

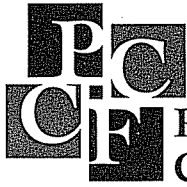
**COUNCIL ON AGING OF
MARTIN COUNTY, INC.
STUART, FLORIDA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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YEAR ENDED JUNE 30, 2010

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**PROCTOR, CROOK,
CROWDER & FOGAL**

CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES
AUDIT, TAXATION & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Management
Council on Aging of Martin County, Inc.
Stuart, Florida

We have audited the accompanying statement of financial position of Council on Aging of Martin County, Inc. as of June 30, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Council on Aging of Martin County, Inc.'s management. 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Council on Aging of Martin County, Inc. as of June 30, 2010 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2010, on our consideration of Council on Aging of Martin County, 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 the 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.

MEMBER:

DIVISION FOR CPA FIRMS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS



CPAUSA

The Board of Directors and Management
Council on Aging of Martin County, Inc.
Page Two

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Rule 69I-5, *Rules of the Florida Department of Financial Services, Florida Administrative Code*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Proctor, Crook, Crowder & Fogal, P.A.

33 S.W. Flagler Avenue
Stuart, Florida
October 8, 2010



COUNCIL ON AGING OF MARTIN COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 1,875,976	\$ 598,909	\$ 362,120	\$ 2,837,005
Investments	-	-	171,419	171,419
Due from/(to) other net asset class	(42,835)	-	42,835	-
Accounts receivable, net of allowance for doubtful accounts of \$3,493	275,460	-	-	275,460
Grants receivable	284,685	-	-	284,685
Unconditional promises to give, net	-	2,322,739	-	2,322,739
Prepaid expenses	37,839	122,200	-	160,039
Property and equipment, net of accumulated depreciation of \$2,168,560	388,110	4,478,150	-	4,866,260
Total assets	<u>\$ 2,819,235</u>	<u>\$ 7,521,998</u>	<u>\$ 576,374</u>	<u>\$ 10,917,607</u>
 LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 1,059,175	\$ -	\$ -	\$ 1,059,175
Accrued liabilities	174,220	-	-	174,220
Grant advances	387,951	-	-	387,951
Due to annuitants	827	-	-	827
Total liabilities	<u>1,622,173</u>	<u>-</u>	<u>-</u>	<u>1,622,173</u>
Net assets	<u>1,197,062</u>	<u>7,521,998</u>	<u>576,374</u>	<u>9,295,434</u>
Total liabilities and net assets	<u>\$ 2,819,235</u>	<u>\$ 7,521,998</u>	<u>\$ 576,374</u>	<u>\$ 10,917,607</u>

The accompanying notes are an integral part of these financial statements.

COUNCIL ON AGING OF MARTIN COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Grants:				
Federal	\$ 620,398	\$ 427,975	\$ -	\$ 1,048,373
State	503,552	2,058,353	-	2,561,905
Local	138,675	-	-	138,675
Donations	687,029	348,934	750	1,036,713
Fees for services/program income	1,739,318	-	-	1,739,318
Investment income	32,226	-	-	32,226
Special events	125,135	-	-	125,135
Gain on sale of property and equipment	475,909	-	-	475,909
Miscellaneous	3,162	-	-	3,162
	4,325,404	2,835,262	750	7,161,416
Net assets released from restrictions	476,529	(476,529)	-	-
Total revenues and support	4,801,933	2,358,733	750	7,161,416
Expenses:				
Program services:				
Adult day care	235,188	-	-	235,188
Case management services	688,513	-	-	688,513
Meals program	656,831	-	-	656,831
Senior center	22,014	-	-	22,014
Transportation	1,554,374	-	-	1,554,374
Total program services	3,156,920	-	-	3,156,920
Supporting services:				
Management and general	577,025	-	-	577,025
Fund-raising	501,167	-	-	501,167
Total supporting services	1,078,192	-	-	1,078,192
Total expenses	4,235,112	-	-	4,235,112
Changes in net assets	566,821	2,358,733	750	2,926,304
Net assets beginning of year	630,241	5,163,265	575,624	6,369,130
Net assets at end of year	\$ 1,197,062	\$ 7,521,998	\$ 576,374	\$ 9,295,434

The accompanying notes are an integral part of these financial statements.

COUNCIL ON AGING OF MARTIN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	Program Services					Supporting Services				
	Adult Day Care	Case Management Services	Meals Program	Senior Center	Transportation	Total	Management & General	Fund Raising	Total	Total
Salaries	\$ 153,204	\$ 253,421	\$ 130,765	\$ 12,377	\$ 606,275	\$ 1,156,042	\$ 332,003	\$ 227,126	\$ 559,129	\$ 1,715,171
Employee benefits	10,068	20,663	9,214	1,894	66,468	108,307	19,418	17,829	37,247	145,554
Payroll taxes	14,545	21,960	13,224	992	54,746	105,467	29,025	19,507	48,532	153,999
Total salaries and related expenses	177,817	296,044	153,203	15,263	727,489	1,369,816	380,446	264,462	644,908	2,014,724
Contract fees	4,361	478	11,559	-	31,697	48,095	124,073	95,218	219,291	267,386
Client meals and services	5,234	332,604	421,657	-	431	759,926	-	10,858	10,858	770,784
Vehicle maintenance and supplies	-	123	12,990	-	185,762	198,875	-	-	-	198,875
Advertising / Promotion	317	-	494	-	2,348	3,159	1,826	4,241	6,067	9,226
Supplies	7,717	7,279	11,029	1,350	35,529	62,904	64,855	44,068	108,923	171,827
Information Technology	-	-	-	-	7,383	7,383	22,797	-	22,797	30,180
Leases	950	-	4,245	2,295	86,123	93,613	179,935	-	179,935	273,548
Travel	-	570	1,637	-	109	2,316	889	1,539	2,428	4,744
Meetings	250	1,374	742	-	429	2,795	2,537	670	3,207	6,002
Interest	-	-	-	-	-	-	2,909	-	2,909	2,909
Insurance	-	-	7,495	-	64,967	72,462	44,601	-	44,601	117,063
Special Event Expense	-	-	-	-	-	-	153	29,782	29,935	29,935
Miscellaneous	369	865	458	-	275	1,967	13,368	6,482	19,850	21,817
Depreciation	9,061	707	6,239	607	292,727	309,341	6,202	549	6,751	316,092
	206,076	640,044	631,748	19,515	1,435,269	2,932,652	844,591	457,869	1,302,460	4,235,112
Allocation of management and general costs	29,112	48,469	25,083	2,499	119,105	224,268	(267,566)	43,298	(224,268)	-
Total expenses	\$ 235,188	\$ 688,513	\$ 656,831	\$ 22,014	\$ 1,554,374	\$ 3,156,920	\$ 577,025	\$ 501,167	\$ 1,078,192	\$ 4,235,112

The accompanying notes are an integral part of these financial statements.

COUNCIL ON AGING OF MARTIN COUNTY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Change in net assets	\$ 2,926,304
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	316,092
Gain on sale of property and equipment	(475,909)
Bad debt	5,000
Gain on investments	(19,473)
Contribution of prepaid rent for future period	(122,200)
Capital contributions and grants	(2,843,420)
Endowment contributions	(750)
Changes in assets and liabilities:	
Increase in accounts receivable	(189,497)
Decrease in grants receivable	77,215
Decrease in unconditional promises to give	11,729
Decrease in prepaid expenses	43,097
Increase in accounts payable	66,608
Increase in accrued expenses	1,604
Increase in grant advances	295,199
Decrease in due to annuitants	(5,664)
Total adjustments	<u>(2,840,369)</u>
Net cash provided by operating activities	<u>85,935</u>
Cash flows from investing activities:	
Purchase of property and equipment	(1,784,828)
Proceeds from sale of property and equipment	1,406,905
Proceeds from sale of investments	385,807
Purchase of investments	(24,684)
Net cash used by investing activities	<u>(16,800)</u>
Cash flows from financing activities:	
Capital contributions and grants	2,843,420
Endowment contributions	750
Proceeds from line of credit	85,000
Principal payments on line of credit	(263,187)
Principal payments on notes payable	(650,000)
Net cash provided by financing activities	<u>2,015,983</u>
Net increase in cash and cash equivalents	2,085,118
Cash and cash equivalents at beginning of year	<u>751,887</u>
Cash and cash equivalents at end of year	<u>\$ 2,837,005</u>

Supplemental disclosure of cash flow information (note 12).

The accompanying notes are an integral part of these financial statements.

COUNCIL ON AGING OF MARTIN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - ORGANIZATION AND PURPOSE

In the home, at centers and at sites throughout the community, Council on Aging of Martin County, Inc. (the Council) helps older people live in their own homes and neighborhoods, maintaining their independence and health. The Council is the support system for their caregivers and families.

Whether the need is providing transportation to a pharmacy or physician appointment, serving a homebound senior a meal, or caring for someone in an adult day care facility that might otherwise be in a nursing home; the Council is there, quietly meeting the needs of more than a thousand families each year in Martin County.

Founded and incorporated in Florida in 1974, the Council is a not-for-profit corporation that provides support for seniors each year by:

- Offering adult day care services to physically or mentally challenged seniors.
- Delivering meals through Meals on Wheels and at senior dining centers.
- Providing transportation to medical appointments, grocers or pharmacies.
- Ensuring help at home through geriatric care management by certified professionals.
- Hosting senior activities and classes.

Funding for program services is derived from grants (federal, state, local governments, and others), donations, and program service fees. The Council is committed to providing service based on need and not on ability to pay. It provides quality services that are reliable, compassionate and professional while preserving the dignity, pride and security of elders.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation — The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. An asset or liability's classification depends on the restrictions placed on it by the donor.

Accounting 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 of assets and liabilities and 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.

Investments — Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market value. Donated investments are recorded as contributions equal to their market value at the date of receipt. Unrealized gains and losses are included in the change in net assets. Investment return that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the investment return is recognized.

(Notes continued on next page)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable — Accounts receivable represents amounts owed for program services performed in Martin County, Florida, on behalf of clients. These amounts have been determined based upon the actual services provided by the Organization and the standard fees for these services. No interest is accrued on any accounts receivable. Amounts outstanding over sixty days are considered delinquent. There were no amounts outstanding over sixty days at June 30, 2010.

Allowance for Doubtful Accounts — The Organization determines an allowance for uncollectible receivables by specifically identifying balances which are doubtful as to collectability (typically amounts over sixty days old).

Promises to Give — The Organization recognizes contributions at their estimated fair values when the donor makes a promise to give that is, in substance, unconditional.

Unconditional promises to give cash over a period of time exceeding one year are recorded at their present value of estimated future cash flows using a discount rate appropriate for the level of risk involved. Any related interest income is recorded as contribution revenue over the duration of the pledge.

Contributions that are restricted by the donor are presented as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method in determining uncollectible unconditional promises to give.

Property and Equipment — The Organization capitalizes all long-lived assets with an estimated useful life of three years or more and original cost/value of \$2,500 or more. Property and equipment are stated at cost for purchased assets and estimated fair value for donated assets and depreciated using the straight-line method over the following useful lives:

	<u>Life</u>
Buildings and improvements	7 - 31.5 Years
Furniture and equipment	3 - 7 Years
Computers	3 Years
Transportation	5 Years

Contributions of property and equipment are recorded as revenue at their estimated fair value. Such contributions are reported as unrestricted revenue unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted revenue. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

(Notes continued on next page)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bequests — Bequests that have been declared valid by a probate court are recorded as revenue at the estimated fair value of the Organization's interest in the estate.

Contributed Services — Contributions of services are recognized as revenue at their estimated values at the date of receipt if the services received create or enhance nonfinancial assets or require a specialized skill. No contributed services have been recognized in the accompanying financial statements.

Expense Allocation — The costs of the various programs have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, costs have been allocated among the Program and Supporting Services, based upon the square footage of the building which different programs utilize, the number of units of service provided to various programs, and the amount of time spent on activities based upon time studies.

Advertising Costs — All advertising costs are considered nondirect-response advertising costs and are expensed as incurred.

Accrued Compensated Absences — Paid time off is accrued based on completed years of employment with the Council. Paid time off may be accrued up to a maximum of 80 hours. Upon resignation, termination or retirement, employees are paid in one lump sum for accrued paid time off as of the last day of employment.

Employees of the Council are also entitled to accrue extended illness time off. This time is for a serious personal medical condition, hospitalization experienced by an employee, or for an employee to care for an immediate family member. Employees can accrue a maximum of 48 hours per fiscal year. The extended illness time off may be accrued up to a maximum of 240 hours and will be forfeited upon separation of employment. As of June 30, 2010, the accrued extended illness time off was valued at \$88,468. This amount has not been recorded in the financial statements since it is not a qualifying liability under accounting principles generally accepted in the United States of America.

Income Taxes — Income taxes are not provided for in the financial statements since the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

Effective July 1, 2009, the Organization adopted the provisions of FASB ASC 740-10, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by defining the criterion an individual tax position must meet for any part of the benefit of the tax position to be recognized in financial statements prepared in conformity with accounting principles generally accepted in the United States of America. The Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based solely on the technical merits of the tax position. The tax benefits recognized in the financial statements from such a tax position should be measured based on the largest benefit having a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. Additionally, FASB ASC 740-10 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with the disclosure requirements, the Organization's policy on statement of activity and functional expense classification of interest and penalties related to income tax obligations is to include such items as part of total interest expense. At June 30, 2010, the Organization did not have any uncertain tax positions and thus has not recognized any liabilities, interest or penalties in these financial statements. Tax years that remain subject to examination by taxing authorities are 2008, 2007 and 2006.

(Notes continued on next page)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Flows — The Organization presents its cash flows using the indirect method. Cash and cash equivalents may consist of cash on hand, time deposits, and all highly liquid debt instruments with original maturities of three months or less.

NOTE 3 - CONCENTRATIONS OF RISK

The Organization maintains cash deposits at financial institutions located in Martin County, Florida. Deposits located at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and during the year balances may fluctuate above and below this amount. At June 30, 2010, the uninsured portion of deposits at the financial institutions aggregated to approximately \$2,360,000.

The Council received approximately \$2,562,000 of funding from one source that individually comprised ten percent or more of total revenue and support for the year ending June 30, 2010. As of June 30, 2010, the Council had receivables from this source of approximately \$149,000. Furthermore, the Council had \$2,500,000 of unconditional promises to give from one source at June 30, 2010, that individually comprised ten percent or more of total unconditional promises to give.

NOTE 4 - INVESTMENTS

Investments are reported at fair market value. Donated investments are recorded at their fair market value on the date of donation. Investment interest, dividends, gains and losses on sales of securities and unrealized gains and losses are generally reflected in the statement of activities as unrestricted revenue.

The composition of investment income included in the statement of activities for the year ending June 30, 2010 is:

Interest and dividends	\$ 12,753
Net realized gains on investments	1,891
Net unrealized gains on investments	<u>17,582</u>
	<u>\$ 32,226</u>

Investments as of June 30, 2010 are summarized as follows:

Money funds	\$ 3,053
Common stock	<u>168,366</u>
	<u>\$ 171,419</u>

(Notes continued on next page)

NOTE 5 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are stated at fair value, which represents the net present value of future payments. The balance as of June 30, 2010 is as follows:

Restricted to capital campaign	\$ 2,567,750
Less - unamortized discount (5%)	(234,848)
Less - allowance for uncollectibles	(10,163)
	<u> </u>
	<u><u>\$ 2,322,739</u></u>

Details of unconditional promises to give at June 30, 2010 is as follows:

Due within one year	\$ 536,050
Due within one to five years	2,031,700
Due in more than five years	-
	<u> </u>
	<u><u>\$ 2,567,750</u></u>

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2010 is as follows:

Land	\$ 1,309,902
Furniture and equipment	337,660
Computers	331,237
Transportation	2,306,858
Construction in progress	2,749,163
	<u> </u>
	7,034,820
Less - accumulated depreciation	(2,168,560)
	<u> </u>
	<u><u>\$ 4,866,260</u></u>

Certain assets purchased with government grant funds are the property of the grantor for a specified number of years or until the assets meet certain criteria as specified in the grant agreements. Accordingly, these assets are recorded as temporarily restricted. An inventory of these assets is maintained and reported on annual basis. Upon completion of the requirements, the asset becomes the property of the Council and is transferred to unrestricted assets.

In July 2009, the Organization sold the property located at East Tenth Street in Stuart, Florida. The Organization may remain on the property through July 2011 and lease the property through an in-kind agreement. The Organization does not have any continued involvement in the property. The Council has recognized an unrestricted in-kind contribution and expense in the Statement of Activities for 2010 in the amount of \$103,400 and a temporarily restricted contribution of prepaid rent for the next operating cycle in the amount of \$122,200. The value of these contributions represents fair market value based upon rentals of similar space.

(Notes continued on next page)

NOTE 7 - NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2010:

Donations for elderly client personal needs	\$ 53,165
Transportation Department - vehicles	551,651
Capital Campaign - Charles and Rae Kane Senior Center	2,818,483
Hobe Sound Senior Center	50,000
Land and construction in progress - Charles and Rae Kane Senior Center	3,926,499
Contribution of prepaid rent for fiscal year 2011	122,200
	<u>\$ 7,521,998</u>

Permanently restricted net assets are as follows at June 30, 2010:

General Endowment fund	\$ 575,624
Kane Endowment fund	750
	<u>\$ 576,374</u>

NOTE 8 - RETIREMENT PLANS

The Council sponsors a defined contribution plan that covers all employees who have worked 1,000 hours in a twelve month period and who are at least twenty-one years of age. Annual contributions are determined by the Board of Directors. There were no employer contributions for the year ended June 30, 2010. The Council also sponsors a 403(b) tax sheltered annuity arrangement that is available to all employees immediately upon employment.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Organization leases equipment and facilities under various operating leases with payments from \$30 to \$5,067 per month. Lease expense for the year ended June 30, 2010, not including in-kind rent, was \$99,439. The following is a schedule of future minimum lease payments for leases that have initial non-cancelable lease terms in excess of one year as of June 30, 2010:

2011	\$ 24,588
2012	\$ 24,588
2013	\$ 23,700
2014	\$ 23,700
2015	\$ 11,850

The Organization holds a contract with an architecture company for the Charles and Rae Kane Senior Center. The contract is for a total amount of approximately \$695,000. As of June 30, 2010, the Organization had incurred costs of approximately \$567,000 towards this obligation.

(Notes continued on next page)

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

At the closing of the land purchased in September 2007 for the Charles and Rae Kane Senior Center, the Organization assumed all obligations relating to the Preserve Area Management Plan approved by Martin County, Florida on March 15, 2006, and all obligations relating in any way to any requirements relating to a Notice of Violation dated December 14, 2005. As of June 30, 2010, the Organization has signed a contract in regard to their obligations in the approximate amount of \$113,000 and has recorded incurred expenses of approximately \$55,000 in the financial statements. Based on accounting principles generally accepted in the United States of America, these costs will be expensed as incurred and therefore no liability would be incurred at this time.

The Organization has entered into agreements with respect to constructing a new building (Charles and Rae Kane Senior Center). The total agreements are approximately \$7,730,000 and the Organization has recorded approximately \$1,670,000 of the incurred costs as of June 30, 2010.

The Organization has entered into an owner's representative agreement for the construction project of the Charles and Rae Kane Senior Center in the approximate amount of \$44,000 of which approximately \$21,500 has been incurred and recorded in the financial statements as of June 30, 2010.

The Organization has a revolving line of credit up to \$5,000,000 to use for the construction project of the Charles and Rae Kane Senior Center. As of June 30, 2010, there were no outstanding amounts on the revolving line of credit.

In accordance with the Fixed Capital Outlay grant agreement with Florida Department of Elder Affairs, the Organization may be required to reimburse the State of Florida for any amounts expended until certain time restrictions are satisfied. The amount that would be required to be reimbursed is based upon a percentage of the total expenditures up until the time restriction has been satisfied. As of June 30, 2010, the Organization spent approximately \$82,000 on costs related to the capital project (Charles and Rae Kane Senior Center) that were required to be expensed by accounting principles generally accepted in the United States of America. Since there are no assets to support these costs, this amount, or some portion of this amount, may be a contingent liability if the time restrictions required by the grant are not satisfied. The time restrictions associated with this funding does not begin until the capital project is completed.

NOTE 10 - ENDOWMENT

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. As of June 30, 2010, the State of Florida has not enacted UPMIFA. The Organization adopted FASB ASC 958-205 during the year ending June 30, 2009.

The Organization follows the Florida Uniform Management of Institutional Funds Act (FUMIFA). FUMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under FUMIFA. The Organization's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

(Notes continued on next page)

NOTE 10- ENDOWMENT (CONTINUED)

The Organization has adopted investment and spending policies for endowment assets to be managed with the goal of achieving the maximum annual growth and income from interest and dividends, while maintaining and protecting the principal. The Organization's spending and investing policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places an emphasis on investments to achieve its long-term return objectives within prudent risk parameters. The spending policy establishes prudent objectives for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment. In making its decisions, the Organization uses reasonable care, skill, and caution in considering the purposes of the Organization, the intent of the donors of the endowment, the terms of applicable instruments, the long-term and short-term needs of the Organization in carrying out its purposes, the general economic conditions, the possible effect of inflation or deflation, or other resources of the Organization, and perpetuation of the endowment.

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ (42,835)</u>	<u>\$ -</u>	<u>\$ 576,374</u>	<u>\$ 533,539</u>

Changes in endowment net assets for the year ending June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (62,554)	\$ -	\$ 575,624	\$ 513,070
Contributions	-	-	750	750
Investment income, net	246	-	-	246
Net appreciation	19,473	-	-	19,473
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (42,835)</u>	<u>\$ -</u>	<u>\$ 576,374</u>	<u>\$ 533,539</u>

The original amount contributed to the General Endowment fund was \$575,624 and the original amount contributed to the Kane Endowment fund was \$750. Due to declining market conditions during the year ending June 30, 2009, the invested balance of the General Endowment fund dropped below the original amounts contributed. The Organization has made a plan to allocate all future investment earnings from the General Endowment portfolio towards restoring the original amounts contributed.

(Notes continued on next page)

NOTE 11 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

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

Level 2 — Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 — Fair Value Measurements

The fair values of investments are based on quoted market prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 171,419	\$ 171,419	\$ -	\$ -

(Notes continued on next page)

NOTE 12 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the year	<u>\$ 8,638</u>
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The Council had the following non-cash financing or investing activities for the year ending June 30, 2010:

Property and equipment additions through short-term financing (accounts payable and accrued liabilities)	<u>\$ 921,357</u>
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NOTE 13 - SUBSEQUENT EVENTS

In September 2010, the Organization agreed to amend grant contract number XM701 with the State of Florida, Department of Elder Affairs in regard to the construction of the Charles and Rae Kane Senior Center. The amendment increases the original grant award from \$5,000,000 to \$6,222,503 and amends certain language, budgets, schedules, restrictive covenants, and attachments of the previous agreement. The impacts of the amendment are not believed to have a significant affect on the financial reporting and disclosures in these financial statements.

NOTE 14 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 8, 2010, the date that the financial statements were available to be issued.



SUPPLEMENTAL INFORMATION

COUNCIL ON AGING OF MARTIN COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2010

Federal or State Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA / State CSFA Number	Pass-Through Entity Identifying Number(s)	Funding Period	Federal / State Expenditures
Federal Awards:				
Federal Transit Administration:				
Pass-through from Florida Department of Transportation Section 5310 - Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	FL 16-0032 FL 16-0033	- -	\$ 320,995 123,621
Total Federal Transit Administration				<u>444,616</u>
United States Department of Health and Human Services:				
Pass-through from Area Agency on Aging Title III - B - Support Services	93.044*	IA009-9100 IA010-9100	1/1/09-12/31/09 1/1/10-12/31/10	80,299 69,647 <u>149,946</u>
Title III - C1 - Congregate Meals	93.045*	IA009-9100 IA010-9100	1/1/09-12/31/09 1/1/10-12/31/10	63,310 69,046
Title III - C2 - Home Delivered Meals	93.045*	IA009-9100 IA010-9100	1/1/09-12/31/09 1/1/10-12/31/10	81,175 80,004 <u>293,535</u>
Title III - C1 (ARRA) - Congregate Meals	93.707*	IA109-9100	5/1/09-9/30/10	<u>33,027</u>
Title III - C2 (ARRA) - Home Delivered Meals	93.705*	IA109-9100	5/1/09-9/30/10	<u>10,629</u>
Title III - E - Caregiver Support Services	93.052	IA009-9100 IA010-9100	1/1/09-12/31/09 1/1/10-12/31/10	10,262 6,916 <u>17,178</u>
Emergency Home Energy Assistance	93.568	IP009-9100	1/1/09-6/30/10	<u>28,812</u>
Nutrition Service Incentive Program	93.053*	IU009-9100 IU010-9100	10/1/08-9/30/09 10/1/09-9/30/10	38,812 31,818 <u>70,630</u>
Total United States Department of Health and Human Services				<u>603,757</u>
Total Expenditures of Federal Awards				<u>\$ 1,048,373</u>

* This represents an aging cluster as noted in the compliance supplement.

(Continued on next page)

The accompanying notes are an integral part of this Schedule of Expenditures of Federal Awards
and State Financial Assistance.

COUNCIL ON AGING OF MARTIN COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2010

Federal or State Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA / State CSFA Number	Pass-Through Entity Identifying Number(s)	Funding Period	Federal / State Expenditures
State Awards:				
Department of Elder Affairs:				
Pass-through from Area Agency on Aging				
Community Care for the Elderly	65.010	IC009-9100	7/1/09-6/30/10	<u>\$ 382,192</u>
Alzheimer's Disease Initiative	65.004	IZ009-9100	7/1/09-6/30/10	<u>65,974</u>
Home Care for the Elderly	65.001	IH009-9100	7/1/09-6/30/10	<u>632</u>
Fixed Capital Outlay - Charles and Rae Kane Senior Center	65.013	XM701	8/1/06-9/30/12	1,923,517
		XQ879	5/1/08-6/30/11	189,590
				<u>2,113,107</u>
Total Department of Elder Affairs				<u>2,561,905</u>
Total Expenditures of State Awards				<u><u>\$ 2,561,905</u></u>

The accompanying notes are an integral part of this Schedule of Expenditures of Federal Awards and State Financial Assistance.

COUNCIL ON AGING OF MARTIN COUNTY, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

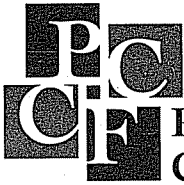
YEAR ENDED JUNE 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance follows the accrual basis of accounting, which is the same basis of accounting as that used in the preparation of the financial statements.

NOTE 2 - SUBRECIPIENTS

Of the federal and state expenditures presented in the schedule, Council on Aging of Martin County, Inc. provided no federal or state awards to sub recipients.



**PROCTOR, CROOK,
CROWDER & FOGAL**

**CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES
AUDIT, TAXATION & BUSINESS ADVISORS**

**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**

The Board of Directors and Management
Council on Aging of Martin County, Inc.
Stuart, Florida

We have audited the financial statements of Council on Aging of Martin County, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 8, 2010. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Council on Aging of Martin County, Inc.'s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Council on Aging of Martin County, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBER:

DIVISION FOR CPA FIRMS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS



The Board of Directors and Management
Council on Aging of Martin County, Inc.

COMPLIANCE AND OTHER MATTERS

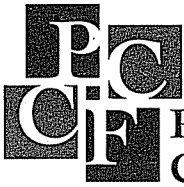
As part of obtaining reasonable assurance about whether Council on Aging of Martin County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Proctor, Crook, Crowder & Fogal, P.A.

33 S.W. Flagler Avenue
Stuart, Florida
October 8, 2010





**PROCTOR, CROOK,
CROWDER & FOGAL**

CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES
AUDIT, TAXATION & BUSINESS ADVISORS

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARDS
PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT**

The Board of Directors and Management
Council on Aging of Martin County, Inc.
Stuart, Florida

COMPLIANCE

We have audited the compliance of Council on Aging of Martin County, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state financial assistance projects for the year ended June 30, 2010. Council on Aging of Martin County, Inc.'s major federal programs and state financial assistance projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state financial assistance projects is the responsibility of Council on Aging of Martin County, Inc.'s management. Our responsibility is to express an opinion on Council on Aging of Martin County, Inc.'s compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, 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 or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about Council on Aging of Martin County, 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. Our audit does not provide a legal determination of Council on Aging of Martin County, Inc.'s compliance with those requirements.

MEMBER:

DIVISION FOR CPA FIRMS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS



CPASUSA

The Board of Directors and Management
Council on Aging of Martin County, Inc.

In our opinion, Council on Aging of Martin County, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state financial assistance projects for the year ended June 30, 2010.

INTERNAL CONTROL OVER COMPLIANCE

Management of Council on Aging of Martin County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered Council on Aging of Martin County, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 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 Council on Aging of Martin County, 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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Proctor, Crook, Crowder & Fogal, P.A.

33 S.W. Flagler Avenue
Stuart, Florida
October 8, 2010



COUNCIL ON AGING OF MARTIN COUNTY, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDING JUNE 30, 2010

Finding 09-01:

Condition: The procurement procedures of the Organization do not comply with the applicable laws and regulations.

Recommendation: The updated procurement procedures that have been drafted by management should be approved by the Board of Directors as soon as possible.

Current Status: The updated procurement procedures that comply with the applicable laws and regulations were approved by the Board of Directors.

COUNCIL ON AGING OF MARTIN COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs.	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Major Programs:

CFDA Number:	93.044, 93.045, 93.053, 93.705 & 93.707
Name of federal program or cluster:	Title III B & C, NSIP, & ARRA (Cluster)
CFDA Number:	20.513
Name of federal program or cluster:	Section 5310 – Capital Assistance Program for Elderly Persons and Persons with Disabilities
Dollar threshold use to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

SECTION I. SUMMARY OF AUDITORS' RESULTS (CONTINUED)

State Financial Assistance Projects:

Internal control over major projects:	
Material weakness identified?	No
Significant deficiency identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General	No

Major Projects:

CSFA Number:	65.013
Name of state project:	Fixed Capital Outlay – Charles and Rae Kane Senior Center
CSFA Number:	65.010
Name of state project:	Community Care for the Elderly
Dollar threshold used to distinguish between type A and type B projects	\$300,000

SECTION II. FINANCIAL STATEMENT FINDINGS

None.

SECTION III. FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.

SECTION IV. MANAGEMENT LETTER IN ACCORDANCE WITH FLORIDA STATUTES

There were no items related to state financial assistance that are required to be reported in a management letter in accordance with Florida Statutes.