

COUNCIL ON AGING, INC.

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2012

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Council on Aging, Inc.
Ittman, West Virginia

We have audited the accompanying statement of financial position of Council on Aging, Inc. (a nonprofit organization) as of September 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 Council on Aging, Inc. as of September 30, 2012, 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 April 16, 2013, on our consideration of Council on Aging, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 financial statements as a whole. The accompanying Schedule of Program Expenditures – West Virginia Bureau of Senior Citizens 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

D. Patrick + B. B. B. P. H. C.

April 16, 2013

COUNCIL ON AGING, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012

ASSETS:

Current assets:

Cash and cash equivalents	\$ 763,854
Receivables:	
Medicaid, net of allowance for doubtful accounts	373,760
Grants	140,745
Related party	27,453
Prepaid expenses	37,624

Total current assets 1,343,436

Capital assets--nondepreciable 54,000

TOTAL ASSETS \$ 1,397,436

LIABILITIES AND NET ASSETS:

Current liabilities

Accounts payable	\$ 20,422
Accrued salaries and wages	142,091
Accrued compensated absences	58,898
Retirement plan contributions	11,380
Accrued payroll liabilities	58,584

Total current liabilities 291,375

TOTAL LIABILITIES 291,375

Net assets:

Investment in capital assets	54,000
Unrestricted net assets	1,052,061

TOTAL NET ASSETS 1,106,061

TOTAL LIABILITIES AND NET ASSETS \$ 1,397,436

The accompanying independent auditor's report and notes are integral parts of these statements.

COUNCIL ON AGING, INC.
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Unrestricted Revenue</u>	<u>Restricted Revenue</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Medicaid	\$ 4,491,248	\$ -	\$ 4,491,248
Federal grants	-	132,592	132,592
State grants	-	560,400	560,400
Project income	-	14,666	14,666
Bus fare and trip ticket revenue	-	764	764
Non-medicaid	68,411	-	68,411
Inter-Project Match Revenue	42,593	-	42,593
Net assets released from restrictions	<u>708,422</u>	<u>(708,422)</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>5,310,674</u>	<u>-</u>	<u>5,310,674</u>
OPERATING EXPENSES:			
Personal care	1,725,158	-	1,725,158
Title 19 (Homemaker)	2,568,540	-	2,568,540
Medical Transport (formerly Sect.18)	11,051	-	11,051
Title III-B	95,912	-	95,912
Title III-D	4,436	-	4,436
Title III-C-1	21,704	-	21,704
Title III-C-2	175,295	-	175,295
Title III-E	9,477	-	9,477
Insurance Benefits Counseling	8,579	-	8,579
Community Partnership (State Budget Digest)	-	-	-
LIFE	195,282	-	195,282
Lighthouse	144,261	-	144,261
Fair	<u>34,899</u>	<u>-</u>	<u>34,899</u>
TOTAL OPERATING EXPENSES	<u>4,994,594</u>	<u>-</u>	<u>4,994,594</u>
OPERATING INCOME	<u>316,080</u>	<u>-</u>	<u>316,080</u>
NONOPERATING INCOME			
(EXPENSES):			
Interest income	<u>140</u>	<u>-</u>	<u>140</u>
TOTAL NONOPERATING INCOME	<u>140</u>	<u>-</u>	<u>140</u>
CHANGE IN NET ASSETS	<u>316,220</u>	<u>-</u>	<u>316,220</u>
NET ASSETS - BEGINNING	<u>789,841</u>	<u>-</u>	<u>789,841</u>
NET ASSETS - ENDING	<u>\$ 1,106,061</u>	<u>\$ -</u>	<u>\$ 1,106,061</u>

The accompanying independent auditor's report and notes are integral parts of these statements.

COUNCIL ON AGING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Personal Care	Title - 19 Homemaker	Medical Transportation	III-B	III-D	III-C-1	III-C-2	Benefit Counseling	Community Partnership	Life	III-E	Lipshouse	Fair	Total
Salaries and wages	\$ 1,230,432	\$ 1,781,627	\$ 4,999	\$ 43,376	\$ 3,770	\$ 6,283	\$ 60,585	\$ 5,502	\$ -	\$ 55,454	\$ 7,203	\$ 114,769	\$ 28,920	\$ 3,342,920
Payroll taxes	111,343	163,860	473	3,945	293	579	5,640	457	-	4,778	661	10,668	2,669	305,366
Fringe benefits	128,953	180,038	186	7,989	136	236	2,320	234	-	8,688	391	5,458	1,349	335,978
Training and travel	14,661	19,749	3,389	11,642	-	143	12,445	51	-	22,215	15	114	33	84,457
Legal and accounting	6,732	8,960	-	-	-	12,179	76,374	-	-	104	-	-	-	15,692
Food expense	3,229	4,307	-	-	-	241	871	-	-	-	-	-	-	96,193
Utilities	12,089	15,630	-	-	-	223	3,921	-	-	9,475	27	213	62	28,831
Printing and supplies	25,814	34,647	-	1,630	-	19	106	-	-	-	-	-	-	76,012
Licenses and taxes	33	44	-	-	-	23	202	-	-	-	-	-	-	202
Membership dues	771	1,026	-	-	-	43	233	-	-	-	-	-	-	2,022
Contracted services	27,121	36,027	-	-	-	121	2,570	-	-	13,862	-	-	-	63,424
Insurance expense	12	15	-	21,615	23	-	652	-	-	24	-	3,013	48	38,097
Mileage expense	7,511	130,218	-	-	-	-	-	2,000	-	-	-	-	-	141,587
Advertising	13,737	18,284	-	-	-	-	-	-	-	-	-	-	-	34,021
Matching expense -- general	-	-	-	-	-	-	-	-	-	42,593	-	-	-	42,593
Maintenance	2,788	3,710	1,247	1,988	-	277	2,759	-	-	400	-	-	-	13,169
Rent	16,135	21,475	-	-	-	-	-	-	-	-	-	-	-	37,610
Postage	1,588	1,997	-	-	-	-	-	-	-	-	-	-	-	3,585
Miscellaneous	3,955	14,209	-	225	-	45	138	-	-	-	4	28	8	18,612
Medical supplies	533	707	-	-	-	-	-	-	-	-	4	27	8	1,279
Bad debt expense	3,085	8,227	-	-	-	-	-	-	-	-	-	-	-	11,312
Equipment	218	290	-	3,502	214	312	1,690	-	-	32,852	-	-	-	35,362
Indirect costs	114,418	123,493	757	3,502	214	980	4,789	335	-	4,837	1,172	9,971	1,802	266,270
Total functional expenses	\$ 1,725,158	\$ 2,568,340	\$ 11,051	\$ 95,912	\$ 4,436	\$ 21,704	\$ 175,295	\$ 8,579	\$ -	\$ 195,282	\$ 9,477	\$ 144,261	\$ 34,899	\$ 4,994,594

The accompanying independent auditor's report and notes are integral parts of these statements.

COUNCIL ON AGING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 316,220
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in Medicaid accounts receivable	(187,721)
(Increase) decrease in grants receivable	(18,050)
(Increase) decrease in prepaid assets and deposits	903
Increase (decrease) in accounts payable	(4,189)
Increase (decrease) in accrued salaries and wages	547
Increase (decrease) in accrued compensated absences	6,651
Increase (decrease) in retirement plan contributions	257
Increase (decrease) in accrued payroll liabilities	<u>(6,431)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>108,187</u>
 NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	 108,187
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>655,667</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 763,854</u>

The accompanying independent auditor's report and notes are integral parts of these statements.

COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Organization and Nature of Operations

Council on Aging, Inc. is a West Virginia nonprofit organization whose mission is to serve senior citizens throughout our area and improving the quality of for our clients.

The Council on Aging, Inc. (The "Council") is a 501(c)3 non-profit organization. The Council operates Medicaid Reimbursement In-Home Care Programs and Federal and State Grants primarily with the U.S. Department of Health and Human Services and the State of West Virginia Bureau of Senior Services. Some federal and state grants are passed through to the Council from the Appalachian Area Agency on Aging (the "Agency").

The overall objective of the Title III grant program is to develop a system of coordinated and comprehensive services for older persons – services which will secure and maintain maximum independence and dignity in a home environment for older persons capable of self-care and also remove individual and social barriers to economic and personal independence for older persons.

The objective of the Title IIIB grant program is to provide the elderly with social, outreach, transportation, information and referral services.

Title III C is a nutrition program designed to provide older persons with low cost nutritious meals served in a congregate setting and furnish home delivered meals to the homebound.

Title III D, the Disease Prevention and Health Promotion Services Section of the Older Americans Act, encompasses twelve (12) broad categories of disease prevention and health promotion services.

Title III E, also known as respite, provides information and assistance, and in-home relief to caregivers.

The Division of Public Transit of the West Virginia Department of Transportation provides funding from the State of West Virginia for the Council to provide rural public transportation.

The accompanying independent auditor's report is an integral part of these notes.

COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

The Council also receives state funds through the Agency in connection with a Health Benefit Information, Counseling and Assistant Grant (SHIP), the purpose of which is to help older individuals understand their rights under the Social Security Act, Medicaid Programs, supplemental social security programs and general insurance policies. This information is provided to seniors by a counselor who has general knowledge of these areas.

The Medicaid Reimbursement In-Home Care Program is a state funded program to allow eligible seniors to receive the assistance necessary to allow them to remain in their homes with minimal outside supervision. These services include housekeeping, personal care, and other related matters.

The Lighthouse program is a state funded program to provide in-home assistance for seniors who do not qualify for other programs.

The FAIR program is a state funded program to provide relief to care givers who care for individuals with Dementia.

(b) Basis of Accounting and Reporting

The Council on Aging, Inc. prepares and maintains their financial statements and accounts on the accrual basis of accounting.

(c) Basis of Presentation

The Council on Aging, Inc. has implemented the financial statement presentation required by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, it is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. The Council had no temporarily or permanently restricted net assets as of September 30, 2012.

(d) 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.

(e) Income Tax Exemption

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code and, therefore, has no provision for federal income taxes.

All required federal tax returns for the Organization have been filed up to, and including the tax year ended September 30, 2011. The Organization's federal income tax returns for 2010, 2009, and 2008 remain subject to examination by the Internal Revenue Service ("IRS").

The accompanying independent auditor's report is an integral part of these notes.

COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTD)

(f) Donated Goods

Donated noncash assets, such as food items and medical supplies are recorded at their fair value in the period received and used as other revenue with a corresponding expense.

(g) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash to be cash and cash equivalents. Cash on hand and deposits with banking institutions are considered cash while short-term investments with an original maturity of not more than three months are considered cash equivalents.

Investment risk is categorized as follows:

Interest rate risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

Credit risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk – The risk that, in the event of the failure of the counterparty to a transaction, the Organization will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

(h) Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(i) Compensated Absences

Compensated absences consists of unpaid, accumulated accrued paid time off. The organization owed \$58,898 at September 30, 2012.

(j) Receivables

Receivables consist of the following:

Medicaid Waiver	\$ <u>373,760</u>
All Care Home and Community Services, Inc.	\$ <u>27,543</u>

The accompanying independent auditor's report is an integral part of these notes.

COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Title IIIB	\$	8,448
Title IIIC		33,899
Lighthouse		49,181
FAIR		16,614
Title IIID		443
Life		22,846
Title IIIE		<u>9,314</u>
 Total grant receivable	 \$	 <u>140,745</u>

(k) Capital Assets

Property and equipment are expensed at the time of the purchase rather than being capitalized and depreciated over its estimated economic life. This is not in accordance with accounting principles generally accepted in the United States. Accordingly, no depreciation for these assets has been recorded. The only asset being recorded is a piece of land with an original purchase price of \$54,000. The Organization is currently trying to sell this piece of land.

2. Deposits and Investments

The Organization's deposits are categorized to give an indication of the level of risk assumed by the Organization at September 30, 2012. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Organization or its agent in the Organization's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Category 3 - Uncollateralized.

	<u>Bank</u>		<u>Category</u>		<u>Carrying</u>
	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>
Cash	\$ <u>862,023</u>	\$ <u>351,793</u>	\$ <u>510,230</u>	\$ <u>-0-</u>	\$ <u>763,854</u>

The accompanying independent auditor's report is an integral part of these notes.

COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Nondepreciable Assets				
Land	\$ <u>54,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>54,000</u>

4. Lease Commitments

The Council rents its primary facility in Itmann, West Virginia from the Pocahontas Land Company for \$1,260 per year. This facility also houses the administrative activities for Council on Aging. It is a standard operating practice in the area for the coal and land holding companies to rent excess facilities to community service organizations at modest lease prices. This lease is on a ten-year lease. The Council leases a second facility in Welch, West Virginia for \$500 per month under a cancelable operating term of one year, a third facility in Charleston, West Virginia for \$1,437 per month under a noncancelable operating term five-years, a fourth facility in Princeton, West Virginia for \$625 per month under a noncancelable operating term five-years and a fifth facility in Oceana, West Virginia for \$400 per month noncancelable operating term of two-years.

Future minimum rental payments are as follows:

<u>For the Year Ending September 30,</u>	
2013	\$ 36,810
2014	30,810
2015	27,935
2016	13,560
2017	13,560
2018-2022	6,300

5. Advertising Costs

The Organization expenses advertising costs as incurred. These costs amounted to \$34,021 for the year ended September 30, 2012.

The accompanying independent auditor's report is an integral part of these notes.

COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

6. Pension Plan

Effective January 1, 2008, Council on Aging, Inc. established a 401(k) retirement and savings plan for its employees. Council on Aging, Inc. makes matching contributions of up to 100% of the first 2% of eligible contributions. The Board of Directors also declared \$28,210 in profit sharing for year ended September 30, 2012. Total contributions by the Council on Aging, Inc. to the plan for year ended September 30, 2012 amounted to \$33,759.

7. Related Party Transactions

The Council on Aging, Inc. is related to All Care Home and Community Services, Inc. (the "All Care") through a common Board of Directors. During the year ended September 30, 2012, the Council paid the monthly health insurance premiums, life, eye and dental insurance premiums, and 401(k) employee deferrals, company match and profit share for All Care. All Care Home owes the Council \$15,131 for these remittances.

The Council on Aging has agreed to advance the overhead of All Care because reduced funding had brought them to an unprofitable level. The Council took this action because the services provided to the community by All Care helped fulfill the mission of the Council and referrals from All Care helped support the Council. For year ended September 30, 2012, All Care's estimated associated overhead cost advanced by the Council was approximately \$12,322.

8. Concentration of Risk

Substantially all of the Council on Aging, Inc.'s support and revenues are derived from its Medicaid services and from federal and state grants, the loss of which would have a materially adverse effect on the Council on Aging, Inc. During the year ended September 30, 2012, Medicaid revenues, federal and state grants, and other income accounted for approximately eighty-five percent (85%), thirteen percent (13%) and two percent (2%), respectively, of total support and revenue.

9. Disclosure of Inter-Program Transfers

In order to match appropriate program revenues with program expenses, inter-program entries were recorded to accurately reflect operating results of the programs. For year ending September 30, 2012, the Life program received \$42,593 in revenues for expenses associated with other programs. The inter-program entries to record these matching revenues/expenses per program were as follows: C-2 \$31,585 and Lighthouse \$11,008.

The accompanying independent auditor's report is an integral part of these notes.

COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

10. Contingencies

Certain of the Council's program are primarily funded through federal and state grants. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures, which may ultimately be disallowed by grantor agencies, cannot be determined at this time, although Council management believes such amounts, if any, to be immaterial.

11. Subsequent Events

On December 9, 2012, the Council purchased real estate property including 2.85 acres with existing structure for \$300,000. The Council plans to renovate this property for a new Senior Center for Wyoming County.

Management has considered all subsequent events through April 16, 2013, the date the financial statements were made available.

The accompanying independent auditor's report is an integral part of these notes.

COUNCIL ON AGING, INC.
SCHEDULE OF PROGRAM EXPENDITURES - WEST VIRGINIA
BUREAU OF SENIOR CITIZENS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Program</u>	<u>Program Year</u>	<u>Expenditures</u>	<u>Federal Revenues</u>	<u>State Revenues</u>	<u>Total Revenues</u>
Lighthouse	July 1, 2011 to June 30, 2012	137,172	-	180,644	180,644
LIFE	July 1, 2011 to June 30, 2012	198,594	-	185,759	185,759
SHIP	April 1, 2011 to March 31, 2012	11,503	-	7,000	7,000
FAIR	July 1, 2011 to June 30, 2012	32,321	-	42,463	42,463
Title III B	Oct. 1, 2011 to Sept. 30, 2012	95,912	41,258	28,226	69,484
Title IIID	Oct.1, 2011 to Sept. 30, 2012	4,436	2,044	360	2,404
Title III E	Oct. 1, 2011 to Sept. 30, 2012	9,477	12,651	4,217	16,868
Title III C-1	Oct. 1, 2011 to Sept. 30, 2012	21,704	10,729	15,220	25,949
Title III C-2	Oct. 1, 2011 to Sept. 30, 2012	175,295	65,910	91,000	156,910

BASIS OF PRESENTATION

The accompanying schedules of program expenses of the SHIP, Lighthouse, FAIR, Life, IIIB, IIID, IIIE, C-1, C-2 programs includes the grant activity of the Council on Aging, Inc. that the West Virginia Bureau of Senior Citizens oversees, and is presented on the accrual basis of accounting. Some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statement.

The accompanying independent auditor's report is an integral part of these notes.



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

The Board of Directors
Council on Aging, Inc.
Itmann, West Virginia

We have audited the financial statements of Council on Aging, Inc. (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated April 16, 2013. 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

Management of Council on Aging, Inc. (a nonprofit organization) is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Council on Aging, Inc.'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 Council on Aging, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Council on Aging, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

We noted certain matters that we reported to management of Council on Aging, Inc. in a separate letter dated April 16, 2013.

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

D. Patrick • Bowdler, PHA

April 16, 2013