

Iona Senior Services

Financial Statements,
Including Uniform Guidance Reports
and Independent Auditors' Report

September 30, 2017 and 2016

Iona Senior Services

Financial Statements
September 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Iona Senior Services

We have audited the accompanying financial statements of Iona Senior Services ("Iona"), which comprise the statements of financial position as of September 30, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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.

Auditor's Responsibility (continued)

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 Iona 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses, service statistics, service costs, and the schedule of expenditures of federal and District of Columbia awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 March 28, 2018, on our consideration of Iona'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 Iona's internal control over financial reporting and compliance.



Vienna, Virginia
March 28, 2018

Iona Senior Services

Statements of Financial Position September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 86,982	\$ 37,068
Accounts receivable, net	330,539	132,390
Pledges receivable, current portion (Note 6)	1,315,212	277,455
Grants and contracts receivable (Note 7)	332,270	244,605
Prepaid expenses	<u>58,196</u>	<u>25,623</u>
Total current assets	2,123,199	717,141
Pledges receivable, long-term, net (Note 6)	179,905	159,051
Investments (Note 4 and Note 11)	5,008,561	4,148,261
Property and equipment, net (Note 5)	<u>3,540,291</u>	<u>3,498,398</u>
Total assets	<u>\$ 10,851,956</u>	<u>\$ 8,522,851</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable	\$ 88,595	\$ 74,699
Accrued expenses	<u>164,281</u>	<u>122,123</u>
Total current liabilities	<u>252,876</u>	<u>196,822</u>
Total liabilities	<u>252,876</u>	<u>196,822</u>
Net Assets		
Unrestricted:		
Undesignated (Note 10)	4,386,834	3,991,339
Board-designated (Note 10)	<u>1,492,250</u>	<u>1,662,210</u>
Total unrestricted	5,879,084	5,653,549
Temporarily restricted (Note 10)	2,340,375	1,186,465
Permanently restricted (Note 10)	<u>2,379,621</u>	<u>1,486,015</u>
Total net assets	<u>10,599,080</u>	<u>8,326,029</u>
Total liabilities and net assets	<u>\$ 10,851,956</u>	<u>\$ 8,522,851</u>

See accompanying notes.

Iona Senior Services

Statement of Activities For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support				
Contributions	\$ 828,227	\$ 1,474,347	\$ 908,130	\$ 3,210,704
Government grants (Note 7)	1,651,681	-	-	1,651,681
Participant fees and third-party reimbursements	1,168,586	-	-	1,168,586
In-kind contributions	150,025	-	-	150,025
Interest and dividends (Note 4)	37,187	73,063	-	110,250
Other income	171,632	-	-	171,632
Release from restrictions - endowment earnings (Note 11)	326,909	(312,385)	(14,524)	-
Release from restriction - program	114,420	(114,420)	-	-
Released from restrictions - time	347,793	(347,793)	-	-
Total operating revenue and support	4,796,460	772,812	893,606	6,462,878
Expenses				
Program services	3,897,418	-	-	3,897,418
Total program services	3,897,418	-	-	3,897,418
Supporting services:				
Management and general	302,385	-	-	302,385
Fundraising	556,949	-	-	556,949
Total supporting services	859,334	-	-	859,334
Total expenses	4,756,752	-	-	4,756,752
Change in Net Assets from Operations	39,708	772,812	893,606	1,706,126
Non-Operating Activities				
Net realized and unrealized gain on investments (Note 4)	185,827	381,098	-	566,925
Total non-operating activities	185,827	381,098	-	566,925
Change in Net Assets	225,535	1,153,910	893,606	2,273,051
Net Assets, beginning of year	5,653,549	1,186,465	1,486,015	8,326,029
Net Assets, end of year	\$ 5,879,084	\$ 2,340,375	\$ 2,379,621	\$ 10,599,080

See accompanying notes.

Iona Senior Services

Statement of Activities For the Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support				
Contributions	\$ 820,569	\$ 546,278	\$ 38,046	\$ 1,404,893
Government grants	1,407,844	-	-	1,407,844
Participant fees and third-party reimbursements	1,076,479	-	-	1,076,479
In-kind contributions	155,474	-	-	155,474
Interest and dividends	33,327	54,731	-	88,058
Other income	178,807	-	-	178,807
Release from restrictions - endowment earnings (Note 11)	196,558	(196,558)	-	-
Release from restriction - program	52,600	(52,600)	-	-
Released from restrictions - time	302,127	(302,127)	-	-
Total operating revenue and support	4,223,785	49,724	38,046	4,311,555
Expenses				
Program services	3,467,877	-	-	3,467,877
Total program services	3,467,877	-	-	3,467,877
Supporting services:				
Management and general	397,250	-	-	397,250
Fundraising	549,297	-	-	549,297
Total supporting services	946,547	-	-	946,547
Total expenses	4,414,424	-	-	4,414,424
Change in Net Assets from Operations	(190,639)	49,724	38,046	(102,869)
Non-Operating Activities				
Net realized and unrealized gain on investments	56,563	90,121	-	146,684
Total non-operating activities	56,563	90,121	-	146,684
Change in Net Assets	(134,076)	139,845	38,046	43,815
Net Assets, beginning of year	5,787,625	1,046,620	1,447,969	8,282,214
Net Assets, end of year	\$ 5,653,549	\$ 1,186,465	\$ 1,486,015	\$ 8,326,029

See accompanying notes.

Iona Senior Services

Statements of Cash Flows For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 2,273,051	\$ 43,815
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	111,645	116,874
Donated securities	(560,875)	-
Change in allowance for receivables	1,361	4,639
Change in discount on multi-year pledges	8,568	-
Net realized and unrealized gain	(566,925)	(146,684)
Contributions of permanently restricted net assets	(908,130)	(38,046)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(199,510)	13,981
Pledges receivable	(1,067,179)	(231,630)
Grants and contracts receivable	(87,665)	(22,969)
Prepaid expenses	(32,573)	3,877
Increase in:		
Accounts payable	13,896	67,270
Accrued expenses	42,158	106
Net cash used in operating activities	(972,178)	(188,767)
Cash Flows from Investing Activities		
Purchases of fixed assets	(153,538)	(93,575)
Purchases of investments	(848,969)	(211,905)
Proceeds from sale of investments	1,116,469	307,322
Net cash provided by investing activities	113,962	1,842
Cash Flows from Financing Activity		
Contributions of permanently restricted net assets	908,130	38,046
Net cash provided by financing activity	908,130	38,046
Net Increase (Decrease) in Cash and Cash Equivalents	49,914	(148,879)
Cash and Cash Equivalents, beginning of year	37,068	185,947
Cash and Cash Equivalents, end of year	\$ 86,982	\$ 37,068

See accompanying notes.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

1. Nature of Operations

Iona Senior Services (“Iona”) has served as a respected and trusted provider of essential senior services for Washington, DC elders, their families, and the community since 1975. Iona fulfills its mission to support people as they experience the challenges and opportunities of aging through education, advocacy, and the provision of community-based programs and services to help people age well and live well. Iona envisions a community that celebrates, values, respects, and protects the contributions and possibilities of every individual. Iona’s activities are primarily funded through DC Government grants and contributions from private foundations, corporations, and individuals.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Iona’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of Iona’s operations. These net assets include both undesignated and internally-designated resources.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of Iona or the passage of time.
- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for the general operations of Iona or the restricted purpose imposed by the donors.

Cash Equivalents

For the purpose of the statements of cash flows, Iona considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition of cash equivalents are amounts held for investment.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Investments

Investments consist of money market funds, fixed income securities, equity securities, and limited partnerships. Investments in marketable securities are recorded at fair value based on quoted market prices. Interests in limited partnerships are reported at net asset value (NAV) as a practical expedient to fair value.

The fair value of investments in real estate funds and equity funds are determined based on NAV provided by the external investment managers of the underlying funds. Several of these investments, particularly those investing in private equity and real assets, hold investments in non-marketable securities for which there are no readily obtainable values. Values for these investments are provided by the investment manager and may be based on appraisals, obtainable prices for similar assets, or other estimates. Due to the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Realized and unrealized gains and losses are reported as non-operating activities in the accompanying statements of activities.

Accounts Receivable

Iona's accounts receivable are all due in less than one year and are recorded at net realizable value. Iona writes off accounts receivable when they become uncollectible. When necessary, an allowance for uncollectible accounts receivable is determined based upon management's best estimate of the potential future uncollectability of accounts outstanding. The allowance for doubtful accounts, based on management's evaluation of the collectability of receivables, was \$12,971 and \$11,610 at September 30, 2017 and 2016, respectively.

Pledges Receivable

Pledges receivable include unconditional promises to give from various individuals, organizations, and foundations, to be used in support of Iona's programs. Pledges receivable are reflected at either net realizable value or at net present value based on projected cash flows. Amounts receivable in more than one year were discounted at an average annual rate of 2.42% using a rate that considers market and credit risk. Management has not established an allowance for uncollectible pledges, since all amounts are deemed fully collectable at September 30, 2017 and 2016.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment acquisitions with a cost in excess of \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the shorter of the estimated useful lives of the related assets or applicable lease terms. The useful lives range from three to ten years. Repairs and maintenance costs are expensed as incurred.

Revenue Recognition

All contributions to Iona are considered to be available for unrestricted use unless specifically restricted by the donor. Iona reports contributions as temporarily 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 statements of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period as received.

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of Iona's programs and administration have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs or functions benefited.

Measure of Operations

Iona includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes realized and unrealized gains and losses on investments.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, Iona has evaluated events and transactions for potential recognition or disclosure through March 28, 2018, the date the financial statements were available to be issued.

Subsequent to year-end, on October 4, 2017, Iona entered into agreement to become the temporary fiduciary agent for the Downtown Cluster's Geriatric Day Care Center's ("the Center") grant from the DC Office on Aging (DCoA) for the period of October 1, 2017 through October 28, 2017. According to the terms of the agreement, Iona will serve as the trustee and have total responsibility for all Office on Aging grant funds awarded to the Center. Additionally, Iona agreed to act as fiduciary for the Center's fiscal year 2018 grant from DCoA from November 1, 2017 through September 30, 2018. As a part of this arrangement, the Center will not encumber any obligations without first obtaining the written permission of the Executive Director of Iona, and all expenditures associated with the fiscal year 2018 DCoA grant must be approved in advance by the Executive Director of Iona.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in Iona's fiscal year 2021.

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in Iona's fiscal year 2019.

Iona Senior Services

Notes to Financial Statements
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3. Concentrations of Credit Risk

Financial instruments that potentially subject Iona to significant concentrations of credit risk consist of cash and cash equivalents, and investments. Iona maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). Iona has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. Investments and Fair Value Measurement

Iona follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

Iona uses the NAV provided by external investment managers, as a practical expedient to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

4. Investments and Fair Value Measurement (continued)

For such investments, Iona has adopted the guidance outlined in ASU 2015-07 *Disclosure for Investments in Certain Entities That Calculated Net Asset Value per share (or its equivalent)*, which does not require these investments to be categorized within the fair value hierarchy. The amendments within ASU 2015-07 also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Those disclosures are instead limited to investments for which the entity has not elected to measure the fair value using a practical expedient. The guidance is effective for fiscal years beginning after December 15, 2016; however, early adoption is permitted. Iona early adopted ASU 2015-07 in the year ended September 30, 2017, and has applied the amendments retrospectively to all periods presented. The adoption of this new guidance by Iona only amended disclosure requirements and did not have an impact on Iona's financial statements for the periods presented.

In general, and where applicable, Iona uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. Iona considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Iona used the following methods and significant assumptions to estimate fair value of assets recorded at fair value:

Fixed Income Securities, Equity Securities, and Money Market Funds: Fair value of Iona's money market, and equity and fixed income mutual funds is determined based on quoted market prices and is classified as Level 1.

Private Equity Funds: Iona's investments in private equity funds are valued based on NAV per share practical expedient in accordance with ASU 2015-07. These instruments do not have a readily determinable fair value.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

4. Investments and Fair Value Measurement (continued)

The following table presents Iona's fair value hierarchy for those investments measured on a recurring basis at September 30:

	Total fair value	Level 1	Level 2	Level 3	NAV
<u>2017:</u>					
Fixed income:					
U.S. Treasury note	\$ 1,073,704	\$ 1,073,704	\$ -	\$ -	-
Bank loans	241,781	241,781	-	-	-
Consumer notes	621,670	621,670	-	-	-
Equity:					
U.S. equities	2,118,910	2,118,910	-	-	-
International equities	321,603	321,603	-	-	-
Money market funds	160,945	160,945	-	-	-
Private equity:					
Real estate investment trust	418,711	-	-	-	418,711
Global income trust	51,237	-	-	-	51,237
Total investments	\$ 5,008,561	\$ 4,538,613	\$ -	\$ -	\$ 469,948
<u>2016:</u>					
Fixed income:					
U.S. Treasury note	\$ 872,125	\$ 872,125	\$ -	\$ -	-
Bank loans	176,229	176,229	-	-	-
Consumer notes	765,466	765,466	-	-	-
Equity:					
U.S. equities	1,810,682	1,810,682	-	-	-
International equities	355,605	355,605	-	-	-
Money market funds	168,154	168,154	-	-	-
Total investments	\$ 4,148,261	\$ 4,148,261	\$ -	\$ -	-

Private equity funds are measured at NAV per share (or its equivalent) using the practical expedient, and have not been categorized in the fair value hierarchy. The fair value amounts presented in the above tables are intended to permit reconciliation of the fair value hierarchy to the amounts present in the accompanying statements of financial position.

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Notes to Financial Statements
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4. Investments and Fair Value Measurement (continued)

The following table summarizes the nature of Iona's private equity funds valued based on NAV as a practical expedient and its ability to redeem these funds as of September 30, 2017:

	Net Asset value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Private equity funds:				
Real estate investment trusts:				
KBS Real Estate Investment Trust III, L	\$ 185,759	-	Illiquid	Illiquid
Phillips Edison Grocery Center Real Estate Investment Trust I	93,667	-	Illiquid	Illiquid
NorthStar Healthcare Income, Inc.	139,285	-	Illiquid	Illiquid
Global income trust:				
HMS Income Fund, Inc.	51,237	-	Illiquid	Illiquid
Total investments based on NAV	\$ 469,948	\$ -		

Iona did not have any investments in private equity funds valued based on NAV as a practical expedient as of September 30, 2016.

Private equity funds consist of funds that directly invest in real estate investment trusts and global income trust. The fair value of the investments in this category has been estimated using the NAV of Iona's partnership interest in partners' capital. Investments in this class cannot be redeemed. Instead distributions are made from operating proceeds on a periodic basis. Iona currently does not intend to liquidate these various funds in the foreseeable future. Iona's private equity fund investments consist of the following funds:

Real Estate Investment Trusts

KBS Real Estate Investment Trust III (KBS) is a non-traded real estate investment trust that includes a diverse portfolio of real estate properties across the United States, as well as real-estate related loans and securities. Its strategy involves focusing on investing in a portfolio of core office properties and other types of properties. KBS performs monthly and annual valuation procedures for each Partnership Investment. The investments in this fund are valued at their NAV as reported by the underlying investment manager. Iona had an investment in KBS totaling \$185,759 at September 30, 2017.

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Notes to Financial Statements
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4. Investments and Fair Value Measurement (continued)

Phillips Edison Grocery Center Real Estate Investment Trust I (“the Center”) is an internally-managed, publicly-registered, non-traded real estate investment trust that seeks to invest primarily in grocery-anchored shopping centers. The Center performs only quarterly valuation procedures for each Partnership Investment. The investments in this fund are valued at their NAV as reported by the underlying investment manager. Iona had an investment in the Center totaling \$93,667 at September 30, 2017.

NorthStar Healthcare Income, Inc. (NorthStar Healthcare) is a public, non-traded real estate investment trust that was formed to originate, acquire, and manage asset equity and debt investments in healthcare real estate. NorthStar Healthcare is focused on investing in the needs-driven senior housing sector, including independent living facilities, assisted living, memory care, and skilled nursing facilities. NorthStar Healthcare performs quarterly and annual valuation procedures for each Partnership Investment. The investments in this fund are valued at their NAV as reported by the underlying investment manager. Iona had an investment in NorthStar Healthcare totaling \$139,285 at September 30, 2017.

Global Income Trust

HMS Income Fund, Inc. (“the Fund”) is a public, non-traded business development company that focuses on income and capital appreciation. The Fund’s strategy is to make debt investments in syndicated middle-market companies as well as self-originated debt and equity investments in lower middle-market companies. The Fund performs quarterly and annual valuation procedures for each Partnership Investment. The investments in this fund are valued at their NAV as reported by the underlying investment manager. Iona had an investment in the Fund totaling \$51,237 at September 30, 2017.

Investment income consists of the following for the years ended September 30:

	2017	2016
Interest and dividends	\$ 110,250	\$ 88,058
Net realized and unrealized gain	566,925	146,684
Total investment income	\$ 677,175	\$ 234,742

Iona Senior Services

Notes to Financial Statements
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5. Property and Equipment

Iona held the following property and equipment at September 30:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 4,927,996	\$ 4,791,969
Furniture and equipment	1,307,660	1,290,151
Vehicles	<u>24,118</u>	<u>24,118</u>
Total property and equipment	6,259,774	6,106,238
Less: accumulated depreciation	<u>(2,719,483)</u>	<u>(2,607,840)</u>
Property and equipment, net	<u>\$ 3,540,291</u>	<u>\$ 3,498,398</u>

6. Pledges Receivable

Pledges receivable are promised as follows at September 30:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 1,315,212	\$ 277,455
Receivable in one to five years	<u>188,473</u>	<u>159,051</u>
Total pledges receivable	1,503,685	436,506
Less: discount	<u>(8,568)</u>	<u>-</u>
Pledges receivable, net	<u>\$ 1,495,117</u>	<u>\$ 436,506</u>

7. Grant

Iona has been awarded a grant for Senior Services from the DC Office on Aging (DCoA), in order to provide a comprehensive array of services to older adults in Northwest Washington, DC during the project period of October 1, 2016 through September 30, 2017. The total project expenditures amounted to \$1,784,485 during the year ended September 30, 2017. Of the total expenditures, DCoA funded \$1,651,861, and Iona funded the remaining \$132,624. The amounts not received from DCoA as of the end of the year have been recorded as grants and contracts receivable in the amount of \$332,270 and \$244,605 at September 30, 2017 and 2016, respectively. Under the terms of the agreement, Iona may include donated services as part of the local cost share that do not meet the criteria for recording donated services under generally accepted accounting principles. Accordingly, these donated services have not been recorded in Iona's financial statements.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

8. Commitments and Contingencies

Operating Leases

In December 1991, Iona signed an operating lease agreement with the Government of the District of Columbia (“the District”) for the property and land located at 4125 Albemarle Street, which expires in 2041. The annual rent is fixed at the below-market rate of \$1 annually over the term of the lease, including any extensions that Iona elects to exercise.

Iona has the absolute right to renew the lease for an additional 50-year period after the expiration date. The lease stipulates that replacement buildings, whether paid for with funds contributed by the District or by Iona, will immediately vest in the District, and will belong to the District subject to the rights of Iona under the lease. Because Iona used funds contributed by donors to raze the existing building, ready the land for usage, and construct the building that currently occupies the land at 4125 Albemarle Street, the cost of the building and land improvement is recorded as a leasehold asset in the statements of financial position, and is depreciated over an estimated useful life of 60 years, which is less than the remaining life of the lease plus the automatic 50-year renewal.

Regarding the below market rent on the leased land, Iona does not record the fair value of use of the land as an in-kind donation, since it is impracticable to establish an estimated fair value. The leasehold assets are utilized in the direct conduct of Iona’s programs.

Iona also leases office equipment under several operating leases. Rent expense for the office equipment for the years ended September 30, 2017 and 2016 amounted to \$22,668 and \$22,728, respectively.

License Agreements

Iona entered into four operating license agreements to utilize several offices on the second and third floors. Two of the license agreements contained fixed fee monthly payments, and expired during 2017 and were not renewed. The third license agreement containing fixed monthly payments was scheduled to expire on September 30, 2017, however, it was transferred to a new licensee, and the agreement was extended through December 31, 2017. Subsequent to year-end, the new licensee entered into another license agreement to continue utilizing the space from January 1, 2018 through December 31, 2018 at the same fixed monthly payment.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

8. Commitments and Contingencies (continued)

License Agreements (continued)

The other license agreement on the second and third floors commenced on December 20, 2011 for the period of five years with a renewal option. The license agreement was renewed for an additional five-year term through 2021. The terms of this agreement require monthly payments of \$4,554 for the second-floor space and \$5,666 for the third-floor space, with annual escalations of 2%. Deferred license asset was not recorded in the accompanying statements of financial position due to immateriality. For the years ended September 30, 2017 and 2016, Iona recognized licensee income related to these agreements in the amount of \$165,453 and \$169,525, respectively.

In addition, due to the nominal amounts, future minimum land rental payments of \$1 per year through 2041 are not disclosed below.

Future minimum lease payments and license receipts under all non-cancellable operating leases and license agreements are as follows for the years ending September 30:

	<u>Equipment Lease Payments</u>	<u>License Receipts</u>	<u>Net</u>
2018	\$ 22,668	\$ (142,825)	\$ (120,157)
2019	22,668	(142,732)	(120,064)
2020	22,668	(145,587)	(122,919)
2021	18,890	(136,063)	(117,173)
Total	<u>\$ 86,894</u>	<u>\$ (567,207)</u>	<u>\$ (480,313)</u>

9. Line of Credit

On June 2, 2015, Iona opened a line of credit with a financial institution in the amount of \$250,000 secured by a blanket lien. The interest rate on any borrowings was 4.50%, and the expiration date was June 2, 2017. There was no balance due at September 30, 2016. The line of credit was extended past June 2, 2017, and closed on September 30, 2017.

On August 15, 2017, Iona opened a line of credit with a different financial institution in the amount of \$300,000 and is secured by a blanket lien. The interest rate is based on the thirty-day LIBOR rate plus 2.75%, floating with a floor of 3.98%. There was no outstanding balance on the line of credit at September 30, 2017.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

10. Net Assets

Unrestricted Undesignated Net Assets

Undesignated net assets are comprised of the following funds at September 30:

	2017	2016
Property and equipment	\$ 3,540,291	\$ 3,498,398
Undesignated	846,543	492,941
Total undesignated net assets	\$ 4,386,834	\$ 3,991,339

Unrestricted Board-Designated Endowment

Iona's Board of Directors has internally designated a portion of unrestricted net assets for the following purposes for the years ended September 30:

	2017	2016
Facility replacement fund	\$ 838,812	\$ 757,588
Program endowment fund	653,438	904,622
Total Board-designated net assets	\$ 1,492,250	\$ 1,662,210

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or special projects at September 30:

	2017	2016
Endowment earnings:		
Building fund earnings	\$ 1,028,843	\$ 986,338
Braxton I Warner Memorial earnings	6,293	3,570
Caregiver support fund earnings	-	5,006
Jerome Jacobson Foundation earnings	101,554	-
Program restricted:		
Senior Advisory Coalition	-	32,500
Time restricted – multi-year pledges	1,203,685	159,051
Total temporarily restricted net assets	\$ 2,340,375	\$ 1,186,465

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

10. Net Assets (continued)

Permanently Restricted Net Assets

Permanently restricted net assets consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Building fund	\$ 1,317,533	\$ 1,317,533
Caregiver support fund	129,608	144,132
Braxton I Warner Memorial fund	24,350	24,350
Jerome Jacobson Foundation fund	<u>908,130</u>	<u>-</u>
Total permanently restricted net assets	<u>\$ 2,379,621</u>	<u>\$ 1,486,015</u>

Building Fund: Permanently restricted net assets that consist of funds received by Iona in relation to its capital campaign, which ended in 1999, to raise endowment funds to provide investment income for use in maintaining its building.

Caregiver Support Fund: Permanently restricted net assets that consist of funds received by Iona that, according to the donor's wishes, are to be used to provide scholarships and related support for needy senior citizens in the Washington, DC area to attend Iona Wellness and Arts Programs.

Braxton I Warner Memorial: Permanently restricted net assets that consist of funds received by Iona that, according to the donor's wishes, are to be used to establish a training fund to be maintained separately and in perpetuity. The income from the fund is to be used to provide special training on an annual basis for the staff of Iona.

Jerome Jacobson Foundation: Permanently restricted net assets that consist of funds received by Iona that, according to the donor's wishes, are to be held in perpetuity. The income from the fund is to be used in support of Iona's programs and services at management's discretion, however, the principal is to be held in perpetuity as a part of Iona's endowment portfolio.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

11. Endowment

Iona's endowment has been funded by donor-restricted contributions to be held in perpetuity, the earnings of which are to be used for building-related expenditures including operations, maintenance, repairs and replacements, and capital improvements. In addition, Iona maintains a Board-designated endowment fund for support of Iona's programs. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Iona has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Iona classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Iona in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Iona considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of Iona and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of Iona; and (7) investment policies of Iona.

Return Objectives and Risk Parameters

Iona follows a conservative investment policy for endowment assets that attempts to preserve fully the original corpus and optimize returns. Under such a policy, the endowment assets would be invested in a manner that is intended to produce results exceeding major investment benchmarks while assuming a moderate level of risk.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

11. Endowment (continued)

Return Objectives and Risk Parameters (continued)

The Administration and Finance Committee shall make available, as needed each year, an amount that is equal to 5% of the average balance of the Building Endowment and Program Endowment over the previous twelve quarters (three years ending March 31), provided sufficient net appreciation is available over the historic dollar amount of those two funds. The Building Endowment fund can be used for general and operating expenses, and the Program Endowment fund can be used to support Iona's programs.

Strategies Employed for Achieving Objectives

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. The fair value of Caregiver support fund was less than related donor-restricted amounts by \$14,524 at September 30, 2017. Subsequent to year-end, Iona replenished this fund to its original value using unrestricted assets.

Composition of Endowment Funds

Endowment net asset composition was as follows as of September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,136,690	\$ 2,379,621	\$ 3,516,311
Board-designated endowment funds	1,492,250	-	-	1,492,250
Total endowment funds	<u>\$ 1,492,250</u>	<u>\$ 1,136,690</u>	<u>\$ 2,379,621</u>	<u>\$ 5,008,561</u>

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

11. Endowment (continued)

Composition of Endowment Funds (continued)

Endowment net asset composition was as follows as of September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 994,914	\$ 1,486,015	\$ 2,480,929
Board-designated endowment funds	1,662,210	-	-	1,662,210
Total endowment funds	\$ 1,662,210	\$ 994,914	\$ 1,486,015	\$ 4,143,139

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ 1,662,210	\$ 994,914	\$ 1,486,015	\$ 4,143,139
Investment return:				
Interest and dividends	37,183	73,063	-	110,246
Net appreciation	188,178	381,098	-	569,276
Total investment return	225,361	454,161	-	679,522
Contributions	-	-	908,130	908,130
Appropriation of assets for expenditure	(395,321)	(312,385)	(14,524)	(722,230)
Endowment net assets, ending	\$ 1,492,250	\$ 1,136,690	\$ 2,379,621	\$ 5,008,561

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

11. Endowment (continued)

Changes in Endowment Net Assets (continued)

Changes in endowment net assets were as follows for the year ended September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ 1,654,806	\$ 1,046,620	\$ 1,447,969	\$ 4,149,395
Investment return:				
Interest and dividends	33,291	54,731	-	88,022
Net appreciation	55,978	90,121	-	146,099
Total investment return	89,269	144,852	-	234,121
Contributions	-	-	38,046	38,046
Appropriation of assets for expenditure	(81,865)	(196,558)	-	(278,423)
Endowment net assets, ending	\$ 1,662,210	\$ 994,914	\$ 1,486,015	\$ 4,143,139

12. In-Kind Contributions

Donated Services

During the years ended September 30, 2017 and 2016, Iona received donated legal, consulting, and medical services amounting to \$50,425 and \$55,874, respectively, which are included in in-kind contributions in the accompanying statements of activities. Also included in the accompanying statements of activities are donated facilities in the form of free rent for events and activities, amounting to \$99,600 for both years ended September 30, 2017 and 2016.

In addition, Iona receives donated services and facilities relating to the DCoA grant described in Note 7. Iona received donated services in the form of volunteers, who delivered meals or paid social visits to seniors. However, these donated services are not reflected in the accompanying financial statements, since they do not meet the criteria for recognition under FASB ASC 958-605-25-16, *Contributed Services*.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

12. In-Kind Contributions (continued)

Donated Goods

Donated goods are recorded in the accompanying statements of activities at their estimated fair value at the date of receipt. There were no donated goods for the years ended September 30, 2017 and 2016.

13. Retirement Plan

Iona sponsors a defined contribution plan under Section 403(b) of the Internal Revenue Code (IRC), covering all employees who meet certain eligibility requirements. Participating employees may contribute up to a maximum of 100% of annual compensation as defined in the plan document, or the current dollar limit as defined by the IRC. Starting in 2013, Iona matched 1% of employees' salaries. During the year ended September 30, 2016, Iona increased the matching contribution to 2% of employees' salaries. Iona's contribution to the plan was \$52,497 and \$54,724 for the years ended September 30, 2017 and 2016, respectively.

14. Donor Advised Fund

In 1998, an agreement was signed between the Estate of Pauline Shackleton ("the Estate") and the Community Foundation for the National Capital Region ("the Community Foundation") to create a donor-advised fund entitled *The Polly Shackleton Fund for IONA Senior Services* ("the Fund"). The Community Foundation has legal control of the Fund and determines the amount and timing of distributions to Iona, while the Estate retains advisory privileges.

As of September 30, 2017 and 2016, total assets of the fund amounted to \$370,305 and \$351,683, respectively, which are not included in the accompanying statements of financial position. During the years ended September 30, 2017 and 2016, Iona received distributions in the amount of \$18,188 and \$17,313, respectively, which are included in contributions income in the accompanying statements of activities.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

15. Program Services

Consultation, Care Management, and Counseling

Iona's core programs are built around the needs of older adults and family caregivers who are facing difficult transitions, isolation, loss of family and social supports, and/or serious health challenges that impact their safety, well-being, and ability to remain in the home of their choice. Through the Consultation, Care Management, and Counseling programs, compassionate and highly trained social workers, psychotherapists, and registered nurses provide intensive, customized, person-centered support and solutions to older adults and families, helping them navigate complex challenges. In addition, Iona offers mental health counseling and support groups to help people better cope with caregiver stress, grief, loss, depression, chronic illness such as Parkinson's, low vision or other disabilities, memory loss, and major life transitions.

Harry and Jeanette Weinberg Adult Day Health, Wellness, and Arts Center

Iona's Harry and Jeanette Weinberg Adult Day Health, Wellness, and Arts Center is an award-winning, state-of-the-art adult day health program that provides holistic, individualized care and robust programming, including art therapies for older adults in a safe, medically-supervised and social community. Iona's trained and experienced staff members care for and engage older adults living with Alzheimer's or Parkinson's disease, diabetes, stroke, and many other chronic conditions and/or physical and intellectual disabilities, while providing support and respite to their family caregivers.

Information, Referral, and Community Programming

In addition to the 3,000 older adults and family caregivers annually who are directly helped by Iona to cope with the complex challenges of aging, Iona reaches 20,000 people with information from its website and free Resource Guide. In fiscal year 2017, 3,934 calls to Iona's Helpline from 2,500 people were answered by expert staff comprised of social workers and nurses who connect people to resources at Iona and beyond. Iona also supports active older adults who want to live vibrant lives through the innovative Take Charge/Age Well Academy, fitness classes in Iona's exercise studio, and the Lois and Richard England Gallery at Iona. Iona's Active Wellness Program at St. Alban's provides opportunities for socializing, life-long learning, and wellness classes. Activities include a nutritious lunch, exercise, a Farmer's Market, nutrition education, and field trips. In fiscal year 2017, 436 volunteers gave 14,475 hours of their time and talent in service to Iona's mission.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

15. Program Services (continued)

Advocacy

Iona hosts three advocacy groups that work to improve the quality of life for older adults and their families in Washington, DC.

The DC Coalition on Long-Term Care (“the Coalition”) was founded in 1995 by concerned consumers, advocates, and health care providers to develop quality and affordable long-term care options for low-income DC older adults and persons with disabilities or chronic health care needs to age in place. The Coalition’s current work is focused on wage improvement, health benefits, training, supervision, and opportunities for advancement of the necessary long-term care workforce.

The DC Senior Advisory Coalition (S.A.C.) was founded in 2009 by community-based providers to be a supportive voice for and with older adults in the District of Columbia, to build a community where all seniors thrive. Iona’s Executive Director currently co-chairs the group of more than 50 member service providers and dedicated individual advocates as they work in four important areas: the provision of food, transportation, assistance at home, and housing for the most vulnerable, low-income older adults in the city.

Iona’s Citizens Advisory Group (CAG) members are designated representatives of local aging-in-place villages, citizen advocacy initiatives, Advisory Neighborhood Commissions (ANC), local congregations, and respected activists. CAG members discuss critical issues affecting older adults living in Washington, DC and the impact of public policy on the quality of life of older adults. The members advocate and provide education that will empower and inform their fellow 60+ residents.

Corporate Eldercare

Iona provides confidential, comprehensive support and resources to help employees through the challenges of caregiving. The services Iona provides include full- or part-time onsite professional consulting by a licensed social worker; in-depth customized resources and referrals; educational seminars on caregiving and retirement; professionally-facilitated support groups; and articles for employees on aging/caregiving issues.

Iona Senior Services

Notes to Financial Statements
September 30, 2017 and 2016

16. Income Taxes

Under IRC Section 501(c)(3), Iona is exempt from federal and state income taxes other than unrelated business income, and is classified as other than a private foundation according to IRC Section 509(a)(1). Contributions to Iona are deductible as provided in IRC Section 170(b)(1)(A)(vi). At September 30, 2017 and 2016, no income tax provision was made, as Iona did not have any unrelated business income. Management has evaluated Iona's tax positions, and concluded that Iona's financial statements do not include any uncertain tax positions.

SUPPLEMENTARY INFORMATION

Iona Senior Services

Schedule of Functional Expenses
For the Year Ended September 30, 2017
(with Comparative Totals for the Year Ended September 30, 2016)

	Program Services					Supporting Services			2016 Total
	Social Services	Community Programs	Adult Day Health Center	Long-Term Care	Program Services	Management and General	Fundraising	2017 Total	
Salaries and employee benefits	\$ 1,174,724	\$ 464,296	\$ 727,914	\$ -	\$ 2,366,934	\$ 443,399	\$ 299,287	\$ 3,109,620	\$ 2,854,332
Contract staff	31,847	235,424	83,249	64,584	415,104	138,844	21,395	575,343	471,046
Recruitment	-	-	449	-	449	1,844	-	2,293	709
Occupancy, in-kind	-	99,600	-	-	99,600	-	-	99,600	99,600
Occupancy, expenses	76,012	32,509	41,123	1,200	150,844	91,553	50,108	292,505	280,584
Printing and copying	9,248	2,692	2,985	-	14,925	20,263	22,777	57,965	59,849
Advertising, photos, and graphics	892	-	-	-	892	-	5,298	6,190	4,278
Computer and IT support	14,698	9,802	8,585	893	33,978	5,887	792	40,657	40,672
Meals	-	29,895	46,433	-	76,328	-	148	76,476	80,605
Special events	23,834	-	-	-	23,834	101	24,408	48,343	58,878
Insurance	24,345	10,063	9,018	325	43,751	4,940	5,410	54,101	50,812
Investment management fees	-	-	-	-	-	34,251	-	34,251	29,683
Accounting and auditing	-	-	-	-	-	33,956	-	33,956	31,869
Bank charges	-	-	-	-	-	9,078	-	9,078	6,234
Dues and subscriptions	2,309	1,020	3,685	-	7,014	2,489	7,292	16,795	13,573
Miscellaneous	250	-	-	-	250	1,536	-	1,786	1,340
Program supplies	5,665	11,717	24,027	20	41,429	6,605	-	48,034	31,491
Office supplies	370	435	722	-	1,527	11,857	548	13,932	12,219
Training	3,993	80	1,649	-	5,722	1,350	31,928	39,000	59,140
Postage and delivery	-	19	23	-	42	5,959	12,426	18,427	23,845
Bus operations	-	1,856	-	-	1,856	584	-	2,440	1,760
Travel	10,174	1,254	388	-	11,816	611	102	12,529	24,518
Indirect expenses	214,704	137,645	119,633	31,118	503,100	(557,312)	54,212	-	-
Depreciation	12,977	17,002	31,573	1,971	63,523	43,229	4,893	111,645	116,874
Bad debt	-	-	-	-	-	1,361	-	1,361	4,639
Donated services	30,900	-	3,600	-	34,500	-	15,925	50,425	55,874
Total 2017 Expenses	\$ 1,636,942	\$ 1,055,309	\$ 1,105,056	\$ 100,111	\$ 3,897,418	\$ 302,385	\$ 556,949	\$ 4,756,752	
Total 2016 Expenses	\$ 1,373,649	\$ 996,578	\$ 991,883	\$ 105,767	\$ 3,467,877	\$ 397,250	\$ 549,297		\$ 4,414,424

Iona Senior Services

Supplementary Schedule of Service Statistics
For the Year Ended September 30, 2017

<u>Service Category</u>	Congregate Meals		Health Promotion		Nutrition Counseling		Nutrition Education		Recreation/Socialization		Home Delivered Meals	
	Weekday	Counseling									Weekend	
Units of service per IONA records	8,317	2,797	4,433	413	372	7,858	13,006					
Audit adjustments	-	-	-	-	-	-	-					
Actual audited units of service	8,317	2,797	4,433	413	372	7,858	13,006					

<u>Service Category</u>	Transportation of Home Delivered Meals		Transportation to Sites/Activities		Comprehensive Assessment		Case Management		Home Delivered Meals		Geriatric Day Care		Literacy	
									Weekday	Weekend				
Units of service per IONA records	4,899	-	197	4,111	35,018	5,373	-							
Audit adjustments	-	-	-	-	-	-	-							
Actual audited units of service	4,899	-	197	4,111	35,018	5,373	-							

Iona Senior Services

Supplementary Schedule of Service Costs
For the Year Ended September 30, 2017

<u>Service Category</u>	Total	Local Share	OoA Share	Actual Service Units	OoA Unit Cost	Total Unit Cost
Congregate meals, weekday	\$ 134,254	\$ 42,200	\$ 92,054	8,317.00	\$ 10.81	\$ 16.14
Counseling	130,049	8,000	122,049	2,797.00	37.15	46.50
Health promotion	47,600	33,200	14,400	4,433.00	14.00	10.74
Nutrition counseling	26,964	5,000	21,964	412.50	89.88	65.37
Nutrition education	1,270	-	1,270	372.00	2.12	3.41
Recreation/socialization	48,359	33,200	15,159	7,858.00	7.40	6.15
Transportation of home delivered meals	12,699	-	12,699	4,899.00	2.54	2.59
Transportation to site/activities	-	-	-	N/A	-	N/A
Comprehensive assessment	26,251	-	26,251	196.50	117.82	133.59
Case management	411,684	5,000	406,684	4,111.00	91.49	100.14
Home delivered meals, weekday	45,210	4,865	40,345	35,018.00	1.55	1.29
Home delivered meals, weekend	39,047	-	39,047	13,006.00	3.47	3.00
Geriatric day care	269,710	18,030	251,680	5,373.25	26.97	50.19
Information and referral (non-unit)	92,219	-	92,219	N/A	N/A	N/A
Data management (non-unit)	20,049	-	20,049	N/A	N/A	N/A
Community engagement (non-unit)	46,830	-	46,830	N/A	N/A	N/A
Nutrition supplement	21,150	-	21,150	N/A	N/A	N/A
Elder Abuse	23,843	-	23,843	N/A	N/A	N/A
Totals	\$ 1,397,188	\$ 149,495	\$ 1,247,693			

Percentage of Costs	100.00%	10.70%	89.30%
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**SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED
BY THE UNIFORM GUIDANCE**

**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
Iona Senior Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Iona Senior Services ("Iona"), which comprise the statement of financial position as of September 30, 2017, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2018.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iona’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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "ROGERS + COMPANY PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
March 28, 2018

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

To the Board of Directors of
Iona Senior Services

Report on Compliance for Each Major Federal Program

We have audited Iona Senior Services' ("Iona") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Iona's major federal program for the year ended September 30, 2017. Iona's major federal program is 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 its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Iona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iona'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 the major federal program. However, our audit does not provide a legal determination of Iona's compliance.

Opinion on the Major Federal Program

In our opinion, Iona 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 Iona 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 Iona's internal control over compliance with the types of requirements that could have a direct and material effect on its 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 Iona's internal control over compliance.

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

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

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.

A handwritten signature in black ink that reads "ROGERS + COMPANY PLLC". The signature is stylized, with the "R" being particularly large and the "+" sign being a simple cross.

Vienna, Virginia
March 28, 2018

Iona Senior Services

Schedule of Expenditures of Federal and
District of Columbia Awards
For the Year Ended September 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agency or Pass-Through Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Health & Human Services			
Passed through from DC Office on Aging: Ward 3 Lead Agency Grant	LA-ION017-17	93.044 & 93.041	\$ 125,329
Alzheimer's Disease Initiative	ALZ901-17	93.763	363,318
Senior Village Program	IONATS-3-17	93.044	<u>7,980</u>
Subtotal federal awards			<u>496,627</u>
<u>Non-Federal Awards</u>			
DC Office on Aging: Ward 3 Lead Agency Grant	LA-ION017-17	93.044 & 93.041	<u>1,155,054</u>
Subtotal non-federal awards			<u>1,155,054</u>
Total expenditures of awards			<u>\$ 1,651,681</u>

See accompanying note to this schedule.

Iona Senior Services

Notes to the Schedule of Expenditures of Federal and District of Columbia Awards For the Year Ended September 30, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Iona under the programs of the federal government for the year ended September 30, 2017. The information in the SEFA 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 SEFA presents only a selected portion of the operations of Iona, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Iona.

2. Summary of Significant Accounting Policies

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

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. The cost principles indicate that certain types of expenditures are not allowable or reimbursements of allowable costs are limited as to reimbursement.

3. Indirect Cost Rates

Iona records its expenditures of federal awards using the indirect cost and fringe benefit rates per the nonprofit rate agreement with the DC government, which was approved in accordance with the authority in the Uniform Guidance. In this manner, Iona has elected not to use the 10% *de minimis* indirect cost rate, which is allowed in accordance with the Uniform Guidance.

4. Subrecipients

Iona did not provide any awards to subrecipients for the year ended September 30, 2017.

Iona Senior Services

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section I – Summary of Independent Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of major program:

Agreement Number	Name of Federal Program or Cluster
93.044 & 93.041	Pass-through program from the DC Office on Aging

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Iona Senior Services

Schedule of Findings and Questioned Costs (continued)
For the Year Ended September 30, 2017

Section II – Financial Statement Findings

There were no financial statement findings reported during the 2017 audit.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported during the 2017 audit.

Iona Senior Services

Corrective Action Plan
For the Year Ended September 30, 2017

There were no findings for the year ending September 30, 2017 and therefore, a corrective action plan was not needed.

Iona Senior Services

Schedule of Prior Audit Findings
For the Year Ended September 30, 2017

There were no findings or questioned costs reported for the 2016 audit.