



Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

Financial Statements

December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors
Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
West Palm Beach, Florida

Opinion

We have audited the accompanying financial statements of Area Agency on Aging of Palm Beach/Treasure Coast, Inc. (the "Agency", a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Agency as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of Florida Chapter 10.65, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including

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comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the schedules of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, on our consideration of the Agency'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 solely 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 effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Daigdal Calyon LLP

Boca Raton, Florida
June 29, 2022

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
 Statements of Financial Position
 December 31, 2021 and 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 4,263,486	\$ 1,888,142
Federal and state grants receivable	2,526,314	4,150,611
Other receivables	95,994	286,876
Prepaid expenses	6,779	2,945
Advances to providers	293,978	280,635
Total current assets	<u>7,186,551</u>	<u>6,609,209</u>
Other assets:		
Operating lease, right-of-use assets, net	3,618,949	4,346,805
Finance lease, right-of-use assets	96,936	164,145
Total other assets	<u>3,715,885</u>	<u>4,510,950</u>
 Total assets	 <u>\$ 10,902,436</u>	 <u>\$ 11,120,159</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 212,086	\$ 211,157
Accrued expenses	215,303	245,624
Due to providers	3,442,389	4,900,981
Deferred revenue	475,467	483,107
Line of credit	-	450,000
Operating lease liability, current portion	562,010	534,606
Finance lease liability, current portion	74,416	70,437
Total current liabilities	<u>4,981,671</u>	<u>6,895,912</u>
Long-term liabilities:		
Operating lease liability, less current portion	3,385,827	3,947,253
Finance lease liability, less current portion	39,291	113,707
Total long-term liabilities	<u>3,425,118</u>	<u>4,060,960</u>
Commitments and contingencies		
Net assets:		
Without donor restriction	2,495,647	163,287
Total net assets	<u>2,495,647</u>	<u>163,287</u>
 Total liabilities and net assets	 <u>\$ 10,902,436</u>	 <u>\$ 11,120,159</u>

See accompanying notes to financial statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2021 and 2020

	2021	2020
	Without Donor Restriction	Without Donor Restriction
Revenues and gains:		
Federal grants	\$ 15,662,923	\$ 17,823,193
State grants	12,664,021	11,074,499
Other grants and contributions	794,608	701,994
Paycheck protection program loan forgiveness	-	533,847
Gain on extinguishment of debt	689,054	-
Gain on insurance proceeds	750,000	-
Total revenues and gains	<u>30,560,606</u>	<u>30,133,533</u>
Expenses:		
Program services	27,375,839	27,848,643
Support services:		
General and administrative	852,407	1,083,201
Total expenses	<u>28,228,246</u>	<u>28,931,844</u>
Change in net assets	2,332,360	1,201,689
Net assets (deficiency in net assets), beginning of year	<u>163,287</u>	<u>(1,038,402)</u>
Net assets, end of year	<u>\$ 2,495,647</u>	<u>\$ 163,287</u>

See accompanying notes to financial statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
 Statements of Functional Expenses
 For the Years Ended December 31, 2021 and 2020

	Department of Elder Affairs (DOEA) Programs					
	Older Americans Act	Alzheimers Disease Initiative	Community Care	EHEAP	Elder Abuse	CARES Act
Providers	\$ 9,001,713	\$ 5,595,665	\$ 5,461,820	\$ 298,942	\$ -	\$ 368,996
Client services	-	-	-	204,416	-	14,706
Wages and benefits	821,565	47,662	373,484	16,731	2,061	-
Rental space	180,859	1,585	60,430	13,794	4,765	-
Maintenance and repairs	24,452	-	11,409	1,810	590	-
Travel and training	2,262	-	-	-	-	-
Communications and utilities	37,541	-	13,230	4,001	3,965	-
Printing and supplies	21,244	-	7,523	295	1,300	196
Data maintenance and equipment	42,662	300	26,701	2,700	1,412	-
Other expenses	26,150	-	1,737	324	185	2,737
Professional fees	13,786	-	2,581	956	137	-
Insurance	23,299	-	8,137	957	1,025	-
Volunteer expenses	-	-	-	-	-	-
Depreciation and amortization	22,547	-	-	-	-	11,436
Total expenses	<u>10,218,080</u>	<u>5,645,212</u>	<u>5,967,052</u>	<u>544,926</u>	<u>15,440</u>	<u>398,071</u>
Allocation of general and administrative expenses	<u>318,164</u>	<u>175,776</u>	<u>185,797</u>	<u>16,967</u>	<u>481</u>	<u>12,395</u>
Total expenses after allocation	<u>\$ 10,536,244</u>	<u>\$ 5,820,988</u>	<u>\$ 6,152,849</u>	<u>\$ 561,893</u>	<u>\$ 15,921</u>	<u>\$ 410,466</u>

See accompanying notes to financial statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
 Statements of Functional Expenses, continued
 For the Years Ended December 31, 2021 and 2020

	Department of Elder Affairs (DOEA) Programs					
	CAA Act	Medicaid Intake	Home Care	Relief	SHINE	Other DOEA Programs
Providers	\$ 733,798	\$ -	\$ 304,749	\$ 22,706	\$ -	\$ 100,029
Client services	-	-	474,578	35,485	-	42,164
Wages and benefits	-	622,318	48,578	13,269	84,658	202,121
Rental space	-	94,008	16,961	-	58,720	43,539
Maintenance and repairs	-	16,166	1,100	-	6,080	1,943
Travel and training	-	-	-	-	-	-
Communications and utilities	-	8,222	4,051	-	6,007	2,765
Printing and supplies	-	4,142	1,997	-	16,499	2,417
Data maintenance and equipment	-	13,903	8,090	-	7,951	4,426
Other expenses	-	801	341	-	5,853	34,540
Professional fees	-	3,900	2,337	-	2,760	1,310
Insurance	-	-	1,025	-	2,210	1,302
Volunteer expenses	-	-	-	-	560	-
Depreciation and amortization	-	-	-	-	6,807	7,522
Total expenses	<u>733,798</u>	<u>763,460</u>	<u>863,807</u>	<u>71,460</u>	<u>198,105</u>	<u>444,078</u>
Allocation of general and administrative expenses	<u>22,848</u>	<u>23,772</u>	<u>26,897</u>	<u>2,225</u>	<u>6,168</u>	<u>13,827</u>
Total expenses after allocation	<u>\$ 756,646</u>	<u>\$ 787,232</u>	<u>\$ 890,704</u>	<u>\$ 73,685</u>	<u>\$ 204,273</u>	<u>\$ 457,905</u>

See accompanying notes to financial statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
 Statements of Functional Expenses, continued
 For the Years Ended December 31, 2021 and 2020

	Non-DOEA Programs				Total Program Services	General and Administrative	Total 2021	Total 2020
	Other Non-DOEA	Foster Grandparents	Elder Rights	Veterans Choice				
Providers	\$ 31,538	\$ -	\$ -	\$ -	\$ 21,919,956	\$ -	\$ 21,919,956	\$ 21,896,390
Client services	6,089	-	-	565,796	1,343,234	-	1,343,234	1,979,500
Wages and benefits	100,251	195,868	36,125	-	2,564,691	667,297	3,231,988	3,285,317
Rental space	14,378	22,747	-	190,606	702,392	84,760	787,152	683,776
Maintenance and repairs	6,128	3,521	1,025	550	74,774	7,426	82,200	127,580
Travel and training	1,125	1,589	-	-	4,976	461	5,437	11,127
Communications and utilities	15,837	9,927	-	783	106,329	23,190	129,519	161,027
Printing and supplies	3,129	30,835	8,004	2,703	100,284	9,052	109,336	74,882
Data maintenance and equipment	8,096	9,497	-	1,970	127,708	29,326	157,034	149,621
Other expenses	623	2,086	-	10,377	85,754	8,795	94,549	100,373
Professional fees	2,025	900	-	4,350	35,042	10,188	45,230	49,664
Insurance	1,845	2,290	-	-	42,090	11,912	54,002	55,631
Volunteer expenses	14,735	186,106	-	-	201,401	-	201,401	289,177
Depreciation and amortization	-	-	-	18,896	67,208	-	67,208	67,779
Total expenses	<u>205,799</u>	<u>465,366</u>	<u>45,154</u>	<u>796,031</u>	<u>27,375,839</u>	<u>852,407</u>	<u>28,228,246</u>	<u>28,931,844</u>
Allocation of general and administrative expenses	<u>6,408</u>	<u>14,490</u>	<u>1,406</u>	<u>24,786</u>	<u>852,407</u>	<u>(852,407)</u>	<u>-</u>	<u>-</u>
Total expenses after allocation	<u>\$ 212,207</u>	<u>\$ 479,856</u>	<u>\$ 46,560</u>	<u>\$ 820,817</u>	<u>\$ 28,228,246</u>	<u>\$ -</u>	<u>\$ 28,228,246</u>	<u>\$ 28,931,844</u>

See accompanying notes to financial statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
 Statements of Cash Flows
 For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,332,360	\$ 1,201,689
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization expense	67,208	66,998
Depreciation expense	-	781
Paycheck protection program loan forgiveness	-	(533,847)
Gain on extinguishment of debt	(689,054)	-
Changes in operating assets and liabilities:		
Federal and state grants receivable	1,624,297	(319,858)
Other receivables	190,882	(97,567)
Prepaid expenses	(3,834)	57,982
Advances to providers	(13,343)	476,852
Accounts payable	929	(123,973)
Accrued expenses	163,514	259,711
Due to providers	(944,538)	495,882
Deferred revenue	(7,640)	(331,680)
Net cash provided by operating activities	<u>2,720,781</u>	<u>1,152,970</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	-	533,847
Principal payments on finance leases	(70,437)	(63,758)
Repayment on line of credit	(275,000)	-
Net cash (used in) provided by financing activities	<u>(345,437)</u>	<u>470,089</u>
Net increase in cash and cash equivalents	2,375,344	1,623,059
Cash and cash equivalents, beginning of year	<u>1,888,142</u>	<u>265,083</u>
Cash and cash equivalents, end of year	<u>\$ 4,263,486</u>	<u>\$ 1,888,142</u>
<u>Supplemental cash flow information:</u>		
Cash paid for interest	<u>\$ 19,738</u>	<u>\$ 39,424</u>

See accompanying notes to financial statements.

Note 1 – Organization and Purpose

Area Agency on Aging of Palm Beach/Treasure Coast, Inc. (the “Agency”) was incorporated on September 27, 1988 as a private, non-profit, regional agency designated by the State of Florida in accordance with the Older Americans Act of 1965 and in the State Community Care for the Elderly Act. The Agency administers a network of services for the aging population in Palm Beach, Martin, St. Lucie, Indian River and Okeechobee counties. The goal of the Agency is to meet the nutritional and social needs of the aging population. To carry out this goal, the Agency conducts annual assessments of the needs of the elderly population, determines resources available to satisfy these needs, and then plans and coordinates programs available to alleviate the identified needs. The Agency awards service provider contracts to the appropriate local agencies, which provide the service to the aging population.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Agency's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires the Agency to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the statements of activities and changes in net assets. As of December 31, 2021 and 2020, there were no net assets with donor restriction.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among programs and general and administrative costs based on time expended or space occupied.

Note 2 – Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of reporting cash flows, the Agency considers all highly liquid instruments purchased with an initial maturity of three (3) months or less to be cash equivalents.

Federal and State Grants Receivable

Grants receivable are un-collateralized federal and state obligations due under normal trade terms requiring payment within thirty (30) days from the request date. Unpaid receivables with request dates over thirty (30) days do not bear interest. Grants receivable are stated at the amount management expects to collect from outstanding balances. In the past, substantially all of grants receivable have been collected within sixty (60) days, therefore management has not recorded a provision for uncollectible accounts. Payments of receivables are allocated to the specific requests identified on the state's remittance advice.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are valued at fair value on the date of donation. Property and equipment consists primarily of office equipment. Office equipment is depreciated using the straight-line method over a range from three (3) to five (5) years. The Agency's policy is to capitalize property and equipment with a cost of \$1,000 or more. Depreciation expense for the years ended December 31, 2021 and 2020 was \$0 and \$781, respectively. As of December 31, 2021 and 2020, property and equipment was fully depreciated.

Valuation of Long-Lived Assets

The Agency accounts for the valuation of long-lived assets under authoritative guidance issued by the Financial Accounting Standards Board ("FASB"), which requires that long-lived assets and certain intangible assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. No indicators of impairment were identified for the years ended December 31, 2021 and 2020.

Right-of-Use Assets

On January 1, 2020, the Agency adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"), using the modified retrospective method applied to leases that were in place as of January 1, 2020. Topic 842 establishes a right-of-use ("ROU") model that requires the Agency to record a ROU asset and a lease liability on the statements of financial position for all leases with terms longer than twelve (12) months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets. Minimum rental payments under operating leases are recognized as a single lease expense on a straight-line basis over the term of the lease, while finance leases are recognized as interest and amortization expense.

Note 2 – Summary of Significant Accounting Policies, continued

Right-of-Use Assets, continued

The Agency's leases consist of noncancelable operating and financing leases that relate to real estate and computer equipment rental agreements, respectively.

To determine the present value of minimum future lease payments for operating and finance leases as of January 1, 2020, the Agency was required to estimate a rate of interest that it would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment (the "incremental borrowing rate" or "IBR").

The Agency determined the appropriate IBR by identifying a reference rate and making adjustments that take into consideration financing options and certain lease-specific circumstances. For the reference rate, the Agency used the ten (10) year mortgage interest rate.

There was no adjustment to deficiency in net assets as of January 1, 2020, as there was no material impact to previously reported revenue and expenses.

Revenue Recognition

On January 1, 2020, the Agency adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("Topic 606") using the modified retrospective method. The adoption of Topic 606 did not have a material impact on the Agency's timing and amount of revenues. There was no adjustment to deficiency in net assets as of January 1, 2020, as there was no material impact to previously reported revenue and expenses.

The Agency determines revenue recognition through the following steps:

:

- identifying the contract, or contracts with the customer,
- identifying the performance obligations in the contract,
- determining the transaction price,
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., "transfer of control").

The Agency receives grant funding from federal agencies, state and local governments, and private sources. Grant revenue received for grants determined to be exchange transactions are recognized when performance obligations are satisfied over a period of time as services are provided and the grantor receives benefits. Revenue is recognized only to the extent of allowable expenditures under the terms of the grants. Excess expenses incurred are non-reimbursable to the Agency. Advance payments from grantors are recorded as refundable advances until expended for its intended purpose. The Agency must meet certain contractual matching requirements through cash and/or in-kind contributions. These requirements are proportionately passed on to the Agency's providers through contractual provisions in their subcontracts. The subcontract provider's match is reported to the Agency and tracked to ensure that all contractual matching requirements are met. However, the match provided by the Agency's providers is not recognized in the financial statements of the Agency.

Note 2 – Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

On January 1, 2020, the Agency adopted FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* using a modified prospective approach. The ASU is intended to assist entities in evaluating whether transactions should be accounted for as contributions or an exchange transaction, as well as determining whether a contribution is conditional. There was no impact to revenue or expenses associated with adopting ASU No. 2018-08.

Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as increases in net assets with donor restriction. Unconditional promises to give are presumed to be time-restricted by the donor until collected and are reported as net assets with donor restriction.

Contributions are recorded at fair value. Contributions, including multi-year pledges, to be received after one (1) year are recorded at the present value of the estimated future cash flows. Subsequent changes in this discount resulting from the passage of time are accounted for as contributions in subsequent years.

Compensated Absences

Employees of the Agency are entitled to paid annual leave, which they earn throughout the year. As of December 31, 2021 and 2020, the Agency accrued an estimated liability for compensated absences in the amount of \$114,588 and \$130,233, respectively.

Deferred Revenue

Deferred revenue is comprised of amounts received from grantor agencies by the Agency prior to meeting the revenue recognition criteria. In subsequent periods, when the revenue recognition criteria have been met, the liability for deferred revenue is reduced and revenue is recognized.

Income Taxes

The Agency has been granted an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC"), as a non-profit corporation.

In accordance with U.S. GAAP on accounting for uncertainty in income taxes, the Agency recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Agency's tax years subject to examination by tax authorities generally remain open for three (3) years from the date of filing.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies, continued

Reclassification

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year financial statement presentation.

Date of Management's Review

Management has evaluated subsequent events through June 29, 2022, the date on which the financial statements were available to be issued.

Note 3 – Liquidity and Availability of Resources

The Agency's financial assets available to meet cash needs for general expenditure, without donor or other restrictions limiting their use, within one year consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,263,486	\$ 1,888,142
Federal and state grants receivable	2,526,314	4,150,611
Other receivables	95,994	286,876
Total financial assets	<u>6,885,794</u>	<u>6,325,629</u>
Less: financial assets not available for general expenditure within one year due to:		
Due to providers	3,442,389	4,900,981
Total financial assets unavailable for general expenditure	<u>3,442,389</u>	<u>4,900,981</u>
Total financial assets available for general expenditures	<u>\$ 3,443,405</u>	<u>\$ 1,424,648</u>

The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 4 – Federal and State Grants Receivable

Federal and state grants receivable from grantors consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Federal:		
Corporation for National and Community Service	\$ 99,317	\$ 67,430
U.S. Department of HHS	1,617,988	1,704,755
U.S. Department of Justice	7,340	7,093
State:		
Florida Department of Elder Affairs	801,669	2,371,333
Total federal and state grants receivable	<u>\$ 2,526,314</u>	<u>\$ 4,150,611</u>

Note 5 – Line of Credit

On January 1, 2011, the Agency obtained a revolving line of credit (the “LOC”) from a financial institution for working capital needs. The LOC had a max borrowing of \$450,000 and unpaid principal and interest matured on April 25, 2021. As of December 31, 2021 and 2020, the Agency had an outstanding balance due on the LOC in the amount of \$0 and \$450,000, respectively.

On May 13, 2021, the Agency entered into a settlement agreement (the “Agreement”) with the financial institution. Under the Agreement, the Agency agreed to pay a lump sum to the financial institution in the amount of \$275,000 on or before May 25, 2021 and upon receipt of the settlement payment the finance institution shall release the Agency from all remaining amounts due on the LOC. On May 24, 2021, the Agency made a payment to the financial institution in the amount of \$275,000. The cancellation of debt in the amount of \$175,000 is included in gain on extinguishment of debt in the accompanying statements of activities and changes in net assets for the year ended December 31, 2021.

Note 6 – Paycheck Protection Program Loan

In April 2020, the Agency received a Paycheck Protection Program loan (the “Loan”) from the Small Business Administration (“SBA”) for \$533,847. The Loan was forgiven in its entirety by the SBA on December 30, 2020, and the forgiven amount of \$533,847 is included in paycheck protection program loan forgiveness in the accompanying statements of activities and changes in net assets for the year ended December 31, 2020.

Note 7 – Employee Benefit Plan

In August 2006, the Agency adopted a 401(a) Employer Retirement Plan (the “Plan”). The Plan allows for participation for all employees eighteen (18) years of age or older. The employer contributions under the Plan are discretionary. Employees are 25% vested after one (1) year of service, 50% vested after two (2) years, 75% vested after three (3) years and 100% vested after four (4) years of service.

During the years ended December 31, 2021 and 2020, total contributions made to the Plan by the Agency was \$64,941 and \$53,678, respectively.

Note 8 – Operating Leases

Operating Lease, Right-of-Use Assets

Operating lease, right-of-use assets, net consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Right-of-use assets	\$ 3,783,101	\$ 4,481,859
Deferred rent	<u>(164,152)</u>	<u>(135,054)</u>
Operating lease, right-of-use assets, net	<u>\$ 3,618,949</u>	<u>\$ 4,346,805</u>

Operating lease expense during the years ended December 31, 2021 and 2020 totaled \$787,152 and \$683,776, respectively, and is included in rental space expense on the accompanying statements of functional expenses.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
Notes to Financial Statements

Note 8 – Operating Leases, continued

Maturity of Operating Leases

Future maturities of minimum lease payments under operating leases are as follows:

<u>Years Ending December 31,</u>		
2022		\$ 648,784
2023		661,340
2024		654,408
2025		669,480
2026		685,696
Thereafter		938,043
Total undiscounted future minimum lease payments		<u>4,257,751</u>
Less: imputed interest		<u>(309,914)</u>
Total operating lease liability		3,947,837
Operating lease liability, current portion		<u>(562,010)</u>
Operating lease liability, less current portion		<u><u>\$ 3,385,827</u></u>

Note 9 – Finance Leases

The Agency leases computer equipment that are classified on the statements of financial position as finance leases.

Future maturities of minimum lease payments under finance leases are as follows:

<u>Years Ending December 31,</u>		
2022		\$ 82,293
2023		41,274
Total undiscounted future minimum lease payments		<u>123,567</u>
Less: imputed interest		<u>(9,860)</u>
Total finance lease liability		113,707
Finance lease liability, current portion		<u>(74,416)</u>
Finance lease liability, less current portion		<u><u>\$ 39,291</u></u>

Note 9 – Finance Leases, continued

Finance lease cost consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Finance lease cost:		
Amortization of leased assets	\$ 67,208	\$ 66,998
Interest of lease liabilities	<u>16,082</u>	<u>21,921</u>
Total finance lease cost	<u>\$ 83,290</u>	<u>\$ 88,919</u>

Finance lease-related terms and discount rates consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Weighted average remaining term on leases	19 months	30 months
Incremental borrowing rate	10%	10%

Note 10 – Commitments and Contingencies

Grants

The Agency participates in various federal and state assisted grant programs that are subject to review and audit by the respective grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the Agency and have an impact on future awards granted.

In 2020, the Florida Department of Financial Services (the “FDFS”) began an investigation on the Agency for the year ended December 31, 2019 and prior, in regards to the misappropriation of program funds received from the DOEA which were identified by management. The misappropriation of funds primarily involved the Agency utilizing program funding to support operational expenses, which resulted in the Agency not paying providers in a timely manner. The misappropriation led to an approximate amount past due to providers in the amount of \$1,700,000. The rulings of the FDFS investigation are pending and may affect the Agency’s ability to operate in its present form and have an impact on future awards granted by the DOEA. As the revenue from the DOEA grant programs is significant to the financial statements, reduction or loss of funding from the DOEA may affect the Agency’s ability to operate in its present form (see Major Grantor note).

Note 10 – Commitments and Contingencies, continued

Grants, continued

In 2020, the Agency filed a crime claim and a directors and officers claim with its insurance provider in efforts to recoup the misappropriated funds. In 2020, the Agency received insurance proceeds of \$43,789 for the crime claim. In 2021, the Agency received insurance proceeds of \$750,000 for the directors and officers claim which is included in gain on insurance proceeds in the accompanying statements of activities and changes in net assets.

Legal Matters

From time to time, the Agency may become subject to threatened and/or asserted claims arising in the ordinary course of operations. In the opinion of management, there are currently no matters pending or outstanding that would have a material effect on the Agency's financial position or results of operations.

In July 2020, the Agency received a demand letter (the "Demand") from a provider, whereby, the provider demanded payment for past due reimbursements from 2019 and prior in the approximate amount of \$1,700,000. The provider claimed the Agency did not make required reimbursements under the terms of their subcontract agreement from funding the Agency received from the DOEA (see Grants note). Management was in agreement with the Demand and in December 2021, management executed a settlement agreement (the "Settlement Agreement") with the provider. Under the Settlement Agreement, the Agency agreed to pay a lump sum to the provider in the amount of \$1,160,000 and the provider will release the Agency from all remaining amounts due in the amount of \$514,054. The cancellation of debt in the amount of \$514,054 is included in gain on extinguishment of debt in the accompanying statements of activities and changes in net assets for the year ended December 31, 2021. In January 2022, the Agency made a payment to the provider in the lump sum of \$1,160,000. As of December 31, 2021 and 2020, the amount due to the provider for past due reimbursements was \$1,160,000 and \$1,674,054, respectively, and is included in due to providers in the accompanying statements of financial position.

Note 11 – Concentrations of Risk

Cash Deposits

The Agency maintains its cash on deposit with several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC"). The FDIC covers \$250,000 per depositor, per insured bank. As of December 31, 2021 and 2020, deposits held in excess of FDIC limits was \$3,555,560 and \$1,416,889, respectively.

Major Grantor

For the years ended December 31, 2021 and 2020, the DOEA accounted for approximately 95% and 97%, respectively, of the Agency's total revenue. As of December 31, 2021 and 2020, the DOEA accounted for 95% and 94%, respectively, of the Agency's total federal and state grants receivable.

Note 12 – Related Party

The Your Aging & Disability Resource Center Foundation, Inc. (the “Foundation”) was formed to assist the Agency as a supporting agency as defined in Section 509(a)(3) of the IRC. On December 30, 2020, the Foundation dissolved its operations. The principal purpose of the Foundation was to support the Agency in its charitable efforts to improve the lives of senior citizens in Palm Beach, Martin, St. Lucie, Indian River and Okeechobee counties, Florida. The Foundation primarily functioned to; raise, receive, invest, manage and administer funds for the Agency to use for its charitable purposes. There were minimal transactions between the Agency and the Foundation during the year ended December 31, 2020. The Agency has chosen not to include the Foundation in their financial statements due to inconsequential activity with the Foundation.

During the year ended December 31, 2020, the Agency received a cash contribution from the Foundation in the amount of \$19,491.

Supplementary Schedules

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency/Federal Program/Pass Through Agency	Assistance Listing Number	Grant Contract Number	Award Amount	Expenditures	Amounts Paid to Subrecipients
FEDERAL AWARDS					
Department of Health and Human Services:					
Passed through State of Florida					
Department of Elder Affairs:					
Older Americans Act Aging Cluster					
Title III Administration	93.044	IA021	\$ 938,796	\$ 764,408	\$ -
Title III B	93.044	IA021	5,288,789	4,156,415	2,915,936
Title III C1	93.045	IA021	2,182,724	1,778,682	1,778,682
Title III C2	93.045	IA021	3,737,411	2,827,892	2,827,892
Administration on Aging Nutrition Services Incentive Program	93.053	IA021	563,837	547,677	547,677
Total Older Americans Act Aging Cluster			<u>12,711,557</u>	<u>10,075,074</u>	<u>8,070,187</u>
Older Americans Act					
Title VII Elder Abuse Prevention	93.041	I7021	21,267	21,267	-
Title III D	93.043	IA021	155,948	115,200	-
Title III E	93.052	IA021	1,593,766	1,227,596	931,525
Total Older Americans Act			<u>1,770,981</u>	<u>1,364,063</u>	<u>931,525</u>
Coronavirus Aid, Relief, and Economic Security Act ("CARES ACT")					
Title III Administration	93.044-45, 93.052	ICA20	559,868	435,741	116,125
Title IIIB	93.044	ICA20	1,329,507	66,156	-
Title IIIC	93.045	ICA20	3,171,963	250,821	250,821
Title IIIE	93.052	ICA20	733,991	16,755	16,755
Total CARES ACT			<u>5,795,329</u>	<u>769,473</u>	<u>383,701</u>
Consolidated Appropriations Act					
Title IIIC	93.045	ICV21	1,306,551	733,798	733,798
Total Consolidated Appropriations Act			<u>1,306,551</u>	<u>733,798</u>	<u>733,798</u>
Emergency Home Energy Assistance					
Emergency Home Energy Assistance	93.568	IP019	613,807	57,647	37,486
Emergency Home Energy Assistance	93.568	IP021	568,086	279,039	183,221
Emergency Home Energy Assistance	93.568	IPC20	314,814	181,955	78,235
Total Emergency Home Energy Assistance			<u>1,496,707</u>	<u>518,641</u>	<u>298,942</u>
Senior Medicare Patrol Program					
Senior Medicare Patrol Program	93.048	IG020	44,348	18,478	-
Senior Medicare Patrol Program	93.048	IG021	54,848	35,815	-
Total Senior Medicare Patrol Program			<u>99,196</u>	<u>54,293</u>	<u>-</u>
Medicare Enrollment Assistance Program					
Medicare Enrollment Assistance Program	93.071	IB021	172,586	125,517	-
Medicare Enrollment Assistance Program	93.071	IB022	209,386	66,306	-
Total Medicare Enrollment Assistance Program			<u>381,972</u>	<u>191,823</u>	<u>-</u>
Medical Assistance Program					
Medical Assistance Program	93.778	IX020	1,540,845	755,845	-
Medical Assistance Program	93.778	IXC20	308,059	287,113	-
Total Medical Assistance Program			<u>1,848,904</u>	<u>1,042,958</u>	<u>-</u>
CMS Research					
CMS Research	93.779	IN020	266,997	74,624	-
CMS Research	93.779	IN021	276,797	206,444	-
Total CMS Research			<u>543,794</u>	<u>281,068</u>	<u>-</u>
Total Department of Health and Human Services			<u>25,954,991</u>	<u>15,031,191</u>	<u>10,418,153</u>

See accompanying notes to the schedules of expenditures of federal awards and state financial assistance.

**Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
Schedule of Expenditures of Federal Awards, continued
For the Year Ended December 31, 2021**

Federal Agency/Federal Program/Pass Through Agency	Assistance Listing Number	Grant Contract Number	Award Amount	Expenditures	Amounts Paid to Subrecipients
National Council on Aging Benefit Enrollment Center	93.071	-	120,000	90,000	-
National Council on Aging Benefit Enrollment Center	93.071	-	120,000	30,000	-
Total National Council on Aging Benefit Enrollment Center			240,000	120,000	-
Corporation for National and Community Service:					
Foster Grandparent Program	94.011	19SFSFL003	1,145,601	465,098	-
Total Corporation for National and Community Service			1,145,601	465,098	-
Department of Justice					
Passed Through State of Florida					
Office of the Attorney General:					
Victims of Crime	16.575	PAL-00558	89,482	39,294	-
Victims of Crime	16.575	PAL-00561	57,360	7,340	-
Total Victims of Crime			146,842	46,634	-
Total Expenditures of Federal Awards			\$ 27,487,434	\$ 15,662,923	\$ 10,418,153

See accompanying notes to the schedules of expenditures of federal awards and state financial assistance.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
 Schedule of Expenditures of State Financial Assistance
 For the Year Ended December 31, 2021

Grantor/Program Title	CFSA Number	Grant Contract Number	Award Amount	Expenditures	Amounts Paid to Subrecipients
STATE FINANCIAL ASSISTANCE					
Department of Elder Affairs:					
Community Care for the Elderly	65.010	IC020	\$ 6,096,437	\$ 3,238,983	\$ 2,979,036
Community Care for the Elderly	65.010	IC021	7,019,914	2,701,903	2,482,784
Home Care for the Elderly	65.001	IH020	889,142	512,284	293,484
Home Care for the Elderly	65.001	IH021	889,142	415,290	157,931
Local Service Programs	65.009	IL020	92,946	52,435	52,435
Local Service Programs	65.009	IL021	92,946	47,594	47,594
Respite for Elders Living in Everyday Families	65.006	IR020	122,000	35,717	11,775
Respite for Elders Living in Everyday Families	65.006	IR021	121,750	30,697	10,931
Alzheimer's Disease Initiative	65.004	IZ020	5,920,762	3,211,762	3,178,309
Alzheimer's Disease Initiative	65.004	IZ021	6,331,446	2,417,356	2,417,356
Total Department of Elder Affairs			27,576,485	12,664,021	11,631,635
Total State Financial Assistance			\$27,576,485	\$ 12,664,021	\$ 11,631,635

See accompanying notes to the schedules of expenditures of federal awards and state financial assistance.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

Note 1 – Basis of Presentation

The schedules of expenditures of federal awards and state financial assistance (the “Schedules”) are presented on the accrual basis of accounting. The information in the Schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards and the State of Florida Chapter 10.650, Rules of the Auditor General*. Therefore, some amounts presented in the Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Agency has elected not to use the 10% de minimis indirect cost rate for its federal programs or state projects for the years ended December 31, 2021 and 2020. The indirect cost rates used on the Agency’s federal programs and state projects are determined by the relevant federal or state agency.

Note 2 – Reconciliation of the Schedules of Expenditures of Federal Awards and State Financial Assistance to the Statements of Activities and Changes in Net Assets

The following schedule is a reconciliation of total expenditures as shown on the Schedules to the revenue shown in the accompanying statements of activities and changes in net assets for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Total expenditures on the schedules of federal awards and state financial assistance	\$ 28,326,944	\$ 28,897,692
Federal grant revenue	\$ 15,662,923	\$ 17,823,193
State grant revenue	12,664,021	11,074,499
Total federal and state grant revenue on the statements of activities and changes in net assets	\$ 28,326,944	\$ 28,897,692

Note 3 - Contingency

The contract and grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the contract/grantor agencies becomes a liability of the Agency. In the opinion of management, all contract and grant expenditures are in compliance with the terms of the agreement and applicable federal, state, and local laws and regulations.

Independent Auditors' Reports Required by
Government Auditing Standards and
Uniform Guidance

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
West Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Area Agency on Aging of Palm Beach/Treasure Coast, Inc. (the "Agency", a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Continued from previous page

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coastal Capital LLP

Boca Raton, Florida

June 29, 2022

**Independent Auditors' Report on Compliance
for Each Major Federal Program and State Project
and on Internal Control Over Compliance
Required by the Uniform Guidance and State of Florida
Chapter 10.650, Rules of the Auditor General**

To the Board of Directors
Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
West Palm Beach, Florida

Opinion on Each Major Federal Program and State Project

We have audited Area Agency on Aging of Palm Beach/Treasure Coast, Inc.'s (the "Agency", a nonprofit organization) compliance with the types of compliance requirements identified as subject in the OMB Compliance Supplement and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the Agency's major federal programs and state projects for the years ended December 31, 2021 and 2020. The Agency's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the years ended December 31, 2021 and 2020.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Florida Chapter 10.65, *Rules of the Auditor General*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Continued from previous page

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Agency's federal programs and state projects.

Auditors' Responsibilities for the Audits of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audits. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audits in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audits.

Continued from previous page

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audits of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audits we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audits were not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of Florida Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Coastal Capital LLP

Boca Raton, Florida
June 29, 2022

Schedule of Findings and Questioned Costs

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

Schedule of Findings and Questioned Costs

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:			Unmodified
Internal controls over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ X	_____ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ X	_____ No
Noncompliance material to financial statements noted?	_____ Yes	_____ X	_____ No
Management letter or report on other matters related to internal controls issued?	_____ Yes	_____ X	_____ No

Federal Awards

Internal control over major federal programs:			
- Material weakness(es) identified?	_____ Yes	_____ X	_____ No
- Significant deficiency(ies) identified	_____ Yes	_____ X	_____ No
Type of auditors' report issued on compliance for major programs:			Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ Yes	_____ X	_____ No
Dollar threshold used to distinguish between type A and type B programs:	\$	750,000	Federal
Auditee qualified as low-risk auditee?	_____ Yes	_____ X	_____ No
Identification of major programs:			

Federal Programs

<u>Name of Major Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Older Americans Act Aging Cluster:	
Special Programs for the Aging–Title III, Part B	
Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging–Title III, Part C	
Nutrition Services	93.045
Title III E – Caregiver Support Services	93.052
Medical Assistance Program	93.778

**Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
 Schedule of Findings and Questioned Costs, continued**

SECTION I - SUMMARY OF AUDITORS' RESULTS, continued

STATE FINANCIAL ASSISTANCE

Type of auditors' report issued on compliance for major projects:		Unmodified	
Internal control over major projects:			
Material weakness(es) identified?	<u> </u> Yes	<u> </u> X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> </u> X	No
Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i> .	<u> </u> Yes	<u> </u> X	No
Dollar threshold used to distinguish between Type A and Type B projects	\$	750,000	State

Identification of major projects:

State Projects

<u>Name of Major State Project</u>	<u>CFSA Number</u>
Alzheimer's Disease Initiative	65.004
Community Care for the Elderly	65.010
Home Care for the Elderly	65.001

SECTION II - FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None Reported

PRIOR YEAR FINDINGS

None Reported

SECTION III - FEDERAL PROGRAM AND STATE PROJECT AUDIT FINDINGS

CURRENT YEAR FINDINGS

None Reported

PRIOR YEAR FINDINGS

None Reported