

MISSOULA AGING SERVICES

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



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, 2019 and 2018, 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, 2019 and 2018, 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 28, 2019, 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 28, 2019

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,482,507	\$ 1,482,648
Receivables	701,873	701,261
Prepaid expenses and other current assets	272	4,045
Agency funds	<u>127,314</u>	<u>124,691</u>
Total Current Assets	<u>2,311,966</u>	<u>2,312,645</u>
Investments	2,182,653	2,014,365
Capital Assets		
Land, property and equipment	2,305,967	2,203,319
Accumulated depreciation	<u>(1,075,783)</u>	<u>(997,261)</u>
Net Capital Assets	<u>1,230,184</u>	<u>1,206,058</u>
Total Assets	<u><u>\$ 5,724,803</u></u>	<u><u>\$ 5,533,068</u></u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 236,061	\$ 257,843
Accrued payroll liabilities	248,137	217,312
Unearned revenue	-	3,300
Agency funds payable	<u>127,314</u>	<u>124,691</u>
Total Current Liabilities	<u>611,512</u>	<u>603,146</u>
Net Position		
Net position without donor restriction		
Net investment in capital assets	1,230,184	1,206,058
Board designated	543,072	516,029
Undesignated	<u>2,161,048</u>	<u>2,126,854</u>
Total net position without donor restriction	3,934,304	3,848,941
Net position with donor restriction - expendable	481,887	419,728
Net position with donor restriction - nonexpendable	<u>697,100</u>	<u>661,253</u>
Total Net Position	<u>5,113,291</u>	<u>4,929,922</u>
Total Liabilities and Net Position	<u><u>\$ 5,724,803</u></u>	<u><u>\$ 5,533,068</u></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 REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue		
Grants		
Federal	\$ 1,190,105	\$ 1,269,819
State of Montana	885,586	577,543
Missoula County	762,973	713,053
City of Missoula	203,750	186,399
Total Grants	<u>3,042,414</u>	<u>2,746,814</u>
Contributions		
Program	851,953	754,710
Donated services and materials	25,940	19,691
Total Contributions	<u>877,893</u>	<u>774,401</u>
Other		
Fund development	767,807	618,790
Investment income	139,021	168,625
Total Other	<u>906,828</u>	<u>787,415</u>
Total Revenues	4,827,135	4,308,630
Expenses		
Program		
Community programs	1,766,837	1,798,792
In-home services	653,998	621,524
Resource center	645,851	707,598
RCCOA pass through	476,638	332,094
406 Financial Services	203,564	77,713
Total Program	<u>3,746,888</u>	<u>3,537,721</u>
Supportive		
General and administrative	705,977	569,928
Fundraising	190,901	156,827
Total Supportive	<u>896,878</u>	<u>726,755</u>
Total Expenses	<u>4,643,766</u>	<u>4,264,476</u>
Change in Net Position	183,369	44,154
Net Position at Beginning of the Year	<u>4,929,922</u>	<u>4,885,768</u>
Net Position at End of the Year	<u>\$ 5,113,291</u>	<u>\$ 4,929,922</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, 2019
(With Comparative Totals for 2018)

	General & Administrative	Fundraising	Endowment	RCCOA Pass Through	406 Financial Services	In-Home Services	Resource	Nutrition	SMP	Senior Corp	Totals	
											2019	2018
Revenue												
Older Americans' Act	\$ 77,397	\$ -	\$ -	\$ 274,356	\$ -	\$ 69,321	\$ 167,631	\$ 207,359	\$ -	\$ -	\$ 796,064	\$ 588,950
Federal Grants	-	-	-	-	-	20,000	-	88,473	244,058	-	352,531	351,818
Corp. for National Svc	-	-	-	-	-	-	-	-	-	335,866	335,866	329,051
State of Montana	60,683	-	-	202,282	-	47,819	204,502	95,944	-	-	611,230	577,543
Missoula County	301,422	-	-	-	-	48,246	181,164	94,464	-	137,677	762,973	713,053
City Funding	18,646	-	-	-	-	-	88,980	33,416	-	42,708	183,750	186,399
Program Revenue	1,953	-	-	-	58,530	633,312	15,060	139,423	-	12,240	860,518	753,804
Endowment Gifts	-	-	37,341	-	-	-	-	-	-	-	37,341	37,150
Fund Development	180,757	190,914	-	-	-	22,992	29,558	291,171	-	6,509	721,901	587,610
Interest & Other Income	51,236	-	87,785	-	-	-	-	-	-	-	139,021	158,626
Other	-	-	-	-	-	25,840	-	100	-	-	25,940	24,626
Total Revenue	692,094	190,914	125,126	476,638	58,530	867,530	686,895	950,350	244,058	535,000	4,827,135	4,308,630
Expenses												
Wage & Benefits	481,582	129,445	-	-	176,540	550,511	551,924	274,557	88,443	335,331	2,588,333	2,358,935
Operations Expense	45,833	42,233	-	-	2,311	22,725	30,717	12,207	23,949	18,270	198,245	197,158
Occupancy Expense	52,035	2,373	-	-	2,031	5,540	13,176	3,416	880	3,483	82,934	69,698
Specific Assistance	432	-	-	-	-	14,790	49	488,001	-	214,654	717,926	777,837
Program Expense	12,540	1,314	-	-	13,083	2,030	10,049	9,658	266	9,928	58,868	66,144
Professional Services	13,300	-	-	-	2,136	-	-	-	-	-	15,436	15,950
Contracts, Grants & Awards	10,321	1,584	-	476,638	7,190	4,610	20,198	134,094	127,311	2,255	784,201	611,595
Travel & Training Expense	17,133	1,312	-	-	273	18,908	6,570	1,697	3,283	3,192	52,368	53,979
In-Kind Donations	-	-	-	-	-	24,840	-	-	-	-	24,840	19,690
Fundraising Expense	158	9,482	-	-	-	-	-	-	-	-	9,640	11,924
Capital Costs	15,400	1,116	-	-	-	6,589	5,159	2,174	434	1,580	32,452	8,989
Total expenses before depreciation	648,734	188,859	-	476,638	203,564	650,543	637,842	925,804	244,566	588,693	4,565,243	4,191,899
Depreciation	57,243	2,042	-	-	-	3,455	8,009	3,926	707	3,141	78,523	72,577
Total Expenses	705,977	190,901	-	476,638	203,564	653,998	645,851	929,730	245,273	591,834	4,643,766	4,264,476
Change in net position	\$ (13,883)	\$ 13	\$ 125,126	\$ -	\$ (145,034)	\$ 213,532	\$ 41,044	\$ 20,620	\$ (1,215)	\$ (56,834)	\$ 183,369	\$ 44,154

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Receipts from grants	\$ 2,949,628	\$ 2,634,013
Receipts from donors	809,057	612,520
Receipts from others	977,353	763,713
Payments to suppliers	(1,773,360)	(1,529,261)
Payments to employees	(2,712,306)	(2,577,621)
Payments to others	(66,707)	(59,897)
Payments for interest	(54)	5
Net cash flows from operating activities	<u>183,611</u>	<u>(156,528)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(102,649)	(23,986)
Investment purchases	<u>(81,103)</u>	<u>(21,466)</u>
Net cash flows from investing activities	<u>(183,752)</u>	<u>(45,452)</u>
Net change in cash and cash equivalents	(141)	(201,980)
Cash and cash equivalents at beginning of year	<u>1,482,648</u>	<u>1,684,628</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,482,507</u></u>	<u><u>\$ 1,482,648</u></u>
Reconciliation of Change in Net Position to Net Cash Flows From Operating Activities		
Change in net position	\$ 183,369	\$ 44,154
Adjustments to reconcile change in net position to net cash flows from operating activities:		
Depreciation	78,523	72,577
Unrealized gain on investments	(87,185)	(121,808)
Bad debt expense	-	2,265
Changes in assets and liabilities:		
Receivables	(612)	(169,156)
Prepaid expenses and other current assets	3,773	930
Accounts payable	(21,782)	56,957
Accrued leave and expenses	30,825	(35,037)
Unearned revenue	<u>(3,300)</u>	<u>(7,410)</u>
Net cash flows from operating activities	<u><u>\$ 183,611</u></u>	<u><u>\$ (156,528)</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, 2019 and 2018

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 2019 and 2018. The loss of these grants or revenue could have a significant impact on operations.

Adoption of ASU 2016-14

During the year ended June 30, 2019, the Organization adopted FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

The effects of ASU 2016-14 require the reclassification of the classes of net position reflected in the financial statements for the year ended June 30, 2018. There was no effect on total net position or changes in net position for the year ended June 30, 2018 as a result of these reclassifications.

Basis of Presentation and Net Position

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. The Organization follows the provisions of GASB Statement No. 29 and presents its financial statements according to the AICPA Not-for-Profit model.

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Net Position (Continued)

As a result, the Organization is required to report information regarding its financial information and activities according to the following categories:

Net position without donor restrictions represent net amounts that have been earned and expended according to contract restrictions and net amounts from general activities without donor restriction. Net position without donor restrictions include cash and fixed assets that are contractually designated for operations as of June 30, 2019 and 2018. The Organization had \$2,161,048 and \$2,126,854 net position without donor restrictions as of June 30, 2019 and 2018, respectively.

Net position with donor restrictions represent gifts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had \$1,178,987 and \$1,080,981 net position with donor restrictions as of June 30, 2019 and 2018, respectively.

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.

Management of Liquid Resources

The Organization is primarily funded by grant revenues. Additional funding is obtained from program participants, investment earnings, and donations. Some of the Organization's funds are placed in an endowment with restrictions on use. These restrictions require the Organization to use resources in a certain manner or for future time periods. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. As a result, the Organization must maintain adequate reserves to meet these responsibilities to its donors. As part of the Organization's liquidity management, the financial assets are structured to be available as general expenditures, liabilities, and other obligations come due.

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, 2019 and 2018, MAS had zero and \$2,265 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, 2019 or 2018. Management estimates the allowance to be zero as of June 30, 2019 and 2018.

Agency Funds

The Organization holds agency funds for the Veterans Directed Care Program. As a result, these funds created an asset and a corresponding liability of \$127,314 and \$124,691 as of June 30, 2019 and 2018, respectively.

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Advertising

MAS expenses advertising costs as incurred. Advertising expense totaled \$57,218 and \$48,100 for the years ended June 30, 2019 and 2018, 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. 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 net position with donor restriction and increase the respective class of net position. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restriction. Investment income that is limited to specific uses by donor restrictions is reported as increases in net position without donor restriction 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 \$25,940 and \$19,691 for the years ended June 30, 2019 and 2018, 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 reconciliations 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 zero and \$12,652 for the years ended June 30, 2019 and 2018, respectively.

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 2019 and 2018.

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.

Reclassification Adjustment

MAS holds agency funds as a part of its Veterans Directed Care Program. Previously, these agency funds were not recorded in the statement of net position. During the year ended June 30, 2019, MAS determined that these funds need to be recorded in the financial statements and has restated its statement of net position at June 30, 2018. The effect of the correction was an increase in assets and liabilities of \$124,691 with no change in net position.

Functional Allocation of Expenses

The costs of providing various programs and activities are summarized on a functional basis in the statement of activities. The primary activity groups and their related purposes are summarized as follows:

Administrative Expenses - Expenses which allow the organization to operate and provide services to clients, but are not directly attributable to client services.

Program Services - Expenses which are associated with the Organization's objectives and purpose.

Fundraising Expenses - Expenses for fundraising activities.

Specifically identifiable expenses are allocated to the program benefited.. Non-specifically identifiable expenses that are allocated and the method of allocation are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and fringe benefits	Time and effort
Rent and lease expense	Purpose and location
Supplies and office expense	Purpose
Utilities	Purpose
Depreciation expense	Time and location

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 2019, 101,620 Meals On Wheels were delivered by 70 volunteers to 823 homebound people compared to 106,877 meals in 2018.

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 2019, 41,265 congregate meals were served compared to 42,439 in 2018.

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 2019, 501 seniors were served through this program with vouchers worth over \$26,759 to local farmers. In 2018, 517 seniors were served through this program with \$22,310 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 2019, 15,460 Medicare beneficiaries were educated by Montana SMP compared to 16,866 beneficiaries in 2018.

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.

406 Financial Services was established in January 2018 as a wholly owned limited liability company of Missoula Aging Services. Its purposes are threefold; 1) act as fiscal employer agent for the Veterans Directed Care Program by providing payroll services for veteran employers. During 2019, 145 veteran employers paid 198 PCA employees to support their home care in 7 western Montana counties, 2) contract with Ravalli County Council on Aging to provide financial and accounting services, and 3) provide money management services on a limited basis for older adults in need of financial services through bill pay, organizational support, and trust management.

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 2019, 152 veterans were enrolled in the veterans program compared to 108 veterans in 2018.

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 2019, 368 patients were served by Community Care Transitions coaches compared to 416 patients in 2018.

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 2019, \$424,765 was saved on Medicare Prescription Drug Plans through staff consultations. During 2018, \$585,029 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 2019, Ombudsman visited 5,055 residents in nursing and assisted living facilities compared to 4,636 residents in 2018.

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 2019, approximately 41,918 rides to seniors and persons with disabilities were provided compared to 29,340 rides in 2018.

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 3. Financial Assets

The following table reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to board, contractual, or donor imposed restrictions within one year of the statement of financial position date:

	<u>2019</u>	<u>2018</u>
Financial assets as of June 30:		
Cash and cash equivalents	\$ 1,482,507	\$ 1,482,648
Receivables	701,873	701,261
Agency funds	127,314	124,691
Investments	<u>2,182,653</u>	<u>2,014,365</u>
Total financial assets	4,494,347	4,322,965
Less financial assets unavailable for general expenditures within one year:		
Agency funds	127,314	124,691
Receivables	690,764	597,078
Endowment funds	1,178,987	1,080,981
Board designated funds	<u>543,072</u>	<u>516,029</u>
Total financial assets unavailable for general expenditure within one year:	<u>2,540,137</u>	<u>2,318,779</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,954,210</u></u>	<u><u>\$ 2,004,186</u></u>

Note 4. Receivables

At June 30, receivables consisted of the following:

	<u>2019</u>	<u>2018</u>
Grants	\$ 680,957	\$ 603,830
Contributions	-	41,250
Other	<u>20,916</u>	<u>56,181</u>
Total	<u><u>\$ 701,873</u></u>	<u><u>\$ 701,261</u></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 \$41,250 at June 30, 2019 and 2018, respectively.

Note 5. 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*).

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 5. Investments (Continued)

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

	2019		
	Cost	Unrealized Gain	Fair Value
Cash and money markets	\$ 9,019	\$ -	\$ 9,019
Fixed income	490,000	-	490,000
Mutual funds	1,360,341	207,425	1,567,766
Equities	<u>114,087</u>	<u>1,781</u>	<u>115,868</u>
Total	<u>\$ 1,973,447</u>	<u>\$ 209,206</u>	<u>\$ 2,182,653</u>

	2018		
	Cost	Unrealized Gain	Fair Value
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>

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, 2019 and 2018 consist of the following:

	2019	2018
Interest income	\$ 51,836	\$ 46,817
Unrealized gains	<u>87,185</u>	<u>121,808</u>
Total	<u>\$ 139,021</u>	<u>\$ 168,625</u>

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 6. 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 net position with donor restriction - nonexpendable (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 net position with donor restriction - nonexpendable is classified as net position with donor restrictions - expendable until those amounts are appropriated for expenditure by MAS in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 net position with donor restrictions as of June 30, 2019 and 2018.

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.

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 6. Endowment (Continued)

Endowment Net Position

Changes in endowment net position is as follows:

	With Donor Restriction Expendable	With Donor Restriction Nonexpendable	Total
Endowment net position, June 30, 2017	\$ 376,511	\$ 634,103	\$ 1,010,614
Investment return			
Investment income	17,899	-	17,899
Net appreciation	69,318	-	69,318
Total	87,217	-	87,217
Contributions	-	27,150	27,150
Distributions	(44,000)	-	(44,000)
Endowment net position, June 30, 2018	419,728	661,253	1,080,981
Investment return			
Investment income	23,778	-	23,778
Net appreciation	38,381	-	38,381
Total	62,159	-	62,159
Contributions	-	35,847	35,847
Endowment net position, June 30, 2019	\$ 481,887	\$ 697,100	\$ 1,178,987

The portion of perpetual endowment funds that is required to be retained in perpetuity either by explicit donor stipulation or by UPMIFA at June 30, 2019 and 2018 was \$697,100 and \$661,253, respectively. There were \$481,887 and \$419,728 expendable net position with donor restriction within the endowment fund that were subject to a time, but not purpose, restriction under UPMIFA at June 30, 2019 and 2018, respectively.

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.

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 7. Capital Assets

Changes in capital assets and accumulated depreciation is as follows:

	<u>2018</u>	<u>Additions</u>	<u>Removals</u>	<u>2019</u>
Capital asset not being depreciated:				
Land	\$ 132,000	\$ -	\$ -	\$ 132,000
Capital assets being depreciated:				
Buildings	1,936,877	97,148	-	2,034,025
Equipment	134,442	5,500	-	139,942
	<u>2,071,319</u>	<u>102,648</u>	<u>-</u>	<u>2,173,967</u>
Less accumulated depreciation	<u>(997,260)</u>	<u>78,523</u>	<u>-</u>	<u>(1,075,783)</u>
Net capital assets being depreciated	<u>\$ 1,074,059</u>	<u>\$ 181,171</u>	<u>\$ -</u>	<u>1,098,184</u>
Net capital assets				1,230,184
Less related debt				<u>-</u>
Net investment in capital assets				<u>\$ 1,230,184</u>

Note 8. Operating Leases

In January 2014, Missoula Area Agency on Aging leased a copier and a fax machine for 60 months with minimum monthly payments of \$310 (\$3,720 annually). The lease for this copier expired, and was not renewed during 2019. Payments on the lease totaled \$1,860 and \$3,720 for the years ended June 30, 2019 and 2018, respectively. In January and March of 2019 the organization entered into new lease agreements for copiers and fax machines. The agreement signed in January has a term of 48 months with minimum monthly payments of \$212. The agreement signed in March has a term of 60 months with minimum monthly payments of \$95. Total lease payments for the new leases for the year ended June 30, 2019 were \$1,557. Per the new lease agreements the Organization will also pay a monthly usage fee based off the volume of copies created on the machines.

Note 9. 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's grant funding.

Note 10. 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.

MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 10. Retirement Plan (Continued)

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 \$70,996 and \$65,824 for the years ended June 30, 2019 and 2018, respectively.

Note 11. 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 2019 or 2018.

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.

Note 12. 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 \$762,973 and \$713,053 in 2019 and 2018, respectively.

Note 13. 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 75, "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions" (GASB 75). 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 75 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.

**MISSOULA AGING SERVICES
A COMPONENT UNIT OF MISSOULA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018**

Note 13. Other Post-Employment Benefits (Continued)

In complying with GASB 75, 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 14. Subsequent Events

Management has evaluated subsequent events through October 28, 2019, 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, 2019

Program Title	CFDA Number	Contract Number	Total Expenditures	Passed Through to Subrecipient
U.S. Department of Agriculture				
MT Department of Public Health and Human Services				
Commodities	10.570	16221000007	\$ 4,006	\$ -
Senior Farmers Market Nutrition Program	10.576	16221000020.00	26,759	-
Total U.S. Department of Agriculture			30,765	-
U.S. Department of Health and Human Services				
Federally Administered				
Montana SMP Project	93.048	90MP0233-02-00	224,932	96,910
Montana SMP Project	93.048	90MPPG0552-01-00	20,338	20,338
Total			245,270	117,248
Special Programs for the Aging, Title VII- Chapter 2				
Long Term Care Ombudsman Services for Older Individuals	93.042	16221000007 VII OMB	11,404	4,224
Special Programs for the Aging, Title III, Part F				
Disease Prevention and Health Promotion Services	93.043	16221000007 IIID	17,431	6,456
Aging Cluster				
Special Programs for the Aging, Title III, Part B				
Grants for Supportive Services and Senior Centers	93.044	16221000007 IIIB	181,238	48,987
Program Income	93.044		15,060	-
Total			196,298	48,987
Special Programs for the Aging, Title III, Part C				
Nutrition Services	93.045	16221000007 IIIC1	224,474	73,220
Nutrition Services	93.045	16221000007 IIIC2	146,278	48,761
Program Income	93.045		112,624	-
Total			483,376	121,981
Nutrition Services Incentive Program				
Cash -in-lieu of Commodities	93.053	16221000007	85,532	27,824
Total Aging Cluster			765,206	198,792

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, 2019

Program Title	CFDA Number	Contract Number	Total Expenditures	Passed Through to Subrecipient
U.S. Department of Health and Human Services (Continued)				
National Family Caregiver Support	93.052	16221000007 IIIE	\$ 122,333	\$ 40,779
Program Income	93.052		43,398	-
Total			<u>165,731</u>	<u>40,779</u>
Center for Medicare and Medicaid Services				
Research, Demonstrations and Evaluations	93.779	16221000007 SHIP	<u>54,524</u>	<u>20,195</u>
Medicare Improvements for Patients and Providers Outreach				
Research, Demonstrations and Evaluations	93.071	16221000007MIPPA	<u>10,558</u>	<u>3,910</u>
Total U.S. Department of Health and Human Services			<u>1,270,124</u>	<u>391,604</u>
Corporation for National & Community Service				
Federally Administered				
Retired Senior Volunteer Program	94.002	15SCPMT001	<u>73,490</u>	<u>-</u>
Foster Grandparent Program	94.011	15SFPMT002	<u>129,881</u>	<u>-</u>
Total			<u>129,881</u>	<u>-</u>
Senior Companion Program	94.016	15SRPMT008	<u>132,494</u>	<u>-</u>
Program Income	94.016		<u>11,029</u>	<u>-</u>
Total			<u>143,523</u>	<u>-</u>
Total Corporation for National & Community Service			<u>346,894</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
City of Missoula Administered				
Community Development Block Grant	14.218	16-05	<u>20,000</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>20,000</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 1,667,783</u>	<u>\$ 391,604</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, 2019

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, 2019. 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, 2019, 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	\$ 6,456
Special Programs for the Aging, Title III, Part B	93.044	48,987
Special Programs for the Aging, Title III, Part C	93.045	121,981
Special Programs for the Aging, Title VII, Chapter 2	93.042	4,224
National Family Caregiver Support	93.052	40,779
Cash-in-lieu Commodities	93.053	27,824
Montana SMP Project	93.048	117,248
Center for Medicare and Medicaid Services	93.779	20,195
Medicare Improvements for Patients and Providers Outreach	93.071	<u>3,910</u>
Total		<u><u>\$ 391,604</u></u>



JCCS

ACCOUNTING
AUDIT
TAX
EMPLOYEE BENEFITS
SPECIALIZED SERVICES

**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, 2019, 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 28, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiencies. 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*.

Missoula Aging Services' Response to Findings

Missoula Aging Services' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Missoula Aging Services response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 28, 2019



**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, 2019. 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, 2019.

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 28, 2019

MISSOULA AGING SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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 one significant deficiency 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, 2019

II. Findings - Financial Statements Audit

Significant Deficiency

2019-001 AGENCY FUNDS

Condition and Criteria: During the current year audit, we discovered that the Organization began recording a pass through grant as agency funds which does not qualify for agency fund accounting. Additionally, we discovered that the Organization had not recorded agency funds that were held by the Organization as an agent. This resulted in revenues and expenses being understated by \$476,638 and assets and liabilities being understated by \$127,314. Controls should be in place to determine when and how to record agency funds.

Cause: The Organization does not have a process in place to properly determine when transactions are or are not agency funds.

Potential Effect: Recording activity as agency funds that does not qualify as an agency fund results in understatements of revenues and expenses. Not recording agency funds in the financial statements results in an understatement of the Organization's assets and its obligations.

Recommendation: We recommend that management implement a process to determine when transactions do and do not qualify for agency fund accounting. The determination of whether an activity is an agency fund or not is whether the Organization retains variance power over the funds the Organization holds.

III. Findings and Questioned Costs - Major Federal Award Programs

No matters were reported.

IV. Status of Prior Year Findings

No matters were reported.

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MISSOULA *aging* SERVICES

WE'RE PROUD *of* OUR YEARS

CORRECTIVE ACTION PLAN

October 28, 2019

U.S. Department of Health and Human Services

Missoula Area Agency on Aging, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

JCCS, P.C.
2620 Connery Way
Missoula, MT 59808

Audit period:

The findings from the October 28, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2019-001 Agency Funds

Recommendation: We recommend that management implement a process to determine when transactions do and do not qualify for agency fund accounting. The determination of whether an activity is an agency fund or not is whether the Organization retains variance power over the funds the Organization holds.

Action Taken: We concur with the recommendation, and it was implemented effective 11/01/19.

If the U.S. Department of Health and Human Services has questions regarding this plan, please call me, Susan Kohler, at (406) 728-7682.

Sincerely yours, Susan Kohler, Executive Director



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