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August 21, 2009

Board of Directors
Area 10 Council on Aging of
Monroe and Owen Counties, Inc.
630 W. Edgewood Dr.
Ellettsville, IN 47429

We have reviewed the audit report prepared by Bauer & Bauer, LLC, Independent Public Accountants, for the period July 1, 2005 to June 30, 2006. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Area 10 Council on Aging of Monroe and Owen Counties, Inc., as of June 30, 2006, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

Area 10 Council on Aging of Monroe and Owen Counties, Inc



Financial
&
Compliance
Audit

June 30, 2006



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Bauer & Bauer, LLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Area 10 Council on Aging of Monroe and Owen Counties, Inc.

We have audited the accompanying statement of assets, liabilities and fund balance-statutory basis of Area 10 Council on Aging of Monroe and Owen Counties, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities-statutory basis, functional expenses-statutory basis and cash flows-statutory basis for the year then ended. These financial statements are the responsibility of Area 10 Council on Aging of Monroe and Owen Counties, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared in conformity with the accounting principles prescribed by the Indiana Family and Social Services Administration, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance-statutory basis of Area 10 Council on Aging of Monroe and Owen Counties, Inc. as of June 30, 2006 and the results of its revenue and expenses-statutory basis and cash flows-statutory basis for the year then ended, on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Area 10 Council on Aging of Monroe and Owen Counties, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and budget Circular A-133, "Audits of States, Local Governments, and non-profit organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated December 28, 2006 on our consideration of Area 10 Council on Aging of Monroe and Owen Counties, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bauer & Bauer, LLC

George Bauer, CPA, MBA

Carmel, Indiana
December 28, 2006



Bauer & Bauer, LLC

Certified Public Accountants

Independent Auditor's Report

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

To the Board of Directors
Area 10 Council on Aging of Monroe and Owen Counties, Inc.

We have audited the financial statements of Area 10 Council on Aging of Monroe and Owen Counties, Inc. (a non-profit organization) as of and for the year ended June 30, 2006 and have issued our report thereon dated December 28, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Area 10 Council on Aging of Monroe and Owen Counties, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under GOVERNMENT AUDITING STANDARDS.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Area 10 Council on Aging of Monroe and Owen Counties, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Bauer & Bauer, LLC

George Bauer, CPA, MBA

Carmel, Indiana

December 28, 2006



Bauer & Bauer, LLC

Certified Public Accountants

**REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Area 10 Council on Aging of Monroe and Owen Counties, Inc.

Compliance

We have audited the compliance of Area 10 Council on Aging of Monroe and Owen Counties, Inc. (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Area 10 Council on Aging of Monroe and Owen Counties, Inc.'s major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility Area 10 Council on Aging of Monroe and Owen Counties, Inc.'s management. Our responsibility is to express an opinion on Area 10 Council on Aging of Monroe and Owen Counties, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Area 10 Council on Aging of Monroe and Owen Counties, 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. Our audit does not provide a legal determination on Area 10 Council on Aging of Monroe and Owen Counties, Inc.'s compliance with those requirements.

In our opinion, Area 10 Council on Aging of Monroe and Owen Counties, Inc. has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Area 10 Council on Aging of Monroe and Owen Counties, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Area 10 Council on Aging of Monroe and Owen Counties, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Bauer & Bauer, LLC

Certified Public Accountants

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, Management, the State Board of Accounts and should not be used for any other purpose.

Bauer & Bauer, LLC

George Bauer, CPA, MBA

Carmel, Indiana

December 28, 2006

Schedule of Findings and Questioned Costs

For the Year ended June 30, 2006

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? yes no
- Reportable condition identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Reportable condition identified that are not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.045	Nutrition Programs

Dollar Threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs

For The Year Ended June 30, 2006

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Schedule of Prior Audit Findings

For the Year ended June 30, 2006

There were no findings or questioned costs reported for the year ended June 30, 2005.

The accompanying notes are an integral part of these financial statements.

Statement of Assets, Liabilities and Fund Balance - Statutory Basis

Area 10 Council on Aging of Monroe and Owen Counties, Inc.
As of June 30, 2006

ASSETS	
Current Assets	
Cash	\$ 787,314
Grants Receivable (Note 5)	753,167
Accounts Receivable	40,557
Prepaid Expenses	12,192
Related Party Receivable (Note 6)	206,340
Development Fees Receivable (Note 6)	376,217
Investment (Note 7)	39,092
Total Current Assets	\$ 2,214,879
Long-Term Assets	
Property and Equipment (Note 8)	\$ 589,622
Note Receivable (Note 9)	1,302,363
Accrued Interest (Note 9)	651,509
Total Long-term Assets	\$ 2,543,494
Total Assets	\$ 4,758,373
LIABILITIES AND FUND BALANCE	
Current Liabilities	
Accounts Payable	\$ 326,818
Accrued Payroll	57,959
Accrued Vacation	101,163
Payroll Withholdings	18,680
Sick Pay Liability	18,596
Deferred Revenue	17,350
Due to Funding Source (Note 10)	0
Total Current Liabilities	\$ 540,566
Fund Balance	
Unrestricted-Current (ongoing programs)	\$ 2,378,867
Board Designated (Note 11)	1,800,248
Permanently Restricted Fund Balances (Note 7)	38,692
Total Fund Balances	\$ 4,217,807
Total Liabilities and Fund Balances	\$ 4,758,373

The accompanying notes are an integral part of these financial statements.

Statement of Revenue, Expenses, and Changes in Fund Balance - Statutory Basis

Area 10 Council on Aging of Monroe and Owen Counties, Inc.
For the Year ended June 30, 2006

Revenue:	
Federal Grants	\$ 1,536,499
State Grants	973,726
County Support	55,825
City Contracts	457,252
Service Fees	40,629
Project Income	257,046
Medicaid	132,572
Donations	
Indirect public support-United Way	33,657
Direct public support	14,392
Miscellaneous Income	76,420
In-Kind Support	138,144
Interest Income	109,257
Unrealized Gain on Investment	3,268
Total Revenue	\$ 3,828,687
Expenses:	
Program Service Expenses	
Title III-Administration	\$ 52,910
Title III-Social Services	172,445
Title III-Congregate Meals	222,963
Title III-Home Delivered Meals	392,191
Title VII-Ombudsman	5,462
Title III-Assisted Living Ombudsman	3,461
Title III-Preventive Health	9,826
Title III-Performance Outcomes	0
Title V-Senior Employment	72,016
Title III-Family Caregiver	71,389
Social Services Block Grant	174,897
Assistance to the Homebound	46,920
2-1-1 Service	2,184
Choice	658,704
Medicaid Pre-Admission Screening	77,212
In-Home Services Providers Rate Increase	0
Medicaid Waiver	71,316
Endwright Center	20,246

The accompanying notes are an integral part of these financial statements.

Statement of Revenue, Expenses, and Changes in Fund Balance - Statutory Basis

Area 10 Council on Aging of Monroe and Owen Counties, Inc.
For the Year ended June 30, 2006

Expenses:	
Program Service Expenses	
Senior Prom	\$ (546)
Federal Transportation-Operating and Capital	1,066,233
SALT	710
Arts Program	9,174
Senior Games	6,098
Senior Salute	1,980
Retired Senior Volunteer Program	141,045
Bloomington Transit Access	505,764
Downtown Dash	33,927
Disc. Directory	1,851
Hartst Rd Property	939
Cunot Housing Management	21,981
Edgewood Housing Management	46,847
Total Program Services	\$ 3,890,145
Fundraising	\$ 440
Risk Management	5,719
Unallocated Indirect Costs	10,597
Total Support Services	\$ 16,756
Total Expenses	\$ 3,906,901
Excess Nonfederal Funds	\$ (78,214)
Beginning Fund Balance	4,296,021
Ending Fund Balance	\$ 4,217,807

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Area 10 Council on Agency of Menroe and Owen Counties, Inc. For the Year Ended June 30, 2006	Title III - Admin.	Title III - Social Services	Title III - Congregate Meals	Title III - Home Delivered Meals	Title VIII - Ombudsman	Title III - Assisted Living Ombudsman	Title III - Preventive Health	Title V
Salaries and Wages	\$ 38,515	\$ 103,920	\$ 49,554	\$ 113,418	\$ 4,476	\$ 2,442	\$ 5,704	\$ 63,739
Employee Benefits	6,915	13,770	3,201	9,905	452	294	782	5,966
Total Personnel Costs	\$ 45,430	\$ 117,690	\$ 52,755	\$ 123,323	\$ 4,928	\$ 2,736	\$ 6,486	\$ 69,705
Occupancy	\$ 842	\$ 3,901	\$ 378	\$ 486	\$ 101	\$ 66	\$ 599	\$ 427
Telephone/Postage	1,265	956	271	246	5	5	87	374
Materials/Supplies	793	22,532	6,315	13,948	275	0	1,400	49
Printing	0	0	0	0	0	0	0	0
Volunteer Recognition	0	0	0	0	0	0	0	0
Travel	1,320	2,551	3,781	25,672	37	0	0	273
Contracted Services	2,931	3,868	1,393	3,720	9	571	1,072	664
Service Providers	0	8,167	0	0	0	0	0	0
Catered Food	0	0	152,760	212,963	0	0	0	0
Physicals	0	0	0	0	0	0	0	50
Training	0	0	0	0	0	0	0	315
Insurance	89	10,791	3,452	5,063	72	60	0	22
Equipment	0	95	1,671	6,534	0	0	0	0
Emergency Food	0	858	3	0	0	0	0	0
Indirect Costs	0	0	0	0	0	0	0	0
Other Costs	0	0	0	0	0	0	0	0
Depreciation	240	1,036	184	236	35	23	182	137
Volunteer Meals	0	0	0	0	0	0	0	0
Total Expenses	\$ 52,910	\$ 172,445	\$ 222,963	\$ 392,191	\$ 5,462	\$ 3,461	\$ 9,826	\$ 72,016

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Area 10 Council on Aging of Monroe and Oura Counties, Inc. For the Year Ended June 30, 2006	Title III Family Caregiver	Social Services Block Grant	Assistant to Homelbound	211 Service	Choice	Medical Pre-Admission Screening
Salaries and Wages	\$ 55,909	\$ 60,546	\$ 12,119	\$ 0	\$ 76,772	\$ 47,810
Employee Benefits	5,312	9,222	2,002	0	12,450	6,226
Total Personnel Costs	\$ 61,221	\$ 69,768	\$ 14,121	\$ 0	\$ 89,222	\$ 54,036
Companoy	\$ 1,219	\$ 1,254	\$ 30	\$ 0	\$ 1,462	\$ 94
Telephone/Postage	549	654	84	0	986	1,342
Materials/Supplies	6,045	1,807	249	0	1,230	0
Printing	0	0	0	0	0	0
Volunteer Recognition	0	0	0	0	0	0
Travel	31	3,297	792	0	2,716	3,485
Contracted Services	539	3,450	161	0	10,012	2,575
Service Providers	1,535	90,166	19,959	0	547,099	0
Catered Food	0	0	0	0	0	0
Physicals	0	0	0	0	0	0
Training	0	0	0	255	0	0
Insurance	0	4,105	11	102	5,529	649
Equipment	0	0	4,800	1,880	0	8,319
Emergency Food	0	0	5,225	0	0	0
Indirect Costs	0	0	1,471	(53)	0	6,712
Other Costs	0	0	0	0	0	0
Depreciation	250	396	17	0	448	0
Volunteer Meals	0	0	0	0	0	0
Total Expenses	\$ 71,389	\$ 174,897	\$ 46,920	\$ 2,184	\$ 658,704	\$ 77,212

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Area 10 Council on Aging of Monroe and Owen Counties, Inc For the Year Ended June 30, 2006	Medicaid Waiver	Endwight Center	Senior Prom	Federal Transportation Operating & Capital	SMLT	Arts Program	Senior Games	Senior Salute
Salaries and Wages	\$ 51,798	\$ 7,915	\$ 0	\$ 462,634	\$ 0	\$ 4,796	\$ 67	\$ 0
Employee Benefits	6,958	1,496	0	72,085	0	0	53	0
Total Personnel Costs	\$ 58,756	\$ 9,411	\$ 0	\$ 534,719	\$ 0	\$ 4,796	\$ 120	\$ 0
Occupancy	\$ 39	\$ 6,373	\$ 0	\$ 20,537	\$ 0	\$ 935	\$ 1,757	\$ 0
Telephone/Postage	0	41	0	2,473	0	0	1	0
Materials/Supplies	1,351	510	(546)	259,021	660	631	3,326	1,775
Printing	0	0	0	0	0	0	0	0
Volunteer Recognition	0	0	0	0	0	0	0	0
Travel	0	0	0	187	0	652	0	6
Contracted Services	662	31	0	13,773	50	2,030	261	199
Service Providers	0	0	0	0	0	0	0	0
Catered Food	0	0	0	0	0	0	0	0
Physicals	0	0	0	4,451	0	0	0	0
Training	0	0	0	2,031	0	0	0	0
Insurance	782	396	0	46,406	0	0	3	0
Equipment	2,986	0	0	113,194	0	0	0	0
Emergency Food	0	0	0	0	0	0	0	0
Indirect Costs	6,740	1,137	0	61,379	0	0	12	0
Other Costs	0	0	0	4,730	0	130	0	0
Depreciation	0	2,347	0	3,332	0	0	618	0
Volunteer Meals	0	0	0	0	0	0	0	0
Total Expenses	\$ 71,316	\$ 20,246	\$ (546)	\$ 1,066,233	\$ 710	\$ 9,174	\$ 6,098	\$ 1,980

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Alex 10 Council on Aging of Monroe and Owen Counties, Inc For the Year Ended June 30, 2006	Downtown Dash	Bloomington Transit Access	Harts Road Property	Retired Service Volunteer Program	Disc Directory	Canot Housing Mgmt.	Edgewood Housing Mgmt.	Total Program Services
Salaries and Wages	\$ 20,670	\$ 280,498	\$ 0	\$ 73,131	\$ 0	\$ 16,216	\$ 34,526	\$ 1,587,175
Employee Benefits	2,156	33,942	0	10,280	0	2,856	6,443	212,766
Total Personnel Costs	\$ 22,826	\$ 314,440	\$ 0	\$ 83,411	\$ 0	\$ 19,072	\$ 40,969	\$ 1,799,941
Occupancy	\$ 176	\$ 3,548	\$ 0	\$ 9,209	\$ 0	\$ 97	\$ 145	\$ 53,542
Telephone/Postage	68	715	0	2,378	0	35	17	11,343
Materials/Supplies	5,900	66,460	100	5,207	0	186	208	400,774
Printing	0	0	0	3,467	1,851	0	0	5,318
Volunteer Recognition	0	0	0	10,655	0	0	0	10,655
Travel	0	0	0	3,593	0	6	0	48,399
Contracted Services	0	2,444	839	2,629	0	38	26	53,947
Service Providers	0	0	0	0	0	0	0	665,391
Catered Food	0	0	0	0	0	0	0	365,723
Physicals	0	244	0	0	0	0	0	4,745
Training	0	230	0	514	0	0	0	3,345
Insurance	2,261	24,806	0	8,471	0	331	732	115,668
Equipment	0	694	0	1,615	0	0	0	141,788
Emergency Food	0	0	0	0	0	0	0	6,086
Indirect Costs	2,634	36,279	0	25	0	2,184	4,701	123,221
Other Costs	0	27	0	61	0	0	0	4,948
Depreciation	62	55,877	0	964	0	32	49	66,465
Volunteer Meals	0	0	0	8,846	0	0	0	8,846
Total Expenses	\$ 33,927	\$ 505,764	\$ 939	\$ 141,045	\$ 1,851	\$ 21,981	\$ 46,847	\$ 3,890,145

The accompanying notes are an integral part of these financial statements.

Statement of Functional Expenses

Area 10 Council on Aging of Monroe and Owen Counties, Inc. For the Year Ended June 30, 2006	Fundraising	Risk Management	Unallocated Indirect Costs	Total Support Services	Total Expenses
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,587,175
Employee Benefits	0	0	0	0	212,766
Total Personnel Costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,799,941
Occupancy	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,542
Telephone/Postage	0	0	403	403	11,746
Materials/Supplies	138	55	2,412	2,605	403,379
Printing	0	0	0	0	5,318
Volunteer Recognition	0	0	0	0	10,655
Travel	0	0	0	0	48,399
Contracted Services	302	5,664	766	6,732	60,679
Service Providers	0	0	0	0	665,391
Catered Food	0	0	0	0	365,723
Physicals	0	0	0	0	4,745
Training	0	0	0	0	3,345
Insurance	0	0	0	0	115,668
Equipment	0	0	7,000	7,000	148,788
Emergency Food	0	0	0	0	6,086
Indirect Costs	0	0	0	0	123,221
Other Costs	0	0	16	16	4,964
Depreciation	0	0	0	0	66,465
Volunteer Meals	0	0	0	0	8,846
Total Expenses	\$ 440	\$ 5,719	\$ 10,597	\$ 16,756	\$ 3,906,901

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

Area 10 Council on Aging of Monroe and Owen Counties, Inc.
For the Year ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess Nonfederal Funds	\$ (78,214)
Adjustments to reconcile excess revenue to net cash provided by operating activities:	
Depreciation	\$ 67,301
Unrealized Gain on Investment	(3,268)
Accrued Interest Income from Housing Loans	(82,061)
(Increase) Decrease in:	
Grants Receivable	\$ (228,303)
Related Party Receivable (Note 6)	(38,828)
Development Fee Receivables	60,000
Prepaid Expenses	(12,190)
Increase (Decrease) in:	
Accounts Payable	\$ 211,118
Accrued Payroll	1,007
Accrued Vacation	(6,057)
Payroll Withholdings	(686)
Rounding	(2)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (110,183)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Equipment	\$ (64,018)
NET CASH USED BY INVESTING ACTIVITIES	(64,018)
CASH FLOWS FROM FINANCING ACTIVITIES	
Development Fee Receivables	\$ 0
Note Receivable	0
NET CASH USED BY FINANCING ACTIVITIES	\$ 0
NET INCREASE IN CASH	\$ (174,201)
CASH AT BEGINNING OF YEAR	\$ 961,515
CASH AT END OF YEAR	\$ 787,314
<hr/>	
Interest Paid	\$ 0
Income Taxes Paid	\$ 0

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Program Services

Area 10 Council on Aging of Monroe and Owen Counties, Inc. is a designated Area Agency on Aging for Monroe and Owen counties in the State of Indiana. The Agency primary purpose is to plan, develop, coordinate and provide services, which enable persons age 60+ and disabled of any age to remain independent.

The Agency's services include information and referral, transportation, legal assistance, care management, homemaker, home health aide, respite and attendant care, congregate meals, home delivered meals, senior employment, nursing home pre-admission screening, senior centers, adult day care, nursing home ombudsman, housing and transportation.

Accounting Basis

The accompanying financial statements have been prepared in conformity with the State of Indiana Family and Social Services Administration instructions. The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

1. Basis of Presentation

The financial statement presentation does not follow the Statement of Financial Accounting Standard (SFAS) No. 117 of the American Institute of Certified Public Accountants. The Agency presents their assets, liabilities, and activities as unrestricted.

2. Contributions

Contributions are not recorded in accordance with Statement of Financial Accounting Standard (SFAS) No. 116 of the American Institute of Certified Public Accountants. Contributions are recorded when received, instead of when the promise to give is made. Contributions are considered to be unrestricted unless specifically restricted by the donor.

3. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial statements.

4. Compensated Absences

Employees of the Area 10 are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. As of June 30, 2006 the accrued vacation payable was \$101,163. Accrued sick pay was \$18,596.

5. Equipment

Equipment paid by grant funds are charged to expense in the period which it is purchased, instead recognizing it as an asset and depreciating it over its useful life. As a result, the expenses reflected in the aforementioned financial statements include the cost of the grant equipment purchased during the year rather than capitalizing the asset and depreciating it. However, buildings and vehicles purchased with Agency's non grant funds are depreciated over their useful lives. The equipment acquired is owned by Area 10 Council on Aging of Monroe and Owen Counties, Inc. while used in the programs for which it was purchased or in other authorized programs. However, the Indiana Family and Social Services Administration has the reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds there from, is subject to State of Indiana Family and Social Services Administration regulations. New rural transit vehicles are purchased through the 5311 program and are titled to Monroe County. These assets are expensed at time of purchase.

Notes to Financial Statements

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements; disclosures of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the financial statements including the statement of cash flows, cash includes petty cash, checking accounts, certificate of deposits and the money market account.

NOTE 2 - EXPENDITURES TO SUBGRANTEES AND SERVICES PROVIDERS

Area 10 Council on Aging of Monroe and Owen Counties, Inc. uses certain funds received under Title III, SSBG and CHOICE to issue its own contract to area agency sub grantees and service providers. Although the expenditures made by sub grantees and units performed by the service providers are certified as bona fide to Area 10 Council on Aging of Monroe and Owen Counties, Inc. personnel, documentation of the purpose of such expenditures and the units served are subject to audit under the appropriate governmental agency. To the extent the local sub grantee or service provider would be unable to document expenditures or units served and would be unable to refund the resultant unearned funds, the subgrantee would become liable for the funds required to be returned to the agency issuing the contract. Area 10 Council would have the option of loaning the funds to the subgrantee for payment.

NOTE 3 - FEDERAL AND STATE INCOME TAX

Under Internal Revenue Code Section 501 (c) (3), the Agency is considered a public charity exempt from income taxes and, accordingly, no federal or state income tax expense or liability is shown in the accompanying financial statements.

NOTE 4 - THIRD PARTY REIMBURSEMENTS

Area 10 Council on Aging of Monroe and Owen Counties, Inc. receives reimbursements from two large third parties, the Indiana Family and Social Services Administration and the Board of Commissioners of Monroe County. The Agency must submit claims to these parties for approval and payment. Area 10 Council on Aging of Monroe and Owen Counties, Inc. depends significantly on these third parties to carry out its program activities.

Notes to Financial Statements

June 30, 2006

NOTE 5 - GRANTS RECEIVABLE

The Agency's Grants Receivable consists of the following at June 30, 2006

Title III-A	\$ 9,434
Title III-B	23,290
Title III-C(1)	93,379
Title III-C(2)	163,456
Title III-E	12,786
Title VII Ombudsman Support	402
Assisted Living Ombudsman	16
Title V	123
S.S.B.G.	18,255
C.H.O.I.C.E.	145,018
Older Hoosier	3,508
Medicaid-PAS	28,973
Medicaid Waiver Administration	3,972
Federal Transit	190,108
Retired Senior Volunteer Program	21,409
City of Bloomington	36,941
Downtown Dash	1,800
Arts Program	297
Total	\$ 753,167

NOTE 6 -RELATED PARTY TRANSACTIONS

Area 10 Council on Aging of Monroe and Owen Counties, Inc. is the 100% shareholder in Area 10 Development, Inc. and Area 10 Development, Inc. is the general partner in two limited partnerships (Cunot Apartments, L.P. and Edgewood Village Apartments, L.P.). The Agency provides management and maintenance services for these two projects. For the year ended June 30, 2006 the Agency earned \$68,829 in management and maintenance fees. As of June 30, 2006 these two partnerships owed Area 10 Agency on Aging \$206,340 in management and maintenance fees and \$376,217 in development fees. Development fees were earned at the time of development and are deferred. The Agency has also loaned these partnership funds, which is described in Note 9.

Notes to Financial Statements

June 30, 2006

NOTE 7 –INVESTMENT

The Agency has an endowment fund with the Monroe County Community Foundation, which is a permanently restricted investment. As of June 30, 2006 the Agency's cost in this investment was \$35,000 and the market value is \$38,692, which is an appreciation in value of \$3,692 and an unrealized gain on the investment for the year ended June 30, 2006 of \$3,268. The Agency also has an investment in the Indiana Case Mangement Institute of Indiana, Inc. of \$400 at June 30, 2006.

NOTE 8 - PROPERTY AND EQUIPMENT

As of June 30, 2006 the Agency's property and equipment consisted of the following:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 129,000	\$ 0	\$ 129,000
Building	507,085	110,249	396,836
Vehicles	203,882	140,096	63,786
Total	\$ 839,967	\$ 250,345	\$ 589,622

NOTE 9 –NOTES RECEIVABLE

The Agency has five notes receivables associated with their two limited partnerships. The following is a summary of those five notes:

- 1 A \$131,976 loan with Cunot Apartments, L.P. which matures November 18, 2013. The loan is at an interest rate of 1% per annum and no principal or interest payments are due until the note matures. As of June 30, 2006 the balance of the note including accrued interest of \$11,855 is \$143,831.
- 2 A \$350,000 loan with Cunot Apartments, L.P. which matures November 18, 2013. The loan is at an interest rate of 1% per annum and no principal or interest payments are due until the note matures. As of June 30, 2006 the balance of the note including accrued interest of \$21,000 is \$371,000.
- 3 A \$127,798 loan with Cunot Apartments, L.P. which matures November 18, 2013. The loan is at an interest rate of 8% per annum and no principal or interest payments are due until the note matures. As of June 30, 2006 the balance of the note including accrued interest of \$76,619 is \$204,417.
- 4 A \$220,752 loan with Edgewood Village Apartments, L.P. which matures November 30, 2013. The loan is at an interest rate of 1% per annum and no principal or interest payments are due until the note matures. As of June 30, 2006 the balance of the note including accrued interest of \$19,153 is \$239,905.
- 5 A \$471,837 loan with Edgewood Village Apartments, L.P. which matures November 30, 2014. The loan is at an interest rate of 8.5% per annum and no principal or interest payments are due until the note matures. As of June 30, 2006 the balance of the note including accrued interest of \$293,602 is \$765,439.

Notes to Financial Statements

June 30, 2006

NOTE 10 - DUE TO FUNDING SOURCES

The balance of the due to funding sources as of June 30, 2006 was \$0.

NOTE 11 - BOARD DESIGNATED FUNDS

The Agency's Board of Directors has designated some of the Agency's fund balance for long-term projects. The Agency has earmarked these funds in anticipation of future needs of the specific programs. The Board has worked over the years to accumulate these dollars so no program will suffer. The following is a summary of those Board designations:

Housing Development	\$	33,100
Eugenia White Funds for Capital Expenditures		339,094
Cunot Housing		214,000
Edgewood Housing		722,728
Frances Pearson Funds for Transit Services		203,131
Maurice Endwright Funds Elderly Services		149,689
Elizabeth Radcliffe Funds for In-Home Services		138,506
Total	\$	1,800,248

NOTE 12 - IN-KIND DONATIONS

The in-kind donations are recorded at fair market value on the date of the contribution. These donations are shown as in-kind support, and in-kind expenses. The amount of in-kind donations for 2006 was \$138,144 and consisted of the following:

Personnel	\$	105,115
Fringe Benefits		1,081
Occupancy		15,785
Materials/Supplies		1,039
Volunteer Recognition		3,619
Travel		2,306
Contracted services		126
Equipment and training		315
Meals		8,758
Total	\$	138,144

NOTE 13 - INDIRECT COSTS

The Agency allocates indirect costs to all of its programs using a cost allocation plan where the indirect costs are allocated to the programs as direct costs using an indirect cost rate. All indirect costs are charged to the program services using this rate.

Notes to Financial Statements

June 30, 2006

NOTE 14— COMMITMENTS AND CONTINGENCIES

Subsequent to our audit in 2005 but before our final issuance, FSSA conducted a financial and compliance audit of the Agency. Some of the findings of the FSSA were material in nature. The total of the findings in which FSSA claims that the Agency must repay in disallowed claims was \$93,846. The Agency believes the findings were in error and filed an appeal. Upon appeal all but two of the findings were resolved. A total of \$574.85 was repaid to the FSSA. A resolution of the last two findings has been negotiated. A letter resolving the appeal is pending from the FSSA.

NOTE 15—ACCOUNTS RECEIVABLE

The Agency had \$40,557 of accounts receivable at June 30, 2006. The majority of the receivable or \$35,502 was from the Federal Transit Authority. All receivables at June 30, 2006 were subsequently collected.

Schedule of Expenditures of Federal Awards

Area 10 Council on Aging of Monroe and Owen Counties, Inc. For the Year Ended June 30, 2006	CFDA No.	Expenditures	Passed Through to Subrecipients
Federal Grantor / Pass Through Grantor / Program			
Department of Agriculture			
Passed Through State of Indiana Family and Social			
Nutrition Program for the Elderly			
	10.570	\$ 30,755	\$ 0
TOTAL DEPARTMENT OF AGRICULTURE		\$ 30,755	\$ 0
Department of Housing and Urban Development			
Passed Through Indiana Housing Finance Authority			
Community Development Block Grant			
	14.219	\$ -	\$ 0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		\$ -	\$ 0
Department of Labor			
Passed Through State of Indiana Family and Social			
Title V Senior Employment			
	17.235	\$ 61,198	\$ 0
TOTAL DEPARTMENT OF LABOR		\$ 61,198	\$ 0
Department of Transportation			
Passed Through Commissioners of Monroe County			
Mass Transit			
	20.507	\$ 453,645	\$ 0
TOTAL DEPARTMENT OF TRANSPORTATION		\$ 453,645	\$ 0
Department of Emergency Management Agency			
Passed Through United Way of America			
Emergency Food and Shelter			
	83.523	\$ 3,788	\$ 0
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY		\$ 3,788	\$ 0

Schedule of Expenditures of Federal Awards

Area 10 Council on Aging of Monroe and Owen Counties, Inc. the Year Ended June 30, 2006	For	CFDA No.	Expenditures	Passed Through to Subrecipients
Federal Grantor / Pass Through Grantor / Program				
Department of Health and Human Services				
Passed Through State of Indiana Family and Social Services Administration				
Title III Administration		93.042	\$ 44,978	\$ 0
Title VII Ombudsman		93.042	4,637	0
Title III Preventive Health		93.043	6,800	0
Title III Social Services		93.044	142,457	0
Title III Nutrition		93.045	387,205	0
Title III-E		93.052	51,557	0
Pre-Admission Screening		93.778	77,212	0
Social Services Block Grant		93.667	174,897	0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 889,743	\$ 0
Corporation for National and Community Service				
Direct:				
Retired Senior Volunteer Program		94.013	97,369	0
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			\$ 97,369	\$ 0
TOTAL			\$ 1,536,499	\$ 0

*Denotes Major Program



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