
EAST BATON ROUGE COUNCIL ON AGING, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013



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EAST BATON ROUGE COUNCIL ON AGING, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013

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Baton Rouge, Louisiana**

June 30, 2013

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EAST BATON ROUGE COUNCIL ON AGING, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The "Management's Discussion and Analysis" of the East Baton Rouge Council on Aging, Inc.'s (the Council) financial performance presents a narrative overview and analysis of the Council's financial activities for the year ended June 30, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this report in conjunction with basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Council's Government-Wide total liabilities exceeded its total assets at the close of fiscal year 2013 by \$139,359.
- Due to the lack of operating cash flows at June 30, 2013 and June 30, 2012, all cash available for spending was restricted for both years.
- **Changes in Revenue 2013 vs 2012**

Total revenues increased by approximately \$652,000 or 20% from the prior fiscal year. In the current fiscal year, the Council had an increase of \$220,000 in funding from the City of Baton Rouge and an increase of approximately \$212,000 due to a significant increase in funds received from Entergy through its utility assistance programs. Other increases came from various in-kind contributions.

- **Changes in Expenses 2013 vs 2012**

Total expenses increased by approximately \$629,000 or 19% from the prior fiscal year mainly due to increases in senior participation of the current programs offered by the Council. Additional funding for the utility assistance programs offered resulted in increased distributions to program participants totaling approximately \$257,000. The Council reopened its kitchen in the current fiscal year. This resulted in an increase of approximately \$477,000 of food and personnel costs.

- The decrease in net position for the year ended June 30, 2013 is \$53,707. The decrease in net position for the year ended June 30, 2012 was \$76,344.
- The Council's deficit in net position for the year ended June 30, 2013 totaled \$139,359. This is compared to the deficit in net assets of \$85,652 for the year ended June 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Council's annual financial report consists of six parts:

- (1) Management's discussion and analysis (this section)
- (2) The basic financial statements (government-wide and fund statements)
- (3) Supplementary information required by GASB 34
- (4) Supplementary information required by GOEA
- (5) Supplementary information required by OMB Circular A-133, and
- (6) Auditor reports.

EAST BATON ROUGE COUNCIL ON AGING, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The government-wide financial statements, which consist of the Statement of Net Position (Exhibit A) and the Statement of Activities (Exhibit B), provide information about the activities of the Council as a whole and present a long-term view of the Council's finances. In contrast, the fund financial statements, which consist of the Governmental Funds Balance Sheet (Exhibit C) and the Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit D), tell how services were financed in the short-term, as well as what remains for future spending for governmental funds. Fund financial statements also report the Council's operations in more detail than the government-wide financial statements by providing information about the Council's most significant funds.

BASIC FINANCIAL STATEMENTS

The basic financial statements consist of the government-wide financial statements and fund financial statements, which present different views about the Council, along with notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are prepared using the accrual basis of accounting and are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private sector business. When using these financial statements the user should consider whether the Council's finances, as a whole, have improved or deteriorated since last year. The government-wide financial statements found on pages 3 and 4 report the Council's net assets and changes in them. However, to assess the overall financial position of the Council, the user must also consider nonfinancial factors, such as, the condition of the Council's capital assets and facilities, the addition or termination of grants and other revenue sources, and the expansion or contraction of programs and services.

The Statement of Net Position presents all assets and liabilities and the Council's financial position at year end, whereas the Statement of Activities presents information showing how the Council's net assets changed during this fiscal year as a result of the Council's activities. In this statement all changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods. The governmental activities of the Council include an Administration function and a Health, Welfare, and Social Services function. The Health, Welfare, and Social Services function is comprised of eight distinct programs that include supportive services, nutritional services, family caregiver support, senior community service employment, disease prevention and health promotion, senior citizen center operations, unmet needs, and Medicare outreach and enrollment. There is also a line item for "other services," which consists of a variety of services that individually do not represent very large expenditures. Subprogram activities are also presented within a couple of the primary functions to facilitate additional analysis. All activities of the Council are considered to be governmental activities. A governmental activity is usually one where the Council uses money it receives from governmental grants and contracts, along with donations from the general public, to provide services at no charge to the general public, or a segment of the general public, such as the elderly. In other words, the people benefiting from the services are not required to pay for what they receive. If the Council charged fees to cover all or most of the cost of providing a service, that activity might be classified as a business-type activity. The Council does not have any business-type activities.

EAST BATON ROUGE COUNCIL ON AGING, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Council are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Accordingly, the governmental funds use the modified accrual basis of accounting. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The Governmental Fund balance sheet presents reconciliation between the net assets of governmental activities and the governmental fund balances. While the change in net assets for the governmental activities reconciled to the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance is presented on Exhibit E.

The Council uses two types of governmental funds: (1) a general fund, and (2) special revenue funds.

The general fund is used to account for all financial resources except those that are required to be accounted for in another fund. The Council's general fund receives general revenue primarily from a grant from the City-Parish of East Baton Rouge and public donations. General funds are often transferred to special revenue funds to help pay for expenditures that could not be covered by their primary revenues.

All other funds are special revenue funds that are used to account for the proceeds of specific revenue sources which are restricted or committed to expenditure for specified purposes other than debt service or capital projects. By using separate funds to track revenues and expenditures, management can control funds for particular purposes or show that the fund is meeting legal responsibilities for using certain grants and other revenues. Most special revenue funds have no fund balance at year-end because all revenue received is expended in the same year. The Utility Assistance fund is one special revenue fund that typically has a fund balance at year end because any unspent revenue at year end does not have to be returned to a grantor or donor.

The Council has presented the General Fund, Senior Center Fund and the Utility Assistance Fund as "major" governmental funds. Major funds are those whose revenues, expenditures, assets, or liabilities are at least 10% of corresponding totals for all governmental funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 9 of this report. The notes to the financial statements should be read before making assumptions or conclusions about the Council's financial condition.

EAST BATON ROUGE COUNCIL ON AGING, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

SUPPLEMENTARY INFORMATION REQUIRED BY GASB STATEMENT 34

In addition to the basic financial statements, this report also presents certain required supplementary information (RSI) that further explains and supports the information in the financial statements. The Governmental Accounting Standards Board (GASB) Statement No. 34 requires budgetary comparison schedules for the General Fund and each major Special Revenue Fund that has a legally adopted budget (see pages 25 to 29).

Management's Discussion and Analysis (MD&A) is also required supplementary information by GASB Statement No. 34. However, GASB Statement 34 requires the MD&A be presented as the first item in this reporting package and not with the other RSI, which is included later in this reporting package.

SUPPLEMENTARY INFORMATION REQUIRED BY GOEA

The Governor's Office of Elderly Affairs (GOEA) has required the Council to present combining statements that provide details about non-major governmental funds and details about capital assets and the changes in capital assets. In addition, the GOEA requires the Council to present a combining statement of programs within the general fund. This information will be used by GOEA to verify the accuracy of information submitted to them during the year and to help monitor certain compliance requirements set forth in the grants that it has with the Council. (See pages 30 through 31)

SUPPLEMENTARY INFORMATION REQUIRED BY OMB CIRCULAR A-133

OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* requires a Schedule of Expenditures of Federal Awards to be included as supplemental information. This schedule will present information about the Council's federally funded programs in a manner that can facilitate financial and compliance analysis by the agencies that have granted federal money to the Council. (See pages 32)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of June 30, 2013 net position was a negative \$139,359. As of June 30, 2012, net assets were a negative \$85,652. This was an increase in the deficit of \$53,707.

Condensed Statements of Net Position

	June 30,		Dollar
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Cash	\$ 19,188	\$ 45,708	\$ (26,520)
Other current assets	4,751	35,672	(30,921)
Capital assets, net	<u>280,593</u>	<u>292,464</u>	<u>(11,871)</u>
Total assets	<u>304,532</u>	<u>373,844</u>	<u>(69,312)</u>
Long-Term Debt	60,456	56,369	4,087
Accounts payable	383,435	250,055	133,380
Other liabilities	<u>-</u>	<u>153,072</u>	<u>(153,072)</u>
Total liabilities	<u>443,891</u>	<u>459,496</u>	<u>15,605</u>

EAST BATON ROUGE COUNCIL ON AGING, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Net position:

Invested in capital assets, net	280,593	292,464	(11,871)
Restricted for utility assistance	-	45,708	(45,708)
Unrestricted	<u>(419,952)</u>	<u>(423,824)</u>	<u>3,872</u>
Total net position (deficit)	\$ <u>(139,359)</u>	\$ <u>(85,652)</u>	\$ <u>(53,707)</u>

Governmental Activities

Governmental activities resulted in a net decrease in net position of \$53,707 for the year ended June 30, 2013. For the year ended June 30, 2012, governmental activities resulted in a net decrease in net assets of \$76,344. Key elements contributing to these are as follows:

Condensed Changes in Net Position

	<u>June 30,</u>		<u>Dollar</u>	<u>Total</u>
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent</u>
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 2,857,247	\$ 2,380,154	\$ 477,093	20%
Charges of services	22,362	67,036	(44,674)	(67%)
General revenues:				
Grants and contributions not restricted	1,092,000	872,000	220,000	25%
Miscellaneous	<u>121</u>	<u>601</u>	<u>(480)</u>	<u>(80%)</u>
Total revenues	<u>3,971,730</u>	<u>3,319,791</u>	<u>651,939</u>	<u>20%</u>
Expenses:				
Total expenses	<u>(4,025,437)</u>	<u>(3,396,135)</u>	<u>629,302</u>	<u>19%</u>
Decrease in net position	(53,707)	(76,344)	(22,637)	
Net position beginning of year	<u>(85,652)</u>	<u>(9,308)</u>	<u>76,344</u>	
Net position end of year	<u>(139,359)</u>	<u>(85,652)</u>	<u>53,707</u>	

When reviewing the government-wide Statement of Activities, there are relationships that are important to the understanding of the Council's operations. As you can see, the Council's larger program activities include supportive services, nutrition services, and senior centers. Accordingly, management allocates funds to these programs because that is where there is the greatest demand.

Another area of interest on the Statement of Activities relates to the total column wherein the Council illustrates that its governmental activities have more expenses than program revenues. In other words, they are not self-supporting. As a result, management prepares the annual budget based on this expectation, which means that general revenues will be used to cover the excess of expenses over revenues in these activities. Without unrestricted grants and contributions, the Council would be unable to provide services at current levels. Further, the general nature of these revenues allows management discretion as to how to apply them in paying for the Council's current services, as well as reallocating them to meet changing demands.

EAST BATON ROUGE COUNCIL ON AGING, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

AN ANALYSIS OF THE COUNCIL'S FUNDS USING GOVERNMENTAL FUND FINANCIAL STATEMENTS

The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Council's governmental funds reported combined ending fund balance (deficit) for all fund types of \$(359,496), an increase in the deficit of \$37,749 when compared to last year. The Council's General Fund, fund balance deficit increased by \$86,462 during the current fiscal year. The unassigned fund balance (deficit) component of the General Fund was \$(458,668). The remainder of the General Fund balance of \$4,751 is comprised of non-spendable resources. The combined increase in fund balance for all Special Revenue Funds was \$48,713. The change in fund balances (deficits) in the current fiscal year was a result of the following:

Revenues

Intergovernmental revenues increased by \$278,275 primarily due to additional revenues from the City of Baton Rouge. Unrestricted public support increased \$124,454 as a result of additional donor contributions. Utility assistance increased \$211,740 due to additional funding from Entergy for its utility assistance programs.

Expenditures

Total expenditures (excluding in-kind services and facilities) increased by \$506,699 this year. Despite a reduction in other administrative expenditures, the Council incurred additional meal costs due to the increased demand of seniors in the community along with the reopening of its kitchen operations to prepare meals in house instead of purchasing meals through an outside vendor. Additionally, there were increased utility assistance expenses due to the increased funding.

AN ANALYSIS OF THE GENERAL FUND BUDGET

The budget was amended one time during the year. The budgetary comparison schedule for the General Fund is on page 25. Expenditures exceeded the final amended budget by approximately \$69,000 mainly as a result of increased operating services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Debt Administration

The Council has the general practice to not incur long-term debt. However, due to declining operating cash flows over several years, Management, along with the consent of the Board of Directors, entered into a new debt agreement for \$20,000.

EAST BATON ROUGE COUNCIL ON AGING, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Capital Assets

The Council's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$280,593 (net accumulated depreciation). This investment in capital assets includes office furniture, fixtures, vehicles, machinery and equipment (see table below):

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 187,611	\$ 181,895
Office furniture, fixtures and equipment	272,362	272,363
Vehicles	110,274	94,874
Buildings	<u>121,535</u>	<u>115,000</u>
Sub Total	691,782	664,132
Less accumulated depreciation	<u>(411,189)</u>	<u>(371,668)</u>
Totals	<u>\$ 280,593</u>	<u>\$ 292,464</u>

The Council had a decrease in capital assets net of accumulated depreciation of \$ 11,871. The decrease is attributable to improvements to depreciation on existing assets exceeding minimal additions in the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Council receives most of its funding from federal, state and local agencies. Because of this, the source of income for the Council is consistent. However, some of the Council's grants and contracts are contingent upon the level of service provided by the Council, and therefore, those revenues are not fixed. There have been no significant changes to the funding levels or terms of the grants and contracts. There are no plans to add any significant programs for next fiscal year.

The Executive Director and Board of Directors considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Each year the East Baton Rouge Council on Aging, Inc. experiences increases in fuel costs and other inflationary items without additional funding to offset these increases.
- Actual expenditures from previous fiscal year in relation to expected needs in the current year.
- Consideration of funding to be received from GOEA and City of Baton Rouge.
- Salaries and benefits are based on the number of employees needed to perform necessary services and the related benefits.
- Services the Council will provide along with estimated service costs.
- Estimate of operating supplies needed to perform necessary services.
- Detail plan of equipment needed to be purchased.

EAST BATON ROUGE COUNCIL ON AGING, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

CONTACTING THE COUNCIL'S MANAGEMENT

This financial report is designed to provide a general overview of the Council's finances for those with an interest in the Council's financial position and operations. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Ms. Eva Pratt, CFO, East Baton Rouge Council on Aging, Inc. 5790 Florida Blvd, Baton Rouge, Louisiana, (225) 923-8031.

INDEPENDENT AUDITORS' REPORT

Management and Board Members of the
East Baton Rouge Council on Aging, Inc
Baton Rouge, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund of the East Baton Rouge Council on Aging, Inc. (the Council) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements 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 Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the East Baton Rouge Council on Aging, Inc., as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Going Concern

The accompanying financial statements have been prepared assuming that the Council will continue as a going concern. As discussed in Note 13 to the financial statements, the Council has had reductions in unrestricted support and federal and state funding, and increased costs of operations resulting in deficit spending. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages I through VIII and 25 through 29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances (By Program) – General Fund, and the Comparative Schedule of Capital Assets and Changes in Capital Assets are presented for purposes of additional analysis as required by the Governor's Office of Elderly Affairs (GOEA) and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The aforementioned supplemental 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.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules identified above are fairly stated, in all material respects, in relation to the basic 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 December 16, 2013, on our consideration of the Council'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.

Portlethwaite & Netterville

Baton Rouge, Louisiana
December 16, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION**EAST BATON ROUGE COUNCIL ON AGING**
BATON ROUGE, LOUISIANA**June 30, 2013**

	Governmental Activities
Assets	
Cash and cash equivalents - restricted	\$ 19,188
Prepaid expenses	4,751
Capital assets, net of accumulated depreciation	<u>280,593</u>
Total assets	<u>304,532</u>
Deferred Outflows	<u>-</u>
Liabilities	
Accounts, salaries, and other payables	383,435
Long-term liabilities:	
Due within one year	31,424
Due in more than one year	<u>29,032</u>
Total liabilities	<u>443,891</u>
Deferred Inflows	<u>-</u>
Net Position (Deficit)	
Invested in capital assets	280,593
Unrestricted net deficit	<u>(419,952)</u>
Total net deficit	<u><u>\$ (139,359)</u></u>

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES**EAST BATON ROUGE COUNCIL ON AGING
BATON ROUGE, LOUISIANA****For the year ended June 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Direct Expenses	Indirect Expenses	Charges for Services	Operating	
				Grants and Contributions	
Total Governmental Activities					
Governmental Activities:					
Health, Welfare and Social Services:					
Supportive Services:					
Personal Care	\$ 465,762	\$ 254,564	\$ -	\$ 339,870	\$ (380,456)
Utility Assistance	445,466	-	-	435,742	(9,724)
Nutrition Services:					
Congregate Meals	260,377	286,512	-	339,169	(207,720)
Home Delivered Meals	206,527	262,681	22,362	437,519	(9,327)
Disease Prevention and Health Promotion	32,528	-	-	21,756	(10,772)
National Family Caregiver Support	80,252	57,294	-	87,739	(49,807)
Multipurpose Senior Centers	425,093	194,472	-	568,250	(51,315)
Administration	2,109,432	(1,055,523)	-	627,202	(426,707)
Total governmental activities	\$ 4,025,437	\$ -	\$ 22,362	\$ 2,857,247	(1,145,828)
General Revenues:					
Grants and contributions not restricted to specific programs					
Interest income	1,092,000				
Increase (decrease) in net position	121				
Net position - beginning of the year	(53,707)				
Net position - end of the year	(85,652)				
	\$ (139,359)				

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

EAST BATON ROUGE COUNCIL ON AGING, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS

For the year ended June 30, 2013

Assets	General Fund	Senior Center	Utility Assistance	Total
Cash	\$ 39,554	\$ -	\$ -	\$ 39,554
Other receivables	-	-	-	-
Prepaid expenses	4,751	-	-	4,751
Due from other funds	-	1,081	114,787	115,868
Total Assets	44,305	1,081	114,787	160,173

Liabilities and Fund Balance

Liabilities	\$	\$	\$	\$
Outstanding checks in excess of cash	-	-	20,366	20,366
Accounts Payable	315,650	1,081	-	316,731
Accrued payroll and taxes	66,704	-	-	66,704
Due to other funds	115,868	-	-	115,868
Total Liabilities	498,222	1,081	20,366	519,669

Fund Balances

Nonspendable:				
Prepaid expenditures	4,751	-	-	4,751
Restricted	-	-	94,421	94,421
Unassigned	(458,668)	-	-	(458,668)
Total Fund Balances	(453,917)	-	94,421	(359,496)
Total Liabilities and Fund Balances	\$ 44,305	\$ 1,081	\$ 114,787	

Amounts reported for governmental activities in the statement of net assets are different due to the following:

Compensation absences are not paid for out of current financial resources and therefore are not reported at	(29,032)
Long-term notes payable are not carried on the balance sheet at the fund level	(31,424)
Capital assets used in governmental activities are not resources therefore are not reported in the funds	280,593
Net position (deficit) of Governmental Activities	<u>\$ (139,359)</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

EAST BATON ROUGE COUNCIL ON AGING, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2013

	General Fund	Senior Center	Utility Assistance	Total
Revenues				
Intergovernmental:				
City of Baton Rouge	\$ 1,092,000	\$ -	\$ -	\$ 1,092,000
Office of Elderly Affairs	1,327,766	434,346	-	1,762,112
Public Support (restricted):				
Contributions	1,145	-	-	1,145
Public Support (unrestricted):				
Contributions	101,492	-	-	101,492
Fund raising - BINGO	94,793	-	-	94,793
Program Service Fees:				
Paid meals	63,331	-	-	63,331
Interest Income	-	-	121	121
General Public via Entergy	-	-	435,742	435,742
Other	96,201	-	-	96,201
In-Kind Contributions	191,889	132,904	-	324,793
Total revenues	2,968,617	567,250	435,863	3,971,730
Expenditures				
Health, Welfare, & Social Services:				
Current:				
Salaries and wages	1,258,082	333,433	-	1,591,515
Fringe	354,477	48,320	-	402,797
Travel	31,436	672	-	32,108
Operating Services	257,043	65,105	-	322,148
Operating Supplies	84,390	22,164	-	106,554
Other Costs	259,575	16,660	9,938	286,173
Kitchen Operations	439,212	307	-	439,519
Capital Outlay	54,808	-	-	54,808
Debt Service:				
Principal Retirement	25,849	-	-	25,849
Interest	7,687	-	-	7,687
Utility Assistance	-	-	435,528	435,528
In-Kind Services and Facilities	191,889	132,904	-	324,793
Total expenditures	2,964,448	619,565	445,466	4,029,479
Excess (deficiency) of revenues over expenditures	4,169	(52,315)	(9,603)	(57,749)
Other Financing Sources (Uses)				
Proceeds from issuance of debt	20,000	-	-	20,000
Operating transfers in	-	52,315	58,316	110,631
Operating transfers out	(110,631)	-	-	(110,631)
Total other financing uses	(90,631)	52,315	58,316	20,000
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (86,462)	\$ -	\$ 48,713	\$ (37,749)
Fund Balances				
Beginning of Year	(367,455)	-	45,708	(321,747)
End of Year	<u>\$ (453,917)</u>	<u>\$ -</u>	<u>\$ 94,421</u>	<u>\$ (359,496)</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE COUNCIL ON AGING, INC
BATON ROUGE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013

Excess of Revenues and Other Financing Sources over Expenditures and Other Uses - Total Governmental Funds	\$	(37,749)
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Amounts reported for governmental activities in the statement of activities
are different due to the following:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense.

Capital outlay and other expenditures capitalized	\$ 34,099		
Depreciation expense for year ended June 30, 2013	<u>(42,895)</u>		(8,796)

The net effect of miscellaneous transactions involving capital assets, such as dispositions, is to increase net assets.			(3,075)
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Proceeds from new debt	(20,000)		
Principal payments applied to debt	<u>25,849</u>		5,849

Expenses reported in the statement of activities do not require the
use of current financial resources and therefore are
not reported as expenditures in governmental funds

Change in compensated absences liability			<u>(9,936)</u>
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Change in Net Position - Governmental Activities	\$	<u><u>(53,707)</u></u>
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NOTES TO THE FINANCIAL STATEMENTS

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the East Baton Rouge Council on Aging, Inc. (the Council) conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The following is a summary of certain significant accounting policies used by the Council:

a. Purpose of the Council on Aging

The purpose of the Council is to collect facts and statistics and make special studies of conditions pertaining to the employment, financial status, recreation, social adjustment, mental and physical health or other conditions affecting the welfare of the aging people in East Baton Rouge Parish, Louisiana; to keep abreast of the latest developments in these fields of activity throughout Louisiana and the United States; to interpret its findings to the citizens of the Parish and state; to provide for the mutual exchange of ideas and information on the parish and state level; to conduct public meetings; to make recommendations for needed improvements and additional resources; to promote the welfare of aging people; to coordinate and monitor services with other local agencies serving the aging people of the parish; and to assist and cooperate with the Governor's Office of Elderly Affairs (GOEA), and other departments of state and local government serving the elderly, and; to make recommendations relevant to the planning and delivery of services to the elderly of the parish.

The primary services provided by the Council to the elderly residents of the Parish include congregate and home delivered meals, health care services, nutritional education, information and referral, legal assistance, homemaker services, operating senior centers, and outreach.

b. Reporting Entity

In 1964, the State of Louisiana passed Act 456, which authorized the charter of voluntary councils on aging for the welfare of the aging people in their respective parishes. In 1979, the Louisiana Legislature created the Governor's Office of Elderly Affairs (La R.S. 46:931) with the specific intention to administer and coordinate social services and programs for the elderly population of Louisiana through sixty-four parish voluntary councils on aging.

Charters are issued by the Louisiana Secretary of State upon approval by the Governor's Office of Elderly Affairs. The East Baton Rouge Council on Aging, Inc. is a non-profit, quasi-public corporation which must comply with the policies and regulations established by the Governor's Office of Elderly Affairs, the state agency which provides the Council with most of its revenues. Other entities that provide the Council with federal, state, or local funds may impose some additional requirements.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Before January 1, 1992, the Council operated as part of City of Baton Rouge. Effective January 1, 1992, the Council began operating as a stand-alone entity, responsible for managing all of its affairs. Based on the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity* (an amendment of GASB Statement 14), the Council is not a component unit of another primary government nor does it have any component units related to it. In addition, based on the criteria set forth in this statement, the Council has presented its financial statements as a stand-alone, special purpose government; accordingly, it is applying the provisions of Statement 61 as if it were a primary government.

A Board of Directors, consisting of eleven voluntary members who serve three-year terms, governs the Council.

c. Basis of Presentation of the Basic Financial Statements

The Council's basic financial statements consist of "government-wide" financial statements on all activities of the Council, which are designed to report the Council as a whole entity, and "fund" financial statements, which report individual major governmental funds and combined non-major governmental funds.

Both the government-wide and fund financial statements categorize primary activities as either "governmental" or "business" type. The Council's functions and programs have all been categorized as "governmental" activities. The Council does not have any business-type activities, fiduciary funds, or any component units that are fiduciary in nature. Accordingly, the government-wide financial statements do not include any of these activities or funds.

Government-Wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of the Council. As a general rule, the effect of interfund activity has been eliminated from these statements. The government-wide presentation focuses primarily on the sustainability of the Council as an entity and the change in its net position resulting from the activities of the current fiscal year. Generally, intergovernmental revenues support governmental activities.

In the government-wide Statement of Net Position only one column of numbers has been presented for total governmental activities. The amounts are presented on a consolidated basis and represent only governmental type activities.

The Statement of Net Position has been prepared on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Council's functions and significant programs. Many functions and programs are supported by general government revenues such as intergovernmental revenues and unrestricted public support, particularly if the function or program has a net cost. The Statement of Activities begins by presenting gross direct and indirect expenses that include depreciation and amortization, and then reduces the expenses by related program revenues, such as charges for services, operating and capital grants, and restricted contributions, to derive the net cost of each function or program. Program revenues must be directly associated with the function or program to be used to directly offset its cost. Operating grants include operating specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

Direct expenses reported in the Statement of Activities are those that are clearly identifiable with a specific function or program, whereas the Council allocates its indirect expenses among various functions and programs in accordance with OMB Circular A-122, Cost Principles for Non-Profit Organizations. The Statement of Activities shows this allocation in a separate column labeled "indirect expenses." GOEA provides administrative grant funds to help the Council pay for a portion of its indirect costs.

In the Statement of Activities, charges for services represent program revenues obtained by the Council when it renders services provided by a specific function or program to people or other entities. Unrestricted contributions, unrestricted grants, interest income, and miscellaneous revenues that are not included among program revenues are reported as general revenues in this statement.

Fund Financial Statements:

The fund financial statements present financial information that is very similar to that which was included in the general-purpose financial statements issued by governmental entities before Statement No. 34 required the format change.

The daily accounts and operations of the Council continue to be organized using funds. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Council uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Council or if its total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total for all funds of that category or type. The non-major funds are summarized by category or fund type into a single column in the fund financial statements.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Governmental fund equity is called the fund balance. Fund balance is further classified on a hierarchy that shows, from the highest to the lowest, the level or form of constraints on fund balance and accordingly, the extent to which the Council is bound to honor them: nonspendable, restricted, committed, assigned and unassigned.

The following is a description of the governmental funds of the Council:

General Fund - The General Fund is the general operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund. These discretionary funds are accounted for and reported according to the source (federal, state, or local) from which they are derived. In addition, the servicing of general long-term debt is accounted for in the General Fund because unrestricted resources are used to pay for the liabilities incurred by this fund. The General Fund is considered a Major Fund of the Council.

The following are brief descriptions of the programs and funding sources that comprise the Council's General Fund:

Local

Revenues such as donations from the general public, funding from the local City-Parish government, income from various fund raising activities, and interest earned on invested idle funds have been recorded in the local program of the general fund. Expenses related to these activities as well as expenses not chargeable to specific programs are recorded in the local program. Local program funds are also transferred to other funds and programs to supplement their funding when needed. Most of the Council's fixed assets are acquired with local program funds.

PCOA

PCOA funds are appropriated for the Council by the Louisiana Legislature and remitted to the Council via the Governor's Office of Elderly Affairs (GOEA). The Council may use these "Act 735" funds at its discretion provided the program benefits people who are at least 60 years old.

NSIP (Nutritional Services Incentive Program)

NSIP funds are provided to the Council through the GOEA. These funds are used to purchase meals from its nutrition service provider based on contractual terms.

Senior Activities

The Senior Activities fund is used to account for revenues and costs associated with senior activities. These activities include, but are not limited to craft classes held at senior centers, a consignment store that enables senior citizens to market their crafts, and sponsorship of the annual Senior Olympics.

Title III-B Supportive Services Fund

The Title III-B Supportive Services Fund is used to account for funds which are to provide a variety of social services; such as, information and assistance, access services, in-home services, community services, legal assistance, and outreach for people over the age 60 and older.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

General Fund (continued)

Title III C-1 Fund

The Title III C-1 Fund is used to account for funds that are used to provide nutritional, congregate meals to the elderly in strategically located meal sites in East Baton Rouge Parish.

Title III C-2 Fund

Title III C-2 Fund is used to account for funds that are used to provide nutritional, home-delivered meals to home bound older persons.

Title III C Area Agency Administration (AAA) Fund

The Title III C Area Agency Administration (AAA) Fund is used to account for some of the administrative costs associated with operating the Special Programs for the Aging.

Title III D Fund

The Title III D Fund is used to account for funds that provide disease prevention and health promotion services. During the year, the Council provided wellness activities designed to support and/or improve the older person's mental and/or physical well being including exercise/physical fitness classes and health screening sessions. The Council also provided medication management services, which included screening and educating older persons to prevent incorrect medications usage and adverse drug reactions.

Title III E Fund

The Title III E Fund is used to account for funds, which provide various caregiver support services. This includes public education, information and assistance, support groups, in-home respite care, and personal care services.

Supplemental Senior Center Fund

The Supplemental Senior Center Fund is used to account for the additional money appropriated by the Louisiana Legislature to supplement the primary state grant for senior centers. These funds are "passed through" the Governor's Office of Elderly Affairs.

Audit Fund

The Audit Fund is used to account for funds received from the Governor's Office of Elderly Affairs that are restricted to use as a supplement to pay for the cost of having an annual audit of the Council's financial statements.

Major Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The Council has established several special revenue funds.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The following are brief descriptions of the purpose of each special revenue fund and their classification as either a major or non-major governmental fund:

Senior Center Fund

The Senior Center Fund is used to account for the administration of Senior Center program funds appropriated by the Louisiana Legislature to the Governor's Office of Elderly Affairs, which in turn "passes through" the funds to the Council. This program provides funding for community service centers where older persons can receive supportive services and participate in activities which foster their independence, enhance their dignity, and encourage their involvement in and with the community. The Council operates four senior centers in East Baton Rouge Parish, Louisiana.

Utility Assistance Fund

The Utility Assistance Fund is used to account for Project Care, which is sponsored by Entergy, a local utility company. Entergy collects contributions from service customers and employees and remits the funds directly to the Council. These funds are used to provide financial assistance to the elderly for the payment of their utility bills.

d. Measurement Focus and Basis of Accounting

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds, including the General and Special Revenue Funds, are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets.

Governmental funds are maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for the following:

- 1) Principle and interest on long-term debt are recorded when due, and
- 2) Claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

Transfers and Interfund Loans

Advances between funds, which are not expected to be repaid, are accounted for as transfers. In those cases where repayment is expected, the advances are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. **PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Cash

Cash includes not only currency on hand, but demand deposits with banks or other financial institutions. For the purposes of the Statement of Net Position, restricted cash are amounts received or earned by the Council with an explicit understanding between the Council and the resource provider that the resource would be used for a specific purpose.

Receivables

The Council has established an allowance for doubtful accounts relating to its home delivered meal program based on management's assessment of collectability and prior experience. The Council does not charge interest on past due accounts. Customer accounts are charged off if management determines the outstanding balance is doubtful. At June 30, 2013 the allowance for doubtful accounts equals the accounts receivable due from home delivered meals.

Prepaid Expenses

The Council has elected not to expense amounts paid for future services until those services are consumed to comply with the cost reimbursement terms of its grant agreements. The fund balances in the governmental fund types have been reserved for any prepaid expenses recorded in these funds to reflect the amount of fund balance not currently available for expenditure.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets that have been purchased or acquired with an original cost of at least \$1,000 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as capital assets in the Government-Wide Statement of Net Position. In contrast, in the Fund Financial Statements, capital assets are recorded as expenditures of the fund that provided the resources to acquire the asset. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

For capital assets recorded in the Government-Wide Financial Statements, depreciation is computed and recorded using the straight-line method for the assets estimated useful life. The estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	30 years
Building Improvements	20 years
Equipment	5-7 years
Vehicles	5 years
Computers	3 years

Salvage values have not been estimated by management when calculating how much of an asset's cost needs to be depreciated except for vehicles. For that category or capital assets, management has used 10% of the vehicle's initial cost as a salvage value estimate.

Depreciation is not computed or recorded on capital assets for purposes of the Fund Financial Statements.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Compensated Absences

Full time employees earn vacation leave, beginning with the first full month of employment, at the rate of one day pay per month. The earning rate for vacation leave increases with each year of employment up to 1.75 days per month for employees with ten or more years of service.

No more than 5 days of vacation leave may be carried over after May 15th of each year. Payment of any vested vacation leave is made by the Council upon termination of an employee for any reason.

Generally accepted accounting principles require the accrual for vacation leave to the extent it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The Council recorded a liability as of June 30, 2013 for the accrued vacation for each employee at the employee's current rate of pay. Accrued vacation benefits will be paid from future year's resources and will be recorded as fund expenditures in the various governmental funds in the year in which they are paid or become due on demand to terminated employees.

Generally accepted accounting principles require the accrual for sick leave if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement. Since the accumulated sick leave lapses upon termination, no amount has been accrued. Ultimate payment of the compensated absence liability is expected to be made from the general fund.

The management of the Council has not estimated that the portion of its liability for accrued compensated absences to be paid from expendable available financial resources. Consequently, the total amount of accrued compensation is reported as a long term debt.

Revenue Recognition

Revenues are recorded in the Government-Wide Statements when they are earned under the accrual basis of accounting. Revenues are recorded in the Fund Financial Statements using the modified accrual basis of accounting. In applying the susceptible to accrual concept using this basis of accounting, intergovernmental grant revenues, program service fees, and interest income usually are both measurable and available. However, the timing and amounts of the receipts of public support and miscellaneous revenue are often difficult to measure; therefore, they are recorded as revenue in the period received.

Income Tax Status

The Council, a quasi-governmental entity, is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code (the Code), and is an organization that is not a private foundation as defined in section 509(a) of the Code. The Council is also exempt from Louisiana income tax.

The Council does not file a Form 990 because it has been determined to be an "affiliate of a governmental unit" within the meaning of Section 4 of Revenue Procedure 95-48, 1995-2 C.B. 418.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

e. Net Position in the Government-wide Financial Statements

In the government-wide Statement of Net Position, the net position is classified and displayed in three components:

- Invested in capital assets – This component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. At year-end the Council did not have any borrowings that were related to capital assets.
- Restricted net position – This component consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Council had no restricted net assets at June 30, 2013.
- Unrestricted net position – This component consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets." When both restricted and unrestricted resources are available for use in a specific program or for a specific purpose, the Council's usual policy is to use restricted resources first to finance its activities.

f. Fund Balance – Fund Financial Statements

Accounting standards require governmental fund balances to be reported in five categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Management has classified prepaid expenditures as being nonspendable as this item is not expected to be converted to cash.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.

The Council had restricted fund balance of \$94,421 at year-end related to its utility assistance fund.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. **PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Council's board of directors, which is the Council's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board of directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

The Council did not have any committed fund balance as of year-end.

- **Assigned:** This classification includes spendable amounts that are reported in governmental funds other than the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the Council's board of directors, or a subordinate high-level body, such as a finance committee, or an official, such as the executive director, that has the authority to assign amounts to be used for specific purposes.

The Council did not have any funds available to assign at year-end.

- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in multiple classifications, the Council would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

g. Allocation of Indirect Expenses

The Council reports all direct expenses by function and programs of functions in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function or program. Indirect expenses are recorded as direct costs of the Administration function. GOEA provides funds to partially subsidize the Council's Administration function. These indirect costs, including travel, operating services, operating supplies, and other administrative costs are allocated using a budget tool provided by the GOEA which is based primarily on the relationship of direct costs a program bears to the total direct costs of all programs.

h. Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. **PURPOSE OF THE COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

i. New Accounting Standards Adopted

During the year ended June 30, 2013, the Council implemented the following new accounting standards:

- GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34s*. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement does not change the Council as a financial reporting entity.
- GASB Statement No. 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in specified pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.
- GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the residual amount of the other elements). The statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of the Statement in the Council's financial statement was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statements from "Statement of Net Assets" to "Statement of Net Position."

2. **CASH**

The Council maintains a consolidated bank account that is available for use by all funds.

The purpose of the consolidated account is to reduce administration costs and facilitate cash management. The consolidated account also allows those funds with available cash resources to temporarily cover any negative cash balances in other funds.

The Council maintains another demand deposit account for making payroll disbursements. The Council has two additional bank accounts, which are savings accounts, which were established by management to obtain interest on idle funds, maintain liquidity, and reduce credit risks.

As described in Louisiana law, the Council is classified as a quasi-public entity. Accordingly, the Council is not required to comply with Louisiana laws relating to the collateralization of bank deposits. However, the Council's policy is to follow state law in an effort to minimize risks associated with bank deposits that exceed those currently covered by FDIC insurance. Accordingly, the Council's management obtained collateralization for deposits at financial institutions that exceed FDIC insurance.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH (continued)

Cash is reported at its carrying value, which equals its fair value. At June 30, 2013 the carrying value of the Council's restricted cash totaled \$19,188. At June 30, 2013, the Council had outstanding checks in excess of operating cash which totaled \$20,366. The remaining bank balances associated with these carrying values was \$107,569. None of the bank balances were exposed to credit risks.

3. RECEIVABLES ON FUNDING CONTRACTS

There were no amounts due from funding contracts at June 30, 2013.

4. LONG-TERM DEBT

The following is a summary of transactions relating to the Council's long-term debt during the year.

	<u>Balance</u> <u>6/30/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2013</u>	<u>Short-term</u>
Accrued compensated Absences	\$ 19,096	\$ 9,936	\$ -	\$ 29,032	\$ -
Note payable – Hancock Bank (line-of-credit)		20,000	-	20,000	20,000
Note payable – Hancock Bank	<u>37,273</u>	<u>-</u>	<u>(25,849)</u>	<u>11,424</u>	<u>11,424</u>
	<u>\$ 56,369</u>	<u>\$ 29,936</u>	<u>\$ (25,849)</u>	<u>\$ 60,456</u>	<u>\$ 31,424</u>

On October 29, 2010, the Council entered into a loan agreement with Hancock Bank upon the conversion of their line of credit referenced above. The loan amount was \$75,100, with a variable interest rate of the Wall Street Journal prime rate plus 3.0%. At no time will the rate be less than 4.0%. At June 30, 2013 the interest rate was 6.25%. The note is payable in 36 monthly installments of \$2,296, beginning November 29, 2010. The remaining balance at June 30, 2013, \$11,424, is due to be repaid by October 29, 2013. See Note 14.

On October 3, 2012, the Council entered into a loan agreement with Hancock Bank. The loan amount was \$20,000, with a variable interest rate of the Wall Street Journal prime rate plus 3.0%. At June 30, 2013 the interest rate was 6.25%. Interest payments are due monthly on the loan with the principal balance due on October, 3, 2013. See Note 14.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. CAPITAL ASSETS

A summary of changes to fixed assets for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets:				
Vehicles	\$ 94,874	\$ 15,400	\$ -	\$ 110,274
Furniture and equipment	272,362	-	-	272,362
Leasehold improvements	181,896	12,164	(6,449)	187,611
Buildings	<u>115,000</u>	<u>6,535</u>	<u>-</u>	<u>121,535</u>
Total capital assets	664,132	34,099	(6,449)	691,782
Less accumulated depreciation:				
Vehicles	61,422	15,067	-	76,489
Furniture and equipment	196,947	17,022	-	213,969
Leasehold improvements	101,800	6,537	(3,374)	104,963
Buildings	<u>11,499</u>	<u>4,269</u>	<u>-</u>	<u>15,768</u>
Total accumulated depreciation	371,668	42,895	(3,374)	411,189
Capital assets, net of depreciation	<u>\$ 292,464</u>	<u>(\$ 8,796)</u>	<u>(\$ 3,075)</u>	<u>\$ 280,593</u>

Depreciation expense was charged to the general fund.

6. LEASE COMMITMENTS

Operating Leases

On January 1, 2010, the Council entered into a lease with the City of Baton Rouge for the building that houses the Council's main office at 5790 Florida Boulevard, Baton Rouge, Louisiana. The lease is for a term of twenty five years at no cost. The Council is responsible for utilities, normal repairs, and maintenance, and liability, fire and casualty insurance in the amount of \$5 million.

The Council leases equipment through lease arrangements which qualify as operating leases. The lease payments are made on a monthly basis and scheduled terms vary based on the equipment. Management has estimated the future minimum lease payments under non-cancellable lease agreements in effect at June 30, 2013 as follows:

Year ending June 30,	Amount
2014	\$ 7,321
2015	3,432
2016	3,432
2017	3,432
2018	<u>3,146</u>
	<u>\$ 20,763</u>

Lease payments made during the year ended June 30, 2013 totaled approximately \$7,300 for the above leases.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

7. **IN-KIND DONATIONS**

The Council received \$324,793 in various in-kind contributions during the year which have been valued at their estimated fair market value and presented in this report as revenue. Related expenditures, equal to the in-kind revenues, have also been presented, thereby producing no effect on net revenue.

A summary of the in-kind contributions and their respective assigned values is as follows:

The Council's main office facility was furnished by the City of Baton Rouge at no charge	\$ 225,504
Other senior center site facilities and health screening sites are furnished to the Council without charge	90,908
Other miscellaneous items furnished to the Council without charge	<u>8,381</u>
Total	<u>\$ 324,793</u>

The Council receives additional support through services contributed by volunteers that does not meet the criteria for recognition under generally accepted accounting principles because the Council would not hire additional paid employees to perform these services if volunteers were not available.

8. **DEFERRED COMPENSATION**

The Council offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Council employees and permits them to defer a portion of their salary until future years. Participation in the plan is at the employee's option.

The deferred compensation cannot be withdrawn by participating employees until termination, retirement, death or unforeseeable emergency. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No. 32, the Council does not present the investment in deferred compensation with the offsetting deposits and escrow accounts as assets and liabilities on its combined balance sheet. At June 30, 2013, the plan assets totaled \$123,465.

9. **BOARD OF DIRECTOR'S COMPENSATION**

Service on the Board of Directors is voluntary and, therefore, members are not compensated in the form of per diem. Members of the Board are reimbursed for travel expenses.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

10. INTERFUND TRANSFERS

The Council provides support to its various programs in the form of transfers. Transfers in and out are listed by fund type for the year ended June 30, 2013:

Transfers in/out:

<u>Transfers In</u>		<u>Transfers Out</u>	
General	\$ -	General	\$ 110,631
Senior Center	52,315	Senior Center	-
Utility Assistance	58,316	Utility Assistance	-
	<u>\$ 110,631</u>		<u>\$ 110,631</u>

Due to/from:

<u>Due From</u>		<u>Due To</u>	
General	\$ -	General	\$ 115,868
Senior Center	1,081	Senior Center	-
Utility Assistance	114,787	Utility Assistance	-
	<u>\$ 115,868</u>		<u>\$ 115,868</u>

11. EMPLOYEE BENEFITS

The Council maintains a cafeteria plan allowable under IRC Section 125 for its eligible full-time employees. Employees may elect to reduce compensation to pay for personal health, dental and/or disability insurance.

12. ECONOMIC DEPENDENCY

The Council receives the majority of its revenue from grants administered by the Louisiana Governor's Office of Elderly Affairs and quarterly allocations from the City of Baton Rouge, Louisiana. The grant amounts are appropriated each year by the federal, state, and local governments. If significant budget cuts are made at the federal, state and/or local level the Council funding could be reduced significantly and have an adverse impact on its operations. However, management is not aware of any actions by Council funding sources that will adversely affect operations in the next fiscal year.

13. GOING CONCERN

An unrestricted net deficit of \$419,952 exists at June 30, 2013. The deficit is a result of declining donor contributions, declining federal and state funding, and increased costs of operations due to the increased demand by aging seniors. These factors create an uncertainty about the Council's ability to continue as a going concern.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

13. **GOING CONCERN** (continued)

As a result, the Council has developed a management plan to manage its cash flows and liabilities through the following:

- Reduction in meals served; therefore a reduction in food costs.
- Adherence to budgeted expenditures of each program.
- Increase revenue through public relations and fund raising efforts.

The ability of the Council to continue as a going concern is dependent on the effectiveness of management's plan and continued actions. The financial statements do not include any adjustments that might be necessary if the Council is unable to continue as a going concern.

14. **SUBSEQUENT EVENTS**

Effective October, 2014, the note payable balance to Hancock Bank (\$11,424 at June 30, 2013) was repaid under the terms of the agreement.

Effective November 27, 2013, the Council converted its outstanding line of credit into a term loan. The principal, \$20,100, is scheduled to be repaid in 35 monthly installments of \$605 each with the final payment due on November 27, 2016.

Management has evaluated events through the date that the financial statements were available to be issued, December 16, 2013, and determined that no events other than those described above have occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY FINANCIAL INFORMATION
REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS

SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND

EAST BATON ROUGE COUNCIL ON AGING, INC.
BATON ROUGE, LOUISIANA
For the year ended June 30, 2013

	Budgeted Amounts			Favorable (Unfavorable) Variance
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
City of Baton Rouge	\$ 872,000	\$ 872,000	\$ 1,092,000	\$ 220,000
Office of Elderly Affairs	1,305,053	1,466,895	1,327,766	(139,129)
Public Support (restricted):				
Contributions	25,000	25,000	1,145	(23,855)
Senior Olympic Sponsorship	100,000	100,000	-	(100,000)
Public Support (unrestricted):				
Contributions	20,000	20,000	101,492	81,492
Fund raising - BINGO	150,000	150,000	94,793	(55,207)
Program Service Fees:				
Paid meals	50,000	50,000	63,331	13,331
Interest Income	-	-	-	-
General Public via Entergy	-	56,258	-	(56,258)
Other	-	-	96,201	96,201
In-Kind Contributions	-	-	191,889	191,889
Total revenues	2,522,053	2,740,153	2,968,617	228,464
EXPENDITURES				
Current:				
Salaries and wages	1,450,061	1,242,803	1,258,082	(15,279)
Fringe	319,835	284,449	354,477	(70,028)
Travel	45,717	41,921	31,436	10,485
Operating Services	698,043	772,984	257,043	515,941
Operating Supplies	12,812	30,096	84,390	(54,294)
Other Costs	185,023	194,074	259,575	(65,501)
Kitchen Operations	175,400	376,982	439,212	(62,230)
Capital Outlay	79,025	60,931	54,808	6,123
Debt Service:				
Principal Retirement	18,368	28,934	25,849	3,085
Interest	9,184	-	7,687	(7,687)
In-Kind Services and Facilities	-	-	191,889	(191,889)
Total expenditures	2,993,468	3,033,174	2,964,448	68,726
Excess (deficiency) of revenues over expenditures	(471,415)	(293,021)	4,169	297,190
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	20,000	20,000
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(110,631)	(110,631)
Total other financing uses	-	-	(90,631)	(90,631)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (471,415)	\$ (293,021)	(86,462)	\$ 206,559
FUND BALANCE				
Beginning of the year			(367,455)	
End of the year			<u>\$ (453,917)</u>	

See notes to required supplemental information.

SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUND - SENIOR CENTER

EAST BATON ROUGE COUNCIL ON AGING, INC.
BATON ROUGE, LOUISIANA
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Intergovernmental:				
City of Baton Rouge	\$ -	\$ -	\$ -	\$ -
Office of Elderly Affairs	295,219	295,219	434,346	139,127
Public Support (restricted):				
Contributions	-	-	-	-
Senior Olympic Sponsorship	-	-	-	-
Public Support (unrestricted):				
Contributions	-	-	-	-
Fund raising - BINGO	-	-	-	-
Program Service Fees:				
Paid meals	-	-	-	-
Interest Income	-	-	-	-
General Public via Entergy	-	-	-	-
Other	-	-	-	-
In-Kind Contributions	-	-	132,904	132,904
Total revenues	295,219	295,219	567,250	272,031
EXPENDITURES				
Current:				
Salaries and wages	192,915	271,783	333,433	(61,650)
Fringe	47,673	62,222	48,320	13,902
Travel	2,266	982	672	310
Operating Services	45,209	37,764	65,105	(27,341)
Operating Supplies	32,398	19,243	22,164	(2,921)
Other Costs	25,521	30,953	16,660	14,293
Kitchen Operations	-	-	307	(307)
Capital Outlay	-	7,700	-	7,700
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Utility assistance	-	-	-	-
In-Kind Services and Facilities	-	-	132,904	(132,904)
Total expenditures	345,982	430,647	619,565	(188,918)
Excess (deficiency) of revenues over expenditures	(50,763)	(135,428)	(52,315)	83,113
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	52,315	52,315
operating transfers out	(106,266)	-	-	-
Total other financing uses	(106,266)	-	52,315	52,315
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (157,029)	\$ (135,428)	\$ -	\$ 135,428
FUND BALANCE				
Beginning of the year			-	
End of the year			\$ -	

See notes to required supplemental information.

SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUND - UTILITY ASSISTANCE

EAST BATON ROUGE COUNCIL ON AGING, INC.
BATON ROUGE, LOUISIANA
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Intergovernmental:				
City of Baton Rouge	\$ -	\$ -	\$ -	\$ -
Office of Elderly Affairs	-	-	-	-
Public Support (restricted):				
Contributions	-	-	-	-
Senior Olympic Sponsorship	-	-	-	-
Public Support (unrestricted):				
Contributions	-	-	-	-
Fund raising - BINGO	-	-	-	-
Program Service Fees:				
Paid meals	-	-	-	-
Interest Income	-	-	121	121
General Public via Entergy	492,000	492,000	435,742	(56,258)
Other	-	-	-	-
In-Kind Contributions	-	-	-	-
Total revenues	492,000	492,000	435,863	(56,137)
EXPENDITURES				
Current:				
Salaries and wages	4,429	4,429	-	4,429
Fringe	1,095	1,095	-	1,095
Travel	17	17	-	17
Operating Services	953	953	-	953
Operating Supplies	261	261	-	261
Other Costs	538	538	9,938	(9,400)
Kitchen Operations	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Utility assistance	160,000	160,000	435,528	(275,528)
In-Kind Services and Facilities	-	-	-	-
Total expenditures	167,293	167,293	445,466	(278,173)
Excess (deficiency) of revenues over expenditures	324,707	324,707	(9,603)	(334,310)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	58,316	58,316
operating transfers out	-	-	-	-
Total other financing uses	-	-	58,316	58,316
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 324,707	\$ 324,707	48,713	\$ (275,994)
FUND BALANCE				
Beginning of the year			45,708	
End of the year			<u>\$ 94,421</u>	

See notes to required supplemental information.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2013

NOTE 1 –BUDGETARY REPORTING

The budgetary information presented in this section of required supplementary information applies to “major” governmental funds for which annual budgets were adopted. Budgetary information for “non-major” funds has not been included anywhere in these financial statements.

The Council used the following procedures to derive the budgetary data which has been presented in these financial statements:

- The Governor's Office of Elderly Affairs (GOEA) notifies the Council each year as to the funding levels for each program's grant award. GOEA awards funds using the same fiscal year.
- The City of Baton Rouge notifies the Council each year as to the amount included in the City-Parish budget for the Council. Because the City of Baton Rouge operates on a calendar year, its fiscal year will overlap the Council's fiscal year. Accordingly, the Council's management can predict with reasonable accuracy how much money the Council will have available for the first six months of its fiscal year. Management estimates the City's allocation for the last six months of the Council's fiscal year until the City notifies the Council of the exact allocation. Management will then incorporate the actual allocation amount into the Council's amended budget. Funds received from the City of Baton Rouge are unrestricted as to use by the Council on Aging.
- The Council may also obtain grants from agencies other than GOEA and the City of Baton Rouge, and the Council considers the potential revenues to be earned under those grants.
- Projections are made of revenues from other sources based on past trends and data available to form expectations of future revenues.
- The Council's management prepares a proposed budget based on the expected funding levels and then submits the budget to the Board of Directors for approval.
- The Board of Directors reviews and adopts the budget before May 31 of the current year for the next year.
- The adopted budget is forwarded to the Governor's Office of Elderly Affairs for the final approval.
- All budgetary appropriations for grants awarded the Council by GOEA lapse at the end of each fiscal year (June 30), except for N.S.I.P. Cash in lieu of Commodities funding which lapse at December 31st. Occasionally, the Council will receive a special project grant that may operate on a period different from the Council's normal fiscal year and, therefore, have a specified date where the budgetary appropriation will lapse.
- The budget is prepared on a modified accrual basis, consistent with the basis of accounting, for comparability of budgeted and actual revenues and expenditures.

EAST BATON ROUGE COUNCIL ON AGING, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2013

NOTE 1 –BUDGETARY REPORTING (continued)

- Budgeted amounts included in the accompanying financial statements include the original adopted budget amount and all subsequent amendments, which must also be adopted by the Board of Directors and approved by GOEA.
- Actual amounts are compared to budgeted amounts periodically during the fiscal year as a management control device.
- The Council may transfer funds between line items as often as required but must obtain prior approval from the Governor's Office of Elderly Affairs for funds received under grants from this state agency. As part of its grants awards, GOEA requires the Council to amend its budget in cases where actual costs for a particular cost category exceed the budgeted line item by more than 10%, unless unrestricted funds are available to "cover" the overrun.
- Expenditures cannot legally exceed appropriations on an individual fund level.
- The Council is not required by state or local law to prepare a budget for every program or activity it conducts. Accordingly, some General Fund activities are not budgeted, particularly if they are deemed to be immaterial by management.

**SUPPLEMENTARY INFORMATION REQUIRED BY
THE GOVERNOR'S OFFICE OF ELDERLY AFFAIRS**

EAST BATON ROUGE COUNCIL ON AGING, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (BY PROGRAM)

GENERAL FUNDS

For the year ended June 30, 2013

	Local	Title III C-1 AAA	Title III - D	Title III - E	Audit	Title III-B	Title III C-1	Title III C-2	PCOA	N.S.I.P.	Senior Activities	Total
Revenues												
Intergovernmental:												
City of Baton Rouge	\$ 1,092,000											\$ 1,092,000
Office of Elderly Affairs	60,516	91,985	10,278	87,739	6,625	263,567	259,345	405,694	91,667	50,350	-	1,327,766
Public Support (restricted):												
Contributions	1,145	-	-	-	-	-	-	-	-	-	-	1,145
Senior Olympic Sponsorship	-	-	-	-	-	-	-	-	-	-	-	-
Public Support (unrestricted):												
Contributions	100,492	-	-	-	-	-	-	-	-	-	1,000	101,492
Fund raising - BINGO	92,586	-	-	-	-	-	-	2,207	-	-	-	94,793
Program Service Fees:												
Paid meals	-	-	-	-	-	-	-	22,362	-	-	-	22,362
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-
Other	95,066	-	-	-	-	-	68	167	-	-	-	96,201
In-Kind Contributions	35,870	-	11,478	-	-	76,303	38,787	29,451	-	-	-	191,889
Total revenues	<u>1,478,575</u>	<u>91,985</u>	<u>21,756</u>	<u>87,739</u>	<u>6,625</u>	<u>339,870</u>	<u>339,169</u>	<u>459,881</u>	<u>91,667</u>	<u>50,350</u>	<u>1,000</u>	<u>2,968,617</u>
Expenditures												
Current:												
Salaries and wages	267,591	45,389	-	92,122	-	413,346	239,908	199,726	-	-	-	1,258,082
Fringe	121,458	8,349	-	18,970	-	92,606	66,958	46,136	-	-	-	354,477
Travel	2,716	211	-	2,521	-	14,756	975	10,257	-	-	-	31,436
Operating Services	15,476	26,379	-	14,254	-	64,601	71,903	64,430	-	-	-	257,043
Operating Supplies	-	5,145	-	5,090	-	25,362	25,455	23,338	-	-	-	84,390
Other Costs	128,987	6,512	21,050	4,589	6,625	33,352	33,944	24,516	-	-	-	259,575
Kitchen Operations	298,899	-	-	-	-	-	68,959	71,354	-	-	-	439,212
Capital Outlay	54,808	-	-	-	-	-	-	-	-	-	-	54,808
Debt Service:												
Principal Retirement	25,849	-	-	-	-	-	-	-	-	-	-	25,849
Interest	7,687	-	-	-	-	-	-	-	-	-	-	7,687
In-Kind Services and Facilities	35,870	-	11,478	-	-	76,303	38,787	29,451	-	-	-	191,889
Total expenditures	<u>959,341</u>	<u>91,985</u>	<u>32,528</u>	<u>137,546</u>	<u>6,625</u>	<u>720,326</u>	<u>546,889</u>	<u>469,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,964,448</u>
Excess (deficiency) of revenues over expenditures	<u>519,234</u>	<u>-</u>	<u>(10,772)</u>	<u>(49,807)</u>	<u>-</u>	<u>(380,456)</u>	<u>(207,720)</u>	<u>(9,327)</u>	<u>91,667</u>	<u>50,350</u>	<u>1,000</u>	<u>4,169</u>
Other Financing Sources (Uses)												
Proceeds from issuance of debt	20,000	-	-	-	-	-	-	-	-	-	-	20,000
Operating transfers in	-	-	6,772	49,807	-	384,319	179,666	-	-	-	-	620,564
Operating transfers out	(711,429)	-	-	-	-	-	-	(19,766)	-	-	-	(731,195)
Total other financing uses	<u>(691,429)</u>	<u>-</u>	<u>6,772</u>	<u>49,807</u>	<u>-</u>	<u>384,319</u>	<u>179,666</u>	<u>(19,766)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,631)</u>
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (172,195)</u>	<u>\$ -</u>	<u>\$ (4,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,863</u>	<u>\$ (28,054)</u>	<u>\$ (29,093)</u>	<u>\$ 91,667</u>	<u>\$ 50,350</u>	<u>\$ 1,000</u>	<u>\$ (86,462)</u>
Fund Balances												
Beginning of Year	(367,455)	-	-	-	-	-	-	-	-	-	-	(367,455)
End of Year	<u>\$ (339,650)</u>	<u>\$ -</u>	<u>\$ (4,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,863</u>	<u>\$ (28,054)</u>	<u>\$ (29,093)</u>	<u>\$ 91,667</u>	<u>\$ 50,350</u>	<u>\$ 1,000</u>	<u>\$ (453,917)</u>

EAST BATON ROUGE COUNCIL ON AGING, INC.

COMPARATIVE SCHEDULE OF CAPITAL ASSETS
AND CHANGES IN CAPITAL ASSETS

For the year ended June 30, 2013

	Balance June 30, 2012	Additions/ Adjustments	Deletions	Balance June 30, 2013
CAPITAL ASSETS				
Vehicles	\$ 94,874	\$ 15,400	\$ -	\$ 110,274
Office furniture and equipment	272,362	-	-	272,362
Leasehold improvements	181,896	12,164	(6,449)	187,611
Buildings	115,000	6,535	-	121,535
TOTAL CAPITAL ASSETS	\$ 664,132	\$ 34,099	\$ (6,449)	\$ 691,782
INVESTMENT IN CAPITAL ASSETS				
Property acquired with funds from:				
General fund	\$ 657,514	\$ 34,099	\$ (6,449)	\$ 685,164
RSVP	1,060	-	-	1,060
PCOA	3,558	-	-	3,558
Donations from the general public	2,000	-	-	2,000
TOTAL INVESTMENT IN CAPITAL ASSETS	\$ 664,132	\$ 34,099	\$ (6,449)	\$ 691,782

**SUPPLEMENTARY FINANCIAL INFORMATION
REQUIRED BY OMB CIRCULAR A-133**

EAST BATON ROUGE COUNCIL ON AGING, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Health and Human Services - Administration on Aging</u>				
Passed through the Louisiana Governor's Office of Elderly Affairs:				
Special Programs for the Aging				
Title III, Part B - Supportive Services and Senior Centers	93.044	703036	<u>174,561</u>	<u>174,561</u>
Title III, Part C - Nutrition Services (Area Agency Administration)	93.045	703036	68,989	68,989
Title III, Part C-1 - Nutrition Services (Congregate Meals)	93.045	703036	193,925	193,925
Title III, Part C-2 - Nutrition Services (Home Delivered Meals)	93.045	703036	<u>162,118</u>	<u>162,118</u>
Subtotal CFDA # 93.045			<u>425,032</u>	<u>425,032</u>
Nutrition Services Incentive Program	93.053	703338	<u>102,535</u>	<u>102,535</u>
Total Aging Cluster			702,128	702,128
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	703036	<u>10,278</u>	<u>10,278</u>
Title III, Part E - National Family Caregiver Program	93.052	703036	<u>65,804</u>	<u>65,804</u>
Total U.S. Department of Health and Human Services - Administration on Aging			<u>778,210</u>	<u>778,210</u>
Total federal expenditures			\$ <u>778,210</u>	\$ <u>778,210</u>

See notes to Schedule of Expenditures of Federal Awards.

EAST BATON ROUGE COUNCIL ON AGING, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the East Baton Rouge Council on Aging and is presented on the modified 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 basis financial statements.

(2) SUBRECIPIENTS

The Council did not pass-through any of its federal awards to a sub-recipient during the year ended June 30, 2013.

(3) NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the year ended June 30, 2013.

(4) RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The expenditures listed in the accompanying schedule are reported in the following funds in the Council's basic financial statements and combining schedules. The Council receives both federal and state funding to support expenditures of its programs. Since expenditures exceed the revenues of each federal program, the federal revenues received are representative of the federal expenditures. These revenues are included within the intergovernmental revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 422,308
Title III B	69,397
Title III C-1	111,302
Title III C-2	102,075
Title III D	5,998
Title III E	38,385
Title III C (AAA)	28,745
	<u>\$ 778,210</u>

**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
East Baton Rouge Council on Aging, Inc.

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 the governmental activities and each major fund of the East Baton Rouge Council on Aging, Inc. (the Council) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the East Baton Rouge Council on Aging, Inc. basic financial statements and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 entity'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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-1.

East Baton Rouge Council on Aging, Inc.'s Response to Findings

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 16, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors and Management,
East Baton Rouge Council on Aging, Inc.

Report on Compliance for Each Major Federal Program

We have audited the East Baton Rouge Council on Aging, Inc.'s (the Council's) compliance 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 Council's major federal programs for the year ended June 30, 2013. The Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

Basis for Qualified Opinion on the Aging Cluster

As described in the accompanying schedule of findings and questioned costs, the Council did not comply with requirements regarding the Aging Cluster for Special Programs for the Aging, which is comprised of CFDA 93.044 (Title III – Part B – Grants for Supportive Services and Senior Center), CFDA 93.045 (Title III, Part C – Nutrition Services) and CFDA 93.053 (Nutrition Services Incentive Program), as described in finding number 2013-2 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the Council to comply with the requirements applicable to that program.

Qualified Opinion on the Aging Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Council, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Aging Cluster for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described as item 2013-2 in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

The Council's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the Council's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-2 to be a material weakness.

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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Council's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana

December 16, 2013

EAST BATON ROUGE COUNCIL ON AGING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I-SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered
to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? ☒ Yes ☐ No

Significant deficiencies identified that are not considered
to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

U.S. Department of Health and Human Services – Administration on Aging

Aging Cluster for Special Programs for the Aging:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.044	Title III, Part B – Grants for Supportive Services and Senior Center
93.045	Title III, Part C – Nutrition Services
93.053	Nutrition Services Incentive Program

Dollar threshold used to distinguish between types A and B programs: \$300,000

Qualified as low-risk auditee: ☐ Yes ☒ No

EAST BATON ROUGE COUNCIL ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II-FINANCIAL STATEMENT FINDINGS

2013-1 – Compliance with Operating Lease Terms

Criteria:

Under the terms of the Council's lease agreement with the City of Baton Rouge for the building that houses the Council's main office, the Council is responsible to maintain fire and casualty insurance coverage in the amount of \$5 million.

Condition:

The Council's current fire and casualty insurance policy coverage is \$2.5 million. *This is a repeat finding from the prior year.*

Cause:

The Council was unable to resolve this matter with the City of Baton Rouge during the audit period.

Effect:

The Council has not complied with the terms of the lease agreement. Non-compliance with the lease terms may result in monetary penalties and potential termination of the agreement.

Recommendation:

The Council should try to renegotiate the terms of its lease agreement with the City of Baton Rouge or raise the dollar amount of coverage to \$5 million.

View of Responsible Official and Planned Corrective Action:

The Council has made numerous requests to get the lease amended. We have been told that the City Parish Attorney's office is working on the addendum for the lease. However, the City of Baton Rouge has located an alternate building and we are anticipating moving in by late Spring.

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-2 – Special Tests and Provision

CFDA # 93.044 Title III, Part B – Grants for Supportive Services and Senior Center; Grant #703036
CFDA # 93.045 Title III, Part C – Nutrition Services; Grant #703036
CFDA # 93.053 Nutrition Services Incentive Program; Grant # 703338

Criteria:

The Governor's Office of Elderly Affairs requires the Council on Aging to report units of service on a monthly basis. The units of service are significant in determining state and federal funding granted to the Council, as well as, being used as a tool for monitoring and allocating costs to the various programs operated by the Council.

EAST BATON ROUGE COUNCIL ON AGING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

2013-2 – Special Tests and Provision (continued)

Condition:

Audit tests revealed instances where the units of service in the Social Assistance Management System (SAMS) report did not agree to the underlying data. The Council did not perform reconciliations from the underlying data to the SAMS report. *This is a repeat finding from the prior year.*

In addition, reconciliations of the number of meals requested by seniors, referred to as the “potential” list, at each center to the actual meals prepared with the number of meals served as tracked on the “count” sheet to those seniors are not being performed.

Cause:

The Council did not have adequate internal controls in place to ensure reconciliations were being performed.

Questioned Costs:

Unable to determine the questioned costs.

Effect:

The Council incorrectly reported the units of service provided to the Governor’s Office of Elderly Affairs. The lack of reconciliations over meal counts may result in unnecessary meal costs being incurred by the Council.

Recommendation:

The Council should ensure the monthly “SAMS” reports are reconciled to the daily counts sheets. Additionally, the Council should ensure all staff involved in entering the daily count sheets into the “SAMS” computer system received proper training and management oversight. Internal control procedures should be developed to ensure meal counts are being tracked accurately.

View of Responsible Official and Planned Corrective Action:

This has been an on-going problem for Councils on Aging around the State. The SAMS Reporting System has been converted to a web-based program. The Council has invested in a Harmony-Hosted web based system. This system will be utilized by all Councils on Aging statewide and the Governor’s Office of Elderly Affairs. The first year’s cost is \$7,274. After the first year and on an annual basis, we will pay \$5,247 for the base agency fee and hosting. Since the Council and GOEA will be on the same web-based software system, we hope to eliminate the discrepancies experienced on the old SAMS Reporting System.

EAST BATON ROUGE COUNCIL ON AGING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SECTION II-FINANCIAL STATEMENT FINDINGS

2012-1 – Internal Controls over Financial Reporting

Criteria:

Internal control over financial information and reporting includes ensuring that policies and procedures exist that require reconciliations of key balance sheet accounts in the general ledger to supporting information and schedules; as well as, proper management oversight and approvals to ensure financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition:

During the audit, the Council provided to us the internal control policies and procedures which were in effect for the year under audit. However, the internal controls over receivables, fixed assets, accounts payable, journal entries, indirect cost allocations, and financial reporting were not implemented.

As part of the audit process, we assisted management in drafting the financial statements, related note disclosures, and the Schedule of Expenditures of Federal Awards required for the year-end financial reporting. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Council personnel is not sufficient.

Additionally, during the test of disbursements, it was noted that some blanket purchase orders were approved prior to the requisition being completed.

Cause:

The material weakness was due to a lack of monitoring by the management of the Council.

Effect:

A material weakness exists with respect to the internal control structure of the Council.

Recommendation:

The Council should implement the policies and procedures that have been developed for key financial statement areas and processes, educate staff regarding the policies and procedures, and ensure they are followed through consistent monitoring. The Council should also take a more active role in drafting the financial statements and related notes.

Current Status: Resolved.

EAST BATON ROUGE COUNCIL ON AGING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SECTION II-FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-2 – Timely Submission of the Financial Statement and Compliance Audit

Criteria:

LA R.S. 24:513 requires all political subdivisions to submit audited financial statements and other appropriate compliance audit reports to the Louisiana Legislative Auditor within six months of the end of its fiscal year.

Condition:

The financial statements and compliance audits were submitted after the six month time frame.

Cause:

The Council experienced significant issues in implementing its new accounting software including loss of data.

Effect:

The Council is out of compliance with the statute. Continued non-compliance could result in a loss of funding provided by state agencies.

Recommendation:

The Council should take all necessary steps to ensure compliance with the statute is met in the future.

Current Status: Resolved.

2012-3 – Compliance with Operating Lease Terms

Criteria:

Under the terms of the Council's lease agreement with the City of Baton Rouge for the building that houses the Council's main office, the Council is responsible to maintain fire and casualty insurance coverage in the amount of \$5 million.

Condition:

The Council's current fire and casualty insurance policy coverage is \$2.5 million.

Cause:

The Council was unable to resolve this matter with the City of Baton Rouge during the audit period.

Effect:

The Council has not complied with the terms of the lease agreement. Non-compliance with the lease terms may result in monetary penalties and potential termination of the agreement.

EAST BATON ROUGE COUNCIL ON AGING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SECTION II-FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-3 – Compliance with Operating Lease Terms (continued)

Recommendation:

The Council should try to renegotiate the terms of its lease agreement with the City of Baton Rouge or raise the dollar amount of coverage to \$5 million.

Current Status: Unresolved. See current year finding 2013-1.

2012-4 – Reconciliation of Bank Statements

Criteria:

Cash is the Council's most liquid asset and has the highest risk of misappropriation without proper internal controls. One of the most effective internal controls over cash is the preparation and review of monthly bank statement reconciliations.

Condition:

During the audit, we noted that several of the Council's bank accounts were not reconciled to the general ledger on a monthly basis.

Cause:

The Council experienced significant issues in implementing its new accounting software including loss of data which resulted in accounting personnel spending a significant amount of time re-entering data resulting in less attention and focus on their regular job responsibilities.

Effect:

Although no evidence of misappropriation was noted in our testing, a lack of proper internal control over cash could result in misappropriation of the Council's assets.

Recommendation:

We recommend that all of the Council's bank accounts be reconciled monthly to the general ledger and that senior management review those reconciliations.

Current Status: Resolved.

EAST BATON ROUGE COUNCIL ON AGING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SECTION II-FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-5 – Review of Cash Receipts Log/Segregation of Duties

Criteria:

Internal controls should be in place to ensure cash receipts are properly and timely deposited.

Condition:

Cash collections counts at the various senior centers are performed by two individuals and a cash receipts log is created by the senior center manager. Cash collections along with the receipts log from the various senior centers are then sent to the central office for deposit. The Accounting Clerk at the central office is responsible for recertifying the cash count, preparing the deposit slip and reconciling the deposit slip to the count. A reconciliation of the cash receipts log and the deposit amount is not being performed by another individual not involved in the cash deposit process resulting in a lack of segregation of duties.

Cause:

Staff reductions resulted in changes to previously established procedures.

Effect:

Without properly designed internal controls misappropriation of the Council's assets may occur.

Recommendation:

We recommend that a reconciliation of the cash receipts log and the deposit amount be performed by another individual not involved in the cash deposit process.

Current Status: Resolved.

2012-6 – Information Technology Backup Procedures

Criteria:

In order to ensure accurate and complete accounting records, it is important to have a systematic and secure process for backing up accounting data from the accounting software employed.

Condition:

During the year, the Council lost accounting data from its accounting system due to a hard drive failure requiring all data to be reentered into the system instead of restoring from a backup. In addition, the Council had incorrectly set up the accounting software on one of its user computers. This computer was not saving accounting information to the shared file on the server causing all data entered on that user computer to need to be reentered.

Cause:

The Council's information technology (IT) services were outsourced to a firm who lacked the experience necessary to provide the services needed by the Council.

EAST BATON ROUGE COUNCIL ON AGING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SECTION II-FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-6 – Information Technology Backup Procedures (continued)

Effect:

Accounting personnel had to spend a significant amount of time re-entering data resulting in less attention and focus on their daily job responsibilities.

Recommendation:

We recommend the Council develop a process for backing up its accounting data on a regular basis. The Council should ensure this backup is located off-site and the Council has regular access to the information in the event that the Council experiences an emergency situation or situation similar to events in the current year that requires access to previously saved information instead of having to reenter all transactions.

Current Status: Resolved.

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2012-7 – Allowable / Allocable Costs

CFDA # 93.044 Title III, Part B – Grants for Supportive Services and Senior Center; Grant #703036
CFDA # 93.045 Title III, Part C – Nutrition Services; Grant #703036
CFDA # 93.053 Nutrition Services Incentive Program; Grant # 703338

Criteria:

Various methods for allocating indirect costs are allowed under OMB Circular A-122. Indirect costs are those that have been incurred for common or joint purposes, and not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. The methods for allocating the costs should produce an equitable and consistent distribution of costs to be applied to Federal and non-federal activities of the Council. As part of a financial statement audit a review of the functional allocation of indirect costs must be performed to determine if the cost allocation method is reasonable and reflects the Council's activities for the year.

Condition:

The Council did obtain approval from its oversight agency of its indirect cost allocation plan. The Council utilized a tool obtained from its oversight agency that was designed for the purpose of creating a budget to allocate its indirect costs during the fiscal year. However, the Council did not update this "tool" for the approved indirect cost plan. As such the distribution of costs to the Council's various funds/programs were not accurate.

Cause:

The Council utilized the "tool" for allocating indirect costs provided by its oversight agency and was unaware that the tool was not updated to reflect the approved indirect cost rates.

Questioned Costs:

Total questioned costs are \$291,420.

EAST BATON ROUGE COUNCIL ON AGING, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-7 – Allowable / Allocable Costs (continued)

Effect:

The Council's Government-Wide Statement of Activities and the Statement of Revenues, Expenses, and Changes in Fund Balances may not represent an equitable distribution of indirect costs to the appropriate fund and functional classification. The Council may be required to repay the federal funds reimbursed for questioned costs.

Recommendation:

The Council should utilize the approved indirect cost allocation plan with the tool provided by its oversight agency to ensure that indirect costs are properly applied to its funds and functional classifications.

Current Status: Resolved.

2012-8 – Allowable / Allocable Costs

CFDA # 93.044 Title III, Part B – Grants for Supportive Services and Senior Center; Grant #703036
CFDA # 93.045 Title III, Part C – Nutrition Services; Grant #703036
CFDA # 93.053 Nutrition Services Incentive Program; Grant # 703338

Criteria:

OMB Circular A-122 requires that for employees who are expected to work solely on a single Federal award, charges for their salaries and wages must be supported by periodic certifications that these employees worked solely on that program for the period covered by the certification. These certifications should be prepared at least semiannually and signed by the employee or supervisor having firsthand knowledge of the work performed by the employee. In addition, for those employees who work on multiple activities a distribution of their salaries or wages must be supported by personnel activity reports or its equivalent.

Condition:

The twenty-four employees whose compensation costs were charged 100% the Aging Cluster were not supported by the required periodic certifications. In addition, time records kept for six employees did not agree to the costs charged to the program.

Cause:

The Council was unaware of the requirement for obtaining signed certifications on employees charged 100% to a program. In addition, supervisory reviews were not being performed to ensure the accuracy of the personnel activity reports (time sheets) to the entries posted into the accounting system.

Questioned Costs:

Total questioned costs are \$58,553.

EAST BATON ROUGE COUNCIL ON AGING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-8 – Allowable / Allocable Costs (continued)

Effect:

While alternative evidence indicates these employees expended all of their time and effort toward grant program activities, the documentation requirements of OMB Circular A-122 were not met.

Recommendation:

The Council should use timesheets to track employees time worked on various programs, including the Aging Cluster. The Council should ensure that only the time worked on the Aging Cluster is charged to the Aging Cluster grant through review and reconciliation functions. In addition, for employees whose time is charged 100% to the Aging Cluster program, employees should complete an A-87 cost certification indicating they have spent 100% of their time for that period on the Aging Cluster program. This certification should be reviewed by the appropriate individual in management and approved.

Current Status: Resolved.

2012-9 – Equipment and Real Property Management

CFDA # 93.044 Title III, Part B – Grants for Supportive Services and Senior Center; Grant #703036

CFDA # 93.045 Title III, Part C – Nutrition Services; Grant #703036

CFDA # 93.053 Nutrition Services Incentive Program; Grant # 703338

Criteria:

Equipment purchased from federal funds by local governments in an amount equal to or exceeding the local government's capitalization policy must be capitalized in the accounting records and identified as having been purchased by the applicable federal program.

Condition:

The Council did not list the appropriate funding source for the purchase of equipment on its fixed asset listing for an asset which was partially purchased with federal funds under the Aging Cluster.

Cause:

A supervisory review of the fixed asset listing to determine the funding sources of the assets purchased was not performed.

Questioned Costs:

None

Effect:

This could result in a failure to reimburse the grant program should the assets be sold.

EAST BATON ROUGE COUNCIL ON AGING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-9 – Equipment and Real Property Management (continued)

Recommendation:

The process for recording property and equipment should be enhanced by ensuring that all such assets purchased with federal funds are included and the funding source be appropriately identified.

Current Status: Resolved.

2012-10 – Reporting

CFDA # 93.044 Title III, Part B – Grants for Supportive Services and Senior Center; Grant #703036

CFDA # 93.045 Title III, Part C – Nutrition Services; Grant #703036

CFDA # 93.053 Nutrition Services Incentive Program; Grant # 703338

Criteria:

The grant contract with the Governor's Office of Elderly Affairs (GOEA) requires the Council to submit to the GOEA monthly financial reports. In addition, the contract stipulates that the Council is to maintain books, records, documents, and other evidence, in accordance with generally accepted accounting practices and procedures, sufficient to reflect properly all direct and indirect costs.

Condition:

The monthly reports submitted to the Governor's Office of Elderly Affairs were not reconciled to underlying accounting records before submission and supporting accounting records were not maintained by the Council.

Cause:

The Council did not have adequate internal controls in place to ensure accurate and complete financial reports were submitted to the Governor's Office of Elderly Affairs.

Questioned Costs:

Undeterminable

Effect:

The Council did not comply with the requirements of the GOEA in reporting its costs of the Aging Cluster because the reports submitted could not be matched to underlying accounting records for any period or for year-end.

Recommendation:

The Council should ensure a process is implemented to accurately report costs from the Aging Cluster to its oversight agency in compliance with the terms of the grant contract. These processes should include reconciliation to underlying supporting accounting records and a review by management of these reports before submission. All accounting records must be maintained which support the submission to the GOEA.

Current Status: Resolved.

EAST BATON ROUGE COUNCIL ON AGING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2012-11 – Special Tests and Provision

CFDA # 93.044 Title III, Part B – Grants for Supportive Services and Senior Center; Grant #703036
CFDA # 93.045 Title III, Part C – Nutrition Services; Grant #703036
CFDA # 93.053 Nutrition Services Incentive Program; Grant # 703338

Criteria:

The Governor's Office of Elderly Affairs requires the Council on Aging to report units of service on a monthly basis. The units of service are significant in determining state and federal funding granted to the Council, as well as, being used as a tool for monitoring and allocating costs to the various programs operated by the Council.

Condition:

Audit tests revealed instances where the units of service in the Social Assistance Management System (SAMS) report did not agree to the underlying data. The Council did not perform reconciliations from the underlying data to the SAMS report.

In addition, reconciliations of the number of meals requested by seniors, referred to as the "potential" list, at each center to the actual meals prepared with the number of meals served as tracked on the "count" sheet to those seniors are not being performed.

Cause:

The Council did not have adequate internal controls in place to ensure reconciliations were being performed.

Questioned Costs:

Unable to determine the questioned costs.

Effect:

The Council incorrectly reported the units of service provided to the Governor's Office of Elderly Affairs. The lack of reconciliations over meal counts may result in unnecessary meal costs being incurred by the Council.

Recommendation:

The Council should ensure the monthly "SAMS" reports are reconciled to the daily counts sheets. Additionally, the Council should ensure all staff involved in entering the daily count sheets into the "SAMS" computer system received proper training and management oversight. Internal control procedures should be developed to ensure meal counts are being tracked accurately.

Current Status: Unresolved. See current year finding 2013-2.

December 16, 2013

To the Management of
The East Baton Rouge Council on Aging, Inc.

In planning and performing our audit of the financial statements of the East Baton Rouge Council (the Council) on Aging, Inc. for the year ended June 30, 2013, we considered the Council's internal controls and compliance with laws and regulations having a material effect on financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure or on compliance.

However, during our audit, we became aware of the following matters that are opportunities for improving financial reporting, refining policies and procedures and enhancing compliance with laws and regulations. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated December 16, 2013 on the financial statements of the Council.

2013-1 Preparing and Mailing Checks

The employee responsible for preparing checks for signature is also responsible for mailing the same checks after approval. The limited size of the accounting department makes it impracticable to achieve an optimum segregation of duties. However, the internal accounting controls would be significantly strengthened if checks were mailed by someone other than their preparer, to provide a control to ensure the checks written are not modified prior to them being mailed out.

2013-2 Consistent Use of Purchase Orders

Our audit procedures revealed that purchase orders are not being utilized consistently in accordance with the Council's policy. Policy provides that purchase orders are to be used on non-recurring expenditures over \$250. We recommend that procedures be implemented to ensure that purchase orders are used consistently in accordance with Council policy.

2013-3 Fixed Assets

Our audit procedures disclosed that asset lives were not being consistently applied for similar types of assets and that some of the lives appeared to be longer than the estimated useful life of the asset. Additionally, some asset lives were not consistent with the prior year depreciation schedule or assets were inadvertently left off of the schedule provided. It is recommended that asset lives be reviewed for reasonableness and procedures be implemented to ensure that the asset schedule is maintained completely and accurately.

2013-4 Financial Reporting

During our audit, we noted that while the Council's records balanced on an entity-wide basis, individual funds were not balanced on a monthly basis and required adjusting entries at year end. It is recommended that the accounting staff review the complete financial reports on a fund level at least monthly and make the appropriate entries to balance at a fund level.

2013-5 Employee vs Independent Contractor

During the audit, it was noted that the Council periodically utilizes independent contractors. We recommend that the Council review the IRS regulations regarding the classification of workers as employees or independent contractors. If someone treated as an independent contractor is judged by the IRS to be an employee, the Council would be responsible for back payroll taxes, as well as interest and penalties.

2013-6 Duplicate Vendors

During the review of QuickBooks, it was noted that in some instances there is more than one vendor with the same or similar names. This can result in inconsistent recording of transactions, and has the potential for unauthorized payments. It is recommended that the vendor listing be reviewed and duplicate vendors be removed.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience. We would also welcome any opportunity to perform any additional study of these matters or to assist you in implementing the recommendations. We would also like to thank the Council staff for their cooperation with us during the performance of the audit.

This letter is intended solely for the information and use of the Council management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Postlethwaite & Netterville



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Baton Rouge, La 70806
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www.ebrcoa.org

December 23, 2013

Ms. Joy S. Irwin, CPA, MBA
Assistant Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Management Letter Response and Corrective Action Plan

Dear Mrs. Irwin,

This letter serves as our official response to Postlethwaite & Netterville's Management Letter written December 9, 2013. Please know that The East Baton Rouge Council On Aging has taken all recommendations and suggestions under advisement and will implement said suggestions post haste to insure financial reporting improvements, policy and procedural refinement, and enhancement of compliance with the laws and regulations.

Please find enclosed our proposed Corrective Action to be implemented immediately.

Shontell R. LeBeouf, Chief Operating Officer is the contact person for these Management Recommendations. You may contact her at (225) 923-8000 ext. 210.

Please advise in the event that additional clarification and/or information is required.

Sincerely,

Tasha Clark-Amar

CC: Tiffani Dorsa
Postlethwaite & Netterville

Christina G. Price, CPA, LLC

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"Supporting Independence ~ Serving Seniors"
Tax ID# 72-0637496

Preparing and Mailing Checks

Person Responsible	Corrective Action Taken	Date of Completion
Mrs. Eva B. Pratt, Director of Finance	1. All checks will be mailed by the Payroll Clerk to further segregate the duties.	Ongoing

Consistent Use of Purchase Orders

Person Responsible	Corrective Action Taken	Date of Completion
Mrs. Eva B. Pratt, Director of Finance.	1. Management will amend the Purchase Order policy in the Accounting Policies and Procedures Manual increasing the purchase order limit from \$250.00 to \$1,000.00, which is in line with current operations. The policy will be approved at the Board Meeting 1/2014. This policy change will alleviate any further inconsistencies.	January, 2014

Fixed Assets

Person Responsible	Corrective Action Taken	Date of Completion
Mrs. Eva B. Pratt, Director of Finance and the Inventory Clerk.	1. The inventory clerk will review useful life on all property and change according to the approved useful life schedule. This review will be conducted to maintain consistency bi-annually.	Ongoing

Financial Reporting

Person Responsible	Corrective Action Taken	Date of Completion
Mrs. Tasha Clark-Amar, Executive Director, and Mrs. Eva B. Pratt, Director of Finance.	1. Fund balances will be reconciled and reviewed on a monthly basis going forward, reviewed and signed by the Executive Director.	Ongoing

Employee vs. Independent Contractor

Person Responsible	Corrective Action Taken	Date of Completion
Mrs. Eva B. Pratt, Director of Finance	1. This procedure is already in place and this suggestion is not indicative of the Council's current financial operations.	Ongoing

Duplicate Vendors

Person Responsible	Corrective Action Taken	Date of Completion
Jaret Thomas, Accounting Specialist	1. Upon suggestion, the Council will review and purge the vendor lists bi-annually to further prohibit the possible duplication of payments from occurring.	Ongoing