

**MARION SENIOR SERVICES, INC.
INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS, AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Marion Senior Services, Inc.
Ocala, Florida

We have audited the accompanying statements of financial position of Marion Senior Services, Inc. (a nonprofit organization) as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marion Senior Services, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors of Marion Senior Services, Inc.
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Report on Summarized Comparative Information

We have previously audited the Marion Senior Services, Inc.'s 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of functional expenses by program services is also 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 basic 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 basic 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 April 6, 2017, on our consideration of Marion Senior 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* and should be considered in assessing the results of our audit.

Durvis, Gray and Company, LLP

April 6, 2017
Ocala, Florida

MARION SENIOR SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016,
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015

ASSETS

	2016	2015
Current Assets		
Cash and Cash Equivalents	\$ 3,097,121	\$ 2,975,179
Grants Receivable	732,237	507,899
Accounts Receivable	100,063	90,330
Investments	10,951	10,951
Prepaid Expenses	76,078	13,853
Total Current Assets	4,016,450	3,598,212
Property and Equipment,		
Net of Accumulated Depreciation	86,225	94,741
Property and Equipment Temporarily		
Restricted for Federal and State Programs,		
Net of Accumulated Depreciation	2,292,902	2,566,047
Total Assets	6,395,577	6,259,000

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	186,678	144,445
Accrued Expenses	117,288	92,826
Deferred Revenues	36,840	191,887
Current Portion of Accrued Legal Obligation	12,851	11,763
Current Portion of Obligations Under Capital Leases	3,937	4,092
Total Current Liabilities	357,594	445,013
Long-term Liabilities		
Accrued Legal Obligation, Net of Current Portion	80,000	100,000
Less Unamortized Discount	(15,560)	(22,709)
Obligations Under Capital Leases, Net of Current Portion	10,885	14,822
Total Long-term Liabilities	75,325	92,113
Total Liabilities	432,919	537,126
Net Assets		
Unrestricted	2,642,383	2,801,579
Temporarily Restricted, Operating	1,027,373	354,248
Temporarily Restricted, Fixed Assets	2,292,902	2,566,047
Total Net Assets	5,962,658	5,721,874
Total Liabilities and Net Assets	\$ 6,395,577	\$ 6,259,000

See accompanying notes.

MARION SENIOR SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted Fund	Temporarily Restricted		2016	2015
		Operating	Fixed Assets		
Support and Revenue					
Federal and State Funds	\$ 3,536,186	\$ 539,621	\$ 0	\$ 4,075,807	\$ 4,503,350
Client Contributions and Fees	148,828	0	0	148,828	139,552
Client Co-pay	39,021	0	0	39,021	25,745
Other Contributions	105,798	0	0	105,798	151,173
In-kind Contributions	213,140	0	0	213,140	236,171
MSS Transportation Contracts	586,096	133,504	0	719,600	1,098,736
County Commission Funds	790,001	0	0	790,001	954,417
United Way	92,293	0	0	92,293	101,028
Preferred Care Fees	74,376	0	0	74,376	111,904
Managed Long-term Care	31,467	0	0	31,467	27,175
Community With a Heart	0	0	0	0	4,709
Interest and Dividends	3,180	0	0	3,180	1,004
Other Income	54,331	0	0	54,331	49,424
Gain (Loss) on Disposition of Assets	1,662	0	0	1,662	6,200
Total Support and Revenue	5,676,379	673,125	0	6,349,504	7,410,588
Expenses					
Transportation Services	2,975,647	0	0	2,975,647	3,028,889
Support Services Title IIIB	337,832	0	0	337,832	324,933
Congregate Meals Title IIIC-1	395,789	0	0	395,789	409,383
Home Delivered Meals Title IIIC-2	511,754	0	0	511,754	394,794
Family Caregiver Support Title IIIE	121,435	0	0	121,435	101,541
Emergency Energy Assistance Title XXVI	66,000	0	0	66,000	13,231
Community Care for the Elderly	895,111	0	0	895,111	998,592
Alzheimer's Disease Initiative	269,015	0	0	269,015	247,537
Home Care for the Elderly	45,989	0	0	45,989	47,200
Local Services Program	29,761	0	0	29,761	18,130
Community Care for Disabled Adults	998	0	0	998	1,724
CDBG Service Facility	44,447	0	0	44,447	44,448
Volunteer Program	43,324	0	0	43,324	24,669
Meals on Wheels	154,072	0	0	154,072	139,961
Preferred Care	118,681	0	0	118,681	124,280
Managed Long-term Care	39,314	0	0	39,314	32,902
Other Program Services	59,551	0	0	59,551	62,884
Total Expenses	6,108,720	0	0	6,108,720	6,015,098
Change in Net Assets Before Changes in Property and Equipment	(432,341)	673,125	0	240,784	1,395,490
Net Changes in Property and Equipment	273,145	0	(273,145)	0	0
Changes in Net Assets	(159,196)	673,125	(273,145)	240,784	1,395,490
Net Assets, Beginning of Year	2,801,579	354,248	2,566,047	5,721,874	4,326,384
Net Assets, End of Year	\$ 2,642,383	\$ 1,027,373	\$ 2,292,902	\$ 5,962,658	\$ 5,721,874

See accompanying notes.

MARION SENIOR SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

Expenses	Transportation Services	Support Services Title IIB	Congregate Meals Title IIC-1	Home Delivered Meals Title IIC-2
Salaries and Benefits	\$ 1,621,425	\$ 137,711	\$ 182,903	\$ 188,000
In-kind Salaries	0	0	0	16,831
Travel	1,256	7,968	7,098	36,765
Building Space	23,445	3,411	8,775	5,205
In-kind Building Space	0	33,752	33,927	26,008
Communications and Utilities	25,716	2,764	20,940	4,657
Printing and Supplies	31,450	3,026	7,127	5,267
Meals	0	0	115,029	209,994
Emergency Energy Assistance	0	0	0	0
Equipment	33,709	100	168	349
Insurance	154,051	3,086	9,095	6,919
Fuel	278,129	0	0	0
Vehicle Expenditures	346,109	0	0	0
Service Subcontracts	0	139,426	0	0
Other Indirect Costs	78,796	6,588	9,413	10,897
Depreciation	381,561	0	1,314	862
Total Expenses	\$ 2,975,647	\$ 337,832	\$ 395,789	\$ 511,754

See accompanying notes.

Family Caregiver Support Title III	Emergency Energy Assistance Title XXVI	Community Care for the Elderly	Alzheimer's Disease Initiative	Home Care for the Elderly	Local Services Program
\$ 40,422	\$ 8,745	\$ 262,848	\$ 50,462	\$ 23,191	\$ 5,457
11,926	0	81,092	0	0	0
2,146	268	15,241	1,196	532	64
679	0	6,819	1,766	630	161
0	0	0	0	0	0
519	0	5,351	1,275	447	121
1,217	0	7,618	765	54	223
0	0	44,130	0	0	0
0	56,587	0	0	0	0
34	400	711	238	8	7
858	0	15,378	401	39	323
0	0	0	0	0	0
0	0	0	0	0	0
44,294	0	431,706	210,918	0	22,977
19,340	0	23,937	1,994	21,088	428
0	0	280	0	0	0
<u>\$ 121,435</u>	<u>\$ 66,000</u>	<u>\$ 895,111</u>	<u>\$ 269,015</u>	<u>\$ 45,989</u>	<u>\$ 29,761</u>

See accompanying notes.

MARION SENIOR SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015
(Concluded)

	Community Care for Disabled Adults	CDBG Service Facility	Volunteer Program	Meals on Wheels
Expenses (Concluded)				
Salaries and Benefits	\$ 0	\$ 0	\$ 24,651	\$ 63,863
In-kind Salaries	0	0	0	9,000
Travel	0	0	136	12,905
Building Space	0	0	1,014	1,782
In-kind Building Space	0	0	0	0
Communications and Utilities	0	0	907	1,684
Printing and Supplies	0	0	994	1,774
Meals	998	0	0	54,149
Emergency Energy Assistance	0	0	0	0
Equipment	0	0	24	110
Insurance	0	0	2,023	2,465
Fuel	0	0	0	0
Vehicle Expenditures	0	0	0	0
Service Subcontracts	0	0	0	0
Other Indirect Costs	0	0	13,575	5,578
Depreciation	0	44,447	0	762
Total Expenses	\$ 998	\$ 44,447	\$ 43,324	\$ 154,072

See accompanying notes.

Preferred Care	Managed Long-term Care	Other Program Services	2016 Totals	2015 Totals
\$ 45,685	\$ 13,232	\$ 6,469	\$ 2,675,064	\$ 2,554,576
0	0	0	118,849	136,371
10,354	4,569	26	100,524	94,468
1,099	534	0	55,320	53,645
0	0	0	93,687	99,200
807	378	479	66,045	67,208
1,017	65	0	60,597	62,576
31,405	20,177	0	475,882	418,215
0	0	0	56,587	12,309
94	36	603	36,591	3,540
1,085	197	0	195,920	173,023
0	0	0	278,129	330,214
0	0	0	346,109	363,794
24,062	0	0	873,383	891,318
3,073	126	41,528	236,361	225,960
0	0	10,446	439,672	528,681
<u>\$ 118,681</u>	<u>\$ 39,314</u>	<u>\$ 59,551</u>	<u>\$ 6,108,720</u>	<u>\$ 6,015,098</u>

See accompanying notes.

MARION SENIOR SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets Before Fixed Asset Acquisitions	\$ 240,784	\$ 1,395,490
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	439,672	528,681
Loss (Gain) on Disposed Assets	(1,662)	(6,200)
Investment in Securities	0	(3,869)
Amortization of Legal Obligation	8,237	9,233
Noncash Assistance, Vehicles	0	(346,126)
Funds Restricted for Fixed Asset Acquisitions	(138,074)	(193,924)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Grants Receivable	(224,338)	14,392
(Increase) Decrease in Accounts Receivable	(9,733)	178,681
(Increase) Decrease in Prepaid Expenses	(62,225)	(7,212)
Increase (Decrease) in Accounts Payable	42,233	(4,539)
Increase (Decrease) in Accrued Annual Leave	6,469	(3,329)
Increase (Decrease) in Accrued Payroll and Payroll Liabilities	17,993	(82,065)
Increase (Decrease) in Deferred Revenues	(155,047)	62,051
Net Cash Provided by (Used in) Operating Activities	164,309	1,541,264
Cash Flows from Investing Activities		
Proceeds from Sale of Assets	2,000	6,500
Purchase of Equipment	(158,349)	(238,801)
Net Cash Provided by (Used in) Investing Activities	(156,349)	(232,301)
Cash Flows from Financing Activities		
Payments on Capital Leases	(4,092)	(5,914)
Payment on Legal Obligation	(20,000)	(20,000)
Proceeds Restricted for Fixed Asset Acquisitions	138,074	193,924
Net Cash Provided by (Used in) Financing Activities	113,982	168,010
Net Increase (Decrease) in Cash and Cash Equivalents	121,942	1,476,973
Cash and Cash Equivalents, Beginning of Year	2,975,179	1,498,206
Cash and Cash Equivalents, End of Year	\$ 3,097,121	\$ 2,975,179
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid During the Year for Interest	\$ 864	\$ 838
<u>Supplemental Disclosure of Noncash Investing and Financial Activities</u>		

Noncash activities include in-kind donations of volunteer hours and building space.

See accompanying notes.

MARION SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary of Significant Accounting Policies

Organization

Marion Senior Services, Inc. (Senior Services) is a nonprofit organization organized under the laws of the State of Florida on September 5, 1973. Senior Services was established to provide a variety of services to elderly, disabled, and disadvantageded persons in Marion County, Florida. Senior Services receives a substantial portion of its revenue as a sub-recipient from State and Federal grants passed through Elder Options also serving as Mid-Florida Area Agency on Aging. Senior Services is governed by a Board of Directors made up of individuals who are nominated by a nominating committee and elected by the Board of Directors.

Basis of Accounting

Senior Services uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, state, and local government and public grants are recorded as support when performance occurs under the terms of the grant agreement.

Revenues and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted revenues and contributions are reported as an increase in unrestricted net assets if the restriction is met in the reporting period in which the revenues and contributions are received.

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Senior Services and is presented on the accrual basis of accounting. 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* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Financial Statement Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Senior Services and changes therein are classified and reported as follows:

Unrestricted Net Assets—Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of Senior Services and/or the passage of time.

Permanently Restricted Net Assets—Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Senior Services.

Allocation of Expenditures

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses, which

MARION SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Allocation of Expenditures (Concluded)

benefit more than one program, are allocated to the various programs based on the relative benefit provided. Administrative expenses are allocated to the programs based on various allocation methods which meet Federal and State guidelines for administrative expense allocation.

Property, Equipment, and Depreciation

Senior Services follows the practice of capitalizing at cost all expenditures for property and equipment in excess of \$1,000. Property and equipment restricted for federal and state purposes are stated at cost at date of acquisition. Depreciation expense is computed using the straight-line method over the estimated useful life of the asset (see Note 4).

Donated Space and Services

All in-kind contributions are considered to be available for unrestricted use, unless specifically restricted by the donor, and have been treated as in-kind contributions for purposes of meeting federal or state matching requirements. Volunteer home delivered meals drivers are used for the Title IIIC-2, CCE, and Meals on Wheels programs. Volunteer senior companions are used for the CCE and Title IIIE programs. Volunteer services of \$118,849 are recorded at values consistent with those amounts that would be paid to salaried personnel for similar services. Donated building space is used for the Title IIIB, C1, and C2 programs. Donated building space of \$93,687 is recorded based on the appraised value provided by a real estate agent. Senior Services also has volunteers serving as assistant site managers, site aides, and program aides. Such contributed services do not meet the criteria for recognition of contributed services contained in generally accepted accounting principles and, accordingly, are not reflected in the accompanying financial statements.

Income Taxes

Senior Services is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, the financial statements do not reflect a provision for income taxes. Senior Services is no longer subject to federal and state examinations by tax authorities for years before 2013. Interest and penalties assessed to Senior Services as a result of federal and state income tax positions are recorded as an operating expense. For the year ended December 31, 2016, there were no interest or penalties recorded in the accompanying financial statements.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents include all highly liquid investments purchased with a maturity of three months or less. Cash and cash equivalents consist primarily of money market and checking accounts.

The checking and money market accounts are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured balance in the checking accounts at December 31, 2016, is \$1,819,873.

MARION SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Investments

In 2013 and 2015, Senior Services received donations of securities which were recorded at fair value as of the date the donation was received. Unrealized gains or losses were not recorded at December 31, 2016. Any unrealized gain or loss is immaterial to the financial statements.

Receivables

Receivables are recorded by Senior Services for funds to be received from various sources, including Federal and State grants. An allowance for uncollectible receivables has not been recorded as all amounts are deemed collectible.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair value of all reported asset and liabilities which represent financial instruments approximate the carrying value of such amounts.

Prior Period Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Certain prior year amounts may have been reclassified to conform to current year financial reporting and to facilitate comparison of financial data. Accordingly, such information should be read in conjunction with Senior Services' financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following at December 31, 2016:

Petty Cash	\$ 220
Checking Accounts	1,916,509
Money Market Accounts	<u>1,180,392</u>
Total	<u>\$ 3,097,121</u>

Note 3 - Retirement Plan

Senior Services participates in a voluntary retirement annuity 403(b) Plan (the Plan) for eligible employees through Mutual of America. All employees are eligible for participation in the Plan after a period of twelve months and a minimum of 1,000 hours of service during the twelve-month period. Five percent (5%) of each eligible employee's salary is contributed by Senior Services to the Plan. During the year ended December 31, 2016, Senior Services contributed \$75,560 to this plan for covered employees.

MARION SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 4 - Property, Equipment, and Accumulated Depreciation

The following is a schedule of changes in unrestricted property and equipment owned by Senior Services:

	Balance			Balance
	January 1,			December 31,
	2016	Additions	Deletions	2016
Preferred Care	\$ 322	\$ 0	\$ 0	\$ 322
Meals on Wheels	5,914	0	0	5,914
Service Facility	105,861	0	0	105,861
General Use	124,215	3,030	(1,352)	125,893
Accumulated Depreciation	(141,571)	(11,208)	1,014	(151,765)
Total	\$ 94,741	\$ (8,178)	\$ (338)	\$ 86,225

Senior Services also retains property and equipment whose acquisition has been funded by various federal and state programs. The title for the equipment remains with the federal and state grantor. The use, removal, or replacement of the equipment is controlled by the granting agency. Titles for vehicles purchased with funds from the Florida Department of Transportation and the State of Florida Commission for the Transportation Disadvantaged are transferred to Senior Services after 5 years and/or 200,000 miles. Any funds received from the disposition of these older vehicles must be used in the Transportation Program. Senior Services, as custodian of the equipment, maintains a physical record of the equipment as a temporarily restricted net asset. Senior Services' service facility in Ocala, Florida was funded with a Community Development Block Grant (CDBG) through Marion County and with unrestricted funds. This property is subject to a lien for 30 years or until the CDBG funds are repaid. The land was donated to Senior Services by the City of Ocala.

The following is a schedule of changes in temporarily restricted property and equipment by program:

	Balance			Balance
	January 1,			December 31,
	2016	Additions	Deletions	2016
CCE General Administration	\$ 25,238	\$ 0	\$ 0	\$ 25,238
Alzheimer's Disease Initiative	1,168	0	0	1,168
Community Care for Disabled Adults	152	0	0	152
Title III B	7,980	0	0	7,980
Title III C-1	33,895	0	0	33,895
Title III C-2	32,373	0	0	32,373
Title III E	438	0	0	438
Title III F	1,520	0	0	1,520
Local Services Program	111	0	0	111
CDBG Service Facility	2,009,890	0	0	2,009,890
Transportation Services	3,734,433	155,319	(276,004)	3,613,748
Volunteer Program	470	0	0	470
Accumulated Depreciation	(3,281,621)	(428,464)	276,004	(3,434,081)
Total	\$ 2,566,047	\$ (273,145)	\$ 0	\$ 2,292,902

MARION SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 5 - Obligations Under Capital Leases

In 2015, Senior Services entered into a capital lease for three copiers which expires in 2020. Three leased copiers were traded in during 2015. Each asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset. The gross cost and accumulated depreciation of the assets held under the capital lease is \$21,850 and \$7,367, respectively, at December 31, 2016. The assets are being depreciated over the term of the lease. Depreciation of assets held under the capital lease is included in depreciation expense.

Minimum future lease payments under the capital lease as of December 31, 2016, for each of the next five years and in the aggregate are:

Year	Capital Leases
2017	\$ 4,956
2018	4,956
2019	4,956
2020	1,239
2021	0
Total Future Minimum Lease Payments	16,107
Less: Executory Costs	0
Less: Amount Representing Interest	1,285
Present Value of Net Minimum Lease Payments	\$ 14,822

The interest rate included on the capitalized lease is 5.07%. The amount of interest cost incurred was \$864 in 2016, all of which was charged to operations.

Note 6 - Accrued Legal Obligation

During 2011, Senior Services settled a claim resulting from a lawsuit that was filed against the organization in a prior year. Terms of the agreement include payment of \$25,000 in 2011 and annual payments of \$20,000 for ten years beginning September 30, 2012, with the future payments being discounted.

Note 7 - Commitments and Contingencies

Senior Services receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on Senior Services' programs and activities. Grants require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although this is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms; it has accommodated the objectives of Senior Services to the provisions of the grants.

Senior Services is a defendant in a lawsuit filed in a personal injury case resulting from a traffic accident that involved one of the agency's buses. A claim has been filed with Senior Services' insurance carrier. Management believes that it is adequately insured in the event it is unsuccessful in defending against the claim.

MARION SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 8 - Operating Leases

Senior Services entered into a lease with the City of Ocala in December 2006 for the use of additional land adjacent to land owned by Senior Services for overflow parking of vehicles used for transportation. The lease began January 2007 and expired December 2011, with an automatic renewal until terminated by one of the parties. Rent of \$5 was paid for the initial five-year term. Annual rent is \$1 beginning in 2012. The fair value of the rent has not been determined.

In 2013, Senior Services entered into an operating lease for a credit card terminal which expires in 2017. In 2014, Senior Services entered into an operating lease for a copier, which expires in 2017. Total lease expense for 2016 was \$2,963.

Year	Operating Leases
2017	\$ 1,438
2018-2021	0
Total Future Minimum Lease Payments	\$ 1,438

Note 9 - Support from Transportation Services

State of Florida Commission for the Transportation Disadvantaged

Senior Services received a portion of its support from the Florida Commission for the Transportation Disadvantaged under Trip and Equipment Grant Agreements.

Contract No. GO174, FM No. 43202718401/43202818401 15/16 provides for state funding of 90 percent and local funding of 10 percent, and includes support for non-sponsored trips and capital equipment.

	2015-2016 Contract Budget	2016 Actual	2015 Actual
State Funds	\$ 822,167	\$ 411,030	\$ 411,137
Voluntary Dollar Contributions	49	48	0
Local Cash Match	91,352	45,670	45,682
In-kind Match	5	5	0
Total Project Costs	\$ 913,573	\$ 456,753	\$ 456,819

Contract No. G0B83, FM No. 43202718401/43202818401 16/17 provides for state funding of 90 percent and local funding of 10 percent, and includes support for non-sponsored trips and capital equipment.

	2016-2017 Contract Budget	2016 Actual
State Funds	\$ 816,142	\$ 467,082
2016-17 Legislative Proviso Funds	117,718	0
Voluntary Dollar Contributions	150	0
Local Cash Match	103,762	51,898
In-kind Match	17	0
Total Project Costs	\$ 1,037,789	\$ 518,980

MARION SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Note 9 - Support from Transportation Services (Concluded)

Florida Department of Transportation - Section 5311 Funds

Senior Services received a portion of its support from the State of Florida Department of Transportation under Contract No. AQQ65, Financial Project No. 424121-1-84-34; Federal Aid No. FL-18-X034 CFDA No. 20.509.

Contract No. AQQ65 is for administrative and operating assistance with the Federal Transit Administration (FTA) participation and local funds as listed below:

	2015-2016	2016	2015
	Contract	Actual	Actual
	Budget	Actual	Actual
FTA Participation	\$ 752,857	\$ 542,485	\$ 210,372
Local	<u>752,857</u>	<u>542,485</u>	<u>210,372</u>
Total Project Costs	<u>\$ 1,505,714</u>	<u>\$ 1,084,970</u>	<u>\$ 420,744</u>

Senior Services received a portion of its support from the State of Florida Department of Transportation under Contract No. AQQ65, Financial Project No. 424121-1-84-35; Federal Aid No. 1001-2016-17 CFDA No. 20.509.

Contract No. AQQ65 is for administrative and operating assistance with the Federal Transit Administration (FTA) participation and local funds as listed below:

	2016-2017	2016
	Contract	Actual
	Budget	Actual
FTA Participation	\$ 770,718	\$ 147,165
Local	<u>770,718</u>	<u>147,165</u>
Total Project Costs	<u>\$ 1,541,436</u>	<u>\$ 294,330</u>

Contract No. G0G31 is for procurement of scheduling software with the Federal Transit Administration (FTA) participation and local funds as listed below:

	2016-2017	2016
	Contract	Actual
	Budget	Actual
FTA Participation	\$ 225,000	\$ 220,131
Local	<u>25,000</u>	<u>24,459</u>
Total Project Costs	<u>\$ 250,000</u>	<u>\$ 244,590</u>

MARION SENIOR SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Concluded)

Note 10 - Designation of Unrestricted Net Assets

In 1994, the Board of Directors established a quasi-endowment fund. The principal designated by the Board and the revenues earned may be used at the Board's discretion. The principal and revenue are included with cash and cash equivalents at December 31, 2016. The change in the designated unrestricted net assets for the current year is as follows:

Designated Unrestricted Net Assets at January 1, 2016	\$ 177,704
Revenues Earned in 2016	670
Withdrawals in 2016	<u>0</u>
Designated Unrestricted Net Assets at December 31, 2016	<u><u>\$ 178,374</u></u>

Note 11 - Related Parties

Senior Services obtains health insurance from a company that employs one of its Board members. Senior Services' by-laws state that Board members should abstain from voting on any issues that would be a conflict of interest.

**ADDITIONAL INFORMATION REQUIRED BY THE
DEPARTMENT OF ELDER AFFAIRS**

MARION SENIOR SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2016,
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES					
	Adult Day Care	Case Management	Case Aide	Congregate Meals	Emergency Alert Response	Home Delivered Meals
Expenses						
Salaries	\$ 5,385	\$ 71,893	\$ 23,459	\$ 119,134	\$ 5,165	\$ 139,865
Payroll Taxes and Benefits	1,211	19,317	6,145	25,633	1,387	26,835
Travel	86	2,655	802	6,609	98	48,363
Building Space	108	2,550	1,108	7,437	126	4,852
Communications/Utilities	82	1,809	813	18,485	98	4,719
Printing/Supplies	61	111	147	3,921	51	2,903
Equipment	4	33	621	103	5	381
Insurance	0	0	0	2,957	0	426
Meals	0	0	0	115,244	0	254,124
Service Subcontracts	32,240	0	0	0	7,551	0
Depreciation	0	0	0	689	0	1,142
Vehicle Related Expenses	0	0	0	0	0	0
Other Costs	72	276	122	1,794	42	5,175
In-kind Salaries and Building Space	1,571	6,547	1,016	33,308	2,174	54,498
Total Expenses	40,820	105,191	34,233	335,314	16,697	543,283
Allocation of Management and General	13,377	34,471	11,218	109,883	5,472	178,036
Total Expenses After Allocation	\$ 54,197	\$ 139,662	\$ 45,451	\$ 445,197	\$ 22,169	\$ 721,319
Total Units	4,594	2,136	493	29,132	10,932	47,872

PROGRAM SERVICES

		In Home Services							
Personal Care	Companionship	Home Health Aide	Homemaker	Respite In Home	Respite In Facility	Nutrition Education	Outreach		
\$ 11,566	\$ 5,580	\$ 230	\$ 29,869	\$ 32,784	\$ 12,588	\$ 4,244	\$ 7,636		
2,628	1,391	34	6,782	8,559	4,375	870	1,533		
164	153	12	977	2,088	451	232	342		
216	180	8	730	478	72	36	45		
165	134	6	551	364	57	441	586		
148	43	0	353	412	36	93	184		
14	10	0	37	25	1	0	1		
0	0	0	0	0	0	111	144		
0	0	0	0	0	0	0	0		
94,213	29,425	45,686	298,527	338,171	3,509	0	0		
0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0		
179	3	0	743	513	48	195	82		
14,363	4,499	6,243	40,042	20,081	0	1,133	137		
123,656	41,418	52,219	378,611	403,475	21,137	7,355	10,690		
40,522	13,573	17,112	124,072	132,220	6,927	2,410	3,503		
\$ 164,178	\$ 54,991	\$ 69,331	\$ 502,683	\$ 535,695	\$ 28,064	\$ 9,765	\$ 14,193		
5,356	1,898	2,567	20,174	22,603	212	2,973	112		

MARION SENIOR SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015
(Concluded)

	PROGRAM SERVICES						
	Screening/ Assessment	Supplemental Services	Support Groups	Material Aid	Specialized Medical Equipment, Services, and Supplies	Total Other DOEA Services	Non-DOEA Related Services
Expenses (Concluded)							
Salaries	\$ 52,374	\$ 0	\$ 4,009	\$ 0	\$ 0	\$ 525,781	\$ 1,049,444
Payroll Taxes and Benefits	13,472	0	1,188	0	0	121,360	321,538
Travel	6,998	0	82	0	0	70,112	28,088
Building Space	1,829	0	89	0	0	19,864	3,653
Communications/Utilities	1,587	0	63	0	0	29,960	9,825
Printing/Supplies	198	0	0	0	0	8,661	11,393
Equipment	34	0	1	0	0	1,270	33,623
Insurance	368	0	0	0	0	4,006	465
Meals	0	0	0	0	0	369,368	106,729
Service Subcontracts	0	0	0	0	0	849,322	24,061
Depreciation	0	0	0	0	0	1,831	323
Vehicle Related Expenses	0	0	0	0	0	0	624,238
Other Costs	95	17,159	38	5,742	21,063	53,341	63,592
In-Kind Salaries and Building Space	14,777	1,907	673	567	0	203,536	9,000
Total Expenses	91,732	19,066	6,143	6,309	21,063	2,258,412	2,285,972
Allocation of Management and General	30,061	6,248	2,013	2,067	6,902	740,087	749,118
Total Expenses After Allocation	\$ 121,793	\$ 25,314	\$ 8,156	\$ 8,376	\$ 27,965	\$ 2,998,499	\$ 3,035,090
Total Units	3,167	91	153	65	134	N/A	N/A

Services for Other DOEA Programs	Total Program Costs	Unallowable Expenses	Management and General Admin/MIS	Total Supporting Services	2016 Totals	2015 Totals
\$ 0	\$ 1,575,225	\$ 0	\$ 543,523	\$ 543,523	\$ 2,118,748	\$ 1,993,811
0	442,898	0	113,418	113,418	556,316	560,765
0	98,200	0	2,324	2,324	100,524	94,468
0	23,517	0	31,803	31,803	55,320	53,645
0	39,785	0	26,260	26,260	66,045	67,208
0	20,054	0	40,543	40,543	60,597	62,576
0	34,893	0	1,698	1,698	36,591	3,540
0	4,471	0	191,449	191,449	195,920	173,023
0	476,097	0	(215)	(215)	475,882	418,215
0	873,383	0	0	0	873,383	891,318
0	2,154	0	437,518	437,518	439,672	528,681
0	624,238	0	0	0	624,238	694,008
56,587	173,520	0	119,428	119,428	292,948	238,269
0	212,536	0	0	0	212,536	235,571
56,587	4,600,971	0	1,507,749	1,507,749	6,108,720	6,015,098
18,544	1,507,749	0	(1,507,749)	(1,507,749)	0	0
\$ 75,131	\$ 6,108,720	\$ 0	\$ 0	\$ 0	\$ 6,108,720	\$ 6,015,098
N/A	N/A	N/A	N/A	N/A	N/A	N/A

**ADDITIONAL INFORMATION REQUIRED BY
UNIFORM GUIDANCE,
*GOVERNMENT AUDITING STANDARDS, AND
RULES OF THE AUDITOR GENERAL***

MARION SENIOR SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Grantor/Pass-Through Agency</u>	<u>CFDA/CSFA Number</u>	<u>Contract Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through State of Florida Department of Elder Affairs			
Through Elder Options:			
Aging Cluster:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers Program IIIB	93.044	OAA-16-MSS	\$ 303,774
Special Programs for the Aging - Title III, Part C - Nutrition Services Program C-1	93.045	OAA-16-MSS	305,343
Program C-2	93.045	OAA-16-MSS	385,550
Nutrition Services Incentive Program 10/1/2015 - 12/31/2016	93.053	NSIP-16-MAR	56,938
Total Aging Cluster			<u>1,051,605</u>
National Family Caregiver Support, Title III, Part E	93.052	OAA-16-MSS	107,334
Low-Income Home Energy Assistance	93.568	EA-16-MSS	65,070
Total U.S. Department of Health and Human Services			<u>1,224,009</u>
<u>Federal Transit Administration</u>			
Passed Through Florida Department of Transportation:			
Formula Grants for Rural Areas (Section 5311)	20.509	AQQ65	542,485
	20.509	AQQ65	147,165
Total Formula Grants for Rural Areas			<u>689,650</u>
Enhanced Mobility of Seniors and Individuals with Disabilities (Section 5310)	20.513	GOG31	220,131
Total Federal Transit Administration			<u>909,781</u>
<u>Corporation for National and Community Service</u>			
Passed through State of Florida Department of Elder Affairs:			
Senior Companion Program	94.016		1,167
	94.016	FSC17	1,460
Total Senior Companion Program			<u>2,627</u>
Total Corporation for National and Community Service			<u>2,627</u>
Total Expenditures of Federal Awards			<u>\$ 2,136,417</u>

See accompanying notes.

MARION SENIOR SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

<u>Grantor/Pass-Through Agency</u>	<u>CFDA/CSFA Number</u>	<u>Contract Grant Number</u>	<u>Expenditures</u>
Passed Through State of Florida Department of Elder Affairs through Elder Options:			
Community Care for the Elderly	65.010	CCE-15-MAR	\$ 364,332
	65.010	CCE-16-MSS	<u>365,518</u>
Total Community Care for the Elderly			729,850
Alzheimer Model Day Care, Memory Disorder Clinics, and Alzheimer Special Projects	65.002	ADI-15-MAR	120,557
	65.002	ADI-16-MSS	<u>139,467</u>
Total Alzheimer Model Day Care, Memory Disorder Clinics, and Alzheimer Special Projects			260,024
Local Services Program	65.009	LSP-15-MAR	6,357
	65.009	LSP-16-MSS	<u>20,433</u>
Total Local Services Program			26,790
Home Care for the Elderly	65.001	HCE-15-MAR	23,661
	65.001	HCE-16-MSS	<u>19,355</u>
Total Home Care for the Elderly			43,016
State of Florida Commission for the Transportation Disadvantaged:			
Commission for the Transportation Disadvantaged (CTD) Trip and Equipment Grant Program	55.001	GO174	411,078
	55.001	GOB83	<u>467,082</u>
Total State of Florida Commission for the Transportation Disadvantaged			<u>878,160</u>
Total Expenditures of State Financial Assistance			<u>1,937,840</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 4,074,257</u>

See accompanying notes.

MARION SENIOR SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016
(Concluded)

OTHER INFORMATION:

Significant accounting policies used in preparing the schedule of expenditures of federal awards and state financial assistance are disclosed in Note 1 beginning on page 10.

The amount of federally-supported insurance in effect during the year, and loans or loan guarantees outstanding at year-end is \$0.

Marion Senior Services, Inc. did not elect to use the 10% de minimis indirect cost rate as covered in 200.414, Indirect (F&A) costs, of the Uniform Guidance.

Reconciliation of Schedule of Expenditures of Federal Awards and State Financial Assistance to the Statement of Activities:

Total Federal Awards and State Financial Assistance	\$ 4,074,257
Additional Federal and State Funds not Included on Schedule of Expenditures of Federal Awards and State Financial Assistance:	
Community Care for Disabled Adults	<u>1,550</u>
Total Federal and State Funds	<u><u>\$ 4,075,807</u></u>
Presented in the Accompanying Statement of Activities as	
Federal and State Funds	<u><u>\$ 4,075,807</u></u>

See accompanying notes.

**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***

To the Board of Directors of
Marion Senior Services, Inc.
Ocala, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Marion Senior Services, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of December 31, 2016, 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 April 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marion Senior Services, Inc.'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 Marion Senior Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Marion Senior Services, Inc.'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors of
Marion Senior Services, Inc.
Ocala, Florida

**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*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion Senior Services, Inc.'s financial statements are free of 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 on the results of that testing, and not to provide an opinion on the effectiveness of Marion Senior Services, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marion Senior Services, Inc.'s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Purvis, Gray and Company, LLP

April 6, 2017
Ocala, Florida

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors of
Marion Senior Services, Inc.
Ocala, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Marion Senior Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Marion Senior Services, Inc.'s major federal programs and state projects for the year ended December 31, 2016. Marion Senior Services, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Marion Senior Services, Inc.'s major federal programs and state projects 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, the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, 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 and state project occurred. An audit includes examining, on a test basis, evidence about Marion Senior Services, Inc.'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 and state project. However, our audit does not provide a legal determination of Marion Senior Services, Inc.'s compliance.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors of
Marion Senior Services, Inc.
Ocala, Florida

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL
(Concluded)

Opinion on Each Major Federal Program and State Project

In our opinion, Marion Senior Services, Inc. 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 and state projects for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Marion Senior Services, Inc. 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 Marion Senior Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project 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 state project and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, 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 Marion Senior Services, Inc.'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 and state project 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 and state project 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 and state project 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 Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Durvis, Gray and Company, LLP

April 6, 2017
Ocala, Florida

MARION SENIOR SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND
THE RULES OF THE AUDITOR GENERAL
FOR THE YEAR ENDED DECEMBER 31, 2016

PART A - SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Marion Senior Services, Inc. as of and for the year ended December 31, 2016.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements of Marion Senior Services, Inc. No material weaknesses were identified.
3. No instances of noncompliance material to the financial statements of Marion Senior Services, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs or state projects are reported in the report on compliance with requirements applicable to each major federal program and state project and on internal control over compliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. No material weaknesses were identified.
5. The auditors' report on compliance for the major federal programs and state projects for Marion Senior Services, Inc. expresses an unmodified opinion.
6. The audit disclosed no findings related to federal programs and state projects required to be disclosed under Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* for Marion Senior Services, Inc.
7. The programs tested as major federal programs and major state projects included:
 - **Federal Programs**
 - Federal Transit Administration:
 - ▶ Formula Grants for Rural Areas; CFDA No. 20.509
 - ▶ Enhanced Mobility of Seniors and Individuals with Disabilities; CFDA No. 20.513
 - **State Projects**
 - State of Florida Department of Elder Affairs:
 - ▶ Community Care for the Elderly; CSFA No. 65.010
 - ▶ Alzheimer Model Day Care, Memory Disorder Clinics, and Alzheimer Special Projects; CSFA No. 65.002

MARION SENIOR SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND
THE RULES OF THE AUDITOR GENERAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(Concluded)

PART A - SUMMARY OF AUDITORS' RESULTS *(Concluded)*

8. The threshold for distinguishing Type A and Type B federal programs was \$750,000 and the threshold for state projects was \$300,000.
9. The auditee qualifies as a low-risk auditee pursuant to Uniform Guidance. This does not apply to state financial assistance projects.

PART B - FINDINGS - FINANCIAL STATEMENTS

There were no current year findings.

PART C - FINDINGS AND QUESTIONED COSTS

There were no current year findings.

PART D - OTHER ISSUES

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs or state projects.

No management letter is required because there were no findings required to be reported in a management letter.