

CHATHAM COUNTY COUNCIL ON AGING, INC.

Pittsboro, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

**(With Comparative Totals for the
Year Ended June 30, 2014)**

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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
Chatham County Council on Aging, Inc.
Pittsboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Chatham County Council on Aging, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's 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 auditor's 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 entity'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 entity'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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chatham County Council on Aging, Inc., as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Chatham County Council on Aging, Inc.'s 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 2, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of activities by program is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of Chatham County Council on Aging, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chatham County Council on Aging, Inc.'s internal control over financial reporting and compliance.

Blackman & Sloop

Chapel Hill, North Carolina
December 18, 2015

CHATHAM COUNTY COUNCIL ON AGING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

EXHIBIT A

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and equivalents	\$ 347,356	\$ 291,464
Certificates of deposit	48,989	48,989
Grants and contracts receivable	164,827	137,346
Accounts receivable	2,330	6,954
Other accounts receivable	7,917	7,474
Promise to give	32,000	31,000
Prepaid expenses	7,536	10,703
TOTAL CURRENT ASSETS	<u>610,955</u>	<u>533,930</u>
PROPERTY AND EQUIPMENT:		
Building	2,425,992	2,421,742
Furniture and fixtures	68,275	67,081
Equipment	235,651	230,961
Vehicles	31,622	31,622
	<u>2,761,540</u>	<u>2,751,406</u>
Less accumulated depreciation	(1,025,907)	(962,237)
TOTAL PROPERTY AND EQUIPMENT	<u>1,735,633</u>	<u>1,789,169</u>
OTHER ASSETS:		
Loan fees (net of amortization of \$76 and \$1,871)	2,949	3,837
TOTAL ASSETS	<u>\$ 2,349,537</u>	<u>\$ 2,326,936</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 79,257	\$ 80,294
Accrued expenses	49,349	47,987
Deposits	11,876	14,431
Current portion of long-term debt	11,361	24,052
TOTAL CURRENT LIABILITIES	<u>151,843</u>	<u>166,764</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	362,351	369,928
TOTAL LIABILITIES	<u>514,194</u>	<u>536,692</u>
NET ASSETS:		
Unrestricted	1,727,669	1,669,615
Temporarily restricted	107,674	120,629
TOTAL NET ASSETS	<u>1,835,343</u>	<u>1,790,244</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,349,537</u>	<u>\$ 2,326,936</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHATHAM COUNTY COUNCIL ON AGING, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Year Ended June 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

	Unrestricted	Temporarily Restricted	2015 Totals	2014 Totals
SUPPORT AND REVENUE:				
Contributions	\$ 9,032	\$ 30,991	\$ 40,023	\$ 36,012
In-kind contributions	223,251	-	223,251	177,843
Fundraising events	31,434	-	31,434	22,026
Grants and contracts:				
Federal and state grants and contracts	789,610	66,223	855,833	804,638
Chatham County appropriations/TAP	724,894	-	724,894	717,636
United Way of Chatham County	10,996	32,000	42,996	36,324
Private foundations	5,000	53,000	58,000	98,938
Food services	36,697	-	36,697	35,851
Senior meals	13,552	-	13,552	7,533
Cost-sharing revenue	18,250	-	18,250	16,809
Rental income	33,194	-	33,194	25,638
Other	15,097	-	15,097	13,673
	<u>1,911,007</u>	<u>182,214</u>	<u>2,093,221</u>	<u>1,992,921</u>
Net assets released from restrictions	195,169	(195,169)	-	-
TOTAL SUPPORT AND REVENUE	<u>2,106,176</u>	<u>(12,955)</u>	<u>2,093,221</u>	<u>1,992,921</u>
EXPENSES:				
PROGRAM SERVICES:				
In-home services	450,509	-	450,509	481,868
Transportation	348,802	-	348,802	357,478
Information, referral, and legal services	136,643	-	136,643	182,648
Home-delivered meals	226,263	-	226,263	200,080
Congregate meals	186,131	-	186,131	199,934
Senior center operations	209,431	-	209,431	157,524
Wellness and health	109,586	-	109,586	98,977
Activities	77,113	-	77,113	67,100
Minor home repairs	8,675	-	8,675	7,729
	<u>1,753,153</u>	<u>-</u>	<u>1,753,153</u>	<u>1,753,338</u>
TOTAL PROGRAM SERVICES	<u>1,753,153</u>	<u>-</u>	<u>1,753,153</u>	<u>1,753,338</u>
SUPPORTING SERVICES:				
General and administrative	183,878	-	183,878	187,136
Fundraising	81,876	-	81,876	57,216
Food services	29,215	-	29,215	19,796
	<u>294,969</u>	<u>-</u>	<u>294,969</u>	<u>264,148</u>
TOTAL SUPPORTING SERVICES	<u>294,969</u>	<u>-</u>	<u>294,969</u>	<u>264,148</u>
TOTAL EXPENSES	<u>2,048,122</u>	<u>-</u>	<u>2,048,122</u>	<u>2,017,486</u>
CHANGES IN NET ASSETS	58,054	(12,955)	45,099	(24,565)
NET ASSETS - BEGINNING OF YEAR	<u>1,669,615</u>	<u>120,629</u>	<u>1,790,244</u>	<u>1,814,809</u>
NET ASSETS - END OF YEAR	<u>\$ 1,727,669</u>	<u>\$ 107,674</u>	<u>\$ 1,835,343</u>	<u>\$ 1,790,244</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHATHAM COUNTY COUNCIL ON AGING, INC.

STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 45,099	\$ (24,565)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	88,900	85,961
Increase (decrease) in cash arising from changes in assets and liabilities:		
Grants and contracts receivable	(27,481)	(11,065)
Accounts receivable	4,624	(5,580)
Other accounts receivable	(443)	(624)
Promise to give	(1,000)	-
Prepaid expenses	3,167	(9,412)
Accounts payable	(1,037)	2,095
Accrued expenses	1,362	909
Refundable grant advances	-	(17,187)
Deposits	(2,555)	9,291
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>110,636</u>	<u>29,823</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(34,476)	(45,968)
Increase in certificates of deposit	-	(33,883)
NET CASH USED IN INVESTING ACTIVITIES	<u>(34,476)</u>	<u>(79,851)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(398,705)	(22,239)
Advances on long term-debt	378,437	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(20,268)</u>	<u>(22,239)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	55,892	(72,267)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>291,464</u>	<u>363,731</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 347,356</u>	<u>\$ 291,464</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for interest	<u>\$ 22,894</u>	<u>\$ 24,951</u>
Cash paid during the year for income tax	<u>\$ 5,692</u>	<u>\$ 978</u>
Noncash donations	<u>\$ 223,251</u>	<u>\$ 177,843</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CHATHAM COUNTY COUNCIL ON AGING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	Program Services	General and Administrative	Fundraising	Food Services	2015 Totals	2014 Totals
Contracted services	\$ 729,645	\$ -	\$ -	\$ -	\$ 729,645	\$ 791,161
Staff salaries	381,497	16,727	31,996	99,886	530,106	497,602
In-kind salaries and benefits	62,462	73,366	35,423	9,013	180,264	136,897
Supplies and printing	18,788	8,098	-	116,057	142,943	128,358
Depreciation and amortization	-	88,900	-	-	88,900	85,961
Staff fringe benefits	49,362	-	3,302	16,391	69,055	65,621
In-kind rent	27,664	9,975	1,844	3,504	42,987	40,946
Utilities	33,531	3,804	676	3,420	41,431	40,704
Payroll taxes	27,644	885	2,591	7,736	38,856	36,851
Insurance	22,593	2,462	557	1,969	27,581	28,213
Professional fees	-	25,355	-	-	25,355	20,375
Repairs and maintenance	11,413	7,632	338	4,452	23,835	33,197
Interest	-	22,894	-	-	22,894	24,951
Building and ground maintenance	14,327	903	240	1,408	16,878	15,075
Supplementary personnel	11,457	-	-	5,293	16,750	16,736
Communications	12,470	2,262	492	789	16,013	16,776
Miscellaneous	4,752	9,753	232	247	14,984	14,505
Rental expenses	5,390	-	-	-	5,390	3,851
Travel and mileage	3,231	1,096	313	40	4,680	7,773
Unrelated business income taxes	-	-	-	2,633	2,633	3,283
Staff development	956	1,377	60	210	2,603	1,796
Advertising and promotion	1,047	1,250	50	-	2,347	3,589
Dues and subscriptions	160	1,161	-	90	1,411	1,083
Special events	-	-	581	-	581	2,181
Allocation of indirect costs	82,567	(94,022)	3,181	8,274	-	-
Allocation of meal costs	252,197	-	-	(252,197)	-	-
TOTAL EXPENSES	\$ 1,753,153	\$ 183,878	\$ 81,876	\$ 29,215	\$ 2,048,122	\$ 2,017,485

The accompanying Notes to Financial Statements are an integral part of these statements.

CHATHAM COUNTY COUNCIL ON AGING, INC.**NOTES TO FINANCIAL STATEMENTS**

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NATURE OF ORGANIZATION

Chatham County Council on Aging, Inc. (the "Council") is a nonprofit organization dedicated to providing services to the elderly of Chatham County, North Carolina. The Council promotes and encourages independent living, and physical and mental wellness through activities among the population over 60 years of age. These services include, but are not limited to, medical and nutritional transportation, home repair, legal services, nurses-aide home care services, and congregate and home-delivered meals. The Council operates centers in Pittsboro and Siler City, North Carolina, both of which provide facilities for the various programs and services offered.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Description of Program Services.****In-Home Services.**

This program provides support through personal care, meal preparation, and other tasks that clients may no longer be able to perform on their own. The goal is to keep older adults in their homes even in the face of deteriorating health and to help them maintain independence.

Transportation.

This program provides an opportunity for clients to come to the Congregate Nutrition Centers via a transportation provider. Older adults needing a ride to the doctor or hospital are accommodated through the medical transportation program. Shopping opportunities are also made available through a transportation provider.

Information, Referral, and Legal Services.

This program helps older adults and their families and friends get information about available services, and offers support in accessing those services. Staff coordinate care and follow up to ensure the clients' needs are being met. The program provides access to legal consultation and legal services, such as document preparation for older adults.

Home-Delivered Meals.

This program provides both hot and frozen meals to clients who are homebound. Meals are delivered by volunteers.

Congregate Meals.

This program provides a noontime meal at two centers in Chatham County.

Senior Center Operations.

This program provides facilities in Pittsboro and Siler City for senior activities, nutrition programs, and community events.

CHATHAM COUNTY COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of Program Services (Continued).

Wellness and Health.

This program provides older adults with an opportunity to stay healthy. The program helps them establish a regular routine of exercise and good eating habits. It also provides yoga, tai chi, and low impact and chair aerobic classes.

Activities.

This program provides daily activities at both facilities as well as providing older adults the opportunity to take day and overnight trips to popular places in North Carolina, as well as other states across the country. Special events are also held throughout the year.

Minor Home Repairs.

This program offers minor repairs that address home safety issues. In addition, the program installs wheel chair ramps, handrails, grab bars, and other small assistive devices to increase the safety of the home.

B. Basis of Accounting.

The Council's financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the use of certain estimates made by the Council's management. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

The Council reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

C. Cash and Equivalents.

Cash and equivalents consist of monies on deposit at financial institutions, and other highly liquid investments with maturities of three months or less. At times, the Council places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Council has not experienced any financial loss related to such deposits.

CHATHAM COUNTY COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Accounts, Grants, Contracts, and Other Receivable.

Accounts, grants, contracts, and other receivable are recorded at net realizable value. The Council provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in collection. The allowance is based on historical collection experience and review by management of the current status of existing receivables. As of June 30, 2015 and 2014, management deemed all receivables fully collectible.

E. Promise to Give.

Unconditional promise to give is recorded at net realizable value and is recognized as support and assets in the period received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. The Council provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in collection. The allowance is based on historical collection experience and a review by management of the current status of the existing promises to give. As of June 30, 2015 and 2014, management deemed the promise to give fully collectible.

F. Property and Equipment.

Property and equipment are stated at cost for purchased assets and at market value on the date of the gift for donated assets. Property and equipment are capitalized if the life is expected to be greater than one year and if the cost exceeds \$500. Depreciation is calculated using the straight-line method over estimated useful lives of five to forty years. Maintenance, repairs, and small equipment purchases are charged to expense when incurred.

The Council reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions as the donated or acquired long-lived assets are constructed or placed in service.

G. Net Assets.

Unrestricted - Resources of the Council that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.

CHATHAM COUNTY COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Net Assets (continued).

Temporarily Restricted - Resources that carry a donor-imposed restriction that permits the Council to use or expend the donated assets for a specific purpose. The restrictions can be satisfied by the passage of time or by actions of the Council.

Permanently Restricted - Resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Council to use or expend part or all of the income derived from the donated assets.

H. Advertising and Promotion Costs.

Advertising and promotion costs are expensed as incurred and totaled \$2,347 and \$3,589, for the years ended June 30, 2015 and 2014, respectively.

I. Donated Services.

The Council recognizes donated services as services which create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Council records in-kind contributions of supplies and use of property, building, and equipment at their approximate fair market value. The Council is also the recipient of services donated by volunteers. No amounts have been reflected in the financial statements for volunteer hours since these services do not meet the requirements for recognition in the financial statements.

J. Estimates.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

K. Income Taxes.

The Council is an exempt organization under Section 501(a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. The Council has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi).

CHATHAM COUNTY COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

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GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of the following as of June 30, 2015 and 2014:

	2015	2014
Triangle J. Council of Governments	\$ 129,576	\$ 91,298
North Carolina Department of Transportation	35,251	46,048
	<u>\$ 164,827</u>	<u>\$ 137,346</u>

PROMISE TO GIVE

The promise to give consists of a pledge receivable from the United Way of Chatham County totaling \$32,000 and \$31,000, as of June 30, 2015 and 2014, respectively. Based on historical experience, no allowance for uncollectible promises to give is deemed necessary. No discount is considered necessary as the unconditional promise to give is to be collected in less than one year.

ACCRUED EXPENSES

Accrued expenses consist of the following as of June 30, 2015 and 2014:

	2015	2014
Accrued vacation	\$ 21,355	\$ 19,588
Accrued wages	23,659	20,825
Accrued payroll taxes	2,975	3,040
Accrued unrelated business income taxes	1,061	4,120
Other accrued expenses	299	414
	<u>\$ 49,349</u>	<u>\$ 47,987</u>

OPERATING LEASES

The Council leased a copier under an operating lease expiring in March 2019, with monthly payments of \$556. In June 2015, the Council entered into an operating lease of a postage meter, requiring monthly payments of \$60. The lease expires in June 2020. Rent expense totaled \$7,942 and \$15,914, for the years ended June 30, 2015 and 2014, respectively. Rent expense at June 30, 2015 and 2014, includes monthly minimum payments and overage charges.

CHATHAM COUNTY COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

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OPERATING LEASES (CONTINUED)

Minimum future lease payments under these agreements total \$28,574 as of June 30, 2015, and are scheduled as follows:

<u>Year Ending June 30,</u>	
2016	\$ 7,396
2017	7,396
2018	7,396
2019	5,726
2020	<u>660</u>
	<u>\$ 28,574</u>

LONG-TERM DEBT

Long-term debt relates to the financing of land and a building in Siler City, North Carolina, used as the Council's Western Chatham Senior Center. In March 2015, the debt was refinanced in order to obtain the benefit of lower interest rates. Long-term debt consists of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Note payable to a financial institution with monthly payments of \$3,933, including interest at 6.06% through March 2021. This note is secured by land and building.	\$ -	\$ 393,980
Note payable to a financial institution with monthly payments of \$2,590, including interest at 5.35% through March 2025. This note is secured by land and building.	373,712	-
Total notes payable	<u>373,712</u>	<u>393,980</u>
Less current maturities	<u>(11,361)</u>	<u>(24,052)</u>
Long-term portion of debt	<u>\$ 362,351</u>	<u>\$ 369,928</u>

CHATHAM COUNTY COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

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LONG-TERM DEBT (CONTINUED)

The schedule of maturities of long-term debt is as follows:

<u>Year Ending June 30,</u>	
2016	\$ 11,361
2017	11,984
2018	12,641
2019	13,334
2020	14,065
Thereafter	<u>310,327</u>
	<u><u>\$ 373,712</u></u>

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30:

	<u>2015</u>	<u>2014</u>
In-home services	\$ 26,308	\$ 26,308
United Way of Chatham County:		
In-home services	26,000	26,000
Transportation	6,000	5,000
Frozen meal program	17,847	48,985
Care giver support	17,000	4,385
Storage shed and bathroom repairs	6,524	-
Seniors on the Move	1,752	1,752
Senior games	1,701	1,044
Meels on Wheels	1,500	-
Siler City building - trail and senior storage	1,407	1,407
Emergency assistance	1,000	-
Carol Woods - workforce development	439	439
Equipment	116	1,146
Piano contributions	80	435
Seniors' Health Insurance Information Program	-	3,559
Fans for heat relief program	-	169
	<u>\$ 107,674</u>	<u>\$ 120,629</u>

CHATHAM COUNTY COUNCIL ON AGING, INC.

NOTES TO FINANCIAL STATEMENTS

Page 8 of 10

NET ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The amounts released during the years ended June 30, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Transportation	\$ 49,883	\$ 42,500
Meal programs	54,327	28,028
In-home services	26,000	26,000
Information and assistance	19,597	14,185
Other program related expenses	43,050	11,796
Senior games	<u>2,312</u>	<u>1,769</u>
	<u>\$ 195,169</u>	<u>\$ 124,278</u>

CAFETERIA PLAN

The Council has established a Cafeteria Plan as defined by Code Section 125 of the Internal Revenue Code. The Plan allows employees to select and pay for group medical, disability, cancer, dental, and intensive care insurance with pre-tax earnings. Employees become eligible to participate in the plan after completing 180 days of employment.

RETIREMENT PLAN

The Council has adopted a matching 401(k) plan that covers virtually all employees on a non-restrictive, voluntary basis. Employees must be at least 21 years of age and have at least 1,000 hours of service in any twelve-month period in order to participate. All participant contributions are immediately and fully vested. Retirement plan expense totaled \$6,007 and \$5,509, for the years ending June 30, 2015 and 2014, respectively.

CONCENTRATIONS

The Council received 84% and 83% of its total support and revenue from two government agencies for the years ended June 30, 2015 and 2014, respectively. The Council primarily utilized four vendors in 2015 and 2014 to provide its core services. Payments to these vendors comprised 96% and 95% of contracted services for the years ended June 30, 2015 and 2014, respectively. A reduction in the level of support and revenue or services provided by the respective vendors could have a significant effect on the Council's programs and activities.

CHATHAM COUNTY COUNCIL ON AGING, INC.**NOTES TO FINANCIAL STATEMENTS**

Page 9 of 10

IN-KIND CONTRIBUTIONS

Two full-time employees are compensated by Chatham County for the years ended June 30, 2015 and 2014. All related salaries, payroll taxes, and benefits are recorded as in-kind contributions and in-kind salaries and benefits in the financial statements. This amount totaled \$180,264 and \$136,897, for the years ended June 30, 2015 and 2014, respectively.

The Council leases a two-acre parcel of land in Pittsboro, North Carolina, from Central Carolina Community College. The annual lease expense is one dollar for the term of the lease that will expire in June 2045. The fair market value of this property is recorded as in-kind contributions and in-kind rent of \$42,987 and \$40,946, for the years ended June 30, 2015 and 2014, respectively.

The Council also receives donations of secondhand hospital beds, electric scooters, and other equipment, which it loans to its members on an as-needed basis. Such donations do not have readily identifiable values, and consequently the Council has not recognized any in-kind revenue related to them.

INCOME TAXES

The Council may recognize the tax benefit from a tax position only if it is more likely than not the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Management has analyzed its tax positions taken for filings with the Internal Revenue Service. Management believes that the Council's income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Council's financial condition, results of operations, or cash flows. Accordingly, the Council has not recorded any tax assets or liabilities, or related accruals for interest and penalties, for uncertain income tax positions for the years ended June 30, 2015 and 2014.

The Council records revenue for rental income and catering services. This revenue is considered unrelated business income. The Council files federal and state corporate income tax returns and records in the financial statements the corresponding income tax payable and expense for tax owed on the unrelated business income. The income tax payable totaled \$1,061 and \$4,120, for the years ended June 30, 2015 and 2014, respectively, and is included in accrued expenses on the statements of financial position.

FUNCTIONAL ALLOCATION OF EXPENSES.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

CHATHAM COUNTY COUNCIL ON AGING, INC.**NOTES TO FINANCIAL STATEMENTS**

Page 10 of 10

PRIOR YEAR INFORMATION

The statements of activities and changes in net assets and functional expenses include certain prior year summarized comparative information in total but not by net asset class and functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2014 financial statements in order to conform to the 2015 presentation. Such reclassifications had no effect on net assets.

SUBSEQUENT EVENTS

The Council has evaluated subsequent events for recognition or disclosure through December 18, 2015, the date the financial statements were available to be issued. Management did not identify any events that occurred subsequent to year-end that require disclosure in these financial statements.

CHATHAM COUNTY COUNCIL ON AGING, INC.

SCHEDULE OF ACTIVITIES BY PROGRAM

SCHEDULE 1

For the Year Ended June 30, 2015

	In-Home Services	Transportation	Information, Referral, and Legal Services	Home-Delivered Meals	Congregate Meals	Senior Center Operations	Wellness and Health	Activities	Minor Home Repairs	Total Program Services
Contracted services	\$ 377,759	\$ 304,744	\$ 47,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 729,645
Staff salaries	40,173	14,520	51,183	45,175	31,136	115,259	44,605	37,979	1,467	381,497
In-kind salaries and benefits	16,020	12,403	4,859	8,116	6,670	7,447	3,897	2,742	308	62,462
Supplies and printing	46	-	1,313	-	-	11,302	2,421	2,935	771	18,788
Staff fringe benefits	4,472	2,850	5,297	9,234	6,126	10,567	4,609	6,031	176	49,362
In-kind rent	1,660	1,475	1,475	1,660	4,611	6,824	7,009	1,475	1,475	27,664
Utilities	1,066	950	3,459	2,134	5,534	6,636	7,892	5,322	538	33,531
Payroll taxes	2,378	1,353	3,515	4,168	2,798	7,359	3,415	2,541	117	27,644
Insurance	792	706	2,405	1,487	3,715	4,496	5,048	3,500	444	22,593
Repairs and maintenance	383	343	951	716	1,682	2,589	2,930	1,550	269	11,413
Building and ground maintenance	365	327	1,156	550	1,322	7,545	1,692	1,179	191	14,327
Supplementary personnel	800	5,372	396	-	-	889	4,000	-	-	11,457
Communications	529	493	1,202	910	1,992	2,757	2,431	1,836	320	12,470
Miscellaneous	39	2	2,933	127	241	1,400	10	-	-	4,752
Rental expenses	-	-	-	-	-	5,390	-	-	-	5,390
Travel and mileage	216	19	1,510	836	19	267	306	-	-	3,231
Staff development	-	-	360	20	-	576	-	-	58	956
Advertising and promotion	238	63	145	144	-	398	59	-	-	1,047
Dues and subscriptions	-	-	-	160	-	-	-	-	-	160
Allocation of indirect costs	3,573	3,182	7,342	5,275	13,639	17,730	19,262	10,023	2,541	82,567
Allocation of meal costs	-	-	-	145,551	106,646	-	-	-	-	252,197
TOTAL PROGRAM EXPENSES	\$ 450,509	\$ 348,802	\$ 136,643	\$ 226,263	\$ 186,131	\$ 209,431	\$ 109,586	\$ 77,113	\$ 8,675	\$ 1,753,153

See independent auditor's report on the additional financial information.

CHATHAM COUNTY COUNCIL ON AGING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Page 1 of 2

For the Year Ended June 30, 2015

Federal/State Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Expenditures
FEDERAL EXPENDITURES:			
AGING CLUSTER			
U.S. Department of Health and Human Services Pass through from North Carolina Department of Health and Human Services - Division of Aging Title III-C1, Congregate Nutrition	93.045	Chatham COA J007	\$ 79,767
U.S. Department of Health and Human Services Pass through from North Carolina Department of Health and Human Services - Division of Aging Title III-C2, Home-Delivered Meals	93.045	Chatham COA J007	47,031
Total for CFDA 93.045			<u>126,798</u>
U.S. Department of Health and Human Services Pass through from North Carolina Department of Health and Human Services - Division of Aging Title III-B, Access	93.044	Chatham COA J007	49,583
U.S. Department of Health and Human Services Pass through from North Carolina Department of Health and Human Services - Division of Aging Title III-B, In-Home Support	93.044	Chatham COA J007	38,558
Total for CFDA 93.044			<u>88,141</u>
U.S. Department of Health and Human Services Pass through from North Carolina Department of Health and Human Services - Division of Aging NSIP Supplement	93.053	Chatham COA J007	<u>20,422</u>
TOTAL AGING CLUSTER			<u>235,361</u>
U.S. Department of Health and Human Services Pass through from North Carolina Department of Health and Human Services - Division of Aging Family Caregiver	93.052	Chatham COA J007	<u>30,728</u>
U.S. Department of Health and Human Services Pass through from North Carolina Department of Health and Human Services - Division of Aging Preventive Health	93.043	Chatham COA J007	5,274
U.S. Department of Health and Human Services Pass through from North Carolina Department of Health and Human Services - Division of Aging Medicare Improvements for Patients and Providers Act	93.071	Chatham COA J007	<u>4,400</u>
U.S. Department of Transportation Pass through from North Carolina Department of Transportation Elderly and Disabled Transportation Assistance, 80% share	20.513	2000003257	<u>234,338</u>
TOTAL FEDERAL EXPENDITURES			<u>510,101</u>
STATE EXPENDITURES:			
North Carolina Department of Health and Human Services Division of Aging Title III-B, Access		Chatham COA J007	30,629
North Carolina Department of Health and Human Services Division of Aging Title III-B, In-Home Services		Chatham COA J007	214,838
North Carolina Department of Health and Human Services Division of Aging Title III-C1, Congregate Nutrition		Chatham COA J007	4,692

CHATHAM COUNTY COUNCIL ON AGING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Page 2 of 2

For the Year Ended June 30, 2015

Federal/State Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Expenditures
North Carolina Department of Health and Human Services Division of Aging Title III-C2, Home-Delivered Meals		Chatham COA J007	60,075
North Carolina Department of Health and Human Services Division of Aging Preventive Health		Chatham COA J007	320
North Carolina Department of Health and Human Services Division of Aging Family Caregiver		Chatham COA J007	2,846
North Carolina Department of Health and Human Services Division of Aging Senior Center Development		Chatham COA J007	23,360
North Carolina Department of Health and Human Services Division of Aging Fan/Heat Program		Chatham COA J007	780
North Carolina Department of Health and Human Services Division of Aging Medicare Improvements for Patients and Providers Act		Chatham COA J007	550
North Carolina Department of Transportation Elderly and Disabled Transportation Assistance, 10% share		2000003257	26,038
North Carolina Department of Transportation Elderly and Disabled Transportation Assistance			47,182
North Carolina Department of Insurance Seniors' Health Insurance Information Program			7,712
TOTAL STATE EXPENDITURES			<u>419,022</u>
TOTAL FEDERAL AND STATE EXPENDITURES			<u>\$ 929,123</u>

NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS

This schedule includes the federal and state grant activity of Chatham County Council on Aging, Inc., under programs of the federal and state governments for the year ended June 30, 2015. 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*. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of Chatham County Council on Aging, Inc., it is not intended and does not present the financial position, changes in net assets, or cash flows of Chatham County Council on Aging, Inc.

Carla G. Daniel, EA
Andrea W. Eason, CPA
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Joan C. Pharr, CPA



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INDEPENDENT AUDITOR'S 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

Page 1 of 2

Board of Directors
Chatham County Council on Aging, Inc.
Pittsboro, North Carolina

We have audited, 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, the financial statements of Chatham County Council on Aging, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 Chatham County Council on Aging, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2015-001.

Management's Response to Findings

Chatham County Council on Aging, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Chatham County Council on Aging, Inc.'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 Organization's internal control or on compliance. This report is an integral part of an audit performed with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blackman & Sloop

Chapel Hill, North Carolina
December 18, 2015

Carla G. Daniel, EA
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Page 1 of 3

Board of Directors
Chatham County Council on Aging, Inc.
Pittsboro, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Chatham County Council on Aging, Inc.'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 Chatham County Council on Aging, Inc.'s major federal programs for the year ended June 30, 2015. Chatham County Council on Aging, Inc.'s major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chatham County Council on Aging, Inc.'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 Chatham County Council on Aging, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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Opinion on Each Major Program

In our opinion, Chatham County Council on Aging, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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 are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

Management's Response to Finding

Chatham County Council on Aging, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Chatham County Council on Aging, Inc.'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 Chatham County Council on Aging, Inc., 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 Chatham County Council on Aging, Inc.'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 Chatham County Council on Aging, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Purpose of this Report

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.

Blackman & Sloop

Chapel Hill, North Carolina
December 18, 2015

CHATHAM COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Chatham County Council on Aging, Inc.
2. A significant deficiency relating to the audit of the financial statements is reported in the "Independent Auditor's 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*."
3. One instance of noncompliance material to the financial statements of Chatham County Council on Aging, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. A significant deficiency relating to the audit of the major federal award programs is reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133."
5. The auditor's report on compliance for the major federal award programs for Chatham County Council on Aging, Inc., expresses an unmodified opinion on the major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The Aging Cluster and Elderly and Disabled Transportation grant were tested as major programs.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Chatham County Council on Aging, Inc., did not qualify as a low-risk auditee.

B. Findings - Financial Statements Audit

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

2015-001 Allowable Costs: Allocation of Payroll Expense.

Federal Program Information: Aging Cluster (CFDA 93.044, 93.045, and 93.053)

Condition and Criteria: Federal compliance requirements state payroll expenses should be allocated to various programs based on actual hours worked in each program. Prior to January 2015, the Council allocated salary expenses to programs based on budgeted hours. The budget was prepared at the beginning of the year, and was not updated at any point during the year for actual hours worked.

Questioned Costs: Not able to be determined.

Cause and Effect: Salaries allocated to each program could differ from the actual number of hours worked in those programs. As such, funding agencies may have reimbursed more for certain programs than they are contractually obligated to reimburse.

Recommendation: Salaries should be allocated to the Council's programs based on actual hours coded to each program per employee timesheets. Beginning January 2015, the Council charged the programs based on actual hours worked with the exception of administrative employees. We recommend administrative employees conduct a time study for a short time period, documenting exactly how much time is spent daily on program, administrative, or fundraising functions. This will provide a more precise measurement of how administrative salaries should be allocated.

Management Response:

During the course of the audit in the fall 2015, COA learned that its process for documenting how actual staff time is used in allocating funding for salaries may not be adequate. In conducting periodically a sample survey of staff time, COA had not determined in the past any material difference between budgeted and actual salary time/allocation. Still, when advised informally of the need for a more systematic methodology, COA began in January 2015 (more than two months before the official audit was released) to further emphasize in staff meetings the practice of having Council on Aging employees use their timesheets to record actual hours worked in relation to the programs with which they are involved. The Council will continue to charge expenses to the respective programs per actual hours worked. Salaries and allocations to the programs will be reviewed on a quarterly basis, by the Deputy Director/Finance Officer in consultation with the Director, and adjustments will be made as needed.

In relation to the time allocation for the director and deputy director/finance officer, COA notes that the two administrative employees (who are referenced) are not on COA payroll as they are County employees and their salaries are not included in the cost computation process for the Aging Cluster. Still, COA has determined this initial allocation of time, respectively, and will revisit these allocations on a quarterly basis (i.e., October, December, March and June) to confirm or make adjustments. There will be written documentation that this review was conducted. Adjustments may be needed given some variation in activities by the seasonal nature of work and unexpected occurrences.

2015-001 Allowable Costs: Allocation of Payroll Expense (Continued).*Management Response (Continued):*

It should be noted that a substantial part of the level of federal funding that prompted the more rigorous audit and requirements owes to the Department of Transportation 5310 grant that is entirely pass-through to Chatham Transit—meaning that none of the funding is used for staff salaries or other expenses at COA. In addition, COA has followed the guidance of the NC Division of Aging and Adult Services in completing the Service Cost Computation Worksheet (DOA-732A) and Labor Distribution Schedule (DOA-732A1) to: (1) encourage service providers to recognize common funding streams and more accurately determine the actual cost of providing services, and (2) to allow lead agencies, Block Grant advisory committees, and other aging interests to be more informed concerning the cost of providing community-based aging services. These are the prescribed methods that COA has used to help project service costs based on projected revenues and expenditures and to help develop HCCBG unit and non-unit costs. It is worth noting that instructions from DAAS state that “While it is important to recognize the cost of services and to take measures to receive adequate reimbursement, it is imperative that services costs be reasonable and justifiable and, when possible, that services to existing clients are continued and expanded to address waiting lists.” This guidance suggests that the allocation of costs, including salaries, is not necessarily intended to be exact but a ‘reasonable’ administrative act.

CHATHAM COUNTY COUNCIL ON AGING, INC.**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS****Year Ended June 30, 2015****Prior Year Findings - Financial Statements Audit****2014-001 Perform Reference and Background Checks on New Hires.**

Condition and Criteria: Based on our review of the Council's policies, reference checks should be performed on all new hires. However, we noted an instance in the current year in which an employee was hired and the appropriate reference checks were not performed.

Cause and Effect: Failure to perform background checks can increase the Council's risk of hiring dishonest or dangerous individuals and the potential for negligent hiring or workplace violence lawsuits against the Council. It can also result in the added costs of firing and replacing inappropriately hired individuals.

Recommendation: Physical and fiscal security and safety in the workplace among employers and employees continues to be a concern nationwide. In light of this trend, we believe that the Council's security and risk management could be improved by consistently performing background checks of persons being considered for employment. Such checks could include verification of identity, Social Security number, education, certifications and credentials, employment, credit history, business and personal references, motor vehicle record, and criminal conviction record. We recommend the Council continue to follow the policies relating to performing reference checks on all new hires and key volunteers.

Management Response: Management has implemented reference and background checks on all new hires, and has developed a reference form on which to document the results of these reference checks. Management has also created a structured interview process that is conducted by management and may include participation of Board members for certain positions. Management briefs the Board officers before making an offer to the recommended candidate. Management is considering how best to review the credit history of recommended hires.

2014-002 Review Journal Entries and Reimbursement Requests.

Condition and Criteria: The Council does not have appropriate review controls over the processing of nonstandard (unusual, nonrecurring, or adjusting) journal entries in the general ledger, including expense allocations. In prior years, it was decided by management that a member of the finance committee would review journal entries posted by accounting on a regular basis. However, during the current year, we noted journal entries were only reviewed once, after year-end.

We also noted that the Council does not have appropriate review controls over the preparation of reimbursement requests submitted to funding agencies. The requests are prepared and submitted by the Director of Finance, and are not reviewed by a member of management before submission.

Cause and Effect: The lack of adequate review controls over journal entries and reimbursement requests increases the risk that material misstatements to the financial statements would not be prevented or detected and corrected on a timely basis, and increases the risk of noncompliance with grant provisions.

Recommendation: We recommend that management reinforce controls over reimbursement requests and journal entries for non-routine and nonsystematic transactions to ensure they are properly supported, prepared, reviewed, and approved and the underlying transactions are properly reflected in the accounting records.

Management Response: Management has worked with the Finance Committee to arrange for the review of journal entries in the general ledger on a quarterly basis. The Executive Director is now reviewing and comparing to units of service data provided by program managers to ensure the reasonableness of the reimbursement requests prepared by the Finance Director.

2014-003 Maintain Signed Contracts with Service Providers.

Condition and Criteria: There was a breakdown in controls in the Council's contract administration process, including the lack of a formal contract approval process and signature authority matrix. There was an unsigned contract with one of the Council's significant vendors.

Cause and Effect: The failure to obtain signed contracts could result in miscommunication and misunderstandings of terms, services to be performed, etc. between both parties, which unnecessarily exposes the Council to additional legal and financial risk.

Recommendation: To improve the contract administration process, we recommend the Council initiate a centralized contract administration function that includes documenting the contract approval process and determining that all contractual commitments are properly reviewed and authorized by management, and the executed contracts are provided to the accounting department.

Management Response: While management views the cited unsigned contract as an anomaly, it has reviewed its process to ensure that formal contracts are signed, shared with appropriate personnel, and properly filed in print and in an appropriate computer folder. The Council has also updated its process for requesting and reviewing bids for major services to promote transparency and uniformity. The Board of Directors has established a Programs and Services Committee that will aid in the preparation of bid proposals and review and select bids for major services.

2014-004 Maintain Security over Cash.

Condition and Criteria: Cash receipts at the Siler City location are not being counted and properly secured at the end of each night. At the present time, cash receipts are accumulated in the cash register throughout the day and maintained in the cash register till overnight. The monies are not counted and delivered to the Pittsboro location for deposit until the next day.

Cause and Effect: The lack of strong controls over cash in the registers increases the risk of loss from burglary, misplacement, or misappropriation.

Recommendation: We recommend the cash register till be counted at the end of each day by two employees and that all monies be safely secured in a locked drawer or safe overnight until the funds can be delivered to the Pittsboro location for deposit.

Management Response: Management has reviewed its procedures to ensure cash receipts at the Western Chatham Senior Center in Siler City are properly counted and documented by two employees and adequately secured in a locked drawer in a locked office at the end of each work day. The funds are then delivered to the Eastern Chatham Senior Center for deposit the next work day.

2014-005 Maintain Approved Pay Rates in Personnel Files.

Condition and Criteria: Accounting maintains a schedule of employee wage rates; however, there is no evidence of the approval of the current rates. Instead, each time there is a wage rate change; accounting is orally authorized to change the rates and to update the computer and the affected employee's file card.

Cause and Effect: Informal pay change approval and the lack of clear controls over pay rates increases the Council's risk of payroll fraud and the potential for legal liability related to unfair payroll practices.

Recommendation: Payroll is a major expense of the Council; as such, we believe that the appropriate level of management should approve rate changes and the resulting new rates and the approval should be documented. Written authorization for pay rate changes should be maintained in the personnel file. Management should periodically review the payroll master file and compare pay rates to the authorized rates contained in personnel files to determine that the current rates are appropriate. In addition, on a regular basis, the appropriate level of management should determine that current pay rates agree with the approved rates.

Management Response: Management has instituted a process by which any action that affects an individual employee's pay rate and the effective date is documented in official correspondence signed by the Executive Director and the affected employee, with a copy provided to the Finance Director for placement in the employee's personnel file. In the event of an across-the-board pay raise, the Executive Director issues a memorandum announcing the change and its effective date to all affected employees.

Prior Year Findings and Questioned Costs - Major Federal Award Programs Audit

2014-006 Allowable Costs: Allocation of Payroll Expense.

Federal Program Information: Aging Cluster (CFDA 93.044, 93.045, and 93.053)

Condition and Criteria: Federal compliance requirements state payroll expenses should be allocated to various programs based on actual hours worked in each program. The Council allocates salary expenses to programs based on budgeted hours. The budget is prepared at the beginning of the year, and is not updated at any point during the year for actual hours worked.

Questioned Costs: Not able to be determined.

Cause and Effect: Salaries allocated to each program could materially differ from the actual number of hours worked in those programs. As such, funding agencies may have reimbursed more for certain programs than they are contractually obligated to reimburse.

Recommendation: Salaries should be allocated to the Council's programs based on actual hours coded to each program per employee timesheets.

Management Response: Management has instructed all personnel to record actual hours worked in connection with specific programs and services. Finance Management will adjust the projected budget as needed to reflect actual hours worked relative to funded programs and services. The Council's existing timesheet allows for this documentation.

2014-007 Allowable Costs: Calculation of Meal Costs.

Federal Program Information: Aging Cluster (CFDA 93.044, 93.045, and 93.053)

Condition and Criteria: The calculations of per-meal costs for home delivered, congregate, and frozen meal costs are not regularly reviewed for accuracy and reasonableness. The Council relies on these calculations to allocate meal costs.

Questioned Costs: None.

Cause and Effect: The lack of internal controls over the maintenance and review of the meal cost calculations could cause meal costs to differ significantly from actual costs, resulting in significantly overstated or understated expenses coded to the respective programs.

Recommendation: Meal cost calculations should be revised annually and reviewed for reasonableness and approved by an appropriate level of management.

Management Response: With the change in personnel for two positions vital to the administration of the nutrition programs (the Operations Manager and the Assistant Kitchen Manager at the Western Chatham Senior Center), the Council is now better equipped to produce reliable meal cost calculations. The Assistant Kitchen Manager is calculating a meal cost on a daily basis, and that information is forwarded in a timely manner to the Finance Director for use in budgeting and program planning and evaluation by Management. The Board of Directors has established a Programs and Services Committee that will be helping monitor the provision of services.

2014-008 Allowable Costs: Allocation of Meal Costs.

Federal Program Information: Aging Cluster (CFDA 93.044, 93.045, and 93.053)

Condition and Criteria: There is a lack of internal control over the review of the monthly meal cost allocation. As a result, we noted two out of nineteen of the meal cost allocations tested were keyed incorrectly.

Questioned Costs: \$926

Cause and Effect: The lack of internal controls over the meal cost allocation resulted in meal costs being over allocated to the congregate nutrition and home delivered meals programs.

Recommendation: Monthly meal cost allocations are calculated and recorded by the Director of Finance. We recommend the implementation of a review procedure of the calculation and supporting documentation by an appropriate member of management to ensure the reasonableness and accuracy of costs charged to the congregate nutrition and home delivered meals programs.

Management Response: The Western Chatham Senior Center Operations Manager will amend an existing monthly report to add a per meal calculation for the frozen meal program. Finance Management will review this calculation before a journal entry is made.