |
| Accrued payroll liabilities | (2,240) | 570 |
| Accrued interest payable | 167 | (2,335) |
| Deferred revenue | 4,943 | (302) |
| Net cash provided by (used for) operating activities | <u>249,635</u> | <u>4,108</u> |
| Cash flows from investing activities: | | |
| Increase in assets whose use is limited | (6,986) | (6,978) |
| Increase in assets under finance lease | - | (84,000) |
| Increase in capital assets | <u>(70,953)</u> | <u>(63,498)</u> |
| Net cash used for investing activities | <u>(77,939)</u> | <u>(154,476)</u> |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | 1,617 | 18,726 |
| (Decrease) Increase in long-term borrowings | <u>(40,344)</u> | <u>52,093</u> |
| Net cash provided by financing activities | <u>(38,727)</u> | <u>70,819</u> |
| Net (increase) decrease in cash and cash equivalents | 132,969 | (79,549) |
| Cash and cash equivalents, beginning | <u>649,440</u> | <u>728,989</u> |
| Cash and cash equivalents, ending | <u>\$ 782,409</u> | <u>\$ 649,440</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash used for interest payments | <u>\$ 57,373</u> | <u>\$ 52,595</u> |

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2017 and 2016

1 – ORGANIZATION AND NATURE OF OPERATIONS

The Council on Aging, Inc. (The "Council") is a 501(c)3 non-profit organization incorporated in West Virginia whose mission is to serve the senior citizens in their area and improve the quality of life for their clients.

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

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

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

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

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

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

The Division of Public Transit/FTA provides Section 5310 funding to purchase transportation services from the Council to be provided to seniors and individuals with disabilities.

The DOTS program (Dementia-Capable Outreach, Training and Support) is a state sponsored program to increase access to disease appropriate services for individuals with dementia and/or family caregivers and increase the community's dementia capability.

The Council also receives state funds through WV BOSS in connection with a Health Benefit Information, Counseling and Assistant Grant (SHIP), the purpose of which is to help older individuals understand their rights under the Social Security Act, Medicaid Programs, supplemental social security programs and general insurance policies. This information is provided to seniors by a counselor who has general knowledge of these areas.

COUNCIL ON AGING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended September 30, 2017 and 2016

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

The Lighthouse program is a state funded program to provide in-home assistance for seniors who do not qualify for other programs.

The FAIR program is a state funded program to provide relief to caregivers who care for individuals with Dementia.

All Care Home and Community Services, Inc. provides case management services for in-home care clients in Wyoming County and other parts of West Virginia.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Council on Aging, Inc. and All Care Home and Community Services, Inc., collectively referred to as the Organization. All significant intercompany accounts and transactions were eliminated in consolidation.

Basis of Accounting

The Organization prepares and maintains their consolidated financial statements and accounts on the accrual basis of accounting, where by revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Net Asset Classification

Unrestricted net assets are those whose use by the Organization is not subject to donor-imposed stipulations. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by the Organization in perpetuity. At September 30, 2017 and 2016, the Organization had no temporarily or permanently restricted net assets.

Cash and Cash Equivalents

Cash on hand and deposits with banking institutions are considered cash while short-term investments with an original maturity of not more than three months are considered cash equivalents. The Organization maintains accounts at local banks at which the Federal Deposit Insurance Corporation ("FDIC") insures a maximum of \$250,000 per depositor. Balances on deposit sometimes exceed the federally insured limits, however the financial institution has collateralized the remaining balance with

COUNCIL ON AGING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended September 30, 2017 and 2016

securities held by their trust department in the Organization's name Management believes the credit risk related to these deposits is minimal.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period which the support is received. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are classified as unrestricted net assets.

Compensated Absences

Compensated absences consist of unpaid, accumulated accrued paid time off. The Organization owed \$87,288 and \$88,149 at September 30, 2017 and 2016, respectively.

Allowance for Doubtful Accounts

Management reviews the Medicaid and grants receivable for uncollectible accounts or amounts billed to Medicaid for reimbursement but not collected due to rejected claims. Therefore, management believes that the receivables presented on the balance sheet are fully collectible, therefore, no allowance for doubtful accounts have been recorded as of September 30, 2017 and 2016.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. Property and equipment costing under \$25,000 are expensed at the time of purchase rather than being capitalized and depreciated by the straight-line method over its estimated economic life. Expenditures for repairs and maintenance are charged to expense as incurred.

Revenue Recognition

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

Income Tax Exemption

Under provisions of the Internal Revenue Code, Section 501(c)(3) and the applicable income tax regulations of the State of West Virginia, the Organization is exempt from taxes on income other than unrelated business income. Since the Organization had no net unrelated business income during the year ended September 30, 2017, no provision for income taxes has been made. The Organization's federal income tax returns for 2016, 2015, 2014, and 2013 remain subject to examination by the Internal Revenue Service (IRS).

COUNCIL ON AGING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended September 30, 2017 and 2016

Donated Goods

Donated noncash assets, such as food items and medical supplies, are recorded at their fair value in the period received and used as other revenue with a corresponding expense.

Estimates

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

Advertising Costs

The Organization expenses advertising costs as incurred. These costs amounted to \$18,502 and \$16,629 for the years ended September 30, 2017 and 2016, respectively.

New Accounting Pronouncements

On February 25, 2016 the Financial Accounting Standards Board (FASB) issued Leases (Topic: 842): Leases (ASU 2016-02). The objective of ASU 2016-02 is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The core principle of ASU 2016-02 is the recognition of an asset and liability for leases with a term in excess of 12 months. The effective date for these pronouncements is for fiscal years beginning after December 15, 2020. The Organization has early adopted this pronouncement for the year ended September 30, 2017 with modified retrospective application for the year ended September 30, 2016.

On August 18, 2016 FASB issued Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). The objective of ASU 2016-14 is to improve the current net assets classification requirements and information presented in the financial statements and notes about a not-for-profit entities liquidity, financial performance, and cash flows. The effective date for this pronouncement is for fiscal years beginning after December 15, 2017. Early adoption of this pronouncement is permitted. Management is currently evaluating the impact that this pronouncement will have on the Organization's financial statements and has elected not to early implement this pronouncement at this time.

3 – DEPOSITS AND INVESTMENTS

The Organization's deposits are categorized to give an indication of the level of risk assumed by the Organization at September 30, 2017 and 2016. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Organization or its agent in the Organization's name.

COUNCIL ON AGING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended September 30, 2017 and 2016

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Category 3 – Uncollateralized.

| 2017 | | | | | |
|------|-----------------|---------------|---------------|---------------|--------------------|
| | Bank Balance | Category 1 | Category 2 | Category 3 | Carrying Amount |
| Cash | \$ 815,014 | \$ 285,837 | \$ 529,177 | \$ - | \$ 799,284 |
| 2016 | | | | | |
| | Bank Balance | Category 1 | Category 2 | Category 3 | Carrying Amount |
| Cash | \$ 728,968 | \$ 282,951 | \$ 446,017 | \$ - | \$ 659,329 |

4 – RECEIVABLES

Receivables for the years ended September 30, 2017 and 2016, were as follows:

| | | 2017 |
|---|--------------|-------------------|
| Receivables consist of the following: | | |
| Medicaid Personal Care, Waiver, and Case Management | | <u>\$ 312,384</u> |
| Title IIIB | \$ 5,369 | |
| Title IIIC | 6,025 | |
| Lighthouse | 23,164 | |
| FAIR | 5,082 | |
| Title IIID | 1,369 | |
| Life | 19,198 | |
| SHIP | 2,384 | |
| Insurance Benefits | <u>7,717</u> | |
| Total grant receivable | | <u>\$ 70,308</u> |

COUNCIL ON AGING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended September 30, 2017 and 2016

| | <u>2016</u> |
|---|----------------------|
| Receivables consist of the following: | |
| Medicaid Personal Care, Waiver, and Case Management | <u>\$ 306,348</u> |
| Title IIIB | \$ 1,519 |
| Title IIIC | 3,247 |
| Lighthouse | 16,032 |
| FAIR | 3,647 |
| Title IIID | 124 |
| Life | 12,257 |
| Title IIIE | 1,609 |
| SHIP | 2,977 |
| Insurance Benefits | <u>4,628</u> |
| Total grant receivable | <u>\$ 46,040</u> |

5 – CAPITAL ASSETS

Capital assets for the years ended September 30, 2017 and 2016, were as follows:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|--------------------|--------------------|
| Land and land rights | \$ 104,000 | \$ 104,000 |
| Building | 2,116,381 | 2,116,381 |
| Equipment | 87,983 | 87,983 |
| Capital improvements | <u>127,528</u> | <u>56,575</u> |
| | 2,435,892 | 2,364,939 |
| Less accumulated depreciation | <u>(201,603)</u> | <u>(127,728)</u> |
| | <u>\$2,234,289</u> | <u>\$2,237,211</u> |

6 – FINANCE LEASE

Effective October 1, 2015, the Council early adopted the Financial Accounting Standards Board (FASB) issued Leases (Topic: 842): Leases (ASU 2016-02), with modified retrospective application for the year ended September 30, 2016. Under ASU 2016-02, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.

COUNCIL ON AGING, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Years Ended September 30, 2017 and 2016

For finance leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position
2. Recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income
3. Classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease

The Council has a long-term finance lease for the Charleston, West Virginia facility. The non-cancelable, \$1,487 per month lease has a term of five years ending July 31, 2020. Under ASU 2016-02, the Council recognized an asset under finance lease (right-of-use asset) of \$84,000 for the years ended September 31, 2016 and 2017, and a lease liability of \$49,774 and 66,980 for the years ended September 31, 2016 and 2017, respectively.

A summary of annual maturities for the five subsequent year-ends follows:

| <u>Year Ending</u> <u>September 30,</u> | |
|--|------------------|
| 2018 | \$ 17,394 |
| 2019 | 17,585 |
| 2020 | 14,795 |
| 2021 | - |
| Thereafter | <u>-</u> |
| | <u>\$ 49,774</u> |

For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities.

7 – DEBT OBLIGATIONS

On July 22, 2013, the Council obtained a \$1,500,000 loan payable to the U.S. Department of Agriculture Rural Development to be used for the renovation of the new Senior Center. The principal and interest shall be paid monthly for a period of 40 years at an interest rate of 3.5%. Each month an additional \$581 shall be paid to a reserve account until the amount of \$70,560 is accumulated. The reserve is to be used if funds are not available for debt service. Total obligation as of September 30, 2017 is \$1,454,051 in principle and \$3,486 in accrued interest.

On November 20, 2014, the Council obtained a second \$200,000 loan payable to the U.S. Department of Agriculture Rural Development for the completion of the renovation of the new Senior Center. The principal and interest shall be paid monthly for a period

COUNCIL ON AGING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended September 30, 2017 and 2016

of 40 years at an interest rate of 4%. Total obligation as of September 30, 2017 is \$194,449 in principle and \$533 in accrued interest.

A summary of the annual maturities for the five subsequent year-ends follows:

| <u>Year Ending</u> <u>September 30,</u> | |
|--|---------------------|
| 2018 | \$ 22,397 |
| 2019 | 23,206 |
| 2020 | 23,905 |
| 2021 | 24,913 |
| Thereafter | <u>1,554,079</u> |
| | <u>\$ 1,648,500</u> |

8 – LEASE AND RENTAL AGREEMENTS

The Council leased a facility in Welch, West Virginia for \$500 per month which was cancelled in December 2017. The Council entered into a new lease with Family Healthcare Physicians, LLC for \$800 per month under a cancelable operating term of one year ending January 31, 2019. The Council lease a third facility in Princeton, West Virginia for \$1,050 per month under a non-cancelable operating term of one year ending July 31, 2018. Future minimum rental payments for the years ended September 30, 2018 and 2019 are \$18,900 and \$3,200, respectively, with no further obligations at this time.

9 – RISK CONCENTRATIONS

Substantially all of the Council on Aging, Inc.'s support and revenues are derived from its Medicaid services and from federal and state grants, the loss of which would have a materially adverse effect on the Council on Aging, Inc. During the year ended September 30, 2017, Medicaid revenues, federal and state grants, and other income accounted for approximately seventy-eight percent (78%), seventeen percent (17%) and five percent (5%), respectively, of total support and revenue.

10 – EMPLOYEE BENEFIT PLAN

Effective September 5, 2008, the Council established a 401(k) retirement and savings plan for its employees. The Council made matching contributions of up to 100% of the first 2% of eligible contributions for the quarters ended June 30, 2017 and September 30, 2017. The Board of Directors declined to grant profit sharing for years ended September 30, 2017 and 2016. Total contributions by the Council to the plan for year ended September 30, 2017 and 2016, amounted to \$16,749 and \$35,497, respectively.

COUNCIL ON AGING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended September 30, 2017 and 2016

11 – DISCLOSURE OF INTER-PROGRAM TRANSFERS

In order to match appropriate program revenues with program expenses, inter-program entries were recorded to accurately reflect operating results of the programs. For years ending September 30, 2017 and 2016, the Life program received \$10,582 and \$1,842 in revenues, respectively, for expenses associated with other programs. For years ending September 30, 2017 and 2016, Personal Care matched \$673 and \$1,217, and Homemaker matched \$822 and \$1,419 for expenses of other programs. For the years ended September 30, 2017 and 2016, MIPPA matched \$3,007 and \$0 for expenses related to SHIP. The inter-program entries to record these matching revenues/expenses per program were as follows:

| <u>Program</u> | <u>2017</u> | <u>2016</u> |
|------------------------|------------------|-----------------|
| Medical Transportation | \$ 8,714 | \$ 4,478 |
| SHIP | <u>6,370</u> | <u>-</u> |
| | <u>\$ 15,084</u> | <u>\$ 4,478</u> |

12 – CONTINGENCIES

Certain of the Council's programs are primarily funded through federal and state grants. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures, which may ultimately be disallowed by grantor agencies, cannot be determined at this time, although Council management believes such amounts, if any, to be immaterial.

On January 1, 2015, the Council revised its employee health insurance policy to allow all full-time employees to receive coverage by paying seventy percent (70%) of premiums. The health plan offers minimum essential coverage however may not be considered affordable for each employee under the Affordable Care Act. Under which case, each full-time employee purchasing health insurance coverage through the State exchange which results in a premium tax credit or cost-sharing reduction will result in a \$3,000 annual employer penalty. The number of full-time employees seeking coverage through the exchange or penalty amounts cannot reasonably be estimated at this time.

13 – SUBSEQUENT EVENTS

Management has considered all other subsequent events through April 30, 2018, the date the financial statements were made available. On February 1, 2018 the Council purchased a certificate of deposit in the amount of \$250,000 at the rate of 1.50% per annum from First Peoples Bank.



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

To The Board of Directors
Council on Aging, Inc.

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 the Council on Aging, Inc., (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017 and 2016, and the related 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 May 1, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council on Aging, 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 the Council on Aging, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Internal Control Over Financial Reporting (Continued)

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 the Council on Aging, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council on Aging, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
May 1, 2018

SUPPLEMENTARY INFORMATION

COUNCIL ON AGING, INC. AND SUBSIDIARY**CONSOLIDATED SCHEDULE OF FINANCIAL POSITION**

For the Year Ended September 30, 2017

| <u>ASSETS</u> | 2017 | | | |
|--|-----------------------------------|---|---------------------|---------------------|
| | <u>Council on Aging, Inc.</u> | <u>All Care Home and Community Services, Inc.</u> | <u>Eliminations</u> | <u>Total</u> |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 746,578 | \$ 35,831 | \$ - | \$ 782,409 |
| Receivables: | | | | |
| Medicaid, net allowance for doubtful accounts | 288,316 | 24,068 | - | 312,384 |
| Grants | 70,308 | - | - | 70,308 |
| Senior service fees | 3,289 | - | - | 3,289 |
| Related party | 27,866 | - | (27,866) | - |
| Prepaid expenses | 8,366 | 359 | - | 8,725 |
| Total current assets | <u>1,144,723</u> | <u>60,258</u> | <u>(27,866)</u> | <u>1,177,115</u> |
| Assets whose use is limited | | | | |
| Debt service fund | 16,875 | - | - | 16,875 |
| Capital assets | 2,435,892 | - | - | 2,435,892 |
| Less accumulated depreciation | (201,603) | - | - | (201,603) |
| | <u>2,234,289</u> | <u>-</u> | <u>-</u> | <u>2,234,289</u> |
| Assets under finance lease | 84,000 | - | - | 84,000 |
| Less accumulated depreciation | (34,399) | - | - | (34,399) |
| | <u>49,601</u> | <u>-</u> | <u>-</u> | <u>49,601</u> |
| Total assets | <u>\$3,445,488</u> | <u>\$ 60,258</u> | <u>\$ (27,866)</u> | <u>\$ 3,477,880</u> |

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY**CONSOLIDATED SCHEDULE OF FINANCIAL POSITION**

For the Year Ended September 30, 2017

| <u>LIABILITIES AND NET ASSETS</u> | 2017 | | | |
|--|-----------------------------------|---|---------------------|--------------|
| | Council on Aging, Inc. | All Care Home and Community Services, Inc. | Eliminations | Total |
| Liabilities: | | | | |
| Accounts payable | \$ 9,761 | \$ 27,866 | \$ (27,866) | \$ 9,761 |
| Accrued salaries and wages | 196,202 | 7,189 | - | 203,391 |
| Accrued compensated absences | 77,085 | 10,203 | - | 87,288 |
| Retirement plan contributions | 15,992 | 643 | - | 16,635 |
| Accrued payroll liabilities | 30,200 | 896 | - | 31,096 |
| Accrued Interest payable | 4,018 | - | - | 4,018 |
| Deferred Revenue | 4,943 | - | - | 4,943 |
| Current portion of lease liability | 17,394 | - | - | 17,394 |
| Current portion of long-term debt | 22,080 | - | - | 22,080 |
| Total current liabilities | 377,675 | 46,797 | (27,866) | 396,606 |
| Lease liability, less current portion | 32,380 | - | - | 32,380 |
| Long-term debt, less current portion | 1,626,737 | - | - | 1,626,737 |
| Total liabilities | 2,036,792 | 46,797 | (27,866) | 2,055,723 |
| Unrestricted net assets | 1,408,696 | 13,461 | - | 1,422,157 |
| Total net assets | 1,408,696 | 13,461 | - | 1,422,157 |
| Total liabilities and net assets | \$3,445,488 | \$ 60,258 | \$ (27,866) | \$ 3,477,880 |

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY**CONSOLIDATED SCHEDULE OF FINANCIAL POSITION**

For the Year Ended September 30, 2016

| <u>ASSETS</u> | 2016 | | | Total |
|--|---------------------------|--|--------------------|---------------------|
| | Council on Aging, Inc. | All Care Home and Community Services, Inc. | Eliminations | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 616,489 | \$ 32,951 | \$ - | \$ 649,440 |
| Receivables: | | | | |
| Medicaid, net allowance for doubtful accounts | 279,325 | 27,023 | - | 306,348 |
| Grants | 46,040 | - | - | 46,040 |
| Senior service fees | 2,001 | - | - | 2,001 |
| Related party | 25,299 | | (25,299) | - |
| Prepaid expenses | 16,317 | 325 | - | 16,642 |
| Total current assets | <u>985,471</u> | <u>60,299</u> | <u>(25,299)</u> | <u>1,020,471</u> |
| Assets whose use is limited | | | | |
| Debt service fund | 9,889 | - | - | 9,889 |
| Capital assets | 2,364,939 | - | - | 2,364,939 |
| Less accumulated depreciation | (127,728) | - | - | (127,728) |
| | <u>2,237,211</u> | <u>-</u> | <u>-</u> | <u>2,237,211</u> |
| Assets under finance lease | 84,000 | - | - | 84,000 |
| Less accumulated depreciation | (17,020) | - | - | (17,020) |
| | <u>66,980</u> | <u>-</u> | <u>-</u> | <u>66,980</u> |
| Total assets | <u>\$ 3,299,551</u> | <u>\$ 60,299</u> | <u>\$ (25,299)</u> | <u>\$ 3,334,551</u> |

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY**CONSOLIDATED SCHEDULE OF FINANCIAL POSITION**

For the Year Ended September 30, 2016

| <u>LIABILITIES AND NET ASSETS</u> | 2016 | | | |
|--|---------------------------|--|--------------------|---------------------|
| | Council on Aging, Inc. | All Care Home and Community Services, Inc. | Eliminations | Total |
| Liabilities: | | | | |
| Accounts payable | \$ 8,842 | \$ 25,299 | \$ (25,299) | \$ 8,842 |
| Accrued salaries and wages | 188,370 | 6,620 | - | 194,990 |
| Accrued compensated absences | 78,657 | 9,492 | - | 88,149 |
| Retirement plan contributions | 8,900 | 355 | - | 9,255 |
| Accrued payroll liabilities | 32,143 | 1,193 | - | 33,336 |
| Accrued Interest payable | 3,851 | - | - | 3,851 |
| Deferred revenue | - | - | - | - |
| Current portion of lease liability | 17,206 | - | - | 17,206 |
| Current portion of long-term debt | 20,651 | - | - | 20,651 |
| Total current liabilities | <u>358,620</u> | <u>42,959</u> | <u>(25,299)</u> | <u>376,280</u> |
| Lease liability, less current portion | 49,774 | - | - | 49,774 |
| Long-term debt, less current portion | <u>1,649,687</u> | <u>-</u> | <u>-</u> | <u>1,649,687</u> |
| Total liabilities | <u>2,058,081</u> | <u>42,959</u> | <u>(25,299)</u> | <u>2,075,741</u> |
| Unrestricted net assets | <u>1,241,470</u> | <u>17,340</u> | <u>-</u> | <u>1,258,810</u> |
| Total net assets | <u>1,241,470</u> | <u>17,340</u> | <u>-</u> | <u>1,258,810</u> |
| Total liabilities and net assets | <u>\$ 3,299,551</u> | <u>\$ 60,299</u> | <u>\$ (25,299)</u> | <u>\$ 3,334,551</u> |

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY**CONSOLIDATED SCHEDULE OF ACTIVITIES**

For the Year Ended September 30, 2017

| | 2017 | | | |
|--|---------------------------|--|--------------|---------------------|
| | Council on Aging, Inc. | All Care Home and Community Services, Inc. | Eliminations | Total |
| REVENUES AND OTHER SUPPORT: | | | | |
| Medicaid | \$ 3,826,456 | \$ - | \$ - | \$ 3,826,456 |
| Federal grants | 167,059 | - | - | 167,059 |
| State grants | 647,870 | - | - | 647,870 |
| Project income | 25,757 | - | - | 25,757 |
| Bus fare and trip ticket revenue | 3,477 | - | - | 3,477 |
| Case management | - | 153,844 | - | 153,844 |
| Non-medicaid | 46,874 | - | - | 46,874 |
| Inter-Project Match Revenue | 15,085 | - | - | 15,085 |
| Other revenue | 27,299 | 2,648 | - | 29,947 |
| Total revenues and other support | <u>4,759,877</u> | <u>156,492</u> | <u>-</u> | <u>4,916,369</u> |
| OPERATING EXPENSES: | | | | |
| Personal care | 1,877,814 | - | - | 1,877,814 |
| Title 19 (Homemaker) | 1,973,855 | - | - | 1,973,855 |
| TBI | 11,122 | - | - | 11,122 |
| Section 5310 | 55,170 | - | - | 55,170 |
| Title III-B | 86,154 | - | - | 86,154 |
| Title III-C-1 | 54,021 | - | - | 54,021 |
| Title III-C-2 | 169,798 | - | - | 169,798 |
| Title III-D | 2,756 | - | - | 2,756 |
| Title III-E | 16,222 | - | - | 16,222 |
| Insurance Benefits Counseling | 19,348 | - | - | 19,348 |
| MIPPA | 35,279 | - | - | 35,279 |
| LIFE | 72,122 | - | - | 72,122 |
| Lighthouse | 168,223 | - | - | 168,223 |
| Fair | 40,263 | - | - | 40,263 |
| DOTS | 158 | - | - | 158 |
| Title III Add'l Funds | 5,000 | - | - | 5,000 |
| Fundraising | 5,472 | - | - | 5,472 |
| All Care Home and Community Services, Inc. | - | 160,376 | - | 160,376 |
| Total operating expenses | <u>4,592,777</u> | <u>160,376</u> | <u>-</u> | <u>4,753,153</u> |
| Operating Income | 167,100 | (3,884) | - | 163,216 |
| NONOPERATING INCOME (EXPENSES): | | | | |
| Interest income | 126 | 5 | - | 131 |
| Change in net assets | 167,226 | (3,879) | - | 163,347 |
| Net assets at beginning of year | <u>1,241,470</u> | <u>17,340</u> | <u>-</u> | <u>1,258,810</u> |
| Net assets at end of year | <u>\$ 1,408,696</u> | <u>\$ 13,461</u> | <u>\$ -</u> | <u>\$ 1,422,157</u> |

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY**CONSOLIDATED SCHEDULE OF ACTIVITIES**

For the Year Ended September 30, 2016

| | 2016 | | | |
|---|---------------------------|--|--------------|---------------------|
| | Council on Aging, Inc. | All Care Home and Community Services, Inc. | Eliminations | Total |
| REVENUES AND OTHER SUPPORT: | | | | |
| Medicaid | \$3,518,262 | \$ - | \$ - | \$ 3,518,262 |
| Federal grants | 170,408 | - | - | 170,408 |
| State grants | 531,785 | - | - | 531,785 |
| Project income | 23,283 | - | - | 23,283 |
| Bus fare and trip ticket revenue | 2,132 | - | - | 2,132 |
| Case management | - | 159,677 | - | 159,677 |
| Non-medicaid | 56,775 | - | - | 56,775 |
| Inter-Project Match Revenue | 4,478 | - | - | 4,478 |
| Other revenue | 43,879 | - | - | 43,879 |
| Total revenues and other support | <u>4,351,002</u> | <u>159,677</u> | <u>-</u> | <u>4,510,679</u> |
| OPERATING EXPENSES: | | | | |
| Personal care | 1,713,836 | - | - | 1,713,836 |
| Title 19 (Homemaker) | 2,088,796 | - | - | 2,088,796 |
| TBI | 7,168 | - | - | 7,168 |
| Medical Transport (formerly Sect. 18) | 43,279 | - | - | 43,279 |
| Title III-B | 89,820 | - | - | 89,820 |
| Title III-C-1 | 2,666 | - | - | 2,666 |
| Title III-C-2 | 42,799 | - | - | 42,799 |
| Title III-D | 213,911 | - | - | 213,911 |
| Title III-E | 23,040 | - | - | 23,040 |
| Insurance Benefits Counseling | 70,026 | - | - | 70,026 |
| LIFE | 14,487 | - | - | 14,487 |
| Lighthouse | 143,220 | - | - | 143,220 |
| Fair | 35,347 | - | - | 35,347 |
| Fundraising | 13,494 | - | - | 13,494 |
| All Care Home and Community Services, Inc. | - | 167,392 | - | 167,392 |
| Total operating expenses | <u>4,501,889</u> | <u>167,392</u> | <u>-</u> | <u>4,669,281</u> |
| Operating Income | (150,887) | (7,715) | - | (158,602) |
| NONOPERATING INCOME (EXPENSES): | | | | |
| Interest income | 124 | 5 | - | 129 |
| Change in net assets | (150,763) | (7,710) | - | (158,473) |
| Net assets at beginning of year | <u>1,392,233</u> | <u>25,050</u> | <u>-</u> | <u>1,417,283</u> |
| Net assets at end of year | <u>\$1,241,470</u> | <u>\$ 17,340</u> | <u>\$ -</u> | <u>\$ 1,258,810</u> |

See Notes to Consolidated Financial Statements.

COUNCIL ON AGING, INC. AND SUBSIDIARY

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2017

2017

| | Personal Care | Title - 19 Homemaker | TBI | Section 5310 | Title III-B | Title III-D | Title III-C-1 | Title III-C-2 | Benefit Counseling |
|----------------------------|------------------|-------------------------|-----------|-----------------|----------------|----------------|------------------|------------------|-----------------------|
| Functional Expenses: | | | | | | | | | |
| Salaries and wages | \$ 1,420,102 | \$ 1,466,179 | \$ 8,039 | \$ 32,796 | \$ 37,727 | \$ 1,760 | \$ 20,566 | \$ 53,372 | \$ 15,033 |
| Payroll taxes | 124,840 | 127,087 | 705 | 2,643 | 3,114 | 152 | 1,737 | 4,531 | 1,259 |
| Fringe benefits | 51,803 | 53,073 | 222 | 3,082 | 3,270 | 41 | 1,254 | 3,219 | 1,623 |
| Training and travel | 4,880 | 5,619 | 146 | 4,812 | 9,019 | - | 116 | 7,240 | 163 |
| Legal and accounting | 7,965 | 9,731 | - | - | - | - | - | - | - |
| Food expense | 2,253 | 2,634 | - | - | - | - | 26,006 | 63,168 | - |
| Utilities | 10,153 | 11,545 | - | 501 | 408 | - | - | 396 | 146 |
| Printing and supplies | 11,736 | 14,021 | 19 | 7 | 305 | 617 | 653 | 7,576 | 21 |
| Licenses and taxes | - | - | - | - | - | - | 81 | 219 | - |
| Membership dues | 748 | 896 | - | - | - | - | - | - | - |
| Contracted services | 14,877 | 17,307 | 16 | - | - | - | 61 | 148 | - |
| Insurance expense | - | - | - | 2,700 | 12,500 | - | - | 3,200 | - |
| Mileage expense | 28,191 | 39,228 | 779 | 24 | - | - | 67 | 215 | 813 |
| Advertising | 4,789 | 5,775 | - | 34 | - | - | - | - | - |
| Matching expense - general | 673 | 822 | - | - | - | - | - | - | - |
| Maintenance | 1,955 | 2,254 | - | 1,854 | 3,397 | - | - | 2,164 | - |
| Rent | 8,684 | 9,916 | - | - | - | - | - | - | - |
| Postage | 24 | 28 | - | - | - | - | - | - | 30 |
| Miscellaneous | 3,657 | 3,416 | 4 | 5 | 50 | - | 102 | 247 | - |
| Medical supplies | - | - | - | - | - | - | - | - | - |
| Bad debt expense | 4,598 | 1,878 | - | - | - | - | - | 30 | - |
| Equipment | 3,438 | 4,202 | - | 2,690 | 12,020 | - | 326 | 794 | - |
| New building | 22,533 | 23,420 | - | - | - | - | - | - | - |
| Building capitalization | (22,533) | (23,420) | - | - | - | - | - | - | - |
| Depreciation expense | - | - | - | - | - | - | 1,750 | 13,302 | - |
| Interest expense | 337 | 624 | - | - | - | - | - | - | - |
| Amortization expense | 7,706 | 9,674 | - | - | - | - | - | - | - |
| Indirect costs | 164,405 | 187,946 | 1,192 | 4,022 | 4,344 | 186 | 1,302 | 9,977 | 260 |
| Total functional expenses | \$ 1,877,814 | \$ 1,973,855 | \$ 11,122 | \$ 55,170 | \$ 86,154 | \$ 2,756 | \$ 54,021 | \$ 169,798 | \$ 19,348 |

COUNCIL ON AGING, INC. AND SUBSIDIARY

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2017

| | 2017 | | | | | | | | | |
|----------------------------------|------------------|------------------|------------------|-------------------|------------------|---------------|--------------------------|-----------------|---|---------------------|
| | MIPPA | Life | Title III-E | Lighthouse | FAIR | DOTS | Title III Add'l Funds | Fundraising | All Care Home and Community Services, Inc. | Total |
| Functional Expenses: | | | | | | | | | | |
| Salaries and wages | \$ 18,154 | \$ 17,162 | \$ 12,951 | \$ 134,842 | \$ 32,207 | \$ 54 | \$ - | \$ 1,516 | \$ 114,683 | \$ 3,387,143 |
| Payroll taxes | 1,373 | 1,521 | 1,133 | 11,900 | 2,884 | 4 | - | 120 | 9,530 | 294,533 |
| Fringe benefits | 1,573 | 575 | 312 | 3,180 | 793 | - | - | 46 | 5,505 | 129,571 |
| Training and travel | 168 | - | 22 | 320 | 65 | 100 | - | - | 43 | 32,713 |
| Legal and accounting | - | - | - | - | - | - | - | - | - | 17,696 |
| Food expense | - | - | - | - | - | - | - | 183 | - | 94,244 |
| Utilities | 664 | - | - | - | - | - | - | - | 1,332 | 25,145 |
| Printing and supplies | 656 | 9,683 | 19 | 271 | 56 | - | - | - | 3,542 | 49,182 |
| Licenses and taxes | - | - | - | - | - | - | - | - | 15 | 315 |
| Membership dues | - | - | - | - | - | - | - | - | - | 1,644 |
| Contracted services | - | - | 19 | 261 | 53 | - | - | - | - | 32,742 |
| Insurance expense | - | - | - | - | - | - | - | - | 2,636 | 21,036 |
| Mileage expense | 1,322 | - | 31 | 4,262 | 81 | - | - | 22 | 5,507 | 80,542 |
| Advertising | 7,829 | - | - | 1 | - | - | - | - | - | 18,428 |
| Matching expense - general | 3,007 | 10,582 | - | - | - | - | - | - | - | 15,084 |
| Maintenance | - | 2,372 | - | - | - | - | - | - | - | 13,996 |
| Rent | - | - | - | - | - | - | - | - | - | 18,600 |
| Postage | 63 | - | - | - | - | - | - | - | 19 | 164 |
| Miscellaneous | - | - | 6 | 68 | 21 | - | - | 3,585 | 50 | 11,211 |
| Medical supplies | - | - | - | - | - | - | - | - | - | - |
| Bad debt expense | - | - | - | 152 | 24 | - | - | - | 142 | 6,824 |
| Equipment | 200 | 24,257 | - | - | - | - | 5,000 | - | - | 52,927 |
| New building | - | 25,000 | - | - | - | - | - | - | - | 70,953 |
| Building capitalization | - | (25,000) | - | - | - | - | - | - | - | (70,953) |
| Depreciation expense | - | - | - | - | - | - | - | - | - | 15,052 |
| Interest expense | - | - | - | - | - | - | - | - | - | 961 |
| Amortization expense | - | - | - | - | - | - | - | - | - | 17,380 |
| Indirect costs | 270 | 5,970 | 1,729 | 12,966 | 4,079 | - | - | - | 17,372 | 416,020 |
| Total functional expenses | \$ 35,279 | \$ 72,122 | \$ 16,222 | \$ 168,223 | \$ 40,263 | \$ 158 | \$ 5,000 | \$ 5,472 | \$ 160,376 | \$ 4,753,153 |

COUNCIL ON AGING, INC. AND SUBSIDIARY

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2016

2016

| | Personal Care | Title - 19 Homemaker | TBI | Section 5310 | Title III-B | Title III-D | Title III-C-1 | Title III-C-2 | Benefit Counseling |
|----------------------------|------------------|-------------------------|----------|-----------------|----------------|----------------|------------------|------------------|-----------------------|
| Functional Expenses: | | | | | | | | | |
| Salaries and wages | \$ 1,249,953 | \$ 1,524,773 | \$ 5,120 | \$ 26,755 | \$ 39,931 | \$ 793 | \$ 14,122 | \$ 75,150 | \$ 17,000 |
| Payroll taxes | 110,926 | 135,364 | 471 | 2,259 | 3,456 | 70 | 1,235 | 6,642 | 1,361 |
| Fringe benefits | 62,055 | 74,956 | 155 | 3,061 | 3,336 | 35 | 968 | 4,104 | 1,557 |
| Training and travel | 4,836 | 5,709 | 11 | 3,982 | 7,759 | 1,183 | 126 | 6,032 | 1,536 |
| Legal and accounting | 6,031 | 7,329 | - | - | - | - | - | - | - |
| Food expense | 1,820 | 2,208 | - | - | - | - | 21,793 | 76,065 | - |
| Utilities | 13,000 | 15,737 | - | 396 | 408 | - | 10 | 429 | 143 |
| Printing and supplies | 17,653 | 21,264 | 11 | - | - | 244 | 777 | 4,722 | 254 |
| Licenses and taxes | 99 | 120 | - | - | - | - | 63 | 237 | - |
| Membership dues | 683 | 829 | - | - | - | - | - | - | 10 |
| Contracted services | 18,043 | 21,613 | 16 | - | - | - | 52 | 174 | - |
| Insurance expense | - | - | - | 2,600 | 14,000 | 5 | - | 4,248 | - |
| Mileage expense | 23,886 | 49,500 | 275 | 5 | 94 | 146 | 24 | 208 | 533 |
| Advertising | 7,337 | 9,101 | - | 15 | 143 | - | - | - | - |
| Matching expense - general | 1,218 | 1,419 | - | - | - | - | - | - | - |
| Maintenance | 6,656 | 8,070 | - | 1,683 | 3,121 | - | - | 6,040 | - |
| Rent | 15,597 | 1,053 | - | - | - | - | - | - | - |
| Postage | 83 | 95 | - | - | - | - | - | - | - |
| Miscellaneous | 3,908 | 4,138 | 5 | 91 | 265 | - | - | 51 | - |
| Bad debt expense | 7,299 | 8,411 | - | - | - | - | - | - | - |
| Equipment | 136 | 165 | - | 773 | 13,349 | - | 1,497 | 5,630 | - |
| New building | - | - | - | - | - | - | - | - | - |
| Building capitalization | - | - | - | - | - | - | - | - | - |
| Depreciation expense | - | - | - | - | - | - | 1,145 | 13,906 | - |
| Interest expense | - | 830 | - | - | - | - | - | - | - |
| Amortization expense | - | 17,020 | - | - | - | - | - | - | - |
| Indirect costs | 162,617 | 179,092 | 1,104 | 1,659 | 3,958 | 190 | 987 | 10,273 | 646 |
| Total functional expenses | \$ 1,713,836 | \$ 2,088,796 | \$ 7,168 | \$ 43,279 | \$ 89,820 | \$ 2,666 | \$ 42,799 | \$ 213,911 | \$ 23,040 |

COUNCIL ON AGING, INC. AND SUBSIDIARY

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2016

| | 2016 | | | | | | | |
|----------------------------------|------------------|------------------|-------------------|------------------|-----------------|------------------|---|---------------------|
| | Life | Title III-E | Lighthouse | FAIR | New Building | Fundraising | All Care Home and Community Services, Inc. | Total |
| Functional Expenses: | | | | | | | | |
| Salaries and wages | \$ 36,795 | \$ 11,660 | \$ 113,000 | \$ 28,563 | \$ - | \$ - | \$ 124,509 | \$ 3,268,124 |
| Payroll taxes | 3,257 | 996 | 10,259 | 2,580 | - | - | 10,437 | 289,313 |
| Fringe benefits | 2,629 | 317 | 3,345 | 849 | - | - | 5,440 | 162,807 |
| Training and travel | - | 22 | 197 | 71 | - | - | 170 | 31,634 |
| Legal and accounting | - | - | - | - | - | - | - | 13,360 |
| Food expense | 20 | - | - | - | - | - | - | 101,906 |
| Utilities | - | - | - | - | - | - | - | 30,123 |
| Printing and supplies | 8,969 | 20 | 191 | 69 | - | 342 | 110 | 54,626 |
| Licenses and taxes | - | - | - | - | - | - | 15 | 534 |
| Membership dues | - | - | - | - | - | - | - | 1,522 |
| Contracted services | - | 32 | 284 | 103 | - | - | - | 40,317 |
| Insurance expense | - | - | - | - | - | 455 | 2,736 | 24,044 |
| Mileage expense | - | 44 | 4,320 | 295 | - | - | 7,382 | 86,712 |
| Advertising | 33 | - | - | - | - | - | - | 16,629 |
| Matching expense - general | 1,842 | - | - | - | - | - | - | 4,479 |
| Maintenance | - | - | - | - | - | - | - | 25,570 |
| Rent | - | - | - | - | - | - | - | 16,650 |
| Postage | - | 1 | 7 | 2 | - | - | 20 | 208 |
| Miscellaneous | - | 8 | 77 | 27 | - | 12,697 | 60 | 21,327 |
| Bad debt expense | - | - | 247 | - | - | - | 352 | 16,309 |
| Equipment | 10,576 | - | - | - | - | - | - | 32,126 |
| New building | - | - | - | - | 63,499 | - | - | 63,499 |
| Building capitalization | - | - | - | - | (63,499) | - | - | (63,499) |
| Depreciation expense | - | - | - | - | - | - | - | 15,051 |
| Interest expense | - | - | - | - | - | - | - | 830 |
| Amortization expense | - | - | - | - | - | - | - | 17,020 |
| Indirect costs | 5,905 | 1,387 | 11,293 | 2,788 | - | - | 16,161 | 398,060 |
| Total functional expenses | \$ 70,026 | \$ 14,487 | \$ 143,220 | \$ 35,347 | \$ - | \$ 13,494 | \$ 167,392 | \$ 4,669,281 |

COUNCIL ON AGING, INC. AND SUBSIDIARY

SCHEDULE OF PROGRAM EXPENDITURES – WEST VIRGINIA BUREAU OF SENIOR CITIZENS

For the Year Ended September 30, 2017

| 2017 | | | | | |
|----------------------------|-----------------------------------|-------------------|------------------|-------------------|-------------------|
| Program | Program Year | Expenditures | Federal Revenues | State Revenues | Total Revenues |
| Lighthouse | July 1, 2016 to June 30, 2017 | <u>\$ 155,869</u> | <u>\$ -</u> | <u>\$ 194,712</u> | <u>\$ 194,712</u> |
| LIFE | July 1, 2016 to June 30, 2017 | <u>\$ 182,038</u> | <u>\$ -</u> | <u>\$ 179,601</u> | <u>\$ 179,601</u> |
| SHIP | April 1, 2016 to March 31, 2017 | <u>\$ 37,401</u> | <u>\$ -</u> | <u>\$ 32,000</u> | <u>\$ 32,000</u> |
| MIPPA | October 1, 2016 to Sept. 30, 2017 | <u>\$ 35,279</u> | <u>\$ -</u> | <u>\$ 35,000</u> | <u>\$ 35,000</u> |
| FAIR | July 1, 2016 to June 30, 2017 | <u>\$ 37,569</u> | <u>\$ -</u> | <u>\$ 42,140</u> | <u>\$ 42,140</u> |
| Title III B | October 1, 2016 to Sept. 30, 2017 | <u>\$ 74,134</u> | <u>\$ 40,530</u> | <u>\$ 27,331</u> | <u>\$ 67,861</u> |
| Title III D | October 1, 2016 to Sept. 30, 2017 | <u>\$ 2,756</u> | <u>\$ 2,054</u> | <u>\$ 362</u> | <u>\$ 2,416</u> |
| Title III E | October 1, 2016 to Sept. 30, 2017 | <u>\$ 16,222</u> | <u>\$ 11,103</u> | <u>\$ 3,701</u> | <u>\$ 14,804</u> |
| Title III C-1 | October 1, 2016 to Sept. 30, 2017 | <u>\$ 54,020</u> | <u>\$ 15,055</u> | <u>\$ 22,514</u> | <u>\$ 37,569</u> |
| Title III C-2 | October 1, 2016 to Sept. 30, 2017 | <u>\$ 169,798</u> | <u>\$ 60,218</u> | <u>\$ 90,101</u> | <u>\$ 150,319</u> |
| Section 5310 | July 1, 2016 to June 30, 2017 | <u>\$ 53,367</u> | <u>\$ 40,000</u> | <u>\$ -</u> | <u>\$ 40,000</u> |
| Title III Additional Funds | October 1, 2016 to Sept. 30, 2017 | <u>\$ 5,000</u> | <u>\$ -</u> | <u>\$ 5,000</u> | <u>\$ 5,000</u> |

BASIS OF PRESENTATION

The accompanying schedules of program expenses of the SHIP/MIPPA, Lighthouse, Fair, LIFE, IIIB, IIID, IIIE, C-1, and Community Partnership programs includes the grant activity of the Council on Aging, Inc. that the West Virginia Bureau of Senior Citizens oversees, and is presented on the accrual basis of accounting. Some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.