

**AREA 1 AGENCY ON AGING**

**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2010 and 2009**



**DEMELLO, MCAULEY,  
MCREYNOLDS & HOLLAND, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Area 1 Agency on Aging

We have audited the accompanying statement of financial position of Area 1 Agency on Aging (a nonprofit organization) as of June 30, 2010, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Area 1 Agency on Aging as of June 30, 2009, were audited by other auditors whose report dated November 2, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Area 1 Agency on Aging as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2010, on our consideration of Area 1 Agency on Aging'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.

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 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 is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Demello, McAuley, McReynolds + Holland, LLP*

October 20, 2010

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**AREA 1 AGENCY ON AGING**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 233,147	\$ 236,779
Grants and contracts receivable	170,047	131,036
Other receivables	8,786	8,897
Prepaid insurance	12,531	11,811
Other prepaid expenses	28,955	32,682
Investments	208,186	321,817
Total Current Assets	<u>661,652</u>	<u>743,022</u>
Property and Equipment		
Land	154,264	154,264
Property and equipment - Net of accumulated depreciation	1,053,068	1,077,293
Grant funded equipment	36,758	40,550
Total Property and Equipment	<u>1,244,090</u>	<u>1,272,107</u>
TOTAL ASSETS	<u>\$ 1,905,742</u>	<u>\$ 2,015,129</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 56,891	\$ 92,544
Lease payable - Current portion	-	2,748
Refundable advances	12,984	17,407
Security deposits payable	2,573	973
Accrued liabilities:		
Payroll, benefits, and payroll taxes	43,648	29,435
Compensated absences	19,948	34,882
Total Current Liabilities	<u>136,044</u>	<u>177,989</u>
Long Term Liabilities		
Lease payable	-	229
Total Liabilities	<u>136,044</u>	<u>178,218</u>
Net Assets		
Unrestricted net assets	1,699,949	1,757,971
Temporarily restricted net assets	69,749	78,940
Permanently restricted net assets	-	-
Total Net Assets	<u>1,769,698</u>	<u>1,836,911</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,905,742</u>	<u>\$ 2,015,129</u>

See accompanying notes.

**AREA 1 AGENCY ON AGING**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2010**

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUE, AND GAINS</b>				
<b>Support</b>				
Federal and state financial assistance	\$ 1,571,427	\$ -	\$ -	\$ 1,571,427
Other grants and contracts	349,259	32,250	-	381,509
Contributions	6,276	-	-	6,276
Fund-raising	4,155	-	-	4,155
<b>Total Support</b>	<b>1,931,117</b>	<b>32,250</b>	<b>-</b>	<b>1,963,367</b>
<b>Revenue</b>				
Membership fees	2,100	250	-	2,350
Project revenues	4,329	-	-	4,329
Underwriting revenue	19,816	-	-	19,816
Other revenue	5,854	-	-	5,854
Interest and dividends income	1,860	-	-	1,860
Partnership income	75,396	-	-	75,396
Sublease income	37,849	491	-	38,340
Realized gains on sale of investments	71	-	-	71
Unrealized gains on investments	1,187	-	-	1,187
<b>Total Revenue</b>	<b>148,462</b>	<b>741</b>	<b>-</b>	<b>149,203</b>
<b>Net Assets Released from Restrictions</b>	<b>38,390</b>	<b>(38,390)</b>	<b>-</b>	<b>-</b>
<b>TOTAL SUPPORT, REVENUE, AND GAINS</b>	<b>2,117,969</b>	<b>(5,399)</b>	<b>-</b>	<b>2,112,570</b>
<b>EXPENSES</b>				
<b>Program services:</b>				
Senior support services	900,440	-	-	900,440
Volunteer services	225,138	-	-	225,138
Information services	664,664	-	-	664,664
<b>Total Program Services</b>	<b>1,790,242</b>	<b>-</b>	<b>-</b>	<b>1,790,242</b>
<b>Support Services</b>				
General and administrative	225,830	-	-	225,830
Fund-raising	7,626	-	-	7,626
Real estate management	152,293	-	-	152,293
<b>Total Support Services</b>	<b>385,749</b>	<b>-</b>	<b>-</b>	<b>385,749</b>
<b>TOTAL EXPENSES</b>	<b>2,175,991</b>	<b>-</b>	<b>-</b>	<b>2,175,991</b>
<b>CHANGE IN NET ASSETS</b>	<b>(58,022)</b>	<b>(5,399)</b>	<b>-</b>	<b>(63,421)</b>
<b>Disposal of Grant Funded Equipment</b>	<b>-</b>	<b>(3,792)</b>	<b>-</b>	<b>(3,792)</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<b>1,757,971</b>	<b>78,940</b>	<b>-</b>	<b>1,836,911</b>
<b>NET ASSETS END OF YEAR</b>	<b>\$ 1,699,949</b>	<b>\$ 69,749</b>	<b>\$ -</b>	<b>\$ 1,769,698</b>

See accompanying notes

**AREA 1 AGENCY ON AGING**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2009

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUE, AND GAINS</b>				
<b>Support</b>				
Federal and state financial assistance	\$ 1,760,423	\$ -	\$ -	\$ 1,760,423
Other grants and contracts	460,072	37,440	-	497,512
Contributions	4,600	-	-	4,600
Fund-raising	11,829	-	-	11,829
<b>Total Support</b>	<u>2,236,924</u>	<u>37,440</u>	<u>-</u>	<u>2,274,364</u>
<b>Revenue</b>				
Membership fees	1,575	950	-	2,525
Project revenues	517	-	-	517
Underwriting revenue	2,000	-	-	2,000
Other revenue	11,429	-	-	11,429
Interest and dividends income	12,000	-	-	12,000
Partnership income	65,958	-	-	65,958
Sublease income	16,644	-	-	16,644
<b>Total Revenue</b>	<u>110,123</u>	<u>950</u>	<u>-</u>	<u>111,073</u>
<b>Net Assets Released from Restrictions</b>	<u>1,565</u>	<u>(1,565)</u>	<u>-</u>	<u>-</u>
<b>Total Support, Revenue, and Gains</b>	<u>2,348,612</u>	<u>36,825</u>	<u>-</u>	<u>2,385,437</u>
<b>EXPENSES</b>				
<b>Program services:</b>				
Senior support services	1,169,809	-	-	1,169,809
Volunteer services	258,360	-	-	258,360
Information services	642,890	-	-	642,890
<b>Total Program Services</b>	<u>2,071,059</u>	<u>-</u>	<u>-</u>	<u>2,071,059</u>
<b>Support Services</b>				
General and administrative	308,477	-	-	308,477
Fund-raising	9,529	-	-	9,529
Real estate management	104,699	-	-	104,699
<b>Total Support Services</b>	<u>422,705</u>	<u>-</u>	<u>-</u>	<u>422,705</u>
<b>TOTAL EXPENSES</b>	<u>2,493,764</u>	<u>-</u>	<u>-</u>	<u>2,493,764</u>
<b>CHANGE IN NET ASSETS</b>	(145,152)	36,825	-	(108,327)
Disposal of Grant Funded Equipment	-	(4,698)	-	(4,698)
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>1,903,123</u>	<u>46,813</u>	<u>-</u>	<u>1,949,936</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 1,757,971</u>	<u>\$ 78,940</u>	<u>\$ -</u>	<u>\$ 1,836,911</u>

See accompanying notes.

**AREA 1 AGENCY ON AGING**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (63,421)	\$ (108,327)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	37,198	30,217
Realized (gains) losses on sale of investments	(71)	531
Unrealized (gains) losses on investments	(1,187)	3,578
Transfer of assets to other agencies	-	69,536
(Increase) decrease in operating assets:		
Receivables	(38,901)	26,378
Investment interest receivable	-	5,995
Prepaid expenses	3,008	(3,468)
Increase (decrease) in operating liabilities:		
Accounts payable	(35,653)	34,182
Refundable advances	(4,423)	10,733
Security deposits payable	1,600	973
Accrued liabilities	(721)	(640)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(102,571)</u>	<u>69,688</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, building, and improvements	(12,973)	(1,215,088)
Purchase of equipment	-	(23,019)
Proceeds from sale of investments	850,000	905,912
Purchase of investments	(735,111)	(305,608)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>101,916</u>	<u>(637,803)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Debt reduction	(2,977)	(2,973)
NET CASH USED BY FINANCING ACTIVITIES	<u>(2,977)</u>	<u>(2,973)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,632)	(571,088)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>236,779</u>	<u>807,867</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 233,147</u>	<u>\$ 236,779</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest expense	<u>\$ 60</u>	<u>\$ 103</u>

See accompanying notes.

## AREA 1 AGENCY ON AGING NOTES TO FINANCIAL STATEMENTS

### NOTE A — NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

Area 1 Agency on Aging (A1AA) is a nonprofit corporation formed to function as a planning and administrative organization for the delivery of services to older individuals in Humboldt and Del Norte Counties. In addition to providing these services, A1AA operates the Volunteer Center of the Redwoods/RSVP, the purpose of which is to coordinate the recruitment and placement of citizens in meaningful volunteer stations within Humboldt and Del Norte Counties. A1AA also operates an Information and Assistance (I&A) program whereby A1AA provides needed information and relevant assistance to senior citizens and their caregivers; as well as a Health Insurance Counseling and Advocacy (HICAP) program; and a Caregiver Services program for caregivers, recipients of in-home care, and their families. The majority of revenue is passed through from the California Department of Aging which results in a concentration of credit risk for related receivables and revenues.

#### Financial Statement Presentation

A1AA reports its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions, in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* (ASC 958).

#### Property and Equipment

A1AA capitalizes all property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Purchased property and equipment are capitalized at historical cost. Donated property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, A1AA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. A1AA reclassifies temporarily restricted net assets to unrestricted net assets at the time. Property and equipment are depreciated using the straight-line method based on estimated useful lives.

#### Revenue Recognition

A1AA reports grants, contributions, and membership fees in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made* (ASC 958). Certain grants, contributions, and membership fees are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

#### Contributed Services

Donated services are recognized as contributions in accordance with ASC 958, if the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by A1AA.

In addition, volunteers also provide services throughout the year in serving A1AA's mission that are not recognized as contributions in the financial statements because the recognition criteria under ASC 958 were not met.

#### Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, A1AA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Grants and Contracts Receivable

Grants and contracts receivable from federal, state and other awarding agencies and are based on closeout reports (or other applicable reports) prepared after year end. The amounts are all considered collectible, therefore there is no allowance for uncollectible amounts recorded.

## AREA 1 AGENCY ON AGING NOTES TO FINANCIAL STATEMENTS

### Compensated Absences

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability. In accordance with the provisions of SFAS No. 43, *Accounting for Compensated Absences* (ASC 710), no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### Income Taxes

A1AA is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and California Revenue and Taxation Code Section 23701. In addition, the Internal Revenue Service has determined that A1AA is not a private foundation within the meaning of IRC Section 509(a).

On July 1, 2009, the Agency adopted the provisions of Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109" (ASC 740). ASC 740 prescribes a new threshold for determining when an income tax benefit can be recognized, which is a higher threshold than the one imposed for claiming deductions on income tax returns. The adoption of ASC 740 did not have any impact on the Agency's financial statements. The Agency's federal and state tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have three and four year statute of limitations, respectively. The Agency would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision.

### Functional Expenses

A1AA allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various statistical bases.

### Use of Estimates

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

### Subsequent Events

The Agency adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855), as of July 1, 2009. ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through October 20, 2010, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

## **NOTE B – CASH AND CASH EQUIVALENTS**

The carrying value of cash and cash equivalents were composed of the following combined balances:

	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 317	\$ 67
Checking and savings accounts	232,830	136,712
Certificates of deposits	-	100,000
	<u>\$ 233,147</u>	<u>\$ 236,779</u>

A1AA maintains cash balances at several financial institutions. The balances are insured at each financial institution by the Federal Deposit Insurance Corporation up to \$250,000 in 2010 and 2009. At June 30, 2010 and 2009, A1AA did not have any uninsured cash balances.

**AREA 1 AGENCY ON AGING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE C — RECEIVABLES**

The following is a summary of receivables as of June 30:

	<u>2010</u>	<u>2009</u>
Grant and Contract Awards		
Federal	\$ 75,585	\$ 48,893
State	50,923	30,312
Other	<u>43,539</u>	<u>51,831</u>
	170,047	131,036
Reimbursable expenses	<u>8,786</u>	<u>8,897</u>
	<u>\$ 178,833</u>	<u>\$ 139,933</u>

**NOTE D — INVESTMENTS**

Investments in securities available for sale are carried at fair value. Investments in securities held to maturity are carried at amortized cost. The investment in the limited partnership interest is carried at the fair value at the date of donation.

Securities that are carried at the fair market value are all considered "Level 1" investments with readily determinable fair market value.

<u>2010</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Appreciation (Depreciation)</u>
Certificates of deposit	\$ 185,000	\$ 184,924	\$ 185,000	\$ -
Pooled funds (Level 1)	14,500	13,186	13,186	(1,314)
Limited Partnership	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
	<u>\$ 209,500</u>	<u>\$ 208,110</u>	<u>\$ 208,186</u>	<u>\$ (1,314)</u>

  

<u>2009</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Appreciation (Depreciation)</u>
Certificates of deposit	\$ 297,245	\$ 298,540	\$ 300,000	\$ -
Pooled funds (Level 1)	15,395	11,817	11,817	(3,578)
Limited Partnership	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
	<u>\$ 322,640</u>	<u>\$ 320,357</u>	<u>\$ 321,817</u>	<u>\$ (3,578)</u>

**AREA 1 AGENCY ON AGING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE E — PROPERTY AND EQUIPMENT**

The following is a summary of the changes in property and equipment as of June 30, 2010:

	Balance July 1, 2009	Additions	Current Year Disposals	Balance June 30, 2010
Unrestricted				
Land (50%)	\$ 154,264	\$ -	\$ -	\$ 154,264
Building and improvements (50%)	1,008,505	6,930	-	1,015,435
Leasehold improvements	52,319	6,043	-	58,362
Equipment	140,426	-	(8,175)	132,251
	1,355,514	12,973	(8,175)	1,360,312
Accumulated depreciation	(123,957)	(37,198)	8,175	(152,980)
Net book value	<u>\$ 1,231,557</u>	<u>\$ (24,225)</u>	<u>\$ -</u>	<u>\$ 1,207,332</u>
Temporarily Restricted Equipment	<u>\$ 40,550</u>	<u>\$ -</u>	<u>\$ (3,792)</u>	<u>\$ 36,758</u>
Total Property and Equipment	<u>\$ 1,272,107</u>	<u>\$ (24,225)</u>	<u>\$ (3,792)</u>	<u>\$ 1,244,090</u>

**NOTE F — ACCOUNTS PAYABLE**

Accounts payable consisted of the following as of June 30, 2010 and 2009:

	2010	2009
Payments to subcontractors	\$ 9,132	\$ 51,215
Trade payables	46,392	40,311
Sales and use tax payable	1,367	1,018
	<u>\$ 56,891</u>	<u>\$ 92,544</u>

**NOTE G — REFUNDABLE ADVANCES**

A1AA records grant and contract revenue as a refundable advance until it is expended for the purpose of the grant or contract, at which time it is recognized as revenue. The balances in refundable advances of \$12,984 and \$17,407 as of June 30, 2010 and 2009, respectively, represent amounts received from funding agencies and not yet expended for allowable program costs.

**NOTE H — CAPITAL LEASE PAYABLE**

A1AA entered into a lease agreement for financing the acquisition of a Konica Minolta Copier. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The lease was paid off in the current year. On July 20, 2010, the Agency exercised the option to purchase the copier for a buy-out price of \$1,329.39.

The asset acquired through the capital lease is as follows:

**AREA 1 AGENCY ON AGING  
NOTES TO FINANCIAL STATEMENTS**

	<u>2010</u>	<u>2009</u>
Asset		
Konica Minolta Bizhub 250 Copier	\$ 8,137	\$ 8,137
Less accumulated depreciation	<u>(4,897)</u>	<u>(3,247)</u>
Total	<u>\$ 3,240</u>	<u>\$ 4,890</u>

**NOTE I — TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods:

Contributions, Grants, and Fees		
Beginning balance, July 1, 2009	\$ 38,390	
Net assets released from donor restrictions by incurring expenses to satisfy the purpose or time restrictions specified by donors:		
Foundation contributions	(37,440)	
Membership fees	<u>(950)</u>	\$ -
Net assets received for periods after June 30, 2010:		
Foundation contributions	32,250	
Membership fees	250	
Rental income	<u>491</u>	32,991
Assets Reverting to Others		
Beginning balance, July 1, 2009	40,550	
Disposal of grant funded equipment	<u>(3,792)</u>	<u>36,758</u>
		<u>\$ 69,749</u>

Assets reverting to others consist of equipment acquired with certain funding sources that require that title to these assets revert to the funding source should the program be discontinued.

**NOTE J — OPERATING LEASE AGREEMENT**

A1AA leased the Crescent City office under a non-cancellable operating lease expiring on June 30, 2010. Rent expense for 2010 and 2009 totaled \$13,000 and \$16,800, respectively.

A1AA leased its Eureka office under a non-cancellable operating lease expiring on July 31, 2018. Rent expense for 2010 and 2009 totaled \$154,125 and \$134,863, respectively. Minimum future rental payments under this lease in total and for the following five years are:

Year Ending June 30,	
2010 - 2011	\$ 158,746
2011 - 2012	\$ 163,510
2012 - 2013	\$ 168,418
2013 - 2014	\$ 173,470
2014 - 2015	\$ 178,677
Subsequent	\$ 585,142

**AREA 1 AGENCY ON AGING  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K — CONTINGENT LIABILITIES**

The major sources of support and revenue are grants and contracts from federal and state agencies. Such support and revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

**NOTE L — GRANTS, CONTRACTS, AND EXCHANGE TRANSACTIONS**

The following is a summary of revenue recognized from grants, contracts, and exchange transactions during the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Federal grant awards	\$ 1,088,205	\$ 972,436
State grant awards	483,222	787,987
	<u>\$ 1,571,427</u>	<u>\$ 1,760,423</u>

**NOTE M — RETIREMENT PLAN**

A1AA maintains a Simplified Employee Pension (SEP) plan which allows employer discretionary contributions of up to 25% of each eligible employee's gross wages subject to an IRS established limit (\$245,000 in 2010 and 2009). A1AA made contributions totaling \$18,502 for 2010 and none for 2009.

A1AA also sponsors a 403(b) salary deferral plan.

**NOTE N — RELATED PARTY TRANSACTIONS**

On August 8, 2008, A1AA purchased a 50% interest in the commercial building it occupies. The ownership is held with the other 50% owner through a co-tenancy named the Lundblade/A1AA Seventh Street Co-Tenancy. The building in its entirety is leased to A1AA and, in turn, a portion of the building is sub-leased to various tenants. The entire amount of rent is expensed and the revenue from the sub-leases and 50% interest in the co-tenancy are reported as revenue. (See Note J for the minimum future rental payments.)

One board member is paid as an independent contractor to provide training to A1AA clients in the Caregiver Services program and the contract is approved by the Board. Total payments amounted to \$3,337 in the year ended June 30, 2010.

**SUPPLEMENTARY INFORMATION**

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF SUPPORT AND REVENUE**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for the Year Ended June 30, 2009)**

	<u>Senior Support Services</u>	<u>Volunteer Services</u>	<u>Information Services</u>	<u>Total Program Services</u>
<b>UNRESTRICTED SUPPORT</b>				
Federal awards	\$ 473,000	\$ 139,384	\$ 260,856	\$ 873,240
Nutrition Services Incentive Program	107,213	-	-	107,213
USDA Senior Farmers Market coupons	5,000	-	-	5,000
State awards	306,939	2,670	164,970	474,579
Other grants and contracts	-	30,500	216,403	246,903
Contributions	-	2,536	-	2,536
Fund-raising income	-	-	-	-
<b>UNRESTRICTED REVENUE AND GAINS</b>				
Membership fees	-	2,100	-	2,100
Project revenue	-	100	4,229	4,329
Underwriting income	-	1,000	18,816	19,816
Other revenue	-	724	269	993
Interest and dividend income	-	-	-	-
Unrealized gain on investments	-	-	-	-
Realized gain on investments	-	-	-	-
Partnership income	-	-	-	-
Sublease income	-	-	-	-
Gain on disposition of equipment	-	-	-	-
Total unrestricted support, revenue, and gains	<u>892,152</u>	<u>179,014</u>	<u>665,543</u>	<u>1,736,709</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	<u>-</u>	<u>38,390</u>	<u>-</u>	<u>38,390</u>
<b>TOTAL UNRESTRICTED SUPPORT, REVENUE, AND GAINS</b>	<u><u>\$ 892,152</u></u>	<u><u>\$ 217,404</u></u>	<u><u>\$ 665,543</u></u>	<u><u>\$ 1,775,099</u></u>

<b>Total Administrative Support Services</b>	<b>Total Program and Administrative Support Services</b>	<b>Total 2009</b>
\$ 102,752	\$ 975,992	\$ 873,112
-	107,213	89,324
-	5,000	10,000
8,643	483,222	787,987
102,356	349,259	460,072
3,740	6,276	4,600
4,155	4,155	11,829
-	2,100	1,575
-	4,329	517
-	19,816	2,000
4,861	5,854	11,429
1,860	1,860	12,000
1,187	1,187	-
71	71	-
75,396	75,396	65,958
37,849	37,849	16,644
-	-	-
342,870	2,079,579	2,347,047
-	38,390	1,565
<u>\$ 342,870</u>	<u>\$ 2,117,969</u>	<u>\$ 2,348,612</u>

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF SUPPORT AND REVENUE**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for the Year Ended June 30, 2009)**

	<b>SENIOR SUPPORT SERVICES</b>			
	<b>Title III C-1 Congregate Meals</b>	<b>Title III C-2 Home Delivered Meals</b>	<b>Title III E Home Modification</b>	<b>Title III E Respite</b>
<b>UNRESTRICTED SUPPORT</b>				
Federal awards	\$ 20,865	\$ 18,321	\$ 16,903	\$ 7,553
Nutrition Services Incentive Program	-	-	-	-
USDA Senior Farmers Market coupons	-	-	-	-
State awards	-	-	-	-
Contributions	-	-	-	-
Fund-raising income	-	-	-	-
<b>UNRESTRICTED REVENUE AND GAINS</b>				
Membership fees	-	-	-	-
Project revenue	-	-	-	-
Underwriting income	-	-	-	-
Other revenue	-	-	-	-
Interest and dividend income	-	-	-	-
Gain on disposition of equipment	-	-	-	-
Total unrestricted support, revenue, and gains	<u>20,865</u>	<u>18,321</u>	<u>16,903</u>	<u>7,553</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL UNRESTRICTED SUPPORT, REVENUE, AND GAINS</b>	<u><u>\$ 20,865</u></u>	<u><u>\$ 18,321</u></u>	<u><u>\$ 16,903</u></u>	<u><u>\$ 7,553</u></u>

**SENIOR SUPPORT SERVICES**

<b>Contracted Services</b>	<b>Title IIIB Home Modification</b>	<b>Title IIIE Various Supplemental</b>	<b>Senior Farmers Market Coupons</b>	<b>Total 2010</b>	<b>Total 2009</b>
\$ 403,318	\$ 5,632	\$ 408	\$ -	\$ 473,000	\$ 421,562
107,213	-	-	-	107,213	89,324
-	-	-	5,000	5,000	10,000
306,939	-	-	-	306,939	586,101
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>817,470</b>	<b>5,632</b>	<b>408</b>	<b>5,000</b>	<b>892,152</b>	<b>1,106,987</b>
-	-	-	-	-	-
<b>\$ 817,470</b>	<b>\$ 5,632</b>	<b>\$ 408</b>	<b>\$ 5,000</b>	<b>\$ 892,152</b>	<b>\$ 1,106,987</b>

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**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF SUPPORT AND REVENUE**  
For the Year Ended June 30, 2010  
(With Comparative Totals for the Year Ended June 30, 2009)

	<b>VOLUNTEER SERVICES</b>				
	<u>RSVP</u>	<u>Title III B VCOR</u>	<u>VCOR General</u>	<u>Total 2010</u>	<u>Total 2009</u>
<b>UNRESTRICTED SUPPORT</b>					
Federal awards	\$ 109,372	\$ 30,012	\$ -	\$ 139,384	\$ 144,872
Nutrition Services Incentive Program	-	-	-	-	-
USDA Senior Farmers Market coupons	-	-	-	-	-
State awards	-	-	2,670	2,670	6,500
Other grants and contracts	-	-	30,500	30,500	95,470
Contributions	-	-	2,536	2,536	2,485
Fund-raising income	-	-	-	-	-
<b>UNRESTRICTED REVENUE AND GAINS</b>					
Membership fees	-	-	2,100	2,100	1,575
Project revenue	-	-	100	100	406
Underwriting income	-	-	1,000	1,000	2,000
Other revenue	-	-	724	724	245
Gain on disposition of equipment	-	-	-	-	-
Total unrestricted support, revenue, and gains	<u>109,372</u>	<u>30,012</u>	<u>39,630</u>	<u>179,014</u>	<u>253,553</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	<u>-</u>	<u>-</u>	<u>38,390</u>	<u>38,390</u>	<u>1,565</u>
<b>TOTAL UNRESTRICTED SUPPORT, REVENUE, AND GAINS</b>	<u>\$ 109,372</u>	<u>\$ 30,012</u>	<u>\$ 78,020</u>	<u>\$ 217,404</u>	<u>\$ 255,118</u>

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF SUPPORT AND REVENUE**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for the Year Ended June 30, 2009)**

	<b>INFORMATION SERVICES</b>					<b>Title III E Grand- parents Info Svcs</b>
	<b>Senior Resource Directory</b>	<b>Title III B Information &amp; Assistance</b>	<b>Title III E Community Education</b>	<b>Title III E Access</b>	<b>MIPPA</b>	
<b>UNRESTRICTED SUPPORT</b>						
Federal awards	\$ -	\$ 66,563	\$ 4,261	\$ 34,544	\$ 42,283	\$ 5,038
Nutrition Services Incentive Program	-	-	-	-	-	-
USDA Senior Farmers Market coupons	-	-	-	-	-	-
State awards	-	-	-	-	-	-
Other grants and contracts	-	12,250	-	-	-	-
Contributions	-	-	-	-	-	-
Fund-raising income	-	-	-	-	-	-
<b>UNRESTRICTED REVENUE AND GAINS</b>						
Membership fees	-	-	-	-	-	-
Project revenue	-	-	-	-	-	-
Underwriting income	17,416	1,000	-	-	-	-
Other revenue	-	-	-	-	-	-
Interest and dividend income	-	-	-	-	-	-
Gain on disposition of equipment	-	-	-	-	-	-
Total unrestricted support, revenue, and gains	17,416	79,813	4,261	34,544	42,283	5,038
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	-	-	-	-	-	-
<b>TOTAL UNRESTRICTED SUPPORT, REVENUE, AND GAINS</b>	<u>\$ 17,416</u>	<u>\$ 79,813</u>	<u>\$ 4,261</u>	<u>\$ 34,544</u>	<u>\$ 42,283</u>	<u>\$ 5,038</u>

**INFORMATION SERVICES**

<b>Blue Lake Caregiver Services</b>	<b>Project for Senior Action</b>	<b>Title III D Preventive Health</b>	<b>Caregiver Services</b>	<b>HICAP</b>	<b>Title III E Caregiver Support</b>	<b>Total 2010</b>	<b>Total 2009</b>
\$ -	\$ -	\$ 11,009	\$ -	\$ 83,385	\$ 13,773	\$260,856	\$212,715
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	164,970	-	164,970	164,144
10,200	50,000	-	143,953	-	-	216,403	260,632
-	-	-	-	-	-	-	1,026
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,722	247	1,200	60	4,229	111
-	400	-	-	-	-	18,816	-
-	-	-	-	269	-	269	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,200	50,400	13,731	144,200	249,824	13,833	665,543	638,628
-	-	-	-	-	-	-	-
<u>\$ 10,200</u>	<u>\$ 50,400</u>	<u>\$ 13,731</u>	<u>\$144,200</u>	<u>\$249,824</u>	<u>\$ 13,833</u>	<u>\$665,543</u>	<u>\$638,628</u>

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF SUPPORT AND REVENUE**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for the Year Ended June 30, 2009)**

**ADMINISTRATIVE SUPPORT SERVICES**

	<u>Area Plan</u> <u>Administration</u>	<u>HICAP</u> <u>Administration</u>	<u>Overhead</u>	<u>Investments</u>
<b>UNRESTRICTED SUPPORT</b>				
Federal awards	\$ 101,823	\$ 929	\$ -	\$ -
Nutrition Services Incentive Program	-	-	-	-
USDA Senior Farmers Market coupons	-	-	-	-
State awards	7,977	666	-	-
Other grants and contracts	84,391	-	10,518	-
Contributions	1,642	-	1,878	-
Fund-raising income	-	-	-	-
<b>UNRESTRICTED REVENUE AND GAINS</b>				
Membership fees	-	-	-	-
Project revenue	-	-	-	-
Underwriting income	-	-	-	-
Other revenue	-	-	432	-
Interest and dividend income	-	-	-	1,833
Unrealized gain on investments	-	-	-	1,187
Realized gain on investments	-	-	-	71
Partnership income	-	-	-	-
Sublease income	-	-	-	-
Total unrestricted support, revenue, and gains	<u>195,833</u>	<u>1,595</u>	<u>12,828</u>	<u>3,091</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL UNRESTRICTED SUPPORT, REVENUE, AND GAINS</b>	<u>\$ 195,833</u>	<u>\$ 1,595</u>	<u>\$ 12,828</u>	<u>\$ 3,091</u>

**ADMINISTRATIVE SUPPORT SERVICES**

<u>HAF Community Training</u>	<u>Miscellaneous Administrative</u>	<u>Fund-Raising</u>	<u>Real Estate Management</u>	<u>Total 2010</u>	<u>Total 2009</u>
\$ -	\$ -	\$ -	\$ -	\$ 102,752	\$ 93,963
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	8,643	31,242
7,447	-	-	-	102,356	103,970
-	220	-	-	3,740	1,089
-	-	4,155	-	4,155	11,829
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
401	4,028	-	-	4,861	11,184
-	27	-	-	1,860	12,000
-	-	-	-	1,187	-
-	-	-	-	71	-
-	-	-	75,396	75,396	65,958
-	-	-	37,849	37,849	16,644
7,848	4,275	4,155	113,245	342,870	347,879
-	-	-	-	-	-
<u>\$ 7,848</u>	<u>\$ 4,275</u>	<u>\$ 4,155</u>	<u>\$ 113,245</u>	<u>\$ 342,870</u>	<u>\$ 347,879</u>

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for the Year Ended June 30, 2009)**

	<u>Senior Support Services</u>	<u>Volunteer Services</u>	<u>Information Services</u>	<u>Total Program Services</u>
Salaries and wages	\$ 7,624	\$ 90,182	\$ 279,486	\$ 377,292
Fringe benefit expenses	2,513	30,274	100,453	133,240
Total salaries and related expenses	<u>10,137</u>	<u>120,456</u>	<u>379,939</u>	<u>510,532</u>
Advertising	-	1,270	16,163	17,433
Consultants	28,303	-	38,948	67,251
Contracted services	817,470	1,438	2,145	821,053
Expendable equipment	-	-	8,970	8,970
Insurance	74	914	1,283	2,271
Interest expense	-	-	-	-
Investment management fees	-	-	-	-
Membership and subscriptions	198	599	2,347	3,144
Office supplies	203	4,285	8,975	13,463
Online services	-	-	-	-
Printing and copier expense	400	4,855	20,959	26,214
Professional services	-	-	-	-
Property taxes	293	1,189	4,846	6,328
Purchase of services	17,327	-	4,535	21,862
Rent	1,414	12,309	31,728	45,451
Repairs and maintenance	257	1,830	5,758	7,845
Staff travel and training	518	2,305	13,982	16,805
Telephone and utilities	658	3,613	10,975	15,246
Volunteer expenses	-	35,747	616	36,363
Other	5,000	1,579	15,919	22,498
Total expenses before depreciation, other expenses, and losses	<u>882,252</u>	<u>192,389</u>	<u>568,088</u>	<u>1,642,729</u>
Allocated overhead	10,162	32,749	96,576	139,487
Depreciation	8,026	-	-	8,026
Transfer to other agencies	-	-	-	-
Realized loss on investments	-	-	-	-
Unrealized losses on investments	-	-	-	-
<b>TOTAL EXPENSES AND LOSSES</b>	<u><u>\$ 900,440</u></u>	<u><u>\$ 225,138</u></u>	<u><u>\$ 664,664</u></u>	<u><u>\$ 1,790,242</u></u>

<b>Total Administrative Support Services</b>	<b>Total Program and Administrative Support Services</b>	<b>Total 2009</b>
\$ 196,456	\$ 573,748	\$ 620,554
64,050	197,290	184,303
<u>260,506</u>	<u>771,038</u>	<u>804,857</u>
1,831	19,264	18,392
15,776	83,027	85,099
-	821,053	1,018,384
5,420	14,390	41,901
10,034	12,305	11,430
59	59	235
223	223	271
4,137	7,281	6,957
5,609	19,072	26,562
-	-	11,275
4,844	31,058	26,630
10,050	10,050	10,610
12,675	19,003	14,745
-	21,862	9,118
123,599	169,050	163,913
8,955	16,800	20,306
4,218	21,023	18,996
7,451	22,697	26,532
386	36,749	40,428
20,292	42,790	33,261
<u>496,065</u>	<u>2,138,794</u>	<u>2,389,902</u>
(139,487)	-	-
29,171	37,197	30,217
-	-	69,536
-	-	531
-	-	3,578
<u>\$ 385,749</u>	<u>\$ 2,175,991</u>	<u>\$ 2,493,764</u>

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for the Year Ended June 30, 2009)**

	<b>SENIOR SUPPORT SERVICES</b>			
	<b>Title III C-1 Congregate Meals</b>	<b>Title III C-2 Home Delivered Meals</b>	<b>Title III E Home Modification</b>	<b>Title III E Respite</b>
Salaries and wages	\$ 457	\$ 511	\$ 4,260	\$ 1,764
Fringe benefit expenses	211	233	1,370	514
Total salaries and related expenses	<u>668</u>	<u>744</u>	<u>5,630</u>	<u>2,278</u>
Advertising	-	-	-	-
Consultants	15,312	12,991	-	-
Contracted services	-	-	-	-
Expendable equipment	-	-	-	-
Insurance	37	37	-	-
Interest expense	-	-	-	-
Investment management fees	-	-	-	-
Membership and subscriptions	24	174	-	-
Office supplies	92	98	1	-
Online services	-	-	-	-
Printing and copier expense	200	200	-	-
Professional services	-	-	-	-
Property taxes	146	147	-	-
Purchase of services	-	-	8,816	4,178
Rent	707	707	-	-
Repairs and maintenance	129	128	-	-
Staff travel and training	258	259	-	-
Telephone and utilities	329	329	-	-
Volunteer expenses	-	-	-	-
Other	-	-	-	-
Total expenses before depreciation, other expenses, and losses	<u>17,902</u>	<u>15,814</u>	<u>14,447</u>	<u>6,456</u>
Allocated overhead	3,043	2,688	2,456	1,098
Depreciation	-	-	-	-
Transfer to other agencies	-	-	-	-
Realized loss on investments	-	-	-	-
Unrealized losses on investments	-	-	-	-
<b>TOTAL EXPENSES</b>	<u><u>\$ 20,945</u></u>	<u><u>\$ 18,502</u></u>	<u><u>\$ 16,903</u></u>	<u><u>\$ 7,554</u></u>

**SENIOR SUPPORT SERVICES**

<u>Contracted Services</u>	<u>Title IIIB Home Modification</u>	<u>Title IIIE Various Supplemental</u>	<u>Senior Farmers Market Coupons</u>	<u>HRSA Grant</u>	<u>Total 2010</u>	<u>Total 2009</u>
\$ -	\$ 374	\$ 258	\$ -	\$ -	\$ 7,624	\$ 7,739
-	106	79	-	-	2,513	2,362
-	480	337	-	-	10,137	10,101
-	-	-	-	-	-	-
-	-	-	-	-	28,303	27,296
817,470	-	-	-	-	817,470	1,026,136
-	-	-	-	-	74	-
-	-	-	-	-	-	-
-	-	-	-	-	198	220
-	-	12	-	-	203	343
-	-	-	-	-	-	-
-	-	-	-	-	400	385
-	-	-	-	-	-	-
-	-	-	-	-	293	-
-	4,333	-	-	-	17,327	8,301
-	-	-	-	-	1,414	2,309
-	-	-	-	-	257	174
-	1	-	-	-	518	641
-	-	-	-	-	658	438
-	-	-	-	-	-	-
-	-	-	5,000	-	5,000	10,666
<u>817,470</u>	<u>4,814</u>	<u>349</u>	<u>5,000</u>	<u>-</u>	<u>882,252</u>	<u>1,087,010</u>
-	818	59	-	-	10,162	8,795
-	-	-	-	8,026	8,026	4,468
-	-	-	-	-	-	69,536
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 817,470</u>	<u>\$ 5,632</u>	<u>\$ 408</u>	<u>\$ 5,000</u>	<u>\$ 8,026</u>	<u>\$ 900,440</u>	<u>\$ 1,169,809</u>

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**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for the Year Ended June 30, 2009)**

**VOLUNTEER SERVICES**

	<u>RSVP</u>	<u>Title III B VCOR</u>	<u>VCOR General</u>	<u>Total 2010</u>	<u>Total 2009</u>
Salaries and wages	\$ 58,764	\$ 17,891	\$ 13,527	\$ 90,182	\$ 108,248
Fringe benefit expenses	19,475	6,414	4,385	30,274	32,239
Total salaries and related expenses	78,239	24,305	17,912	120,456	140,487
Advertising	1,270	-	-	1,270	2,307
Consultants	-	-	-	-	-
Contracted services	-	-	1,438	1,438	-
Expendable equipment	-	-	-	-	1,808
Insurance	914	-	-	914	-
Interest expense	-	-	-	-	8
Investment management fees	-	-	-	-	-
Membership and subscriptions	399	200	-	599	591
Office supplies	3,413	364	508	4,285	4,192
Online services	-	-	-	-	1,500
Printing and copier expense	4,086	555	214	4,855	4,991
Professional services	-	-	-	-	-
Property taxes	1,189	-	-	1,189	-
Purchase of services	-	-	-	-	-
Rent	12,309	-	-	12,309	18,140
Repairs and maintenance	1,485	-	345	1,830	1,677
Staff travel and training	1,424	227	654	2,305	4,293
Telephone and utilities	3,613	-	-	3,613	3,650
Volunteer expenses	56	-	35,691	35,747	39,582
Other	975	-	604	1,579	1,434
Total expenses before depreciation, other expenses, and losses	109,372	25,651	57,366	192,389	224,660
Allocated overhead	-	4,361	28,388	32,749	33,700
<b>TOTAL EXPENSES</b>	<b>\$ 109,372</b>	<b>\$ 30,012</b>	<b>\$ 85,754</b>	<b>\$ 225,138</b>	<b>\$ 258,360</b>

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2010  
(With Comparative Totals for the Year Ended June 30, 2009)

	<b>INFORMATION SERVICES</b>					<b>Title III E Grand- parents Info Svcs</b>
	<b>Senior Resource Directory</b>	<b>Title III B Information &amp; Assistance</b>	<b>Title III E Community Education</b>	<b>Title III E Access</b>	<b>MIPPA</b>	
Salaries and wages	\$ 2,956	\$ 39,558	\$ 1,598	\$ 16,489	\$ 19,486	\$ 602
Fringe benefit expenses	1,139	12,946	521	5,315	6,586	204
Total salaries and related expenses	<u>4,095</u>	<u>52,504</u>	<u>2,119</u>	<u>21,804</u>	<u>26,072</u>	<u>806</u>
Advertising	98	1,099	1,350	555	5,237	-
Consultants	6,000	355	-	-	-	3,500
Contracted services	-	-	-	-	-	-
Expendable equipment	-	39	-	817	1,992	-
Insurance	-	96	-	63	-	-
Interest expense	-	-	-	-	-	-
Investment management fees	-	-	-	-	-	-
Membership and subscriptions	-	104	-	69	-	-
Office supplies	84	1,291	3	371	689	-
Online services	-	-	-	-	-	-
Printing and copier expense	6,021	1,960	170	984	1,217	-
Professional services	-	-	-	-	-	-
Property taxes	-	355	-	234	-	-
Purchase of services	-	-	-	-	-	-
Rent	-	2,809	-	1,251	-	-
Repairs and maintenance	-	699	-	459	-	-
Staff travel and training	5	3,651	-	1,389	863	-
Telephone and utilities	-	1,312	-	825	-	-
Volunteer expenses	-	-	-	-	69	-
Other	-	788	-	704	-	-
Total expenses before depreciation, other expenses, and losses	<u>16,303</u>	<u>67,062</u>	<u>3,642</u>	<u>29,525</u>	<u>36,139</u>	<u>4,306</u>
Allocated overhead	2,772	11,401	619	5,019	6,144	732
Depreciation	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<u><u>\$ 19,075</u></u>	<u><u>\$ 78,463</u></u>	<u><u>\$ 4,261</u></u>	<u><u>\$ 34,544</u></u>	<u><u>\$ 42,283</u></u>	<u><u>\$ 5,038</u></u>

**INFORMATION SERVICES**

<u>Blue Lake Caregiver Services</u>	<u>Project for Senior Action</u>	<u>Title III D Preventive Health</u>	<u>Caregiver Services</u>	<u>HICAP</u>	<u>Title III E Caregiver Support</u>	<u>Total 2010</u>	<u>Total 2009</u>
\$ 3,001	\$ 15,857	\$ 53	\$ 62,351	\$ 116,139	\$ 1,396	\$ 279,486	\$ 305,556
1,302	3,380	24	24,208	44,433	395	100,453	96,016
<u>4,303</u>	<u>19,237</u>	<u>77</u>	<u>86,559</u>	<u>160,572</u>	<u>1,791</u>	<u>379,939</u>	<u>401,572</u>
-	1,500	2,481	1,569	2,274	-	16,163	13,889
-	14,727	8,714	4,551	-	1,101	38,948	11,254
-	-	-	2,145	-	-	2,145	-
-	-	276	1,900	3,338	608	8,970	16,714
-	212	-	287	625	-	1,283	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	189	-	30	1,955	-	2,347	1,985
-	640	99	2,644	2,991	163	8,975	10,838
-	-	-	-	-	-	-	4,800
-	991	122	3,543	5,391	560	20,959	9,827
-	-	-	-	-	-	-	-
-	692	-	1,149	2,416	-	4,846	-
-	-	-	-	-	4,535	4,535	817
-	3,863	-	5,724	18,081	-	31,728	46,634
-	695	-	993	2,912	-	5,758	3,813
167	-	2	611	7,294	-	13,982	9,572
-	847	-	2,411	5,580	-	10,975	14,496
-	-	-	-	547	-	616	-
-	1,466	-	9,792	105	3,064	15,919	13,287
<u>4,470</u>	<u>45,059</u>	<u>11,771</u>	<u>123,908</u>	<u>214,081</u>	<u>11,822</u>	<u>568,088</u>	<u>559,498</u>
760	7,660	2,001	21,064	36,394	2,010	96,576	83,070
-	-	-	-	-	-	-	322
<u>\$ 5,230</u>	<u>\$ 52,719</u>	<u>\$ 13,772</u>	<u>\$ 144,972</u>	<u>\$ 250,475</u>	<u>\$ 13,832</u>	<u>\$ 664,664</u>	<u>\$ 642,890</u>

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2010**  
**(With Comparative Totals for the Year Ended June 30, 2009)**

**ADMINISTRATIVE SUPPORT SERVICES**

	<b>Area Plan Administration</b>	<b>HICAP Administration</b>	<b>Overhead</b>	<b>Investments</b>
Salaries and wages	\$ 94,820	\$ 1,042	\$ 91,090	\$ -
Fringe benefit expenses	30,462	333	29,843	-
<b>Total salaries and related expenses</b>	<b>125,282</b>	<b>1,375</b>	<b>120,933</b>	<b>-</b>
Advertising	741	-	1,090	-
Consultants	10,240	-	3,663	-
Contracted services	-	-	-	-
Expendable equipment	2,063	-	3,357	-
Insurance	304	-	8,419	-
Interest expense	-	-	11	-
Investment management fees	-	-	-	223
Membership and subscriptions	2,900	-	1,237	-
Office supplies	2,169	-	2,229	-
Online services	-	-	-	-
Printing and copier expense	2,546	-	1,377	-
Professional services	-	-	10,050	-
Property taxes	1,197	-	3,546	-
Purchase of services	-	-	-	-
Rent	5,696	-	16,931	-
Repairs and maintenance	1,341	-	5,275	-
Staff travel and training	3,474	-	628	-
Telephone and utilities	2,542	-	3,327	-
Volunteer expenses	386	-	-	-
Other	3,645	-	3,604	-
<b>Total expenses before depreciation,     other expenses, and losses</b>	<b>164,526</b>	<b>1,375</b>	<b>185,677</b>	<b>223</b>
Allocated overhead	27,969	234	(172,849)	38
Depreciation	-	-	1,651	-
Realized loss on investment	-	-	-	-
Loss on disposition of equipment	-	-	-	-
Unrealized losses and investments	-	-	-	-
<b>TOTAL EXPENSES AND LOSSES</b>	<b>\$ 192,495</b>	<b>\$ 1,609</b>	<b>\$ 14,479</b>	<b>\$ 261</b>

**ADMINISTRATIVE SUPPORT SERVICES**

<b>HAF Community Training</b>	<b>Miscellaneous Administrative</b>	<b>Fund-Raising</b>	<b>Real Estate Management</b>	<b>Total 2010</b>	<b>Total 2009</b>
\$ 1,322	\$ -	\$ 3,609	\$ 4,573	\$ 196,456	\$ 199,011
514	-	1,264	1,634	64,050	53,686
<u>1,836</u>	<u>-</u>	<u>4,873</u>	<u>6,207</u>	<u>260,506</u>	<u>252,697</u>
-	-	-	-	1,831	2,196
100	-	-	1,773	15,776	46,549
-	-	-	-	-	-
-	-	-	-	5,420	15,627
-	-	-	1,311	10,034	11,430
-	48	-	-	59	227
-	-	-	-	223	271
-	-	-	-	4,137	4,161
261	418	532	-	5,609	11,189
-	-	-	-	-	4,975
83	94	744	-	4,844	11,427
-	-	-	-	10,050	10,610
-	-	-	7,932	12,675	14,745
-	-	-	-	-	-
-	-	-	100,972	123,599	96,830
-	-	-	2,339	8,955	14,642
16	-	49	51	4,218	4,490
-	-	-	1,582	7,451	7,948
-	-	-	-	386	846
5,981	6,742	320	-	20,292	7,874
<u>8,277</u>	<u>7,302</u>	<u>6,518</u>	<u>122,167</u>	<u>496,065</u>	<u>518,734</u>
1,407	-	1,108	2,606	(139,487)	(125,565)
-	-	-	27,520	29,171	25,427
-	-	-	-	-	531
-	-	-	-	-	-
-	-	-	-	-	3,578
<u>\$ 9,684</u>	<u>\$ 7,302</u>	<u>\$ 7,626</u>	<u>\$ 152,293</u>	<u>\$ 385,749</u>	<u>\$ 422,705</u>

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**OTHER INDEPENDENT AUDITOR'S REPORT**

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2010**

Federal Grantor	Federal CFDA Number	Grant or Contract Number	Program Award Amount	Federal Awards Expended	State Awards Expended
<b>United States Department of Health and Human Services</b>					
<u>Administration on Aging</u>					
<u>Pass Through from California Department of Aging</u>					
Special Programs for the Aging					
Title VII B - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-0910-01	\$ 2,944	\$ 2,944	\$ -
Title VII A - Long Term Care Ombudsman Services for Older Individuals	93.042	AP-0910-01	25,193	24,900	-
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	AP-0910-01	11,009	11,009	-
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	AP-0910-01	223,002	210,312	-
Title III, Part C - Nutrition Services - Congregate Meals and Home Delivered Meals	93.045	AP-0910-01	544,435	337,200	207,235
Title III, Part E - National Family Caregiver Support	93.052	AP-0910-01	97,405	95,635	-
Nutrition Services Incentive Program	93.053	AP-0910-01	107,213	107,213	-
Medicare Enrollment Assistance Program	93.071	MI-0910-01	26,495	24,972	-
Health Insurance Counseling and Advocacy Program	93.779	HI-0910-01	249,950	84,314	165,636
ARRA-Nutrition Economic Stimulus Plan III C-2	93.705	NS-0809-01	17,065	17,065	-
ARRA-Nutrition Economic Stimulus Plan III C-1	93.707	NS-0809-01	34,670	34,669	-
Special Deposit	N/A	AP-0910-01	18,990	-	18,990
Community Based Services Programs					
A1AA Administration	N/A	AP-0910-01	7,423	-	7,423
Alzheimer's Day Care Resource Center	N/A	AP-0910-01	39,876	-	39,876
Linkages	N/A	AP-0910-01	41,065	-	41,065
<u>Centers for Medicare and Medicaid Services</u>					
<u>Pass Through from California Department of Aging</u>					
LIS/MSP Outreach to Low Income Medicare Beneficiaries	93.779	MI-0910-01	18,134	17,311	-
Total United States Department of Health and Human Services			1,464,869	967,544	480,225
<b>United States Department of Agriculture</b>					
<u>Pass Through from California Department of Food and Agriculture</u>					
Seniors Farmers Market Program	10.576	None	5,000	5,000	-
<b>United States Department of Commerce</b>					
<u>National Telecommunications and Information Administration</u>					
<u>Pass Through from National Association of Area Agencies on Aging</u>					
Digital TV: Keeping Seniors Connected Campaign	11.553	None	14,892	6,289	-
<b>Corporation for National Service</b>					
Retired Senior Volunteer Program	94.002	09SRPCA021	109,372	109,372	-
<b>OPR/California Volunteers</b>	n/a	VMPY4-55	2,670	-	2,670
<b>California Senior Legislature</b>	n/a	SRL09012	330	-	327
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u>\$ 1,597,133</u>	<u>\$ 1,088,205</u>	<u>\$ 483,222</u>

**AREA 1 AGENCY ON AGING  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**NOTE A — BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Area 1 Agency on Aging and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B — SUBRECIPIENTS**

Of the federal expenditures presented in the Schedule, Area 1 Agency on Aging provided federal awards to subrecipients as follows:

<b>Program Name</b>	<b>CFDA Number</b>	<b>Federal Amounts Expended by Subrecipients</b>	<b>State Amounts Expended by Subrecipients</b>
Title VII B - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	\$ 2,944	\$ -
Title VII A - Long Term Care Ombudsman Services for Older Individuals	93.042	24,900	-
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	83,484	-
Title III, Part C - Nutrition Services Congregate Meals and Home Delivered Meals	93.045	244,807	207,008
Nutrition Services Incentive Program	93.053	107,213	-
ARRA-Nutrition Economic Stimulus Plan III C-2	93.705	15,566	-
ARRA-Nutrition Economic Stimulus Plan III C-1	93.707	31,617	-
Ombudsman Initiative		-	18,990
Community Based Service Programs		-	80,941
		\$ 510,531	\$ 306,939

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CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Area 1 Agency on Aging

We have audited the financial statements of Area 1 Agency on Aging (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Area 1 Agency on Aging's internal control over financial reporting as a basis for designing our auditing 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 the Area 1 Agency on Aging's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Area 1 Agency on Aging'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, others within the entity, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Demello, McAuley, McReynolds + Holland, LLP*

October 20, 2010

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of  
Area 1 Agency on Aging

**Compliance**

We have audited the compliance of Area 1 Agency on Aging (a nonprofit organization) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2010. Area 1 Agency on Aging's major federal programs 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 is the responsibility of Area 1 Agency on Aging's management. Our responsibility is to express an opinion on Area 1 Agency on Aging'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Area 1 Agency on Aging's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide for a legal determination of Area 1 Agency on Aging's compliance with those requirements.

In our opinion, Area 1 Agency on Aging 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 for the year ended June 30, 2010.

**Internal Control Over Compliance**

Management of Area 1 Agency on Aging is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Area 1 Agency on Aging's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Area 1 Agency on Aging's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

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compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Demello, McAuley, McReynolds + Holland, LLP*

October 20, 2010



## **FINDINGS AND RECOMMENDATIONS**

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2010**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses	No
Noncompliance material to financial statements notes?	No

*Federal Awards*

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

*Major programs (tested as an other cluster)*

- 93.041 Title VII-B - Programs for Prevention of Elder Abuse, Neglect, and Exploitation
- 93.042 Title VII-A - Long Term Care Ombudsman Services for Older Individuals
- 93.043 Title III, Part D - Disease Prevention and Health Promotion Services
- 93.044 Title III, Part B - Grants for Supportive Services and Senior Centers
- 93.045 Title III, Part C - Nutrition Services  
Congregate Meals and Home Delivered Meals
- 93.052 Title III, Part E - National Family Caregiver Support
- 93.053 Nutrition Services Incentive Program
- 93.705 ARRA - Nutrition Economic Stimulus Plan III C-2
- 93.707 ARRA - Nutrition Economic Stimulus Plan III C-1

Dollar threshold used to distinguish between type A and type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

No matters reported.

**AREA 1 AGENCY ON AGING**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2010**

**Section III - Federal Award Findings and Questioned Costs**

No matters reported.

**Section IV - State Award Findings and Questioned Costs**

No matters reported.

**There were no prior year findings.**