

VALLEY PROGRAM FOR AGING SERVICES, INC.
FINANCIAL AND COMPLIANCE REPORTS
YEAR ENDED SEPTEMBER 30, 2018



ASSURANCE, TAX & ADVISORY SERVICES

VALLEY PROGRAM FOR AGING SERVICES, INC.

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Valley Program for Aging Services, Inc.
Waynesboro, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Program for Aging Services, Inc., which comprise the statements of financial position as of September 30, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Program for Aging Services, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules A, B, and C, as well as the Schedule of Expenditures of Federal Awards, as required by the Virginia Division for the Aging and by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic 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 January 25, 2019 on our consideration of Valley Program for Aging Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley Program for Aging Services, Inc.'s internal control over financial reporting and compliance.

PB Monet, LLP

Harrisonburg, Virginia
January 25, 2019

BASIC FINANCIAL STATEMENTS

VALLEY PROGRAM FOR AGING SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 936,082	\$ 642,829
Certificate of deposit	6,133	6,012
Current portion of pledges receivable	271,007	486,416
Accounts receivable - federal, net	52,216	11,454
Accounts receivable - other, net	56,288	39,622
Inventory, at cost	6,554	4,572
Prepaid expenses	19,347	16,080
Total current assets	1,347,627	1,206,985
Property and equipment, net	502,293	536,142
Long-Term pledges receivable	472,661	529,144
Interest in net assets of Community Foundations	136,925	139,948
Total assets	\$ 2,459,506	\$ 2,412,219
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 110,971	\$ 97,830
Accrued expenses	152,353	143,935
Current maturities of long-term debt	19,274	18,303
Refundable advances and deferred revenue	43,654	23,539
Total current liabilities	326,252	283,607
Long-Term Debt	220,377	234,769
Total liabilities	546,629	518,376
Net Assets		
Unrestricted, undesignated	540,602	480,528
Board designated	97,119	96,729
Temporarily restricted	1,275,156	1,316,586
Total net assets	1,912,877	1,893,843
Total liabilities and net assets	\$ 2,459,506	\$ 2,412,219

VALLEY PROGRAM FOR AGING SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Grant revenues:			
Federal	\$ 1,519,727	\$ -	\$ 1,519,727
State	724,847	-	724,847
Local governments	-	408,757	408,757
Other grants and support	11,123	30,812	41,935
Program income and fees	223,246	-	223,246
Contributions and other income	119,839	120,543	240,382
Investment income	4,050	-	4,050
Fundraising revenue	15,135	2,322	17,457
In-kind contributions	36,110	-	36,110
Net assets released from restrictions	603,864	(603,864)	-
Total revenues and support	3,257,941	(41,430)	3,216,511
Expenses			
Program	2,536,769	-	2,536,769
Management and general	604,672	-	604,672
Fundraising	56,036	-	56,036
Total expenses	3,197,477	-	3,197,477
Change in net assets	60,464	(41,430)	19,034
Net Assets			
Beginning	577,257	1,316,586	1,893,843
Ending	\$ 637,721	\$ 1,275,156	\$ 1,912,877

VALLEY PROGRAM FOR AGING SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Grant revenues:			
Federal	\$ 1,413,395	\$ -	\$ 1,413,395
State	652,717	-	652,717
Local governments	-	408,757	408,757
Other grants and support	30,880	41,000	71,880
Program income and fees	255,182	-	255,182
Contributions and other income	132,783	111,904	244,687
Investment income	11,243	-	11,243
Gain on disposition of equipment	1,550	-	1,550
Fundraising revenue	25,272	18,087	43,359
In-kind contributions	37,205	-	37,205
Net assets released from restrictions	498,550	(498,550)	-
Total revenues and support	3,058,777	81,198	3,139,975
Expenses			
Program	2,523,266	-	2,523,266
Management and general	528,572	-	528,572
Fundraising	72,404	-	72,404
Total expenses	3,124,242	-	3,124,242
Change in net assets	(65,465)	81,198	15,733
Net Assets			
Beginning	642,722	1,235,388	1,878,110
Ending	\$ 577,257	\$ 1,316,586	\$ 1,893,843

VALLEY PROGRAM FOR AGING SERVICES, INC.**STATEMENT OF FUNCTIONAL EXPENSES****Year Ended September 30, 2018**

	Program	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	\$ 1,353,182	\$ 456,403	\$ 48,829	\$ 1,858,414
Meals	523,573	-	-	523,573
Contractual services	201,401	4,455	-	205,856
Rent and utilities	99,528	18,377	1,009	118,914
In-kind	66,378	24,039	1,058	91,475
Vehicle costs	70,268	1,931	43	72,242
Depreciation	49,670	-	-	49,670
Amortization	29,904	11,087	-	40,991
Travel	30,281	6,268	479	37,028
Phone and internet	22,456	6,803	332	29,591
Professional fees	-	22,782	94	22,876
Computer	8,464	11,505	267	20,236
Client expenses	19,476	59	-	19,535
Interest	9,324	8,055	-	17,379
Office supplies	11,380	3,269	989	15,638
General insurance	1,538	13,747	-	15,285
Resources and memberships	8,599	2,695	63	11,357
Training	5,104	4,488	55	9,647
Staff and volunteer recruitment and recognition	7,977	1,050	-	9,027
Food and beverage - center and other	6,160	1,906	30	8,096
Copier rental	5,389	1,620	524	7,533
Postage	2,526	1,818	658	5,002
Marketing expense	1,516	1,290	245	3,051
Printing	247	1,025	1,107	2,379
Licenses and permits	2,376	-	-	2,376
Fundraising	-	-	254	254
Advertisement and public notices	52	-	-	52
Total expenses	\$ 2,536,769	\$ 604,672	\$ 56,036	\$ 3,197,477

VALLEY PROGRAM FOR AGING SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2017

	Program	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	\$ 1,366,349	\$ 382,853	\$ 65,937	\$ 1,815,139
Meals	498,071	-	-	498,071
Contractual services	187,380	3,524	481	191,385
Rent and utilities	97,951	16,157	-	114,108
Depreciation	67,357	-	-	67,357
Vehicle costs	61,561	437	-	61,998
In-kind	71,363	18,616	1,496	91,475
Amortization	29,904	11,087	-	40,991
Travel	28,859	7,459	244	36,562
Phone and internet	28,197	6,395	189	34,781
Computer	4,313	20,984	1,290	26,587
Office supplies	13,759	6,603	253	20,615
Professional fees	129	19,756	4	19,889
Interest	9,079	7,909	-	16,988
Resources and memberships	9,700	5,509	-	15,209
General insurance	1,657	12,836	-	14,493
Client expenses	11,746	199	12	11,957
Staff and volunteer recruitment and recognition	10,385	810	12	11,207
Training	5,425	3,068	75	8,568
Copier rental	5,897	1,296	-	7,193
Food and beverage - center and other	5,878	1,260	27	7,165
Postage	2,582	1,051	485	4,118
Marketing expense	3,780	96	160	4,036
Printing	1,109	640	365	2,114
Fundraising	-	-	1,374	1,374
Licenses and permits	620	27	-	647
Advertisement and public notices	215	-	-	215
	<u>\$ 2,523,266</u>	<u>\$ 528,572</u>	<u>\$ 72,404</u>	<u>\$ 3,124,242</u>

VALLEY PROGRAM FOR AGING SERVICES, INC.

STATEMENTS OF CASH FLOWS **Years Ended September 30, 2018 and 2017**

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 19,034	\$ 15,733
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on disposal of equipment	-	(1,550)
Depreciation and amortization	90,661	108,348
Unrealized (gain) loss on investments	3,023	(7,771)
Change in current assets and liabilities		
Decrease (increase) in:		
Pledges receivable	271,892	34,642
Accounts receivable, federal	(40,762)	798
Accounts receivable, other	(16,666)	1,081
Inventory	(1,982)	(2,364)
Prepaid expenses	(3,267)	5,168
Increase (decrease) in:		
Accounts payable	13,141	(3,080)
Accrued expenses	8,418	4,867
Returnable advances and deferred revenue	20,115	(29,940)
Net cash provided by operating activities	363,607	125,932
Cash Flows From Investing Activities		
Investment of funds with Community Foundation	-	(112,509)
Purchase of property and equipment	(56,812)	-
Proceeds from certificates of deposit	(121)	4,009
Proceeds from disposal of equipment	-	1,550
Net cash used in investing activities	(56,933)	(106,950)
Cash Flows From Financing Activities		
Proceeds from long-term debt	247,395	-
Payments on long-term debt	(260,816)	(16,912)
Net cash used in financing activities	(13,421)	(16,912)
Increase in cash and cash equivalents	293,253	2,070
Cash and Cash Equivalents		
Beginning	642,829	640,759
Ending	\$ 936,082	\$ 642,829

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities

Valley Program for Aging Services, Inc. (VPAS) is a private, non-profit corporation started in 1974 to coordinate and administer the delivery of services that will help to reduce isolation, promote independence, and improve the quality of life of older Virginians in Planning District Six (Cities of Buena Vista, Harrisonburg, Lexington, Staunton, and Waynesboro, and Counties of Augusta, Bath, Highland, Rockbridge, and Rockingham). VPAS is designated as the area agency on aging by the Virginia Division for the Aging (VDA) of the Department for Aging and Rehabilitative Services (DARS) for this district. Services are generally funded by grants from local, state, and federal agencies.

Maury River Home Care (MRHC), a part of VPAS, operates as a fee-based service, providing personal care and homemaker services in the Buena Vista, Lexington, and Rockbridge region. This service is certified to provide personal care.

VPAS receives a substantial amount of support from state and federal agencies. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on VPAS's programs and activities.

Note 2. Significant Accounting Policies

Basis of accounting: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets: The accompanying financial statements present information regarding VPAS's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets – Unrestricted net assets are free of donor-imposed restrictions or the donor-imposed restrictions expire in the fiscal year in which the contribution is received. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Temporarily Restricted Net Assets – Temporarily restricted net assets are limited in use by donor-imposed stipulations that expire by the passage of time or that can be fulfilled by action of VPAS pursuant to those stipulations. Temporarily restricted net assets are generally restricted for home delivered meals, the senior center, transportation, or other welfare programs.

Permanently Restricted Net Assets – Permanently restricted net assets generally result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire nor can be fulfilled or otherwise removed by the actions of VPAS. Currently, VPAS has no permanently restricted net assets.

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Support and revenue recognition: Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, in the period the donor's commitment is received. All donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-kind contributions are recorded at the estimated fair market value at the date of donation.

Contributed service revenue is recognized when donated contributions create or enhance non-financial assets or when specialized skills are provided that would otherwise be purchased, if not donated. Many volunteers have made a significant contribution to programs, principally in nutrition, senior center, and transportation services. The value of these donated services is not reflected in these statements since it does not meet the criteria for recognition.

VPAS recognizes in-kind contributions for facilities, which are used to support the operations of the corporate office, the Waynesboro Senior Center, and the Buena Vista Senior Center, at the estimated fair rental value, determined with reference to local market conditions.

Grant awards are recognized when notification is received. Grant funds received in advance of related expenditures are recorded as refundable advances.

Program revenue consists of fees for services. VPAS recognizes program revenue in the period when services are provided or fees are earned. Client billings are recorded as accounts receivable.

Cash and cash equivalents: For purposes of reporting cash flows, VPAS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. VPAS's cash accounts are maintained in commercial banks located in Virginia.

The Board of Directors has directed that a cash reserve be maintained. This cash is unrestricted and available for use at the Board's discretion if the need arises.

Credit risk concentrations: Financial instruments which potentially subject VPAS to concentrations of credit risk consist principally of cash. At times, such accounts may be in excess of Federal Deposit Insurance Corporation (FDIC) limits. However, VPAS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with these deposits.

Investments: Investments in marketable securities consist of accounts held with the Community Foundation of the Central Blue Ridge and with the Community Foundation of Rockbridge, Bath, and Alleghany. They are reported at their fair values in the statement of financial position, as reported to VPAS by the respective Community Foundations. Net unrealized and realized gains or losses are reflected in the statement of activities.

Pledges receivable: Contributions promised but not yet realized are recorded as pledges receivable, allocated between current and long-term accordingly to the time period expected to be collected or realized. Pledges receivable include in-kind support in the form of a long-term below market lease (\$1 per year). The lease is valued at the present value of the estimated fair rental value of the associated property over the term of the lease.

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Accounts receivable: The accounts receivable balance results from agreements with federal and state agencies and fees for services provided to clients, and is considered unrestricted. All amounts are expected to be collected in less than one year. VPAS uses the allowance method; management evaluates the accounts receivable periodically for collectability. At of September 30, 2018 and 2017, no allowance was deemed necessary.

Property and equipment: VPAS capitalizes all capital expenditures in excess of \$5,000, with an estimated useful life extending beyond one year. Property and equipment is carried at cost. Donated property and equipment is carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Functional allocation of expenses: The costs of providing VPAS's programs and support services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program and support services benefited.

Income taxes: VPAS is exempt from federal income taxes under Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code and has been determined to be an exempt charity which qualifies donations to the organization as charitable contributions for tax purposes. However, VPAS may be subject to unrelated business tax on certain types of income.

VPAS follows the provisions of accounting for uncertainty in income tax positions as required by the *Income Taxes* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. However, management does not believe it is exposed to any such positions as defined in this guidance, nor do they expect this to change significantly over the next 12 months. VPAS files Form 990, *Return of Organization Exempt From Income Tax*, annually with the United States Department of the Treasury. Such returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed.

Advertising: The costs of advertising are expensed as incurred.

Estimates and assumptions: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently issued accounting pronouncements: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. VPAS is currently evaluating the impact of their pending adoption of the new standard on its financial statements.

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Recently issued accounting pronouncements (continued): In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. This ASU will be effective for annual reporting periods beginning after December 15, 2018. VPAS has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. VPAS is currently evaluating the impact of their pending adoption of the new standard on its financial statements.

Subsequent events: Subsequent events were considered through January 25, 2019, which is the date the financial statements were available to be issued.

Reclassifications: Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications have no impact on net assets or changes in net assets.

Note 3. Pledges Receivable

Pledges receivable consist of the following at September 30, 2018 and 2017:

	2018	2017
Support included in local municipal budgets for next fiscal year	\$ 174,005	\$ 394,882
Support from local United Way	40,519	36,169
Current portion of below market lease rights for operating and administrative facilities	56,483	55,365
Current portion of pledges receivable	\$ 271,007	\$ 486,416
Long-term portion of below market lease rights:		
Realizable in one to five years	\$ 332,750	\$ 332,750
Realizable in more than five years	177,467	244,017
Less discount for time value	(37,556)	(47,623)
Long-term portion of pledges receivable	\$ 472,661	\$ 529,144

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Property and Equipment

Property and equipment consisted of the following at September 30, 2018 and 2017:

	Estimated Useful Life	2018	2017
Land	-	\$ 3,000	\$ 3,000
Building	40 years	97,685	97,685
Equipment	2-10 years	963,136	906,324
Leasehold improvements	3-15 years	654,012	654,012
Parking lot	15 years	20,716	20,716
		<u>1,738,549</u>	<u>1,681,737</u>
Less accumulated depreciation and amortization		<u>(1,236,256)</u>	<u>(1,145,595)</u>
		<u>\$ 502,293</u>	<u>\$ 536,142</u>

Note 5. Employee Benefits

VPAS sponsors a 403(b) Retirement Plan (the Plan). Eligible employees may contribute to the Plan. The Plan allows VPAS to make discretionary matching and nonelective contributions. Employees are fully vested in all employer contributions. Employer contributions to the Plan during the years ended September 30, 2018 and 2017 were \$14,000 and \$8,600, respectively.

Note 6. Donor Bequest

In 2009, the Community Foundation of the Central Blue Ridge (CFCBR) received a \$100,000 bequest from the estate of a donor, with the income earned intended for the benefit of VPAS. VPAS receives an annual distribution of 4% of the average balance of the previous five years, as approved by CFCBR, totaling \$5,125 and \$4,900 for the years ended September 30, 2018 and 2017, respectively. Distributions are unrestricted and can be used for any purpose to help VPAS accomplish its mission. The estate granted variance power over the account to CFCBR. Therefore, the benefit is only recorded as cash is distributed to VPAS. The value of the underlying investments held by CFCBR at September 30, 2018 and 2017 was \$136,666 and \$132,821, respectively.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donor restricted funds for the programs of VPAS as well as amounts restricted for future periods as follows at September 30, 2018 and 2017:

	2018	2017
Restricted for specific programs and purposes	\$ 531,489	\$ 301,026
Time restricted for future periods	743,667	1,015,560
	<u>\$ 1,275,156</u>	<u>\$ 1,316,586</u>

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Operating Leases

VPAS currently leases its Waynesboro premises from the City of Waynesboro for \$1 per year under a 15-year lease with one 15-year renewal option. See Notes 1 and 3 for further information about pledges receivable associated with this lease. The lease provides for the cost of certain major maintenance projects to be shared between VPAS and the City of Waynesboro. During the years ended September 30, 2018 and 2017, rent expense of \$66,550 for each year was recognized under this lease, respectively. For the year ended September 30, 2018, corresponding contributions of \$11,185 and release of time restrictions of \$55,365 were recognized as support and revenue, and for the year ended September 30, 2017, corresponding contributions of \$12,280 and release of time restrictions of \$54,270 were recognized as support and revenue.

VPAS also receives in-kind rent for a facility in the City of Buena Vista pursuant to a cancellable below market lease. Total in-kind rent for this facility during the years ended September 30, 2018 and 2017 totaled \$24,925 in each year.

VPAS also rents facilities in Staunton, East Rockingham, Timberville, South High, and Harrisonburg for use as senior centers and providing services and programs. Lease terms for these facilities expire on varying dates through March 31, 2022. Rent expense under these operating leases totaled \$45,695 and \$41,574 during the years ended September 30, 2018 and 2017, respectively.

Future minimum payments under these operating leases for the years ending September 30 are as follows:

Years	Amount
2019	\$ 45,137
2020	17,275
2021	4,225
2022	2,118
	\$ 68,755

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt

VPAS's long-term debt at September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Note to First Bank for leasehold improvements, 119 monthly payments of \$2,751, interest rate of 5.95%, collateralized by a deed of trust and all equipment and inventory of VPAS.	\$ 239,651	\$ -
Note to BB&T for leasehold improvements, 180 monthly payments of \$2,820, interest rate of 6.37%, collateralized by a deed of trust and all equipment and inventory of VPAS, refinanced in 2018.	-	253,072
Total long-term debt	239,651	253,072
Less current maturities	(19,274)	(18,303)
	<u>\$ 220,377</u>	<u>\$ 234,769</u>

The principal maturities of long-term debt for the succeeding five years are as follows:

Years	Amount
2019	\$ 19,274
2020	20,453
2021	21,704
2022	23,031
2023	24,439
Thereafter	130,750
	<u>\$ 239,651</u>

Note 10. Interest in net assets of Community Foundations

Investments at September 30, 2018 and 2017, carried at fair value as determined by quoted market prices, are as follows:

	<u>2018</u>	<u>2017</u>
Interest in net assets of Community Foundations	\$ 136,925	\$ 139,948

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Fair Value Measurements and Disclosures

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that VPAS has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value.

Interest in net assets of Community Foundations: Equities and mutual funds for which a quoted market price is available on an active market are classified as Level 2 in the fair value hierarchy, as they are held in agency and included in the net assets of the Community Foundations.

The following tables present the balances of investments measured at fair value on a recurring basis.

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Fair Value Measurements and Disclosures (Continued)

	September 30, 2018			
	Level 1	Level 2	Level 3	Total
Interest in net assets of Community Foundations	\$ -	\$ 136,925	\$ -	\$ 136,925
	\$ -	\$ 136,925	\$ -	\$ 136,925

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Interest in net assets of Community Foundations	\$ -	\$ 139,948	\$ -	\$ 139,948
	\$ -	\$ 139,948	\$ -	\$ 139,948

REQUIRED SUPPLEMENTARY INFORMATION

VALLEY PROGRAM FOR AGING SERVICES, INC.
SCHEDULE A
STATUS OF FUNDS
September 30, 2018

Fund	Unencumbered Funds on Hand (in Deficit) at Beginning of Period	Total Funds Received During Period	Funds in Transit at 9/30/2017	Total Funds Available During Period	Accrued Costs to Contract Period	Unencumbered Funds on Hand at End of Period
Federal						
Older Americans Act:						
Title III-B	\$ 10,824	\$ 447,705	\$ -	\$ 458,529	\$ 426,611	\$ 31,918
Title III-C(1)	-	250,604	-	250,604	248,772	1,832
Title III-C(2)	-	313,048	-	313,048	312,106	942
Title III-D	-	22,632	-	22,632	25,057	(2,425)
Title III-E	6,463	185,166	-	191,629	185,764	5,865
Title VII-Elder Abuse	-	5,038	-	5,038	5,038	-
Title VII-Ombudsman	-	9,581	-	9,581	9,581	-
NSIP	-	97,727	-	97,727	96,155	1,572
Other Federal:						
VICAP - (3/31/18 Award)	-	25,296	-	25,296	25,296	-
DMAS Ombudsman FY 18	-	2,297	-	2,297	2,297	-
MIPPA - Priority 1 - SHIP	-	22,185	-	22,185	22,185	-
Senior Farmers Market	-	160	-	160	160	-
CDSME	-	21,025	-	21,025	21,025	-
VHQC - Diabetes Self Mgmt. Prog.	-	480	-	480	480	-
Falls Prevention - MOB (Yr1)	-	5,550	3,840	9,390	9,390	-
General Funds						
OAA General (PY 6/30/18)	-	66,269	-	66,269	66,269	-
OAA General (PY 6/30/19)	-	23,298	-	23,298	23,298	-
Community Based (PY 6/30/18)	4,673	115,352	-	120,025	120,025	-
Community Based (PY 6/30/19)	-	30,627	-	30,627	30,627	-
Transportation (PY 6/30/18)	-	47,326	-	47,326	47,326	-
Transportation (PY 6/30/19)	-	15,775	-	15,775	15,775	-
Home Delivered Meals (PY 6/30/18)	-	205,906	-	205,906	205,906	-
Home Delivered Meals (PY 6/30/19)	-	68,635	-	68,635	68,635	-
Supplemental Nutrition (PY 6/30/18)	-	36,454	-	36,454	36,454	-
Supplemental Nutrition (PY 6/30/19)	-	12,151	-	12,151	12,151	-
Ombudsman (PY 6/30/18)	-	12,717	-	12,717	12,717	-
Ombudsman (PY 6/30/19)	-	4,239	-	4,239	4,239	-
Care Coordination CCEVP (PY 6/30/18)	1,166	61,322	-	62,488	62,488	-
Care Coordination CCEVP (PY 6/30/19)	-	14,683	-	14,683	13,435	1,248
Senior Cool Care	-	1,867	-	1,867	1,867	-
	\$ 23,126	\$ 2,125,115	\$ 3,840	\$ 2,152,081	\$ 2,111,129	\$ 40,952

*Note: PY means Program Year Ending

VALLEY PROGRAM FOR AGING SERVICES, INC.

SCHEDULE B

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COST BY PROGRAM ACTIVITY

September 30, 2018

Fund	Costs to Federal Title III-B Funds	Costs to Federal Title III-C(1) Funds	Costs to Federal Title III-C(2) Funds	Costs to Federal Title III-D Funds	Costs to Federal Title III-E Funds	Costs to Federal Title VII Elder Abuse Funds	Costs to Federal Title VII Ombudsman Funds	Voluntary Contributions	Costs to Other Non- Federal Funds	Fees
Title III (Except Title III-E, Older American Act Funds)										
Personal Care	\$ 23,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,978	\$ 2,759
Comm. Referral Info. & Assist	170,984	-	-	-	-	-	-	-	22,327	-
Transportation	52,587	-	-	-	-	-	-	5,350	21,959	-
Congregate Meals	-	224,698	-	-	-	-	-	13,347	41,888	-
Home-Delivered Meals	-	-	285,210	-	-	-	-	16,189	180,344	-
Disease Prevention	-	-	-	25,057	-	-	-	-	589	-
Emergency Services	-	-	-	-	-	-	-	-	-	-
Public Information & Education	18,814	-	-	-	-	-	-	-	-	-
Socialization/Recreation	101,720	-	-	-	-	-	-	762	28,207	-
Legal Assistance	13,284	-	-	-	-	-	-	-	3,699	-
LTC Ombudsman Program	6,276	-	-	-	-	5,038	9,581	-	-	-
Prep. and Admin.	39,588	24,074	26,896	-	-	-	-	-	30,800	-
Title III-E, Older American Act Funds										
Public Information & Education	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	1,408	-	-	-	150	-
Personal Care	-	-	-	-	114,651	-	-	-	8,679	5,789
Other Respite Services	-	-	-	-	25,897	-	-	-	12,118	-
Home-Delivered Meals	-	-	-	-	-	-	-	-	-	-
Other Supplemental Services	-	-	-	-	17,251	-	-	-	-	-
Transportation	-	-	-	-	16,142	-	-	-	-	-
Prep. and Admin.	-	-	-	-	10,415	-	-	-	3,472	-
Total costs calculated	\$ 426,612	\$ 248,772	\$ 312,106	\$ 25,057	\$ 185,764	\$ 5,038	\$ 9,581	\$ 35,648	\$ 367,210	\$ 8,548

VALLEY PROGRAM FOR AGING SERVICES, INC.

SCHEDULE B

Page 2 of 2

COST BY PROGRAM ACTIVITY

September 30, 2018

Fund	Costs to DMAS Ombudsman	Costs to Title V Funds	Costs to NSIP Funds	Costs to GF OAA General Funds	Costs to GF Community Based Funds	Costs to GF Special Transportation Funds	Costs to GF HD Meals Funds	Costs to GF Supp. Nutrition Funds	Costs to GF Ombudsman Funds	Costs to GF Census Adjustment	In-Kind	Total Title III & VII Costs
Title III (Except Title III-E, Older American Act Funds)												
Personal Care	\$ -	\$ -	\$ -	\$ -	\$ 53,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316	\$ 92,503
Comm. Referral Info. & Assist	-	-	-	18,264	-	-	-	-	-	-	15,076	226,651
Transportation	-	-	-	-	-	63,101	-	-	-	-	2,108	145,105
Congregate Meals	-	-	30,785	40,013	-	-	-	48,605	-	-	44,540	443,876
Home-Delivered Meals	-	-	65,370	25,812	-	-	274,541	-	-	-	92,997	940,463
Disease Prevention	-	-	-	-	-	-	-	-	-	-	122	25,768
Emergency Services	-	-	-	-	-	-	-	-	-	-	-	-
Public Information & Education	-	-	-	1,000	-	-	-	-	-	-	358	20,172
Socialization/Recreation	-	-	-	-	-	-	-	-	-	-	19,334	150,023
Legal Assistance	-	-	-	-	-	-	-	-	-	-	-	16,983
LTC Ombudsman Program	2,297	-	-	-	-	-	-	-	16,956	-	1,088	41,236
Prep. and Admin.	-	-	-	4,478	-	-	-	-	-	-	18,058	143,894
Title III E, Older American Act Funds												
Public Information & Education	-	-	-	-	-	-	-	-	-	-	-	-
Adult Day Care	-	-	-	-	-	-	-	-	-	-	1	1,559
Personal Care	-	-	-	-	97,561	-	-	-	-	-	393	227,073
Other Respite Services	-	-	-	-	-	-	-	-	-	-	68	38,083
Home-Delivered Meals	-	-	-	-	-	-	-	-	-	-	-	-
Other Supplemental Services	-	-	-	-	-	-	-	-	-	-	16	17,267
Transportation	-	-	-	-	-	-	-	-	-	-	-	16,142
Prep. and Admin.	-	-	-	-	-	-	-	-	-	-	-	13,887
Total costs calculated	\$ 2,297	\$ -	\$ 96,155	\$ 89,567	\$ 150,652	\$ 63,101	\$ 274,541	\$ 48,605	\$ 16,956	\$ -	\$ 194,475	\$ 2,560,685

VALLEY PROGRAM FOR AGING SERVICES, INC.**SCHEDULE C****STATUS OF INVENTORIES****September 30, 2018**

Fund Source	Inventory Type	Value on Hand at October 1, 2017	Increase (Decrease) During the Period	Value on Hand at September 30, 2018
Federal Transit Act Section 5310	Furniture	\$ 264,616	\$ 27,523	\$ 292,139
Agency Real Estate and Leasehold Improvements	Furniture	433,750	(44,817)	388,933
		<u>\$ 698,366</u>	<u>\$ (17,294)</u>	<u>\$ 681,072</u>

OTHER SUPPLEMENTARY INFORMATION

VALLEY PROGRAM FOR AGING SERVICES, INC.
SCHEDULE D
COMBINING STATEMENT OF FINANCIAL POSITION
September 30, 2018

	VPAS	Maury River Home Care	Inter- Departmental Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 932,126	\$ 3,956	\$ -	\$ 936,082
Certificate of deposit	6,133	-	-	6,133
Unconditional promises to give	271,007	-	-	271,007
Accounts receivable - federal, net	52,216	-	-	52,216
Accounts receivable - other, net	81,247	45,848	(70,807)	56,288
Interdepartmental receivable from MRHC	278,025	-	(278,025)	-
Inventory, at cost	6,554	-	-	6,554
Prepaid expenses	19,347	-	-	19,347
Total current assets	1,646,655	49,804	(348,832)	1,347,627
Property and Equipment, net	502,293	-	-	502,293
Long-Term Pledges Receivable	472,661	-	-	472,661
Interest in Net Assets of Community Foundations	136,925	-	-	136,925
Total assets	\$ 2,758,534	\$ 49,804	\$ (348,832)	\$ 2,459,506
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 117,061	\$ 64,717	\$ (70,807)	\$ 110,971
Accrued expenses	135,819	16,534	-	152,353
Interdepartmental payable to VPAS	-	278,025	(278,025)	-
Current maturities of long-term debt	19,274	-	-	19,274
Refundable advances and deferred revenue	43,654	-	-	43,654
Total current liabilities	315,808	359,276	(348,832)	326,252
Long-Term Debt	220,377	-	-	220,377
Total liabilities	536,185	359,276	(348,832)	546,629
Net Assets				
Unrestricted	850,074	(309,472)	-	540,602
Unrestricted - board designated	97,119	-	-	97,119
Temporarily restricted	1,275,156	-	-	1,275,156
Total net assets	2,222,349	(309,472)	-	1,912,877
Total liabilities and net assets	\$ 2,758,534	\$ 49,804	\$ (348,832)	\$ 2,459,506

VALLEY PROGRAM FOR AGING SERVICES, INC.
SCHEDULE D
COMBINING STATEMENT OF FINANCIAL POSITION
September 30, 2017

	VPAS	Maury River Home Care	Inter- Departmental Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 580,254	\$ 62,575	\$ -	\$ 642,829
Certificate of deposit	6,012	-	-	6,012
Unconditional promises to give	486,416	-	-	486,416
Accounts receivable - federal, net	11,454	-	-	11,454
Accounts receivable - other, net	98,640	28,072	(87,090)	39,622
Interdepartmental receivable from MRHC	273,806	-	(273,806)	-
Inventory, at cost	4,572	-	-	4,572
Prepaid expenses	16,080	-	-	16,080
Total current assets	1,477,234	90,647	(360,896)	1,206,985
Property and Equipment, net	536,142	-	-	536,142
Long-Term Pledges Receivable	529,144	-	-	529,144
Interest in Net Assets of Community Foundations	139,948	-	-	139,948
Total assets	\$ 2,682,468	\$ 90,647	\$ (360,896)	\$ 2,412,219
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 91,049	\$ 93,871	\$ (87,090)	\$ 97,830
Accrued expenses	142,941	994	-	143,935
Interdepartmental payable to VPAS	-	273,806	(273,806)	-
Current maturities of long-term debt	18,303	-	-	18,303
Refundable advances and deferred revenue	23,539	-	-	23,539
Total current liabilities	275,832	368,671	(360,896)	283,607
Long-Term Debt	234,769	-	-	234,769
Total liabilities	510,601	368,671	(360,896)	518,376
Net Assets				
Unrestricted	758,552	(278,024)	-	480,528
Unrestricted - board designated	96,729	-	-	96,729
Temporarily restricted	1,316,586	-	-	1,316,586
Total net assets	2,171,867	(278,024)	-	1,893,843
Total liabilities and net assets	\$ 2,682,468	\$ 90,647	\$ (360,896)	\$ 2,412,219

VALLEY PROGRAM FOR AGING SERVICES, INC.
SCHEDULE E
COMBINING STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

	VPAS	Maury River Home Care	Inter- Departmental Eliminations	Total
Revenues and Support				
Grant revenues:				
Federal	\$ 1,519,727	\$ -	\$ -	\$ 1,519,727
State	724,847	-	-	724,847
Local governments	408,757	-	-	408,757
Other grants and support	41,935	-	-	41,935
Program income and fees	16,245	311,578	(104,577)	223,246
Contributions and other income	239,762	620	-	240,382
Investment income	4,050	-	-	4,050
Fundraising revenue	17,457	-	-	17,457
In-kind contributions	34,525	1,585	-	36,110
Total revenues and support	3,007,305	313,783	(104,577)	3,216,511
Expenses				
Salaries, wages, and benefits	1,548,965	309,449	-	1,858,414
Meals	523,573	-	-	523,573
Contractual services	310,188	245	(104,577)	205,856
Rent and utilities	117,228	1,686	-	118,914
In-kind	89,890	1,585	-	91,475
Vehicle costs	72,145	97	-	72,242
Depreciation	49,670	-	-	49,670
Leasehold amortization	40,328	663	-	40,991
Travel	21,484	15,544	-	37,028
Phone and internet	28,419	1,172	-	29,591
Professional fees	21,584	1,292	-	22,876
Computer	17,792	2,444	-	20,236
Client expenses	18,822	713	-	19,535
Interest	16,897	482	-	17,379
Office supplies	14,405	1,233	-	15,638
General insurance	14,141	1,144	-	15,285
Resources and memberships	11,356	1	-	11,357
Training	8,893	754	-	9,647
Staff and volunteer recruitment and recognition	6,908	2,119	-	9,027
Food and beverage - center and other	8,029	67	-	8,096
Copier rental	6,904	629	-	7,533
Postage	4,566	436	-	5,002
Marketing expense	2,032	1,019	-	3,051
Printing	2,379	-	-	2,379
Licenses and permits	540	1,836	-	2,376
Fundraising	254	-	-	254
Advertisement and public notices	52	-	-	52
Total expenses	2,957,444	344,610	(104,577)	3,197,477
Change in net assets	49,861	(30,827)	-	19,034
Net Assets				
Beginning, as restated	2,167,649	(273,806)	-	1,893,843
Ending	\$ 2,217,510	\$ (304,633)	\$ -	\$ 1,912,877

VALLEY PROGRAM FOR AGING SERVICES, INC.
SCHEDULE E
COMBINING STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

	VPAS	Maury River Home Care	Inter- Departmental Eliminations	Total
Revenues and Support				
Grant revenues:				
Federal	\$ 1,413,395	\$ -	\$ -	\$ 1,413,395
State	652,717	-	-	652,717
Local governments	408,757	-	-	408,757
Other grants and support	71,880	-	-	71,880
Program income and fees	10,177	330,856	(85,851)	255,182
Contributions and other income	244,067	620	-	244,687
Investment income	11,243	-	-	11,243
Gain on disposition of equipment	1,550	-	-	1,550
Fundraising revenue	43,359	-	-	43,359
In-kind contributions	35,801	1,404	-	37,205
Total revenues and support	2,892,946	332,880	(85,851)	3,139,975
Expenses				
Salaries, wages, and benefits	1,509,488	305,651	-	1,815,139
Resources and memberships	15,195	14	-	15,209
Licenses and permits	147	500	-	647
Travel	26,578	9,984	-	36,562
Training	8,498	70	-	8,568
Staff and volunteer recruitment and recognition	6,494	4,713	-	11,207
Professional fees	19,656	233	-	19,889
Rent and utilities	112,690	1,418	-	114,108
Office supplies	18,063	2,552	-	20,615
Phone and internet	32,402	2,379	-	34,781
Marketing expense	2,987	1,049	-	4,036
Printing	2,104	10	-	2,114
Advertisement and public notices	215	-	-	215
Computer	23,473	3,114	-	26,587
Postage	3,861	257	-	4,118
Copier rental	6,707	486	-	7,193
Vehicle costs	61,937	61	-	61,998
Food and beverage - center and other	7,022	143	-	7,165
Client expenses	11,327	630	-	11,957
Meals	498,071	-	-	498,071
Contractual services	276,985	251	(85,851)	191,385
General insurance	13,402	1,091	-	14,493
In-kind	90,071	1,404	-	91,475
Depreciation	67,357	-	-	67,357
Leasehold amortization	40,353	638	-	40,991
Interest	16,537	451	-	16,988
Fundraising	1,374	-	-	1,374
Total expenses	2,872,994	337,099	(85,851)	3,124,242
Change in net assets	19,952	(4,219)	-	15,733
Net Assets				
Beginning, as restated	2,151,916	(273,806)	-	1,878,110
Ending	\$ 2,171,868	\$ (278,025)	\$ -	\$ 1,893,843

COMPLIANCE SECTION

VALLEY PROGRAM FOR AGING SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
<i>Department of Agriculture</i>				
Pass-through payments:				
Virginia Department for Aging and Rehabilitative Services:				
Senior Farmers' Market Nutrition Program	10.576	Not provided	\$ -	\$ 160
<i>Department of Housing and Urban Development</i>				
Pass-through payments:				
City of Harrisonburg:				
Community Development Block Grant Entitlement Grants	14.218	Not provided	-	17,023
<i>Department of Transportation</i>				
Pass-through payments:				
Virginia Department of Rail and Public Transportation				
Operation of the Enhanced Mobility of Seniors and				
Individuals with Disabilities Program (Section 5310)	20.513	Not provided	-	20,386
Capital Assistance Program for Elderly Persons and				
Persons with Disabilities	20.513	Not provided	-	43,639
Community Transportation Association of America thru Easterseals, Inc.				
Public Transportation Research - Health Care Access Design				
Challenge	20.514	Not provided	-	23,263
Total Department of Transportation			-	87,288
<i>Department of Health and Human Services:</i>				
Pass-through payments:				
Community Action Partnership of Staunton, Augusta, and Waynesboro:				
Community Services Block Grant	93.569	Not provided	-	25,500
Virginia Department for the Aging:				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B -				
Grants for Supporting Services and Senior Centers	93.044	Not provided	-	426,611
Special Programs for the Aging - Title III, Part C1 -				
Nutrition Services - Congregate	93.045	Not provided	-	248,772
Special Programs for the Aging - Title III, Part C2 -				
Nutrition Services - Home-Delivered	93.045	Not provided	-	312,106
Nutrition Services Incentive Program	93.053	Not provided	-	96,155
Total Aging Cluster			-	1,083,644
Title III-D Preventative Health	93.043	Not provided	-	25,057
DMAS Ombudsman	93.778	Not provided	-	2,297
National Family Caregivers Program, Title III, Part E	93.052	Not provided	-	185,764
Special Programs for the Aging Title VII, Chapter 3 - Programs for				
the prevention of Elder Abuse, Neglect, and Exploitation	93.041	Not provided	-	5,038
Special Programs for the Aging Title VII, Chapter 2 - Programs				
Long Term Care Ombudsman Services for Older Individuals	93.042	Not provided	-	9,581
Medicare Enrollment Assistance Program	93.071	Not provided	-	22,185
State Health Insurance Assistance Program	93.324	Not provided	-	25,296
Center for Medicare and Medicaid Services NGA PPHR-2016 - Everyone with Diabetes				
Counts	93.734	Not provided	-	480
Prevention and Public Health Funds (PPHF-2017) Expanding Live Well, Virginia!				
Implementing, Embedding, and Sustaining A Matter of Balance	93.763	Not provided	-	9,390
Empowering Older Adults and Adults with Disabilities through				
Chronic Disease Self-Management Education Programs –				
financed by Prevention and Public Health Funds (PPHF)	93.734	Not provided	-	21,024
Total Virginia Department for the Aging			-	1,389,756
Total Department of Health and Human Services			-	1,415,256
Total Expenditures of Federal Awards			\$ -	\$ 1,519,727

VALLEY PROGRAM FOR AGING SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended September 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Valley Program for Aging Services, Inc. under programs of the federal government for the year ended September 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 Valley Program for Aging Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Valley Program for Aging Services, Inc.

Note 2. Summary of Significant Accounting Principles

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

Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

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



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

To the Board of Directors
Valley Program for Aging Services, Inc.
Waynesboro, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Valley Program for Aging Services, Inc. (VPAS) which comprise the statement of financial position as of September 30, 2018, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of VPAS's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 VPAS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature in black ink that reads "PBMart, LLP".

Harrisonburg, Virginia
January 25, 2019



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

To the Board of Directors
Valley Program for Aging Services, Inc.
Waynesboro, Virginia

Report on Compliance for Each Major Federal Program

We have audited Valley Program for Aging Services, Inc.'s (VPAS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on VPAS's major federal programs for the year ended September 30, 2018. VPAS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, VPAS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of VPAS 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 VPAS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing 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 the VPAS's internal control over compliance.

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

Purpose of this Report

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.

Handwritten signature in black ink that reads "PBMart, LLP".

Harrisonburg, Virginia
January 25, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2018

Section II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.



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VALLEY PROGRAM FOR AGING SERVICES, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2018**

A. Material Weakness in Internal Control

2017-001: Understatement of Beginning Net Assets

Criteria and Condition: Net assets at the beginning of the reporting period should reflect all assets less all liabilities of VPAS. VPAS beginning net assets were understated by \$715,813.

Context: VPAS's opening balance sheet presented for audit omitted a pledge receivable for a below market long-term lease with an estimated value of \$638,779; and included deferred revenue and accrued expenses of \$60,834 and \$16,200, respectively, that are attributable to other accounting periods and do not represent liabilities as of the reporting date.

Cause: VPAS's internal control over financial reporting failed to timely detect or correct those errors.

Effect: VPAS's opening balance was materially misstated, necessitating corrections in order to fairly present the financial statements for the current period.

Recommendation: We recommend that those responsible for financial reporting review criteria for recognizing assets and liabilities and ensure they are recorded in accordance with accounting principles generally accepted in the United States of America.

Views of Responsible Officials: Beginning net assets were restated and the lease pledge continues to be recognized. Asset and liability recognition continues to be reported in accordance with GAAP.

B. Significant Deficiency in Internal Control

2017-002: Lack of Segregation of Duties – Maury River Home Care

Criteria and Condition: Segregation of duties should exist with respect to billing, cash collections, bank deposits, and recording of funds.

Context: There is a lack of segregation of duties between billing, cash collections, bank deposits, and recording funds, for Maury River Home Care operations.

B. Significant Deficiency in Internal Control (Continued)

2017-002: Lack of Segregation of Duties – Maury River Home Care (Continued)

Cause: There are staffing limitations for the program preventing the separation of each of these functions between multiple positions.

Effect: Lack of segregation of duties increases the risk that fraud or error may occur undetected.

Recommendation: We recommend the Fiscal Department take over some of the responsibility for billing, cash collections, bank deposits and record of funds for the program.

Views of Responsible Officials: Clients of MRHC were directed to mail payments to the Waynesboro office, where they are opened and deposited by Admin office staff and recorded in GMS by Fiscal Office staff. MRHC no longer maintains a checkbook for accounts payable. All invoices are sent to Fiscal Office staff in Waynesboro and paid from VPAS' operating account. Accounts Receivable remains the responsibility of the MRHC Administrator in Quicken due to uncertainty of continuing personal care services and the cost of rolling over to GMS.