

KANAWHA VALLEY SENIOR SERVICES, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

WITH

INDEPENDENT AUDITOR'S REPORT

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Kanawha Valley Senior Services, Inc. (KVSS), a nonprofit organization, which comprise the statements of financial position as of September 30, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KVSS as of September 30, 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 financial statements as a whole. The supplemental Schedule of Federal, State and Other Support, Expenditures and Changes in Net Assets on pages 17 – 18 and the Schedule of Direct State Grant Awards on page 19 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented on page 20 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2018 on our consideration of KVSS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KVSS's internal control over financial reporting and compliance.



Charleston, West Virginia
February 23, 2018

KANAWHA VALLEY SENIOR SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

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	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 545,114	\$ 553,864
Investments	935,945	883,986
Client service receivables, less allowance for uncollectable accounts	221,892	240,119
Grants receivable	220,659	160,773
Other current assets	22,804	18,953
Total current assets	1,946,414	1,857,695
Property and equipment, less accumulated depreciation	1,115,700	1,108,163
Other noncurrent assets	11,235	10,509
Total noncurrent assets	1,126,935	1,118,672
Total assets	\$ 3,073,349	\$ 2,976,367
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 66,924	\$ 45,431
Accrued liabilities	176,892	180,769
Refundable advances	72,346	99,889
Total current liabilities	316,162	326,089
Noncurrent liabilities		
Other post employment benefits	789,610	773,388
Total liabilities	1,105,772	1,099,477
Net assets		
Unrestricted	1,967,577	1,876,890
Total net assets	1,967,577	1,876,890
Total liabilities and net assets	\$ 3,073,349	\$ 2,976,367

The Accompanying Notes Are An Integral
Part Of These Financial Statements

KANAWHA VALLEY SENIOR SERVICES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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	2017	2016
Changes in unrestricted net assets		
Support and revenue		
Federal support	\$ 881,494	\$ 810,133
State support	1,695,503	1,777,012
Client service revenue	909,999	998,691
Other	276,013	308,641
Total support and revenue	3,763,009	3,894,477
Expenses		
Salaries and wages	2,240,935	2,304,509
Payroll taxes and fringes	429,877	442,475
Insurance	36,289	32,476
Office expense	106,855	132,816
Program costs	87,298	112,724
Rent	21,076	21,077
Depreciation	111,691	98,745
Printing and publications	14,456	15,609
Travel	93,153	83,181
Equipment	5,194	4,450
Repairs and maintenance	35,780	37,204
Vehicles	74,005	65,977
Contractual services	104,451	80,985
Food	375,080	347,563
Miscellaneous expense	23,111	23,931
Total operating expenses	3,759,251	3,803,722
Operating income	3,758	90,755
Nonoperating revenue (expense)		
Non-operating other post employment benefits (OPEB) expense	(16,222)	(25,865)
Grant support for capital expenditures	103,151	160,096
Total nonoperating revenue (expense)	86,929	134,231
CHANGE IN UNRESTRICTED NET ASSETS	90,687	224,986
Net assets, beginning of year	1,876,890	1,651,904
Net assets, end of year	\$ 1,967,577	\$ 1,876,890

The Accompanying Notes Are An Integral
Part Of These Financial Statements

KANAWHA VALLEY SENIOR SERVICES, INC
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 90,687	\$ 224,986
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	111,691	98,745
Net investment (income) loss credited directly to investment account	(51,959)	(63,257)
(Gain) loss on disposal of assets	(700)	25
(Increase) decrease in assets		
Client service receivables	18,227	30,562
Grants receivable	(59,886)	(72,793)
Other current assets	(3,851)	(5,916)
Other noncurrent assets	(726)	(178)
Increase (decrease) in liabilities		
Accounts payable	21,493	8,242
Accrued liabilities	(3,877)	28,266
Refundable advances	(27,543)	3,365
Other post employment benefits	16,222	25,865
	<u>109,778</u>	<u>277,912</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchase of investment securities	-	(200,000)
Cash purchases of property and equipment	(119,228)	(172,632)
Proceeds from disposal of assets	700	10
	<u>(118,528)</u>	<u>(372,622)</u>
Net cash provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	(8,750)	(94,710)
Cash and cash equivalents, beginning of year	<u>553,864</u>	<u>648,574</u>
Cash and cash equivalents, end of year	\$ 545,114	\$ 553,864

The Accompanying Notes Are An Integral
Part Of These Financial Statements

KANAWHA VALLEY SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

TEMPORARILY RESTRICTED NET ASSETS - The temporarily restricted category is comprised of funds whose use has been limited by donors to a specific time period and/or purpose. KVSS had no temporarily restricted net assets at September 30, 2017 or 2016.

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

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

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

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

INCOME TAXES - KVSS is a nonprofit corporation classified under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes derived from its nonprofit activities. The Internal Revenue Service has classified KVSS as a publicly supported organization, which is not a private foundation. Accordingly, no provision for income taxes has been recorded.

For the year ended September 30, 2017, KVSS has no material uncertain tax positions to be accounted for in the financial statements under professional standards. KVSS recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. KVSS returns for years ending on or after September 30, 2014 remain subject to examination.

CONTRIBUTED SERVICES - Contributions of services are recognized if the services received create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. Contributed services which are recognized are valued at the estimated cost that would have been incurred by KVSS to purchase similar services.

KANAWHA VALLEY SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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

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

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

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - KVSS has established an allowance for uncollectible accounts based on amounts charged off subsequent to September 30, 2017, and an analysis of the likelihood of collectability of the remaining accounts. The allowance for doubtful accounts as of September 30, 2017 and 2016 was \$51,837 and \$35,756, respectively and has been netted against client service receivables and revenue.

ADVERTISING COSTS - Advertising costs are expensed as incurred. Total advertising costs for the years ended September 30, 2017 and 2016 were \$1,606 and \$2,031, respectively.

RECLASSIFICATIONS - Certain amounts in the 2016 financial statements have been reclassified to conform with current year presentation. Such reclassifications had no effect on net assets or the change in net assets.

SUBSEQUENT EVENTS - In preparing these financial statements, KVSS has evaluated events and transactions for potential recognition or disclosure through February 23, 2018, the date the financial statements were issued.

NOTE 2 -- CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits with banking institutions in checking and savings accounts. Bank balances are insured by federal deposit insurance by the Federal Deposit Insurance Corporation (FDIC). Balances in these accounts sometimes exceed the federal deposit insurance limits; however, management believes the financial institutions to be creditworthy and believes that credit risk associated with these deposits is minimal. At September 30, 2017, the amount of cash deposits in excess of FDIC insurance was approximately \$320,000.

KANAWHA VALLEY SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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NOTE 3 -- INVESTMENTS

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

	2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Fixed Income:			
Cash equivalents	\$ 17,469	\$ 17,469	\$ -
Corporate bonds	511,427	519,879	8,452
Government agency bonds	3,324	3,406	82
Equity:			
Corporate stocks	274,798	321,718	46,920
Small cap growth mutual funds	7,500	7,150	(350)
Mid cap growth mutual funds	10,000	9,956	(44)
Small cap value mutual funds	4,500	5,424	924
International equities	15,000	15,767	767
Other	32,328	35,176	2,848
	<u>\$ 876,346</u>	<u>\$ 935,945</u>	<u>\$ 59,599</u>
	2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Fixed Income:			
Cash equivalents	\$ 43,352	\$ 43,352	\$ -
Certificate of deposit	200,000	200,449	449
Corporate bonds	356,410	364,972	8,562
Government agency bonds	7,959	8,255	296
Equity:			
Corporate stocks	217,290	230,304	13,014
Small cap growth mutual funds	3,500	3,027	(473)
Mid cap growth mutual funds	6,000	5,489	(511)
Small cap value mutual funds	4,500	4,700	200
International equities	15,000	13,240	(1,760)
Other	10,147	10,198	51
	<u>\$ 864,158</u>	<u>\$ 883,986</u>	<u>\$ 19,828</u>

Investment return is summarized as follows:

	2017	2016
Interest and dividend income	\$ 25,398	\$ 18,360
Net realized and unrealized gains (losses)	33,344	50,344
Investment fees	(6,783)	(5,447)
Net investment return (loss)	<u>\$ 51,959</u>	<u>\$ 63,257</u>

KANAWHA VALLEY SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 4 -- FAIR VALUE MEASUREMENTS

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

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

Fair value of assets and liabilities measured on a recurring basis at September 30, 2017 and 2016 are as follows:

		2017		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2017</u>	<u>Fair Value</u>			
Fixed Income:				
Cash equivalents	\$ 17,469	\$ 17,469	\$ -	\$ -
Corporate bonds	519,879	519,879	-	-
Government agency bonds	3,406	3,406	-	-
Equity:				
Corporate stocks	321,718	321,718	-	-
Small cap growth mutual funds	7,150	7,150	-	-
Mid cap growth mutual funds	9,956	9,956	-	-
Small cap value mutual funds	5,424	5,424	-	-
International equities	15,767	15,767	-	-
Other	<u>35,176</u>	<u>35,176</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 935,945</u>	<u>\$ 935,945</u>	<u>\$ -</u>	<u>\$ -</u>

KANAWHA VALLEY SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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NOTE 4 -- FAIR VALUE MEASUREMENTS (Continued)

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

NOTE 5 -- PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 74,972	\$ 70,222
Buildings and improvements	1,490,140	1,440,837
Equipment	<u>557,673</u>	<u>505,273</u>
	2,122,785	2,016,332
Less accumulated depreciation	<u>(1,007,085)</u>	<u>(908,169)</u>
	<u>\$ 1,115,700</u>	<u>\$ 1,108,163</u>

Depreciation expense charged to operations totaled \$111,691 and \$98,745 for the years ended September 30, 2017 and 2016, respectively.

KANAWHA VALLEY SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 6 -- FUNDRAISING

KVSS held several fundraising events during the years ended September 30, 2017 and 2016. A summary of such fundraising revenue and expense for the years ended September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Revenue	\$ 20,658	\$ 26,595
Expense	<u>(7,275)</u>	<u>(3,485)</u>
	<u>\$ 13,383</u>	<u>\$ 23,110</u>

NOTE 7 -- CONCENTRATIONS OF CREDIT RISK

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

KVSS extends credit for services provided without collateral. The mix of net receivables and revenue of its total unrestricted support and revenue at September 30, 2017 and 2016 and for the years then ended was as follows:

	<u>2017</u>	<u>2016</u>
Net receivable from:		
Medicaid	14%	18%
Title III	40%	29%
Lighthouse	19%	27%
Other	<u>27%</u>	<u>26%</u>
	<u>100%</u>	<u>100%</u>
Net revenue from:		
Medicaid	19%	20%
Title III	37%	37%
Lighthouse	20%	18%
Other	<u>24%</u>	<u>25%</u>
	<u>100%</u>	<u>100%</u>

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

KANAWHA VALLEY SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 8 -- FUNCTIONAL EXPENSES

KVSS incurred expenses in the conduct of the following programs for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Community Care Program: KVSS provides an in-home care program, funded by the Medicaid program and the Veterans Administration that makes personal assistance available to eligible adults.	\$ 797,476	\$ 881,101
Title III Programs: Older Americans Act funds that cover social support activities including nutrition, case management, transportation, assessments, etc. KVSS also makes caregiver training available to family members providing care.	1,389,915	1,427,992
Lighthouse: KVSS provides for in-home assistance for seniors who have functional needs in their homes who do not qualify for other programs.	697,617	656,971
Transportation: KVSS provides transportation services to seniors.	300,957	305,014
Other programs that benefit senior citizens	<u>589,508</u>	<u>558,509</u>
	<u>\$ 3,775,473</u>	<u>\$ 3,829,587</u>

The above amounts include a proportionate allocation of all management and general and indirect costs, which totaled approximately \$447,000 and \$462,000 for the years ended September 30, 2017 and 2016, respectively.

NOTE 9 -- CONTINGENT LIABILITIES

KVSS's programs are generally funded from federal, state, and local sources, principal of which are programs of the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although management believes such amounts, if any, to be immaterial.

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

KANAWHA VALLEY SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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NOTE 10 -- PENSION PLAN

KVSS sponsors a contributory defined contribution pension plan covering qualified employees. All regular, full-time employees of KVSS with at least one full year of service are eligible to participate. Under the Plan employees are able to contribute up to 6% of their annual compensation to the Plan, which is 100% vested with the employee. KVSS matches 200% of contributions up to 2% of employee salary and 50% of contributions that exceed 2% of salary, but do not exceed 6% of salary. Employer contributions become fully vested after four years. KVSS's contributions to the Plan for the years ended September 30, 2017 and 2016, totaled \$24,344 and \$25,129, respectively.

NOTE 11 -- OTHER POST EMPLOYMENT BENEFITS

KVSS is part of the State of West Virginia's Other Post Employment Benefits (OPEB) plan. OPEB costs are accrued based upon invoices received from the West Virginia Retiree Health Benefits Trust Fund (RHBT) based upon actuarially determined amounts. At September 30, 2017 and 2016, the noncurrent liability related to OPEB costs was \$789,610 and \$773,388, respectively. This represents amounts billed by RHBT but not currently required to be paid by KVSS consistent with RHBT guidance. The total OPEB expense incurred for the years ending June 30, 2017 and 2016 was \$65,198 and \$68,760, respectively.

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

NOTE 12 -- OPERATING LEASES

KVSS leases certain equipment under an operating lease agreement. Aggregate payments under this agreement for September 30, 2017 and 2016 were \$0 and \$6,372, respectively. There were no future minimum rental commitments as of September 30, 2017.

SUPPLEMENTAL INFORMATION

KANAWHA VALLEY SENIOR SERVICES, INC.
Schedule of Federal, State and Other Support, Expenditures and Changes in Net Assets
Year Ended September 30, 2017

Federal Agency	U.S. Department of Health and Human Services (USDHHS)		N/A		USDHHS		N/A		N/A	
State Agency	WV Bureau of Senior Services (WVBOSS)									
Pass-Thru Grantor	WVSC Metro Area Agency on Aging					N/A				
Program Title	Title IIB Senior Citizens	Title IIC Nutrition Services	Title IID Preventative Health	Title IIE Caregiver	LIFE	Lighthouse	FAIR	State Health Insurance Assistance	Community Partnership	Transportation
Program Year	10/01/16 - 09/30/17	10/01/16 - 09/30/17	10/01/16 - 09/30/17	10/01/16 - 09/30/17	07/01/16 - 06/30/17	07/01/16 - 06/30/17	07/01/16 - 06/30/17	04/01/16 - 03/31/17		10/01/16 - 09/30/17
Federal CFDA Number	93.044	93.045	93.043	93.052				93.071/93.779		
Support and Revenue										
Federal support	\$ 143,027	\$ 541,858	\$ 11,264	\$ 106,989	\$ -	\$ -	\$ -	\$ 78,356	\$ -	\$ -
State support	167,593	242,169	1,500	-	237,226	751,686	282,643	-	10,397	-
Client service revenue	-	-	-	-	-	-	12,339	-	-	23,948
Other	33,336	117,681	3,030	10,963	320	-	50	-	-	700
Total support and revenue	343,956	901,708	15,794	117,952	237,546	751,686	295,032	78,356	10,397	24,648
Expenditures										
Salary and wages	151,072	340,576	9,475	67,186	-	501,727	193,852	28,086	-	136,402
Payroll taxes and benefits	39,385	62,062	3,372	15,315	-	69,670	32,964	3,356	-	36,999
Insurance	395	8,800	22	521	-	3,197	878	77	-	9,552
Office expense	1,373	18,044	110	1,220	5,226	273	1,096	315	-	7,923
Program costs	239	40,474	15	5,933	7,729	2,698	3,052	89	-	6,402
Rent	-	-	-	4,781	-	-	8,232	-	-	8,063
Printing and publications	172	724	175	132	4,945	565	132	49	-	132
Travel	7,511	3,843	318	1,417	-	34,153	1,511	6,398	-	208
Non-capitalized equipment	-	-	-	-	-	-	-	-	5,194	-
Repairs and maintenance	-	13,178	-	-	-	-	-	-	3,987	49
Vehicle costs	1,651	37,444	-	-	-	-	-	-	-	32,723
Consultant/Contractual	-	525	-	288	-	378	432	-	360	910
Food	-	375,080	-	-	11,037	-	-	-	-	-
Miscellaneous	1,536	2,597	26	1,367	-	7	234	20	2,345	59
Total expenses	203,334	903,347	13,513	98,160	28,937	612,668	242,383	38,390	18,298	239,422
Allocation of indirect costs	27,084	123,268	1,712	14,075	4,571	83,712	33,081	1,371	-	35,930
Total expenditures	230,418	1,026,615	15,225	112,235	33,508	696,380	275,464	39,761	18,298	275,352
Support and revenue over (under) expenditures	113,538	(124,907)	569	5,717	204,038	55,306	19,568	38,595	(7,901)	(250,704)
Depreciation expense under GAAP	(1,482)	(608)	-	(632)	-	-	-	-	-	(23,255)
Other post employment benefits	(2,349)	(351)	-	-	(1,237)	-	-	-	-	(2,350)
Grant support for capital expenditures	24,342	32,118	-	-	26,722	-	-	-	19,969	-
Transfer in/(out)	(140,535)	51,442	-	34,665	(226,377)	-	-	(40,059)	(14,052)	274,368
CHANGE IN NET ASSETS	\$ (6,486)	\$ (42,306)	\$ 569	\$ 39,750	\$ 4,383	\$ 54,069	\$ 19,568	\$ (1,464)	\$ (1,984)	\$ (1,941)

**KANAWHA VALLEY SENIOR SERVICES
SCHEDULE OF DIRECT STATE GRANT AWARDS
YEAR ENDED SEPTEMBER 30, 2017**

AWARDING AGENCY: Bureau of Senior Services

GRANT NAME	GRANT IDENTIFICATION	PERIOD AWARDED	TOTAL AWARD	FUNDS RECEIVED	FUNDS EXPENDED	UNEXPENDED FUNDS RECEIVED	GRANT BALANCE
In-Home Service Funds - Kanawha County	IH1719	7/1/16-6/30/17	\$ 942,060	\$ 942,060	\$ 942,060	\$ -	\$ -
In-Home Service Funds - Kanawha County	IH1819	7/1/17-6/30/18	935,060	260,953	260,953	-	674,107
In-Home Service Funds - Putnam County	IH1759	7/1/16-6/30/17	31,200	31,200	31,200	-	-
In-Home Service Funds - Putnam County	IH1859	7/1/17-6/30/18	40,000	6,704	6,704	-	33,296
Nutrition Grant Clendenin	SC21589	7/1/15-6/30/16	46,000	9,208	9,208	-	36,792
Clendenin	SC21277	7/1/11-6/30/12	14,000	14,000	14,000	-	-
Tiskelwah Center / Clendenin	21795	7/1/16-6/30/17	18,500	8,500	8,500	-	10,000
City of Dunbar - Senior Nutrition Renovations	SC21272B	7/1/11-6/30/16	12,000	12,000	12,000	-	-
Connecting the DOTS	MPDOTS1702	6/1/16-5/31/17	5,000	5,000	2,289	2,711	-

KANAWHA VALLEY SENIOR SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Health and Human Services				
Passed through WVSC Metro Area Agency on Aging				
Aging Cluster				
Special Programs for the Aging - Title III, Part B Grants for				
Supportive Services and Senior Centers	93.044	21736	\$ 143,027	\$ -
Special Programs for the Aging - Title III, Part C Nutrition Services	93.045	N/A	431,655	-
Nutrition Services Incentive Program	93.053	N/A	<u>110,203</u>	<u>-</u>
Aging cluster total			<u>684,885</u>	<u>-</u>
Special Programs for the Aging - Title III, Part D Disease Prevention				
and Health Promotion Services	93.043	21736	11,264	-
National Family Caregiver Support, Title III, Part E	93.052	21736	106,989	-
Passed through WV Bureau of Senior Services				
Medicare Enrollment Assistance Program	93.071	MIPPA1719	41,000	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	SHIPXXXX	<u>37,356</u>	<u>-</u>
Total for U.S. Department of Health and Human Services			<u>881,494</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 881,494</u>	<u>\$ -</u>

KANAWHA VALLEY SENIOR SERVICES, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2017

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NOTE 1 -- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of KVSS under programs of the Federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of KVSS, it is not intended to and does not present the financial position and changes in net position of KVSS.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 -- INDIRECT COST RATE

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

KANAWHA VALLEY SENIOR SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2017

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kanawha Valley Senior Services, Inc. (KVSS), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KVSS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KVSS's internal control. Accordingly, we do not express an opinion on the effectiveness of KVSS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Seattle & Stalaker, PLLC".

Charleston, West Virginia
February 23, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Kanawha Valley Senior Services, Inc.'s (KVSS's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of KVSS's major federal programs for the year ended September 30, 2017. KVSS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of KVSS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KVSS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of KVSS's compliance.

Opinion on Each Major Federal Program

In our opinion, KVSS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of KVSS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KVSS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness KVSS's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charleston, West Virginia
February 23, 2018

**KANAWHA VALLEY SENIOR SERVICES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2017**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

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

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

93.044/93.045/93.053

Aging Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

**KANAWHA VALLEY SENIOR SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017**

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SECTION II

FINANCIAL STATEMENT

FINDINGS SECTION

None

**KANAWHA VALLEY SENIOR SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017**

SECTION III

FEDERAL AWARD FINDINGS
AND QUESTIONED COSTS SECTION

None