

**AREA AGENCY ON AGING OF
WESTERN MICHIGAN, INC.**

FINANCIAL STATEMENTS AND SINGLE AUDIT

Years Ended September 30, 2017 and 2016

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AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

PURPOSE AND BOARD OF DIRECTORS

September 30, 2017

PURPOSE

Area Agency on Aging of Western Michigan, Inc.'s purpose is to provide older persons and persons with disabilities in social and economic need with services designed to maintain independence and dignity through planning resource use, funding and coordinating supportive services, advocating on behalf of older adults, and educating communities about aging issues.

BOARD OF DIRECTORS

Executive Committee

Chairperson
Vice Chairperson
Secretary
Treasurer
Representative of Advisory Council
Member at Large

Bill Routley
Marilyn Burns
Richard Karns
Don Black
Robert Sundholm
Carol Hennessy

Allegan
Ionia
Kent
Lake
Mason
Mecosta
Montcalm
Newaygo
Osceola
City of Grand Rapids

Don Black, Stuart Peet
Larry Tiejema, Dennis Sitzler
Carol Hennessy, Nancy Nielsen
Marilyn Burns, Betty Durmyer
Gary Castonia, Patsy Hagerman
Sharon Bongard, Bill Routley
John Johansen
Vern Willett, Cindy LaBelle
Larry Emig, Richard Karns
David Allen, Esther Van Hammen

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Directors
Area Agency on Aging of Western Michigan, Inc.
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Area Agency on Aging of Western Michigan, Inc., which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, 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.

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 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 Area Agency on Aging of Western Michigan, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were 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 June 25, 2018, on our consideration of Area Agency on Aging of Western Michigan, 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 Area Agency on Aging of Western Michigan, Inc.'s internal control over financial reporting and compliance.

Beene Garter LLP

June 25, 2018
Grand Rapids, Michigan

FINANCIAL STATEMENTS

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 6,239,570	\$ 4,844,632
Certificates of deposit	4,205,743	5,403,983
Accounts receivable	346,303	318,127
Grants receivable	2,698,756	3,110,644
Prepaid expenses	115,616	121,738
Property and equipment	3,001,601	3,109,262
TOTAL ASSETS	<u>\$ 16,607,589</u>	<u>\$ 16,908,386</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,911,467	\$ 3,669,472
Accrued liabilities	462,703	454,664
TOTAL LIABILITIES	3,374,170	4,124,136
Net Assets		
Unrestricted	13,137,101	12,688,402
Temporarily restricted	96,318	95,848
TOTAL NET ASSETS	<u>13,233,419</u>	<u>12,784,250</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,607,589</u>	<u>\$ 16,908,386</u>

See accompanying notes

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Contributions	\$ 8,047	\$ 119,506	\$ 127,553
Federal Medicaid waiver contract	23,350,720	-	23,350,720
Federal HCFA contract	2,922	-	2,922
Federal grants	4,962,859	-	4,962,859
State grants	3,143,372	-	3,143,372
Local sources	10,647,547	-	10,647,547
Program	119,146	-	119,146
Net assets released from restrictions			
Expiration of time restrictions	35,000	(35,000)	-
Satisfaction of donor requirements	84,036	(84,036)	-
TOTAL PUBLIC SUPPORT AND REVENUE	42,353,649	470	42,354,119
Expenses			
Program services	40,118,387	-	40,118,387
General and administrative	1,786,563	-	1,786,563
TOTAL EXPENSES	41,904,950	-	41,904,950
CHANGE IN NET ASSETS	448,699	470	449,169
Net Assets at Beginning of Year	12,688,402	95,848	12,784,250
NET ASSETS AT END OF YEAR	\$ 13,137,101	\$ 96,318	\$ 13,233,419

See accompanying notes

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Contributions	\$ 4,627	\$ 119,017	\$ 123,644
Federal Medicaid waiver contract	23,597,654	-	23,597,654
Federal HCFA contract	11,426	-	11,426
Federal grants	4,856,323	-	4,856,323
State grants	2,899,208	-	2,899,208
Local sources	9,939,616	-	9,939,616
Program	114,243	-	114,243
Net assets released from restrictions			
Expiration of time restrictions	35,000	(35,000)	-
Satisfaction of donor requirements	39,925	(39,925)	-
TOTAL PUBLIC SUPPORT AND REVENUE	41,498,022	44,092	41,542,114
Expenses			
Program services	38,752,647	-	38,752,647
General and administrative	1,840,253	-	1,840,253
TOTAL EXPENSES	40,592,900	-	40,592,900
CHANGE IN NET ASSETS	905,122	44,092	949,214
Net Assets at Beginning of Year	11,783,280	51,756	11,835,036
NET ASSETS AT END OF YEAR	\$ 12,688,402	\$ 95,848	\$ 12,784,250

See accompanying notes

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2017

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 4,328,677	\$ 1,050,057	\$ 5,378,734
Employee benefits	1,442,578	384,111	1,826,689
Subcontractors	33,292,927	-	33,292,927
Occupancy	158,172	118,089	276,261
Office supplies	151,748	67,937	219,685
Marketing and promotion	7,128	23,894	31,022
Travel	175,338	31,093	206,431
Professional fees	432,713	67,666	500,379
Telephone	104,613	23,701	128,314
Advocacy	-	20,015	20,015
Advocacy for senior issues	24,493	-	24,493
TOTAL EXPENSES	<u>\$ 40,118,387</u>	<u>\$ 1,786,563</u>	<u>\$ 41,904,950</u>

See accompanying notes

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2016

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 4,107,147	\$ 1,085,211	\$ 5,192,358
Employee benefits	1,478,932	369,856	1,848,788
Subcontractors	32,123,602	-	32,123,602
Occupancy	149,883	127,581	277,464
Office supplies	182,415	86,986	269,401
Marketing and promotion	19,070	31,889	50,959
Travel	178,918	34,874	213,792
Professional fees	389,591	63,905	453,496
Equipment	8,091	2,400	10,491
Telephone	93,205	19,788	112,993
Advocacy	-	17,763	17,763
Advocacy for senior issues	21,793	-	21,793
TOTAL EXPENSES	\$ 38,752,647	\$ 1,840,253	\$ 40,592,900

See accompanying notes

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 449,169	\$ 949,214
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation expense	107,661	107,308
Changes in operating assets and liabilities		
Accounts receivable	(28,176)	12,203
Grants receivable	411,888	(805,016)
Prepaid expenses	6,122	(81,246)
Accounts payable	(758,005)	(228,369)
Accrued liabilities	8,039	(152,957)
	<u>196,698</u>	<u>(198,863)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	196,698	(198,863)
Cash Flows from Investing Activities		
Net change in certificates of deposit	1,198,240	(3,802,565)
Purchase of property and equipment	-	(6,715)
	<u>1,198,240</u>	<u>(3,809,280)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
	1,198,240	(3,809,280)
NET INCREASE (DECREASE) IN CASH	1,394,938	(4,008,143)
Cash and Cash Equivalents at Beginning of Year	4,844,632	8,852,775
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,239,570</u>	<u>\$ 4,844,632</u>

See accompanying notes

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Area Agency on Aging of Western Michigan, Inc. (Agency) was founded in May 1974 as a Michigan nonprofit organization, designated by the Michigan Commission on Service to the Aging, to plan and coordinate Older American Programs in a nine county region of western Michigan. The Agency provides older persons and persons with disabilities in social and economic need with services designed to maintain independence and dignity through planning resource use, funding and coordinating supportive services, advocating on behalf of older adults, and educating communities about aging issues. The Agency is governed by a board of directors that consists of two representatives from each of the nine counties and the city of Grand Rapids.

Financial Statement Format

The Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets consist of \$35,000 funding for a future time period and the balance for various program restrictions. The Agency has no permanently restricted net assets.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The Agency maintains its cash and cash equivalents at three financial institutions. Cash equivalents consist of money market funds. Deposits are insured by the Federal Deposit Insurance Corporation. From time to time during the year, the Agency may have cash on deposit in excess of the federally insured limit.

Certificates of Deposit

The Agency maintains investments in the form of certificates of deposit at several financial institutions. The certificates bear interest at varying rates up to 2% with a final maturity in September 2018 and penalties for early withdrawal. The carrying value of the certificates of deposit include interest earned through the end of the year. The certificates of deposit are insured by the Federal Deposit Insurance Corporation.

Grants and Accounts Receivable

Grants receivable represents revenue earned from federal, state, or local funding sources for services purchased on behalf of Agency clients. Revenue is earned and recorded when the underlying service is provided or purchased for the Agency client.

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

Grants and accounts receivable are stated at the amount management expects to collect from balances outstanding. Management has reviewed the balances that comprise the various categories of grants receivable and determined such balances to be fully collectible. Accordingly, no provision for uncollectible accounts is included in the financial statements. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made. All grants receivable are expected to be collected within one year.

Property and Equipment

Expenditures for property related to the main facility are capitalized at cost, and depreciation is computed using the straight-line method over the estimate useful life of the asset. Equipment used by the Agency is purchased with resources from grants that specify that the title remain with the grantor. Accordingly, expenditures for equipment are recorded as expenses of the program benefited.

Donations of property and equipment are recorded as support at estimated fair value at the time received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restriction will be met in the same reporting period, the support will be recorded as unrestricted.

Functional Allocation Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fund-raising costs are not material and are included in general and administrative expenses.

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

Income Taxes

The Internal Revenue Service has determined the Agency is exempt from income taxes under provisions of Code Section 501(c)(3) whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Agency currently has no unrelated business activity. Accordingly, no provision for income taxes has been recorded. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Tax positions taken are assessed for uncertainty and a provision may be recorded if a tax position is not likely to be sustained upon examination.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to September 30, 2017, for potential recognition or disclosure in these financial statements. The evaluation was performed through June 25, 2018 the date the financial statements were available for issuance.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used. Material estimates that are particularly susceptible to significant changes included the estimated Waiver settlement receivable. This is included within grants receivable on the statement of financial position.

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The main provisions of this pronouncement include:

- Two categories of net assets: net assets with donor restrictions and net assets without donor restrictions (versus the previous three categories)
- Provide enhanced disclosures on board designated funds
- Changes in accounting for underwater endowment funds
- Requirement for all types of nonprofit organizations to report expenses by both their natural classification and their functional classification (previously only voluntary health and welfare organizations had this requirement)
- New requirement to present both qualitative information on how the organization manages liquid resources and quantitative information that identifies assets available to meet cash needs for general operating expenditures within one year of the statement of financial position date

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

In May 2014 and in subsequent amendments, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09 which amended *Revenue from Contracts with Customers* (Topic 606) of the Accounting Standards Codification. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Organization for annual periods beginning after December 15, 2018.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842), which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual periods beginning after December 15, 2019.

The Agency is currently evaluating the impact these items have on its financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2017	2016
Land	\$ 586,625	\$ 586,625
Building	2,880,703	2,880,703
	3,467,328	3,467,328
Accumulated depreciation	(465,727)	(358,066)
	<u>\$ 3,001,601</u>	<u>\$ 3,109,262</u>

NOTE 3 - PENSION PLAN

Substantially all Agency employees are included in a Simplified Employee Pension - Individual Retirement Account (SEP - IRA) Plan. An employee becomes eligible on the first day of the plan period following 90 days of employment. The Agency contributes 10% of the gross amount of each employee's salary into the SEP - IRA. Total contributions were \$505,266 and \$478,239 for the years ended September 30, 2017 and 2016, respectively.

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017 and 2016

NOTE 4 - CONCENTRATIONS OF RISK

Area Agency on Aging of Western Michigan, Inc. received significant funding from three governmental agencies during each of the years ended September 30, 2017 and 2016 as follows:

	Grants Receivable Prior to Netting of Unearned Advances		Public Support and Revenue	
	2017	2016	2017	2016
Aging and Adult Service Agency (AASA)	25%	30%	10%	10%
Kent County senior millage	49%	22%	25%	23%
Federally funded Medicaid waiver program	12%	29%	55%	57%

The Agency's operations are concentrated in services to senior citizens. In addition, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, AASA. Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by AASA. Changes may occur with little notice or inadequate funding to pay for the related cost, including the administrative burden, to comply with a change.

NOTE 5 - CONTINGENCIES

The Agency participates in federal grant programs. These programs are subject to compliance audits. The audits of the programs for September 30, 2017 have been conducted and a Single Audit Report has been issued. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

NOTE 6 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA #	Grant Period	Agency or Pass-through Number	Federal Award Amount	Passed Through To Subrecipients	Total Federal Expenditures
Department of Health and Human Services						
Passed through State of Michigan						
Aging & Adult Services Agency						
Special Programs for the Aging						
Title III, Part B						
Grants for Supportive Services and						
Senior Centers - Administration	93.044	10/16-09/17	20170663	\$ 96,881	\$ -	\$ 96,881
Grants for Supportive Services and						
Senior Centers - Social Services	93.044	10/16-09/17	20170663	869,512	538,240	853,850
Title III, Part C - Nutrition Services						
Administration	93.045	10/16-09/17	20170663	184,075	-	184,075
Part 1 (Congregate Meals)	93.045	10/16-09/17	20170663	689,524	631,600	682,189
Part 2 (Home Delivered Meals)	93.045	10/16-09/17	20170663	961,504	961,504	961,504
Nutrition Services Incentive Program	93.053	10/16-09/17	20170663	797,615	797,615	797,615
Subtotal Aging Cluster					2,928,959	3,576,114

The accompanying notes are an integral part of this schedule

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA #	Grant Period	Agency or Pass-through Number	Federal Award Amount	Pass Through To Subrecipients	Total Federal Expenditures
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	10/16-09/17	20170663	\$ 58,952	\$ 46,118	\$ 58,720
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	10/16-09/17	20170663	17,717	-	17,717
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	10/16-09/17	20170663	15,225	-	15,159
Title III, Part E National Family Caregiver Support, Title III, Part E - Administration	93.052	10/16-09/17	20170663	41,982	-	41,982
National Family Caregiver Support, Title III, Part E	93.052	10/16-09/17	20170663	377,012	232,807	371,008

The accompanying notes are an integral part of this schedule

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA #	Grant Period	Agency or Pass-through Number	Federal Award Amount	Pass Through To Subrecipients	Total Federal Expenditures
Passed through Michigan Medicare/Medicaid Assistance Program, Inc.:						
State Health Insurance Assistance Program	93.324	04/16-03/17	90SA0073-01-00	\$ 90,041	\$ -	\$ 54,902
State Health Insurance Assistance Program	93.324	04/17-03/18	90SAPG0010-01-00	71,327	-	34,177
State Health Insurance Assistance Program	93.324	04/16-9/17	90SA0073-01-01	1,702	-	1,702
Special Programs for the Aging						
Title IV and Title II Discretionary Projects	93.048	06/16-05/17	90MP0218-02-00	19,550	-	10,925
Title IV and Title II Discretionary Projects	93.048	06/17-05/18	90MP0218-03-00	21,011	-	11,817
Passed through State of Michigan Department of Health and Human Services						
Refugee and Entrant Assistance State/ Replacement Designee Administered Programs	93.566	10/16-09/17	RA 16- 41001	60,750	54,675	60,750
Medical Assistance Program	93.778	10/16-09/17	20170663	5,919	-	3,687

The accompanying notes are an integral part of this schedule

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA #	Grant Period	Agency or Pass-through Number	Federal Award Amount	Pass Through To Subrecipients	Total Federal Expenditures
Passed through Grand Valley State University Medical Assistance Program	93.778	10/16-9/17	U05-M15ADM	\$ 74,598	\$ -	\$ 72,710
Total Department of Health and Human Services					3,262,559	4,331,370
Department of Labor						
Passed through State of Michigan Aging & Adult Services Agency						
Title V - Senior Community Service Employment	17.235	07/16-06/17	20161840	391,595	-	299,192
Title V - Senior Community Service Employment	17.235	07/17-06/18	20170663	363,280	-	86,040
Total Department of Labor					-	385,232
Total Federal Awards					\$ 3,262,559	\$ 4,716,602

The accompanying notes are an integral part of this schedule

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Area Agency on Aging of Western Michigan, Inc. (Agency) under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations 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 the Agency, it is not intended to and does not present the financial position, related statements of activities and changes in net assets, functional expenses or cash flows of the Agency.

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, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected not to use the 10% de minimis indirect costs rate allowed under the Uniform Guidance and has agreed upon indirect cost rates with each oversight agency.

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

September 30, 2017

NOTE 3 - TOTAL FUNDING SUMMARIZED BY FEDERAL PROGRAM

Program	CFDA#	Federal Expenditures
Special Programs for the Aging		
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 950,731
Title III, Part C- Nutrition Services	93.045	1,827,768
Title III, Part D- Disease Prevention and Health Promotion Services	93.043	58,720
Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	17,717
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	15,159
Title IV and Title II Discretionary Projects	93.048	22,742
National Family Caregiver Support, Title III, Part E	93.052	412,990
Nutrition Services Incentive Program	93.053	797,615
State Health Insurance Assistance Program	93.324	90,781
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	60,750
Medical Assistance Program	93.778	76,397
Senior Community Service Employment Program	17.235	385,232
		\$ 4,716,602

**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***

**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

Area Agency on Aging of Western Michigan, Inc.
Grand Rapids, Michigan

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 Area Agency on Aging of Western Michigan, Inc., which comprise the statement of financial position as of September 30, 2017 and the related statements of activities and changes in net assets, 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 June 25, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beene Garter LLP

June 25, 2018
Grand Rapids, Michigan

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

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

Board of Directors
Area Agency on Aging of Western Michigan, Inc.
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

We have audited Area Agency on Aging of Western Michigan, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Agency's major federal program for the year ended September 30, 2017. The Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Agency's major federal program 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 the Agency'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 Area Agency on Aging of Western Michigan, Inc.'s compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

Beene Garter LLP

June 25, 2018
Grand Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AREA AGENCY ON AGING OF WESTERN MICHIGAN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Area Agency on Aging of Western Michigan, Inc. were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Area Agency on Aging of Western Michigan, Inc. were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award program for Area Agency on Aging of Western Michigan, Inc. expresses an unmodified opinion.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was Special Programs for the Aging (Aging Cluster of Programs) CFDA #93.044, #93.045 and #93.053.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Area Agency on Aging of Western Michigan, Inc. was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Current year-None

Prior year-None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

Current year-None

Prior year-None
