

# **MISSOULA AGING SERVICES**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**



# MISSOULA AGING SERVICES

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Management  
Missoula Aging Services  
Missoula, MT

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

We have audited the accompanying financial statements of Missoula Aging Services (a nonprofit organization), which comprise the statement of net position as of June 30, 2018 and 2017, and the related statement of revenues, expenses, and changes in net position, statement of functional revenues and expenses, and statement of cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 auditors' 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 Missoula Aging Services, as of June 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted the management's discussion and analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the omission of this information.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 October 15, 2018, on our consideration of Missoula Aging Services' 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 the effectiveness of Missoula Aging Services' 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 Missoula Aging Services' internal control over financial reporting and compliance.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Missoula, Montana  
October 15, 2018

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**STATEMENTS OF NET POSITION**  
**June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,482,648	\$ 1,684,628
Receivables	701,261	534,370
Prepaid expenses and other current assets	4,045	4,975
Total Current Assets	2,187,954	2,223,973
Investments	2,014,365	1,871,091
Capital Assets		
Land, property and equipment	2,203,319	2,210,132
Accumulated depreciation	(997,261)	(955,483)
Net Capital Assets	1,206,058	1,254,649
Total Assets	\$ 5,408,377	\$ 5,349,713
<b>Liabilities and Net Position</b>		
Current Liabilities		
Accounts payable	\$ 257,843	\$ 200,886
Accrued payroll liabilities	217,312	252,349
Unearned revenue	3,300	10,710
Total Current Liabilities	478,455	463,945
Net Position		
Unrestricted	2,642,883	2,620,505
Net investment in capital assets	1,206,058	1,254,649
Restricted - expendable	419,728	376,511
Restricted - nonexpendable	661,253	634,103
Total Net Position	4,929,922	4,885,768
Total Liabilities and Net Position	\$ 5,408,377	\$ 5,349,713

See the independent auditors' report and the accompanying notes to the financial statements.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenue		
Grants		
Federal	\$ 1,269,819	\$ 1,289,951
State of Montana	577,543	595,605
Missoula County	713,053	733,330
City of Missoula	<u>186,399</u>	<u>187,000</u>
Total Grants	<u>2,746,814</u>	<u>2,805,886</u>
Contributions		
United Way	-	17,937
Program	754,710	611,888
Donated services and materials	<u>19,691</u>	<u>17,469</u>
Total Contributions	<u>774,401</u>	<u>647,294</u>
Other		
Fund development	618,790	837,834
Investment income	<u>168,625</u>	<u>157,404</u>
Total Other	<u>787,415</u>	<u>995,238</u>
Total Revenues	4,308,630	4,448,418
Expenses		
Program		
Community programs	1,798,792	1,756,644
In-home services	621,524	655,518
Resource center	707,598	645,522
RCCOA pass through	332,094	350,446
406 Financial Services	<u>77,713</u>	<u>-</u>
Total Program	<u>3,537,721</u>	<u>3,408,130</u>
Supportive		
General and administrative	569,928	501,892
Fundraising	<u>156,827</u>	<u>158,960</u>
Total Supportive	<u>726,755</u>	<u>660,852</u>
Total Expenses	<u>4,264,476</u>	<u>4,068,982</u>
Change in Net Position	44,154	379,436
Net Position at Beginning of the Year	<u>4,885,768</u>	<u>4,506,332</u>
Net Position at End of the Year	<u>\$ 4,929,922</u>	<u>\$ 4,885,768</u>

See the independent auditors' report and the accompanying notes to the financial statements.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**STATEMENTS OF FUNCTIONAL REVENUES AND EXPENSES**  
**June 30, 2018**  
**(With Comparative Totals for 2017)**

	General & Administrative	Fundraising	Endowment	RCCOA Pass Through	406 Financial Services	In-Home Services	Resource	Nutrition	SMP	Senior Corp	Totals	
											2018	2017
Revenue												
Older Americans' Act	\$ 61,633	\$ -	\$ -	\$ 174,211	\$ -	\$ 47,410	\$ 116,980	\$ 188,716	\$ -	\$ -	\$ 588,950	\$ 607,241
Federal Grants	-	-	-	-	-	-	13,709	75,320	262,789	-	351,818	350,207
Corporation for National Svc	-	-	-	-	-	-	-	-	-	329,051	329,051	332,503
State of Montana	72,693	-	-	157,883	-	47,819	193,160	105,988	-	-	577,543	595,605
Missoula County	93,588	-	-	-	-	42,587	202,284	218,544	-	156,050	713,053	733,330
City Funding	19,000	-	-	-	-	-	88,985	36,899	-	41,515	186,399	187,000
United Way	-	-	-	-	-	-	-	-	-	-	-	17,937
Program Revenue	10,829	-	-	-	285	541,506	21,812	154,563	-	24,809	753,804	611,889
Endowment Gifts	-	-	37,150	-	-	-	-	-	-	-	37,150	40,307
Fund Development	15,827	244,897	-	-	-	65,361	69,239	176,018	3,770	12,498	587,610	797,526
Interest & Other Income	34,432	-	124,194	-	-	-	-	-	-	-	158,626	157,404
Other	-	1,507	-	-	4,030	17,674	920	195	-	300	24,626	17,469
<b>Total Revenue</b>	<b>308,002</b>	<b>246,404</b>	<b>161,344</b>	<b>332,094</b>	<b>4,315</b>	<b>762,357</b>	<b>707,089</b>	<b>956,243</b>	<b>266,559</b>	<b>564,223</b>	<b>4,308,630</b>	<b>4,448,418</b>
Expenses												
Wage & Benefits	376,090	112,004	-	-	74,288	528,387	614,670	265,577	95,424	292,495	2,358,935	2,183,866
Operations Expense	41,043	30,271	-	-	737	28,371	41,356	12,162	24,239	18,979	197,158	204,193
Occupancy Expense	48,801	1,803	-	-	2,044	3,856	6,927	2,911	653	2,703	69,698	62,941
Specific Assistance	436	-	-	-	-	10,133	219	521,735	-	245,314	777,837	757,598
Program Expense	15,395	1,428	-	-	-	11,136	9,182	12,889	335	15,779	66,144	76,970
Professional Services	15,950	-	-	-	-	-	-	-	-	-	15,950	19,763
Contracts, Grants & Awards	-	532	-	332,094	-	76	7,849	131,490	139,513	41	611,595	609,563
Travel & Training Expense	12,814	868	-	-	644	17,114	15,647	1,935	1,765	3,192	53,979	44,986
In-Kind Donations	-	601	-	-	-	17,674	920	195	-	300	19,690	17,894
Fundraising Expense	1,834	4,608	-	-	-	1,576	1,942	1,012	205	747	11,924	10,935
Capital Costs	4,702	2,821	-	-	-	-	1,466	-	-	-	8,989	13,027
<b>Total expenses before depreciation</b>	<b>517,065</b>	<b>154,936</b>	<b>-</b>	<b>332,094</b>	<b>77,713</b>	<b>618,323</b>	<b>700,178</b>	<b>949,906</b>	<b>262,134</b>	<b>579,550</b>	<b>4,191,899</b>	<b>4,001,736</b>
Depreciation	52,863	1,891	-	-	-	3,201	7,420	3,637	655	2,910	72,577	67,246
<b>Total Expenses</b>	<b>569,928</b>	<b>156,827</b>	<b>-</b>	<b>332,094</b>	<b>77,713</b>	<b>621,524</b>	<b>707,598</b>	<b>953,543</b>	<b>262,789</b>	<b>582,460</b>	<b>4,264,476</b>	<b>4,068,982</b>
Change in net position	\$ (261,926)	\$ 89,577	\$ 161,344	\$ -	\$ (73,398)	\$ 140,833	\$ (509)	\$ 2,700	\$ 3,770	\$ (18,237)	\$ 44,154	\$ 379,436

See the independent auditors' report and the accompanying notes to the financial statements.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from grants	\$ 2,634,013	\$ 2,492,787
Receipts from donors	612,520	802,865
Receipts from others	763,713	718,716
Payments to suppliers	(1,529,261)	(1,508,237)
Payments to employees	(2,577,621)	(2,311,824)
Payments to others	(59,897)	(59,907)
Payments for interest	5	-
Net cash flows from operating activities	<u>(156,528)</u>	<u>134,400</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(23,986)	(49,407)
Investment purchases	<u>(21,466)</u>	<u>(656,995)</u>
Net cash flows from investing activities	<u>(45,452)</u>	<u>(706,402)</u>
Net change in cash and cash equivalents	(201,980)	(572,002)
Cash and cash equivalents at beginning of year	<u>1,684,628</u>	<u>2,256,630</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,482,648</u></u>	<u><u>\$ 1,684,628</u></u>
<b>Reconciliation of Change in Net Position to Net Cash Flows From Operating Activities</b>		
Change in net position	\$ 44,154	\$ 379,436
Adjustments to reconcile change in net position to net cash flows from operating activities:		
Depreciation	72,577	67,247
Unrealized gain on investments	(121,808)	(113,869)
Bad debt expense	2,265	-
Changes in assets and liabilities:		
Receivables	(169,156)	(316,015)
Prepaid expenses and other current assets	930	2,135
Accounts payable	56,957	71,363
Accrued leave and expenses	(35,037)	48,269
Unearned revenue	<u>(7,410)</u>	<u>(4,166)</u>
Net cash flows from operating activities	<u><u>\$ (156,528)</u></u>	<u><u>\$ 134,400</u></u>

See the independent auditors' report and the accompanying notes to the financial statements.



**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 1. Summary of Significant Accounting Policies**

Organization

The Missoula Area Agency on Aging, Inc., doing business as Missoula Aging Services ("MAS"), is a governmental non-profit organization incorporated under the laws of Montana that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

MAS's Board of Directors is appointed, and may be removed at will, by the Board of County Commissioners of Missoula County. Missoula County appoints 13 board members. The Government Accounting Standards Board classifies organizations such as MAS as "governmental non-profit organizations," because of the control over MAS's governing board by the County. As a result of Missoula County appointing MAS's board members, MAS is considered a component unit of Missoula County.

Nature of Operations

MAS promotes the independence, dignity and health of older adults and those that care for them through advocacy, education, services and volunteer opportunities.

MAS is a multi-county, non-profit agency responsible for planning, coordinating, and delivering services which support the aging process. Programs for the elderly include nutrition and other programs under the Older Americans Act and programs for senior citizens administered by the Corporation for National and Community Service - Retired and Senior Volunteer Program (RSVP), Foster Grandparent, and Senior Companion Programs.

MAS received the majority of its revenue and support from federal, state and local grants, awards, and other support in 2018 and 2017. The loss of these grants or revenue could have a significant impact on operations.

Basis of Presentation and Measurement Focus

As a governmental non-profit, MAS's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, and follow proprietary fund reporting. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). MAS's financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the statements of cash flows, MAS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. MAS maintains various accounts at a local bank that are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, certain bank accounts that are subjected to limited FDIC coverage exceed their insured limits. MAS believes it is not exposed to any significant risk related to its cash balances.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Receivables

MAS uses the allowance method for uncollectible receivables. The collectability of an account is reviewed on a case by case basis. Accounts receivable are stated at unpaid balances less an allowance for uncollectible accounts. Accounts receivable, including donor promises to give, are considered impaired if payments are not received in accordance with contractual terms. It is MAS's policy to charge off uncollectible accounts when management determines they are uncollectible. During the years ended June 30, 2018 and 2017, MAS had \$2,265 and zero of bad debt expense, respectively. Interest is not charged on accounts receivable. There were no significant amounts over 90 days past due at June 30, 2018 or 2017. Management estimates the allowance to be zero as of June 30, 2018 and 2017.

Prepaid Expenses

Expenditures made in the current year for costs attributable to future years are recorded as prepaid expenses. These expenditures are recognized when used (consumption method).

Investments

Investments are recorded at fair value based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are included in investment income.

Capital Assets

Capital assets consist of property and equipment and are stated at cost and depreciated on the straight line method over estimated useful lives. Equipment is depreciated over estimated useful lives of 3 to 5 years. Building and building improvements are depreciated over 30 years. Repairs, maintenance, and purchases of minor equipment (equipment costing less than \$5,000) are not capitalized.

Accrued Leave

Employees earn paid leave based on years of service and may accumulate a maximum of 228 hours.

Classification of Net Position

Restrictions are placed on the use of portions of MAS's resources by its grantors and contributors; as a result, MAS classifies its net position as follows:

- *Unrestricted* – Resources over which the governing board has discretionary control.
- *Net Investment in Capital Assets* – MAS's investment in capital assets, net of depreciation and related debt.
- *Restricted Expendable* – Resources received that are expendable only for purposes specified by the grantor or donor.
- *Restricted Non-Expendable* – Resources received that are specified by the grantor or donor as additions to the permanent endowment.

Advertising

MAS expenses advertising costs as incurred. Advertising expense totaled \$48,100 and \$51,761 for the years ended June 30, 2018 and 2017, respectively

Revenue Recognition

Grant revenue is recognized when earned, generally when related expenses are incurred. Unearned grant revenue and unearned program advances are reported as unearned revenues. Grant revenue from Missoula County is primarily from a three mill tax levy approved by the voters for Missoula County senior residents.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Revenue Recognition (Continued)

All contributions are considered available for MAS's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted expendable or restricted non-expendable support and increase the respective class of net position. Contributions received with restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net position. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net position if the restrictions are met in the same reporting period as the income is recognized.

Donated Material and Services

Donated materials and services are recorded at fair market value. The value of contributed services, materials, and advertising meeting the requirements for recognition in the financial statements was \$19,691 and \$17,469 for the years ended June 30, 2018 and 2017, respectively. Donated items and time were given for the nutrition, volunteer service, in-home services, and Senior Medicare Patrol programs and also for administrative functions. These volunteers performed services such as explanation of benefit reconciliation's and other specialized jobs. In addition, many individuals volunteer their time and skills to perform a variety of tasks that assist MAS, but these services do not meet the criteria for recognition as contributed services. The estimated value of services that do not meet the criteria for recognition was \$14,808 and \$12,652 for the years ended June 30, 2018 and 2017, respectively.

Risks and Uncertainties

MAS invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of net position.

Allocation of Expenses

Specifically identifiable expenses are allocated to the program benefited, and other expenses are allocated based on management's estimates. Administrative costs are allocated to programs based upon a pro-rata share of staffing levels.

Income Taxes

MAS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. This code section enables MAS to accept donations that qualify as charitable contributions to the donor. Income from certain activities not directly related to MAS's tax-exempt purpose is subject to taxation as unrelated business income. No provision for income taxes has been recorded in the accompanying financial statements as MAS did not have any significant unrelated business income in 2018 and 2017.

Use of Estimates

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expense. Accordingly, actual results could differ from those estimates.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Reclassifications

Prior year amounts have been reclassified in the statement of cash flows in order to more accurately reflect the nature of the underlying transactions. In the prior year statement of cash flows, \$113,869 was reclassified from receipts from others to receipts from grants. There were no changes in net position as a result of this reclassification.

**Note 2. Program Services**

Community Programs

**Meals On Wheels** serves homebound elders and adults with disabilities in Missoula County. Volunteers deliver hot nutritious meals Monday through Friday along with frozen meals for the weekend. Liquid nutritional supplements are also available at cost with a physician prescription. In 2018, 106,877 Meals On Wheels were delivered by 102 volunteers to 851 homebound people compared to 109,164 meals in 2017.

**Rural Nutrition Sites** at local senior centers provide Meals on Wheels and Congregate meals for Missoula County residents in Alberton, Arlee, Condon, Seeley Lake, Bonner, and Lolo.

**Congregate Dining Programs** provide older adults the opportunity to share weekday meals in a social atmosphere at the Missoula Senior Center. In addition, monthly congregate meal events are held at a variety of sites and feature an educational program along with lunch. In 2018, 42,439 congregate meals were served compared to 45,125 in 2017.

**Senior Farmers' Market Nutrition Program** provides older adults who meet income guidelines with vouchers to purchase fresh, locally grown fruit and vegetables at local markets. In 2018, 517 seniors were served through this program with vouchers worth over \$22,310 to local farmers. In 2017, 435 seniors were served through this program with \$15,571 in vouchers to local farmers.

**Montana SMP (Senior Medicare Patrol)** funded by the Administration on Aging, is a statewide program which utilizes trained volunteers to help reduce Medicare and Medicaid waste, fraud and abuse. In 2018, 16,866 Medicare beneficiaries were educated by Montana SMP compared to 13,204 beneficiaries in 2017.

**Retired and Senior Volunteer Program (RSVP)** encourages seniors age 55 and over to use their skills and life experience to help service agencies address critical needs in their communities. RSVP volunteers serve from a few hours to twenty hours a week. These volunteers provide a wide variety of services such as tutoring children, serving at food banks, hospitals, and assisting in many areas of senior independence.

**Foster Grandparents Program** offers seniors age 55 and over the opportunity to serve as mentors and tutors for children and youth with special needs. They provide, on average, 20 hours of service weekly to local schools and day care centers. This program strengthens the community and builds bridges across generations by providing youth with services that school budgets cannot afford.

**Senior Companions** are seniors age 55 and over who provide assistance and companionship to elderly individuals who are homebound and generally living alone. They offer contact with the outside world for those who are homebound. Companions usually serve two to four clients through 20 hours of service weekly. They often provide the services that frail elderly individuals need to live independently. In addition, they may provide respite care to relieve live-in caregivers for short periods of time.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 2. Program Services (Continued)**

*In-home Services*

**Family Caregiver Support Program** coordinates services designed to assist adult family members or other individuals who are informal providers of in-home care to older individuals. Caregiver support services include the placement of Senior Companion volunteers, Homemaker services to provide help with housekeeping, Respite care services to enable caregivers to be temporarily relieved from their caregiving responsibilities, Powerful Tools for Caregivers education class series gives caregivers the tools needed to care for themselves while caring for someone else and a Caregiver Support Group which meets monthly.

**Veterans Directed Care Program** empowers qualifying veterans to hire, employ and supervise Personal Care Attendants to help with daily needs in support of independence. Case Managers conduct assessments to determine eligibility and level of need. They review program guidelines to assist with the development and implementation of a plan of care for the veteran that best supports them in meeting their personal goals. In 2018, 108 veterans were enrolled in the veterans program compared to 77 veterans in 2017.

**Community Care Transitions Program** assists Medicare patients discharged from local hospitals with medication reconciliation and coordinates other supportive services so that they may successfully convalesce at home and avoid unnecessary hospital re-admittance. In 2018 and 2017, 416 patients were served by Community Care Transitions coaches.

*Resource Center*

**The Resource Center** provides information, assistance and one-on-one consultation for seniors and their caregivers and is especially helpful to adult children seeking referrals to senior services locally or from a distance. A database of nearly 500 service sites is continually updated. Free information packets are available on topics such as long-term care, estate planning, Medicare and Medicaid. A lender's library is available, plus free access to a computer and the Internet. In 2018, \$585,029 was saved on Medicare Prescription Drug Plans through staff consultations. During 2017, \$685,493 was saved through staff consultations.

**The Ombudsman Program** consists of certified local ombudsmen working to protect resident rights of those whose home is a long-term care facility by helping them understand and exercise their right to good care. Ombudsmen are impartial mediators who investigate resident concerns and may provide information, suggest solutions and press for change on behalf of residents. In 2018, Ombudsman visited 4,636 residents in nursing and assisted living facilities compared to 4,634 residents in 2017.

**Senior Transportation Program** actively works on solutions to transportation issues. Assistance to special transportation services via a contract with Mountain Line's (the city bus service) special or para-transit system provides rides to those who are unable to drive. In addition, MAS supports Opportunity Resources for Sunday service. In 2018, approximately 29,340 rides to seniors and persons with disabilities were provided compared to 29,826 rides in 2017.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 3. Receivables**

At June 30, receivables consisted of the following:

	<u>2018</u>	<u>2017</u>
Grants	\$ 603,830	\$ 481,106
Contributions	41,250	52,917
Other	<u>56,181</u>	<u>347</u>
Total	<u>\$ 701,261</u>	<u>\$ 534,370</u>

Included in contributions are donor promises to give which have been made by donors but have not yet been received. MAS considers donor promises to give to be fully collectible; accordingly, no allowance for uncollectible promises has been provided by management. All promises to give are due in less than one year and totaled zero and \$17,937 at June 30, 2018 and 2017, respectively.

**Note 4. Investments**

Investments are presented in the financial statements at fair value. Investments are maintained in custodial accounts with investment firms and are primarily composed of cash instruments and mutual funds at their listed prices (Level 1 inputs based on FASB ASC 820, *Fair Value Measurements and Disclosures*).

A summary of the cost and fair value of investments follows at June 30:

	<u>2018</u>		
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value</u>
Cash and money markets	\$ 47,854	\$ -	\$ 47,854
Mutual funds	1,539,445	271,482	1,810,927
Equities	<u>144,066</u>	<u>11,518</u>	<u>155,584</u>
Total	<u>\$ 1,731,365</u>	<u>\$ 283,000</u>	<u>\$ 2,014,365</u>
	<u>2017</u>		
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value</u>
Cash and money markets	\$ 64,662	\$ -	\$ 64,662
Mutual funds	1,443,549	226,939	1,670,488
Equities	<u>133,046</u>	<u>2,895</u>	<u>135,941</u>
Total	<u>\$ 1,641,257</u>	<u>\$ 229,834</u>	<u>\$ 1,871,091</u>

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 4. Investments (Continued)**

MAS has an investment policy approved by its board of directors utilizing guidance from the Internal Revenue Service and the prudent expert principle. The investment policy allows investments in cash, cash equivalents, certificates of deposit, and equity investments in mutual funds, corporate stocks and corporate bonds, providing the company is listed on a principal U.S. stock exchange or traded on NASDAQ. Bond investments require investment grade ratings with Standard and Poor's or Moody's. MAS does not have significant custodial risk nor does MAS believe it is exposed to any significant credit risk or interest rate risk.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

Investment expenses are waived by the investment custodian. Components of investment income for the year ended June 30, 2018 and 2017 consist of the following:

	<b>2018</b>	<b>2017</b>
Interest income	\$ 46,817	\$ 43,530
Unrealized gains	121,808	113,869
Total	\$ 168,625	\$ 157,399

**Note 5. Endowment**

Although MAS follows GAAP as set forth by GASB, the following expanded disclosures are made regarding MAS' endowment. MAS' endowment consists of individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

MAS's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, MAS classifies as restricted non-expendable net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not classified as restricted-nonexpendable net position is classified as restricted-expendable net position until those amounts are appropriated for expenditure by MAS in a manner consistent with the standard of prudence prescribed by UPMIFA.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 5. Endowment (Continued)**

In accordance with UPMIFA, MAS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the organization

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires MAS to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature reported in unrestricted net position as of June 30, 2018 and 2017.

Endowment Net Position

Changes in endowment net position is as follows:

	<u>Restricted Expendable</u>	<u>Restricted Non- Expendable</u>	<u>Total</u>
Endowment net position, June 30, 2016	\$ 287,283	\$ 593,797	\$ 881,080
Investment return			
Investment income	13,670	-	13,670
Net appreciation	<u>75,558</u>	<u>-</u>	<u>75,558</u>
Total	<u>89,228</u>	<u>-</u>	<u>89,228</u>
Contributions	<u>-</u>	<u>40,306</u>	<u>40,306</u>
Endowment net position, June 30, 2017	376,511	634,103	1,010,614
Investment return			
Investment income	17,899	-	17,899
Net appreciation	<u>69,318</u>	<u>-</u>	<u>69,318</u>
Total	<u>87,217</u>	<u>-</u>	<u>87,217</u>
Contributions	-	27,150	27,150
Distributions	<u>(44,000)</u>	<u>-</u>	<u>(44,000)</u>
Endowment net position, June 30, 2018	<u>\$ 419,728</u>	<u>\$ 661,253</u>	<u>\$ 1,080,981</u>

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA at June 30, 2018 and 2017 was \$661,253 and \$634,103, respectively. There were \$419,728 and \$376,511 restricted-expendable net assets within the endowment fund that were subject to a time, but not purpose, restriction under UPMIFA at June 30, 2018 and 2017, respectively.



**MISSOULA AGING SERVICES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 5. Endowment (Continued)**

Return Objectives and Risk Parameters

MAS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that MAS must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve favorable returns when compared to inflation as measured by the Consumer Price Index (CPI). Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, MAS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MAS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

MAS has a policy where the organization may appropriate for distribution each year 5 percent of its endowment fund's average fair value over the prior 8 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, MAS considered the long-term expected return on its endowment. Accordingly, over the long term, MAS expects the current spending policy to allow its endowment to grow at an average consistent with inflation. This is consistent with MAS's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Note 6. Capital Assets**

Changes in capital assets and accumulated depreciation is as follows:

	<u>2017</u>	<u>Additions</u>	<u>Removals</u>	<u>2018</u>
Capital asset not being depreciated:				
Land	\$ 132,000	\$ -	\$ -	\$ 132,000
Capital assets being depreciated:				
Buildings	1,936,877	-	-	1,936,877
Equipment	141,255	23,986	(30,799)	134,442
	<u>2,078,132</u>	<u>23,986</u>	<u>(30,799)</u>	<u>2,071,319</u>
Less accumulated depreciation	(955,483)	72,577	(30,799)	(997,261)
Net capital assets being depreciated	<u>\$ 1,122,649</u>	<u>\$ 96,563</u>	<u>\$ -</u>	<u>1,074,058</u>
Net capital assets				1,206,058
Less related debt				<u>-</u>
Net investment in capital assets				<u>\$ 1,206,058</u>

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 7. Operating Lease**

In January 2014, MAS leased a copier and a fax machine for 60 months with minimum monthly payments of \$310 (\$3,720 annually). Payments on the lease totaled \$3,720 for the years ended June 30, 2018 and 2017, respectively. Annual lease payments of \$1,860 are due under this lease agreement for 2019.

**Note 8. Contractual Commitments**

MAS contracts with other organizations to provide meals and other services under Title III of the Older Americans Act nutrition programs. MAS also subcontracts with other Area Agencies on Aging and the Montana Senior Citizens Association for its statewide effort, SMP, a direct grant from the Administration on Aging. These contracts are renewed annually subject to the terms of MAS' grant funding.

**Note 9. Retirement Plan**

MAS has a voluntary, tax sheltered annuity retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees who are over 21 years of age, have been employed one year, and work at least one-half time. Section 403(b) plans are individual plans owned by each employee; in effect, contributions immediately vest with the employee. MAS matches participant contributions up to 5% of the employee's compensation. Employees may contribute additional amounts as permitted by law. The amount contributed to the retirement plan by MAS was \$65,824 and \$62,216 for the years ended June 30, 2018 and 2017, respectively.

**Note 10. Risk Management**

MAS faces a number of risks including (a) loss or damage to property, (b) general liability, (c) workers' compensation, and (d) employee medical insurance. There were no significant changes in how MAS covered its risks in 2018 or 2017.

Commercial insurance policies are purchased for loss or damage to property, general liability, directors and officers liability, and medical insurance for excess costs for members of the Missoula Senior Service Corps program.

Workers' compensation insurance is purchased through the Missoula County Workers' Compensation Group Insurance Authority. MAS is jointly and severally liable with other members of the plan for the full amount of any claims applicable to the plan.

MAS provides medical insurance for employees through the Missoula County Employee Benefits Plan, the County's medical self-insurance program. Information about these plans, the amount of claims liabilities, changes in claims liability, amount of claims paid, operating results, and other information on the programs administered by Missoula County is available from the County at 200 West Broadway, Missoula, Montana 59802.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**Note 11. Related Parties**

As described in Note 1, the MAS Board of Directors is appointed, and may be removed at will, by the Board of County Commissioners of Missoula County. The County provides funds to MAS from a tax levy under Montana Code Annotated (MCA) Section 7-16-101 totaling \$713,053 and \$733,330 in 2018 and 2017, respectively.

**Note 12. Other Post-Employment Benefits**

MAS participates in the Missoula County Employee Benefits Plan, a self-insured multiple-employer plan, by providing medical insurance to its employees via this plan. Benefits are established and may be amended by Missoula County. The plan issues stand-alone financial statements which may be obtained from Missoula County Risks & Benefits, 200 West Broadway, Missoula, Montana 59802.

MAS has reviewed the provisions of GASB Statement 45, "Accounting and Financial reporting by Employers for Post-employment Benefits other than Pension Plans" (GASB 45). Because the health plan premium for retirees is not fully age adjusted to consider higher benefits costs for retired plan participants, an implicit rate subsidy is built into active employees' premiums which keep the retirees' portion lower. GASB 45 recognizes that active employees are actually earning this implicit rate subsidy currently and suggests that the related expense should be recognized when the subsidy is earned. In complying with GASB 45, MAS has estimated the value of the implicit rate subsidy for active employees. That estimation resulted in an immaterial amount, and therefore, no liability for post-employment benefits has been recorded.

**Note 13. Subsequent Events**

Management has evaluated subsequent events through October 15, 2018, the date which the financial statements were available to be issued.

**MISSOULA AGING SERVICES  
A COMPONENT UNIT OF MISSOULA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2018**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Total Expenditures</u>	<u>Passed Through to Subrecipient</u>
U.S. Department of Agriculture				
MT Department of Public Health and Human Services				
Commodities	10.570	16221000007	\$ 11,391	\$ -
Senior Farmers Market Nutrition Program	10.576	16221000020.00	<u>22,310</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>33,701</u>	<u>-</u>
U.S. Department of Health and Human Services				
Federally Administered				
Montana SMP Project	93.048	90MP0233-02-00	234,212	114,976
Montana SMP Project	93.048	90MPPG0552-01-00	<u>28,577</u>	<u>24,526</u>
Total			<u>262,789</u>	<u>139,502</u>
Special Programs for the Aging, Title VII- Chapter 2				
Long Term Care Ombudsman Services for Older Individuals	93.042	16221000007 VII OMB	<u>8,784</u>	<u>2,408</u>
Special Programs for the Aging, Title III, Part F				
Disease Prevention and Health Promotion Services	93.043	16221000007 IIID	<u>12,543</u>	<u>3,438</u>
Aging Cluster				
Special Programs for the Aging, Title III, Part B				
Grants for Supportive Services and Senior Centers	93.044	16221000007 IIIB	115,954	31,781
Program Income	93.044		<u>19,060</u>	<u>-</u>
Total			<u>135,014</u>	<u>31,781</u>
Special Programs for the Aging, Title III, Part C				
Nutrition Services	93.045	16221000007 IIIC1	193,930	53,153
Nutrition Services	93.045	16221000007 IIIC2	114,918	31,497
Program Income	93.045		<u>76,140</u>	<u>-</u>
Total			<u>384,988</u>	<u>84,650</u>
Nutrition Services Incentive Program				
Cash -in-lieu of Commodities	93.053	16221000007	<u>56,990</u>	<u>15,371</u>
Total Aging Cluster			<u>576,992</u>	<u>131,802</u>

See accompanying notes to the schedule of expenditures of federal awards.

**MISSOULA AGING SERVICES  
A COMPONENT UNIT OF MISSOULA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
For the Year Ended June 30, 2018**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Total Expenditures</u>	<u>Passed Through to Subrecipient</u>
U.S. Department of Health and Human Services (Continued)				
National Family Caregiver Support	93.052	16221000007 IIIIE	\$ 75,744	\$ 20,760
Program Income	93.052		<u>55,883</u>	<u>-</u>
Total			<u>131,627</u>	<u>20,760</u>
Center for Medicare and Medicaid Services				
Research, Demonstrations and Evaluations	93.779	16221000007 SHIP	<u>49,459</u>	<u>13,556</u>
Medicare Improvements for Patients and Providers Outreach				
Research, Demonstrations and Evaluations	93.071	16221000007MIPPA	<u>11,783</u>	<u>2,247</u>
Total U.S. Department of Health and Human Services			<u>1,053,977</u>	<u>313,713</u>
Corporation for National & Community Service				
Federally Administered				
Retired Senior Volunteer Program	94.002	15SCPMT001	<u>72,990</u>	<u>-</u>
Foster Grandparent Program	94.011	15SFPMT002	126,438	-
Program Income	94.011		<u>3,719</u>	<u>-</u>
Total			<u>130,157</u>	<u>-</u>
Senior Companion Program	94.016	15SRPMT008	129,623	-
Program Income	94.016		<u>13,715</u>	<u>-</u>
Total			<u>143,338</u>	<u>-</u>
Total Corporation for National & Community Service			<u>346,485</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
City of Missoula Administered				
Community Development Block Grant	14.218	16-05	<u>11,400</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>11,400</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 1,445,563</u>	<u>\$ 313,713</u>

See accompanying notes to the schedule of expenditures of federal awards.

**MISSOULA AGING SERVICES**  
**A COMPONENT UNIT OF MISSOULA COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

**Note 1. Basis of Accounting**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Missoula Aging Services under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Missoula Aging Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of Missoula Aging Services.

**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**

Missoula Aging Services has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4. Programs**

Missoula Aging Services receives a significant portion of funding from the Department of Health and Human Services and the Corporation for National and Community Service. The major program for the year ended June 30, 2018, was the Aging Cluster comprised of CFDA numbers 93.044, 93.045, and 93.053.

**Note 5. Subrecipients**

Expenditures of federal awards presented in the above schedule include federal awards passed-through to subrecipients as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount to Subrecipient</u>
Special Programs for the Aging, Title III, Part F	93.043	\$ 3,438
Special Programs for the Aging, Title III, Part B	93.044	31,781
Special Programs for the Aging, Title III, Part C	93.045	84,650
Special Programs for the Aging, Title VII, Chapter 2	93.042	2,408
National Family Caregiver Support	93.052	20,760
Cash-in-lieu Commodities	93.053	15,371
Montana SMP Project	93.048	139,502
Center for Medicare and Medicaid Services	93.779	13,556
Medicare Improvements for Patients and Providers Outreach	93.071	<u>2,247</u>
Total		<u>\$ 313,713</u>



**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***

Board of Directors and Management  
Missoula Aging Services  
Missoula, Montana

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 Missoula Aging Services (a nonprofit organization), which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position, functional revenues and expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we 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 Missoula Aging Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

***Junkermier, Clark, Campanella, Stevens, P.C.***

Missoula, Montana  
October 15, 2018





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

Board of Directors and Management  
Missoula Aging Services  
Missoula, Montana

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

We have audited Missoula Aging Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Missoula Aging Services' major federal programs for the year ended June 30, 2018. Missoula Aging Services' major federal programs are identified in the summary of auditors' 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Missoula Aging Services' 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 Missoula Aging Services' 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 Missoula Aging Services' compliance.

**Opinion on Each Major Federal Program**

In our opinion, Missoula Aging Services 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 June 30, 2018.



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

Management of Missoula Aging Services 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 Missoula Aging Services' 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 an 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 of Missoula Aging Services' 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 a 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.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Missoula, Montana  
October 15, 2018

**MISSOULA AGING SERVICES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

**I. Summary of Auditors' Results**

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of Missoula Aging Services were prepared in accordance with U.S. GAAP.
2. No material weaknesses and no significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Missoula Aging Services, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for Missoula Aging Services expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program included the following: U.S Department of Health and Human Services: Aging Cluster CFDA No. 93.044, 93.045, and 93.053
8. The threshold for distinguishing Types A and B programs was \$750,000 in expenditures.
9. Missoula Aging Services was determined to be a low-risk auditee.

**MISSOULA AGING SERVICES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

**II. Findings - Financial Statements Audit**

No matter were reported.

**III. Findings and Questioned Costs - Major Federal Award Programs**

No matters were reported.

**IV. Status of Prior Year Findings**

**FINDING 2017-001: REVENUE RECOGNITION OF UNCONDITIONAL GRANTS**

*Condition and Criteria:* During the prior year audit, we discovered revenue was understated by \$150,167 due to two multi-year unconditional grants that were incorrectly recorded as deferred revenue. Internal controls should be in place to ensure unconditional multi-year grants are recognized in accordance with *ASC 958-605-25*, which states that unconditional grants shall be recognized when received. Furthermore, conditional promises to give are considered unconditional if the possibility the condition will not be met is remote.

*Current Status:* No issues were discovered in the current year audit related to revenue recognition of unconditional grants. The finding appears to be resolved.