COUNCIL ON AGING OF MARTIN COUNTY, INC.

STUART, FLORIDA

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

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FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2011 AND 2010

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 statements of financial position of Council on Aging of Martin County, Inc. as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years 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 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 audits 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 audits provide 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, 2011 and 2010, and the changes in its net assets and cash flows for the years 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 December 13, 2011, 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.

The Board of Directors and Management
Council on Aging of Martin County, Inc.
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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
December 13, 2011

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COUNCIL ON AGING OF MARTIN COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	$ 452,836	$ 248,720	$ 342,968	$ 1,044,524
Investments	-	-	233,656	233,656
Accounts receivable, net of allowance for doubtful accounts of $7,500	337,445	-	-	337,445
Grants receivable	250,513	-	-	250,513
Bequest receivable	-	-	100,000	100,000
Unconditional promises to give, net	1,965,419	-	-	1,965,419
Prepaid expenses	137,421	-	-	137,421
Inventory	6,815	-	-	6,815
Restricted investments - other	45,067	-	-	45,067
Deposits	31,571	-	-	31,571
Property and equipment, net of accumulated depreciation of $2,514,304	4,531,840	7,244,927	-	11,776,767
Total assets	$ 7,758,927	$ 7,493,647	$ 676,624	$ 15,929,198

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Liabilities:				
Accounts payable	$ 738,374	$ -	$ -	$ 738,374
Accrued liabilities	183,397	-	-	183,397
Grant advances	9,500	-	-	9,500
Construction loan	3,091,774	-	-	3,091,774
Total liabilities	4,023,045	-	-	4,023,045
Net assets	3,735,882	7,493,647	676,624	11,906,153
Total liabilities and net assets	$ 7,758,927	$ 7,493,647	$ 676,624	$ 15,929,198

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

COUNCIL ON AGING OF MARTIN COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	$ 2,819,235	$ 7,521,998	$ 576,374	$ 10,917,607

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	1,622,173	-	-	1,622,173
Net assets	1,197,062	7,521,998	576,374	9,295,434
Total liabilities and net assets	$ 2,819,235	$ 7,521,998	$ 576,374	$ 10,917,607

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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Grants:				
Federal	$ 629,948	$ -	$ -	$ 629,948
State	474,489	2,962,034	-	3,436,523
Local	131,516	-	-	131,516
Donations	307,822	510,288	100,250	918,360
Fees for services/program income	1,696,476	-	-	1,696,476
Investment income	71,475	-	-	71,475
Special events	111,127	-	-	111,127
Miscellaneous	13,788	-	-	13,788
	3,436,641	3,472,322	100,250	7,009,213
Net assets released from restrictions	3,500,673	(3,500,673)	-	-
Total revenues and support	6,937,314	(28,351)	100,250	7,009,213
Expenses:				
Program services:				
Adult day care	301,970	-	-	301,970
Case management services	632,231	-	-	632,231
Meals program	631,242	-	-	631,242
Senior center	-	-	-	-
Transportation	1,726,392	-	-	1,726,392
Total program services	3,291,835	-	-	3,291,835
Supporting services:				
Management and general	541,981	-	-	541,981
Fund-raising	564,678	-	-	564,678
Total supporting services	1,106,659	-	-	1,106,659
Total expenses	4,398,494	-	-	4,398,494
Changes in net assets	2,538,820	(28,351)	100,250	2,610,719
Net assets beginning of year	1,197,062	7,521,998	576,374	9,295,434
Net assets at end of year	$ 3,735,882	$ 7,493,647	$ 676,624	$ 11,906,153

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, 2011

	Program Services						Supporting Services			
	Adult Day Care	Case Management Services	Meals Program	Senior Center	Transportation	Total	Management & General	Fund Raising	Total	Total
Salaries	$ 192,525	$ 192,127	$ 134,863	$ -	$ 716,576	$ 1,236,091	$ 353,326	$ 299,411	$ 652,737	$ 1,888,828
Employee benefits	13,205	11,761	10,064	-	40,101	75,131	26,548	24,388	50,936	126,067
Payroll taxes	15,897	16,716	13,521	-	64,069	110,203	29,724	24,398	54,122	164,325
Total salaries and related expenses	221,627	220,604	158,448	-	820,746	1,421,425	409,598	348,197	757,795	2,179,220
Contract fees	9,478	172	11,911	-	18,002	39,563	91,867	45,125	136,992	176,555
Client meals and services	4,758	354,949	383,149	-	-	742,856	-	9,474	9,474	752,330
Vehicle maintenance and supplies	-	-	11,758	-	212,885	224,643	-	-	-	224,643
Advertising / Promotion	561	-	-	-	-	561	1,819	1,288	3,107	3,668
Supplies	10,283	4,191	12,540	-	37,587	64,601	92,447	44,584	137,031	201,632
Information Technology	-	2,001	-	-	17,675	19,676	14,113	3,326	17,439	37,115
Leases	1,417	-	3,329	-	78,437	83,183	210,921	-	210,921	294,104
Travel	242	1,958	402	-	179	2,781	610	1,016	1,626	4,407
Meetings	835	740	405	-	48	2,028	2,566	4,365	6,931	8,959
Interest	-	-	-	-	-	-	5,766	-	5,766	5,766
Insurance	-	-	7,423	-	68,189	75,612	49,355	-	49,355	124,967
Special Event Expense	-	-	-	-	-	-	145	24,394	24,539	24,539
Miscellaneous	713	145	(8,211)	-	175	(7,178)	14,043	7,980	22,023	14,845
Depreciation	4,364	-	15,992	-	295,853	316,209	29,535	-	29,535	345,744
	254,278	584,760	597,146	-	1,549,776	2,985,960	922,785	489,749	1,412,534	4,398,494
Allocation of management and general costs	47,692	47,471	34,096	-	176,616	305,875	(380,804)	74,929	(305,875)	-
Total expenses	$ 301,970	$ 632,231	$ 631,242	$ -	$ 1,726,392	$ 3,291,835	$ 541,981	$ 564,678	$ 1,106,659	$ 4,398,494

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.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 2,610,719	$ 2,926,304
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	345,744	316,092
Gain on sale of property and equipment	-	(475,909)
Bad debt	9,547	5,000
Gain on investments	(63,459)	(19,473)
Contribution of prepaid rent for future period	-	(122,200)
Capital contributions and grants	(3,068,204)	(2,843,420)
Endowment contributions	(250)	(750)
Changes in assets and liabilities:		
Increase in accounts receivable	(71,532)	(189,497)
Decrease in grants receivable	34,172	77,215
Decrease in unconditional promises to give	357,320	11,729
Increase in bequest receivable	(100,000)	-
Decrease in prepaid expenses	22,618	43,097
Increase in inventory	(6,815)	-
Increase in deposits	(31,571)	-
Increase in accounts payable	6,280	66,608
Increase in accrued expenses	24,660	1,604
(Decrease) increase in grant advances	(378,451)	295,199
Decrease in due to annuitants	(827)	(5,664)
Total adjustments	(2,920,768)	(2,840,369)
Net cash (used) provided by operating activities	(310,049)	85,935
Cash flows from investing activities:		
Purchase of property and equipment	(4,507,041)	(1,784,828)
Proceeds from sale of property and equipment	-	1,406,905
Proceeds from sale of investments	47,099	385,807
Purchase of investments	(45,877)	(24,684)
Purchase of restricted investments - other	(45,067)	-
Net cash used by investing activities	(4,550,886)	(16,800)
Cash flows from financing activities:		
Capital contributions and grants	3,068,204	2,843,420
Endowment contributions	250	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	3,068,454	2,015,983
Net (decrease) increase in cash and cash equivalents	(1,792,481)	2,085,118
Cash and cash equivalents at beginning of year	2,837,005	751,887
Cash and cash equivalents at end of year	$ 1,044,524	$ 2,837,005

Supplemental disclosure of cash flow information (note 14).

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

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.

Restricted Investments -Other — Certificates of deposit held for investment that are not debt securities are included in "restricted investments – other." Restrictions on the certificates of deposit relate to the maintenance of a Preserve Area Management Plan as required by Martin County, Florida. These restrictions expire in April 2013 and 2014. The certificates are stated at cost plus accrued interest.

(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. Amounts outstanding over sixty days at June 30, 2011 and 2010 were approximately $7,500 and $0, respectively.

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:

	Life
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 Statements of Activities and Statements 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, 2011 and 2010, the accrued extended illness time off was valued at $89,305 and $88,468, respectively. 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. The Organization has determined that it does 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 2009, 2008 and 2007.

(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) and during the year balances may fluctuate above and below this amount. At June 30, 2011 and 2010, the uninsured portion of deposits at the financial institutions aggregated to approximately $230,000 and $2,360,000, respectively.

The Council received approximately $4,781,000 and $3,996,000 of funding from two sources that individually comprised ten percent or more of total revenue and support for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, the Council had receivables from these sources of approximately $395,000 and $394,500, respectively. Furthermore, the Council had $2,000,000 and $2,500,000 of unconditional promises to give from one source at June 30, 2011 and 2010, respectively, 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 statements of activities as unrestricted revenue.

The composition of investment income included in the statements of activities for the years ended June 30, 2011 and 2010 is:

	2011	2010
Interest and dividends	$ 8,016	$ 12,753
Net realized gains on investments	10,921	1,891
Net unrealized gains on investments	52,538	17,582
	$ 71,475	$ 32,226

Investments as of June 30, 2011 and 2010 are summarized as follows:

	2011		2010	
	Market Value	Cost	Market Value	Cost
Money funds	$ 2,147	$ 2,147	$ 3,053	$ 3,053
U.S. common stocks	231,509	169,193	168,366	159,727
	$ 233,656	$ 171,340	$ 171,419	$ 162,780

(Notes continued on next page)

NOTE 5 – RESTRICTED INVESTMENTS - OTHER

Restricted investments – other consists of the following at June 30, 2011:

	Interest Rate	Maturity Date	Balance
Certificate of deposit	1.094%	4/19/2013	$ 40,227
Certificate of deposit	1.637%	4/19/2014	4,840
			$ 45,067

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are stated at the net present value of future payments. The balance as of June 30, 2011 and 2010 is as follows:

	2011	2010
Restricted to capital campaign	$ 2,120,500	$ 2,567,750
Less - unamortized discount (0.67% - 5%)	(143,475)	(234,848)
Less - allowance for uncollectibles	(11,606)	(10,163)
	$ 1,965,419	$ 2,322,739

Details of unconditional promises to give at June 30, 2011 is as follows:

Due within one year	$ 561,000
Due within one to five years	1,559,500
Due in more than five years	-
	$ 2,120,500

NOTE 7 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2011 and 2010 is as follows:

	2011	2010
Land and land improvements	$ 2,450,628	$ 1,309,902
Building	8,204,492	-
Furniture and equipment	899,236	337,660
Computers	396,047	331,237
Transportation	2,340,668	2,306,858
Construction in progress	-	2,749,163
	14,291,071	7,034,820
Less - accumulated depreciation	(2,514,304)	(2,168,560)
	$ 11,776,767	$ 4,866,260

(Notes continued on next page)

NOTE 7 - PROPERTY AND EQUIPMENT (CONTINUED)

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 an 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. During the year ended June 30, 2010, the Council recognized an unrestricted in-kind contribution and expense in the Statement of Activities 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. During the year ended June 30, 2011, the Council recognized rent expense and the release of temporarily restricted net assets in the amount of $122,200 in the Statement of Activities. The value of these contributions represents fair market value based upon rentals of similar space.

NOTE 8 – CONSTRUCTION LOAN

The Organization had a revolving construction loan up to $5,000,000 to use for the construction project of the Charles and Rae Kane Senior Center. The loan requires monthly interest only payments at 6.55% on the outstanding balance through June 15, 2011. Beginning July 15, 2011, the loan requires monthly principal and interest payments of $42,359 through June 15, 2016, the maturity date. The loan is secured by the Charles and Rae Kane Senior Center. As of June 30, 2011 and 2010, the balance on the construction loan was $3,091,774 and $0, respectively. Please see note 15 regarding subsequent events related to the construction loan.

Approximate annual maturities for years following June 30, 2011 are as follows: 2012 - $306,500; 2013 - $327,300; 2014 - $349,400; 2015 - $372,900; 2016 – $1,735,700.

During the years ended June 30, 2011 and 2010, the Organization incurred total interest costs of $68,285 and $5,952, respectively. Of the total interest costs incurred during the years ended June 30, 2011 and 2010, $53,519 and $0, respectively, were capitalized as part of the cost of the Charles and Rae Kane Senior Center during the period of construction.

NOTE 9 - NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2011 and 2010:

	2011	2010
Donations for elderly client personal needs	$ 177,470	$ 53,165
Transportation Department - vehicles	356,394	551,651
Capital Campaign - Charles and Rae Kane Senior Center	21,250	2,818,483
Hobe Sound Community Chest Shared Service Store Front in Kane Town Center	50,000	50,000
Land, building and construction in progress - Charles and Rae Kane Senior Center	6,888,533	3,926,499
Contribution of prepaid rent for fiscal year 2011	-	122,200
	$ 7,493,647	$ 7,521,998

(Notes continued on next page)

NOTE 9 - NET ASSETS (CONTINUED)

Permanently restricted net assets are as follows at June 30, 2011 and 2010:

	2011	2010
General Endowment fund	$ 675,624	$ 575,624
Kane Endowment fund	1,000	750
	$ 676,624	$ 576,374

NOTE 10 - 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 years ended June 30, 2011 and 2010. The Council also sponsors a 403(b) tax sheltered annuity arrangement that is available to all employees immediately upon employment.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Organization leases equipment and facilities under various operating leases with payments from $30 to $4,763 per month. Lease expense for the years ended June 30, 2011 and 2010, not including in-kind rent, was $98,867 and $99,439, respectively. 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, 2011:

2012	$ 24,685
2013	$ 23,700
2014	$ 23,700
2015	$ 11,850

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, 2011, 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 $72,000 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.

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, 2011, the Organization spent approximately $6,970,500 on costs related to the capital project (Charles and Rae Kane Senior Center), which includes approximately $82,000 of costs 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 began during June 2011, the date the project was completed.

(Notes continued on next page)

NOTE 12 - 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, 2011, the State of Florida has not enacted UPMIFA.

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.

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, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ 20,183	$ -	$ 676,624	$ 696,807

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (42,835)	$ -	$ 576,374	$ 533,539
Contributions	-	-	100,250	100,250
Investment income, net	10,480	-	-	10,480
Net appreciation	52,538	-		52,538
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	$ 20,183	$ -	$ 676,624	$ 696,807

(Notes continued on next page)

NOTE 12- ENDOWMENT (CONTINUED)

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

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	-	-	-	-
Endowment net assets, end of year	$ (42,835)	$ -	$ 576,374	$ 533,539

As of June 30, 2010, 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 ended June 30, 2009, the invested balance of the General Endowment fund dropped below the original amounts contributed. During the year ended June 30, 2011, market conditions improved and the original amounts contributed to the General Endowment fund have been restored.

NOTE 13 - 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.

(Notes continued on next page)

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2011 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:				
Money funds	$ 2,147	$ 2,147	$ -	$ -
U.S. common stocks	231,509	231,509		
	$ 233,656	$ 233,656	$ -	$ -

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:				
Money funds	$ 3,053	$ 3,053	$ -	$ -
U.S. common stocks	168,366	168,366		
	$ 171,419	$ 171,419	$ -	$ -

(Notes continued on next page)

NOTE 14 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2011	2010
Cash paid for interest during the year	$ 59,285	$ 8,638

The Council had the following non-cash financing or investing activities for the years ended June 30, 2011 and 2010:

	2011	2010
Property and equipment additions through short-term financing (accounts payable and accrued liabilities)	$ 578,793	$ 921,357
Property and equipment additions financed through construction loan	$ 3,091,774	$ -

NOTE 15 - SUBSEQUENT EVENTS

On July 1, 2011, the Organization issued a written notice of termination to Martin County, Florida in regard to a contract whereby the Organization provided paratransit and fixed route transportation services. The notice of termination is effective on January 31, 2012 (as amended). Upon written notification from Martin County, Florida that the funding situation has materially improved, the Organization may be willing to reconsider this notice. The impact to the financial statements of the notice of termination has not been determined.

Since June 30, 2011, the Organization has drawn approximately an additional $517,000 and paid $510,000 on the construction loan. Other than scheduled debt payments, there has been no additional activity as it relates to the construction loan until November 21, 2011. Effective November 21, 2011, the Organization amended the terms of the construction loan, which had an outstanding balance of $3,000,000 as of the date of the amendment. The amended terms require interest only payments from November 15, 2011 through October 15, 2013. The interest rate decreased to 5.5% per annum starting on November 21, 2011. Commencing November 15, 2013, monthly principal and interest payments in the amount of $25,770 will be due through June 15, 2016, the maturity date. On June 15, 2016, all unpaid principal and interest payments are due and payable. All other terms and conditions discussed in note 8 remained unchanged. Approximate annual maturities after the amended terms were effective are as follows: 2012 - $0; 2013 - $0; 2014 - $97,700; 2015 - $153,400; and 2016 - $2,748,900.

NOTE 16 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 13, 2011, the date that the financial statements were available to be issued.

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SUPPLEMENTAL INFORMATION

COUNCIL ON AGING OF MARTIN COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2011

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:				
United States Department of Health and Human Services:				
Pass-through from Area Agency on Aging				
Title III - B - Support Services	93.044*	IA010-9100	1/1/10-12/31/10	$ 130,058
		IA011-9100	1/1/11-12/31/11	82,792
				212,850
Title III - C1 - Congregate Meals	93.045*	IA010-9100	1/1/10-12/31/10	58,268
		IA011-9100	1/1/11-12/31/11	61,609
Title III - C2 - Home Delivered Meals	93.045*	IA010-9100	1/1/10-12/31/10	73,719
		IA011-9100	1/1/11-12/31/11	70,841
				264,437
Title III - C1 (ARRA) - Congregate Meals	93.707*	IA109-9100	5/1/09-9/30/10	3,835
Title III - C2 (ARRA) - Home Delivered Meals	93.705*	IA109-9100	5/1/09-9/30/10	3,358
Title III - E - Caregiver Support Services	93.052	IA010-9100	1/1/10-12/31/10	30,974
		IA011-9100	1/1/11-12/31/11	13,166
				44,140
Emergency Home Energy Assistance	93.568	IP009-9100	1/1/09-06/30/10	340
		IP010-9100	4/1/10-8/31/11	43,088
				43,428
Nutrition Service Incentive Program	93.053*	IU010-9100	10/1/09-9/30/10	9,768
		IU011-9100	10/1/10-9/30/11	48,132
				57,900
Total United States Department of Health and Human Services				629,948
Total Expenditures of Federal Awards				$ 629,948

* 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, 2011

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 Financial Assistance:				
Department of Elder Affairs:				
Pass-through from Area Agency on Aging				
Community Care for the Elderly	65.010	IC010-9100	7/1/10-6/30/11	$ 405,978
Alzheimer's Disease Initiative	65.004	IZ010-9100	7/1/10-6/30/11	67,157
Home Care for the Elderly	65.001	IH010-9100	7/1/10-6/30/11	1,354
Fixed Capital Outlay - Charles and Rae Kane Senior Center	65.013	XM701	8/1/06-9/30/12	2,403,624
		XQ879	5/1/08-6/30/11	558,410
				2,962,034
Total Department of Elder Affairs				3,436,523
Total Expenditures of State Financial Assistance				$ 3,436,523

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

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, 2011, and have issued our report thereon dated December 13, 2011. 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.

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
December 13, 2011

PROCTOR, CROOK,
CROWDER & FOGAL

CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES
AUDIT, TAXATION & BUSINESS ADVISORS

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE

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 could have a direct and material effect on each of Council on Aging of Martin County, Inc.'s major federal programs and state financial assistance projects for the year ended June 30, 2011. 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.

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

As described in item 2011-01 in the accompanying schedule of findings and questioned costs, Council on Aging of Martin County, Inc. did not comply with requirements regarding the matching requirement that is applicable to its Title III B & C, NSIP, and ARRA (cluster) program. Compliance with such requirements is necessary, in our opinion, for Council on Aging of Martin County, Inc. to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Council on Aging of Martin County, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2011.

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 to determine the 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.

Council on Aging of Martin County, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Council on Aging of Martin County, Inc.'s responses and, accordingly, we express no opinion on the responses.

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
December 13, 2011

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.	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes
<u>Major Programs</u>:	
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)
Dollar threshold use to distinguish between type A and type B programs	$300,000
Auditee qualified as low-risk auditee?	Yes

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
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

United States Department of Health and Human Services

Finding 11-01: Pass through from Area Agency on Aging – Title III B – Support Services (CFDA 93.044); Title III C1 – Congregate Meals (CFDA 93.045); Title III C2 – Home Delivered Meals (CFDA 93.045); Title III C1(ARRA) – Congregate Meals (CFDA 93.707); Title III C2(ARRA) – Home Delivered Meals (CFDA 93.705); Nutrition Service Incentive Program (CFDA 93.053) (Collectively an aging cluster)

Criteria: The specific requirements for matching are unique to each Federal program and are found in the laws, regulations, and the provisions of contracts or grant agreements pertaining to the program. Matching or cost sharing includes requirements to provide contributions of a specified amount or percentage to match Federal awards.

Condition: The matching provision of the Title III B – Support Services – portion of the aging cluster required a ten percent non-Federal match which amounted to $21,285. Upon examining the allowable costs utilized to meet this requirement, it was determined that Council on Aging of Martin County, Inc. had $12,781 of allowable costs toward the requirement. It was also determined that the other programs in the aging cluster had adequate allowable costs to meet the minimum matching requirements found in the provisions of the applicable grant agreements.

Effect: The Organization did not meet the match requirement for this audit period (fiscal year July 1, 2010 through June 30, 2011), comprised of portions of two Federal contracts. The Federal contracts run on a calendar year basis while the audit was conducted on a fiscal year basis; therefore, the audit period spans six months of the 2010 contract and six months of the 2011 contract. Although this timing difference does not negate the requirement to meet the matching provisions on an ongoing basis, the Organization experienced high levels of usage of the funds for needed services during the time period audited.

Cause: The Organization made a calculation error in determining the allowable costs utilized to determine whether the minimum amount/percentage of matching funds was provided during the fiscal year spanning two Federal contracts. If the calculation error had not been made, the Organization would have realized that the match requirement was not met.

Recommendation: Calculations regarding this requirement should be examined for accuracy. Furthermore, rates of service and total program costs should be monitored more often for compliance.

Management's Response: Management agrees with the finding, but wishes to add that the Organization is in compliance with the matching requirement of the 2010 contract. The 2010 contract, page 6, paragraph IV B: "Match… At the end of the agreement period, all Older Americans Act funds must be properly matched." The 2011 contract has not yet been closed.

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.

SECTION V. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Since there were no audit findings for the year ended June 30, 2010, there is no summary schedule of prior audit findings.

Kane Center

COUNCIL ON AGING OF MARTIN COUNTY, INC.

CORRECTIVE ACTION PLAN

December 14, 2011

Cognizant or Oversight Agency for Audit: United States Department of Health & Human Services

Council on Aging of Martin County, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm:

Proctor, Crook, Crowder & Fogal, P.A.
33 SW Flagler Avenue
Stuart, Florida 34994

Audit period: July 1, 2010 through June 30, 2011

The findings from the June 30, 2011 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

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

United States Department of Health and Human Services

11-01: Pass through from Area Agency on Aging – Title III B – Support Services (CFDA 93.044); Title III C1 – Congregate Meals (CFDA 93.045); Title III C2 – Home Delivered Meals (CFDA 93.045); Title III C1 (ARRA) – Congregate Meals (CFDA 93.707); Title III C2 (ARRA) – Home Delivered Meals (CFDA 93.705); Nutrition Service Program (CFDA 93.053) (Collectively an aging cluster)

Recommendation: Calculations regarding the matching requirement should be examined for accuracy. Furthermore, rates of service and total program costs should be monitored more often for compliance.

Action Taken: The organization will monitor the rates of service and costs related to the Federal program throughout the life of the contract on a quarterly basis to verify that the minimum match requirement is made. Calculations will be reviewed for accuracy.

Questions regarding this plan should be directed to Barbara Kauffman at 772-223-7832.

Sincerely yours,

Barbara A. Kauffman
President & CEO

LIVING YOUNG ... at any age.

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