

BEAUFORT COUNTY COUNCIL ON AGING, INC.

PORT ROYAL, SOUTH CAROLINA

FINANCIAL STATEMENTS

AS OF

JUNE 30, 2012

AND

INDEPENDENT AUDITOR'S REPORT

BEAUFORT COUNTY COUNCIL ON AGING, INC.
Port Royal, South Carolina

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Beaufort County Council on Aging, Inc.
Port Royal, South Carolina

I have audited the accompanying statement of financial position of Beaufort County Council on Aging, Inc., as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Beaufort County Council on Aging, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beaufort County Council on Aging, Inc., as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with auditing principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 31, 2013, on my consideration of Beaufort County Council on Aging, Inc.'s internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The S. C. Department of Transportation Schedule of Budgeted to Actual Costs on page 16 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

K. Ewe McCoy, CPA, LLC

January 31, 2013

BEAUFORT COUNTY COUNCIL ON AGING, INC.
Port Royal, South Carolina

STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$	134,108
Accounts receivable:		
Grants and contracts		30,958
Leasehold interest, current		20,000
Prepaid expenses		<u>4,523</u>
 Total Current Assets	 \$	 189,589

Fixed Assets

Furniture and equipment	\$	7,506
Vehicles		42,540
Leasehold interest, noncurrent		<u>152,421</u>
	\$	202,467
 Less: accumulated depreciation		<u>(43,527)</u>
		158,940

Other Assets

Deposits		<u>2,500</u>
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TOTAL ASSETS **\$ 351,029**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$	16,488
Accrued annual leave		<u>1,584</u>
 Total Current Liabilities/Total Liabilities	 \$	 <u>18,072</u>

Net Assets

Unrestricted	\$	136,184
Temporarily restricted		<u>196,773</u>
 Total Net Assets	 \$	 <u>332,957</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 351,029**

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

BEAUFORT COUNTY COUNCIL ON AGING, INC.
Port Royal, South Carolina

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2012

<u>UNRESTRICTED NET ASSETS</u>	
Support	
Grants and contracts	\$ 423,896
Contributions	1,955
In-kind building space	<u>54,670</u>
Total Unrestricted Support	\$ <u>480,521</u>
Revenue	
Participant contributions	\$ 12,381
Interest Income	1,395
Sale of fixed assets	4,278
Special events	6,448
Miscellaneous	<u>384</u>
Total Unrestricted Revenue	\$ <u>24,886</u>
Total Unrestricted Support and Revenue	\$ 505,407
Net assets released from restrictions	
Expiration of time restrictions	20,000
Restrictions satisfied by payments	<u>17,625</u>
Total Support, Revenue and Reclassification	\$ <u>543,032</u>
<u>EXPENSES</u>	
Program Services	
Transportation	\$ 149,551
Congregate meals	180,135
Home delivered meals	236,416
Health and wellness	<u>13,729</u>
Total Program Services	\$ 579,831
Fund-raising	<u>5,413</u>
Total Expenses	\$ <u>585,244</u>
Decrease in Unrestricted Net Assets	\$ <u>(42,212)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>	
Grants and contracts	\$ 24,964
Contributions	1,550
Net assets released from restrictions	<u>(37,625)</u>
Decrease in Temporarily Restricted Assets	\$ <u>(11,111)</u>
<u>CHANGE IN NET ASSETS</u>	\$ (53,323)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>386,280</u>
<u>NET ASSETS - END OF YEAR</u>	\$ <u>332,957</u>

The accompanying notes are an integral part these financial statements.

BEAUFORT COUNTY COUNCIL ON AGING, INC.
Port Royal, South Carolina

STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2012

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Change in net assets	\$ (53,323)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	6,239
Gain on sale of fixed assets	(4,278)
Increase in accounts receivable	(914)
Expiration of restrictions on leasehold rights	20,000
Decrease in accrued interest receivable	9,778
Decrease in prepaid expenses	5,674
Increase in accounts payable and accrued expenses	2,392
Decrease in accrued annual leave	<u>(364)</u>
Net Cash Provided (Used) By Operating Activities	\$ <u>(14,796)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Proceeds from sale of investments	\$ 1,800
Purchase of fixed assets	(700)
Proceeds from sale of fixed assets	<u>4,278</u>
Net Cash Provided By Investing Activities	\$ <u>5,378</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Repayment of debt	\$ <u>(495)</u>
Net Cash Provided (Used) By Financing Activities	\$ <u>(495)</u>
<u>DECREASE IN CASH</u>	\$ (9,913)
<u>CASH - BEGINNING OF YEAR</u>	<u>144,021</u>
<u>CASH - END OF YEAR</u>	\$ <u>134,108</u>
<u>SUPPLEMENTAL DATA</u>	
Expiration of leasehold rights	\$ 20,000

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

BEAUFORT COUNTY COUNCIL ON AGING, INC.
Port Royal, South Carolina

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2012

	PROGRAM SERVICES					TOTAL
	TRANSPORTATION	CONGREGATE MEALS	HOME DELIVERED MEALS	HEALTH	TOTAL	
Personnel	\$ 39,309	\$ 56,438	\$ 30,408	\$ 4,338	\$ 130,493	
Fringe benefits	8,553	12,279	6,616	943	28,391	
Total Personnel and Related Expenses	\$ 47,862	\$ 68,717	\$ 37,024	\$ 5,281	\$ 158,884	
Telephone		592	1,876		2,468	
Utilities		85	269		354	
Repairs	12,049	43	135		12,227	
Supplies	1,342	545	1,726	2,244	5,857	
Insurance	3,456				3,456	
Building space	8,534	16,934	12,134		37,602	
Rent		5,724	18,126		23,850	
Fuel	22,024				22,024	
Other contracted services	44,638			1,337	45,975	
Food		23,335	87,880		111,215	
Miscellaneous	690	837	1,832		3,359	
Total Expenses Before Allocation Of Costs	\$ 140,595	\$ 116,812	\$ 161,002	\$ 8,862	\$ 427,271	
Allocated transportation costs	(41,296)		41,296		0	
Allocated administration costs	44,105	63,323	34,118	4,867	146,413	
Total Expenses Before Depreciation	\$ 143,404	\$ 180,135	\$ 236,416	\$ 13,729	\$ 573,684	
Depreciation of Buildings and Equipment	6,147				6,147	
Total Expenses	\$ 149,551	\$ 180,135	\$ 236,416	\$ 13,729	\$ 579,831	

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

BEAUFORT COUNTY COUNCIL ON AGING, INC.
Port Royal, South Carolina

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

	SUPPORTING SERVICES		TOTAL SUPPORTING SERVICES EXPENSES	TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES
	ADMINISTRATION	FUND RAISING		
Personnel	\$ 64,881	\$ -	\$ 64,881	\$ 195,374
Fringe benefits	14,116	-	14,116	42,507
Total Personnel and Related Expenses	\$ 78,997	\$ -	\$ 78,997	\$ 237,881
Telephone	3,107		3,107	5,575
Utilities	5,572		5,572	5,926
Repairs	410		410	12,637
Supplies	5,512		5,512	11,369
Insurance	12,867		12,867	16,323
Building space	17,068		17,068	54,670
Rent	1,221		1,221	25,071
Fuel			0	22,024
Other contracted services	8,579		8,579	54,554
Food			0	111,215
Professional fees	5,790		5,790	5,790
Miscellaneous	7,198	5,413	12,611	15,970
Total Expenses Before Allocation Of Costs	\$ 146,321	\$ 5,413	\$ 151,734	\$ 579,005
Allocated administration costs	(146,413)	-	(146,413)	-
Total Expenses Before Depreciation	\$ (92)	\$ 5,413	\$ 5,321	\$ 579,005
Depreciation of Buildings and Equipment	92		92	6,239
Total Expenses	\$ -	\$ 5,413	\$ 5,413	\$ 585,244

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

BEAUFORT COUNTY COUNCIL ON AGING, INC.

Port Royal, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. Nature of Activities and Summary of Significant Accounting Policies

- A. **Nature of Activities** - Beaufort County Council on Aging, Inc., provides community based services to meet the needs of older citizens. Funding for services is received primarily through contracts with Lowcountry Council of Governments, United Way, County government, state contracts and participant contributions.
- B. **Basis of Accounting** - The financial statements of the Council have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Generally Accepted Accounting Standards for Not-For-Profit Organizations. Under these standards, the Council reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Council does not have any unrestricted or permanently restricted net assets.
- C. **Support and Revenue** - The Council receives its grant and contract revenue primarily from Lowcountry Council of Governments, Beaufort County and state agencies (see Note 5 - Summary of Grants/Contracts Funding). Grant and contract revenue is recognized when earned.
- D. **Contributions** - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. The Council had no permanently restricted net assets at June 30, 2012.
- E. **Grants and Contracts Receivable** - The Council uses the direct write-off method to account for uncollectible accounts, which is a method not recognized under generally accepted accounting principles. Management contends that the results of this method do not significantly differ from those that would result under the allowance method, as both methods are insignificant to the presentation of the financial statements.
- F. **Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BEAUFORT COUNTY COUNCIL ON AGING, INC.

Port Royal, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. **Nature of Activities and Summary of Significant Accounting Policies (Continued)**
 - G. **Income Taxes** - The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Council has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2012. Management is aware of no transactions or activities which would result in disallowance of the exemption.
 - H. **Cost Allocation** - A cost allocation method, which provides a basis for allocating administrative costs to the services, was in effect for the year ended June 30, 2012. As a result, administrative costs have been allocated based on direct labor charged to the various programs.
 - I. **Cash and Cash Equivalents** - Cash and cash equivalents consist of cash held in checking and money market accounts. For purposes of the statement of cash flows, the Council considers all highly liquid instruments having an original maturity of three months or less to be cash equivalents.
 - J. **Concentrations of Credit and Market Risk** - Financial instruments that potentially expose the organization to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution.
 - K. **Investments** - Investments in common stock, corporate bonds and mutual funds are presented in the Statement of Financial Position at fair value based on quoted prices in active markets. Investments in money market funds are stated at cost, which approximates fair value. Investment income or loss including net appreciation (depreciation) (i.e., realized and unrealized gains and losses on investments) is included in the Statement of Activities as increases or decreases in unrestricted net assets unless such income or appreciation is restricted by donor or law.
 - L. **Advertising** - Advertising costs are expensed as incurred.
 - M. **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 benefitted.

BEAUFORT COUNTY COUNCIL ON AGING, INC.
Port Royal, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

2. **Land, Buildings, Equipment and Depreciation**

The Council follows the practice of capitalizing all expenditures for fixed assets over \$2,500 with a useful life of one year or longer; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Office furniture and equipment	5-7 years
Vehicles	3 years

Depreciation expense for the year ended June 30, 2012 was \$6,239.

3. **Accrued Leave**

Accrued vacation time totaling \$1,584 represents the amount earned by employees through June 30, 2012.

4. **Donated Services, Goods and Facilities**

Building space for nutrition sites furnished to the Council without charge is reflected as contributions in the accompanying statements at its estimated value of \$54,670. The value is recorded as a contribution and as an accompanying expense in the period used.

The Council received donated services valued at \$19,330 from unpaid volunteers assisting the Council in the nutrition programs. No amounts have been recognized in the accompanying statement of activities because the services do not require specialized skills.

BEAUFORT COUNTY COUNCIL ON AGING, INC.

Port Royal, South Carolina

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

5. Summary of Grants/Contracts Funding

<u>FUNDING SOURCE</u>	<u>GRANT CONTRACT PERIOD</u>	<u>TOTAL AWARD AMOUNT</u>	<u>RECOGNIZED SUPPORT</u>	<u>ACCOUNTS RECEIVABLE 06/30/12</u>
Lowcountry Council Of Governments - Regular Contract	07/01/11 - 06/30/12	\$ 310,638	\$ 294,418	\$ 14,954
Health and Human Services Finance Commission	07/01/11 - 06/30/12	N/A	2,702	
Beaufort County - Regular	07/01/11 - 06/30/12	5,000	50,000	
Beaufort County - Restricted (CAP)	07/01/11 - 06/30/12	10,000	10,000	
United Way	07/01/11 - 06/30/12	38,536	38,536	8,805
SC Department of Transportation (PT-2N510-38) Capital Cost of Contracting	07/01/11 - 06/30/12	43,000	35,740	7,199
Other	07/01/11 - 06/30/12	17,464	17,464	-
		<u>\$ 424,638</u>	<u>\$ 448,860</u>	<u>\$ 30,958</u>

Reported in the financial statements as follows:

Restricted	\$ 24,964
Unrestricted	<u>423,896</u>
	<u>\$ 448,860</u>

BEAUFORT COUNTY COUNCIL ON AGING, INC.
Port Royal, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

6. **Contingencies**

The Council must apply for annual renewal of contracts and grants. Funding is subject to both increases and decreases at the discretion of the contractors, and some agreements also may be terminated by either party, contingent upon certain conditions. Expenditures recorded under various contracts and grants are subject to further examination by the providers, with reimbursements being requested for questioned costs.

At the present time, amounts which may be due to grantors, if any, have not been determined, but the Council believes that such amounts in the aggregate would not have a material effect on the financial statements.

7. **Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2012 comprise the following:

Donated facilities available for future years	\$ 172,421
County funding for Coalition for Aging in Place (CAP)	15,463
Other	<u>8,889</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 196,773</u>

8. **Burton Wells Senior Center**

The Lowcountry Council of Governments was awarded a grant through the State of South Carolina to construct a Senior Center in Beaufort, South Carolina with Beaufort County Council on Aging, Inc. serving as project sponsor. Beaufort County Council on Aging, Inc. contracted with Beaufort County for the purpose of expending the grant funds to construct the Senior Citizens Center and Beaufort County Council on Aging, Inc. operates the Center. Beaufort County owns the building and Beaufort County on Aging, Inc. occupies the building under a memorandum of agreement (See Note 9). The State of South Carolina has a reversionary interest provision to the extent of its investment, expiring at the end of 20 years.

BEAUFORT COUNTY COUNCIL ON AGING, INC.
Port Royal, South Carolina

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

9. **Leasehold Interest**

In March of 2009 Beaufort County Council on Aging, Inc. received a contribution of leasehold rights for 2,000 square feet of space for a 20 year term (See Note 8). The organization's monthly rent under a signed lease agreement is \$10 per year. The present value of the fair market rent of \$20,000 per year over the lease term, which was determined using a 5 percent discount rate, was recognized as temporarily restricted support in the prior year. The amounts are as follows:

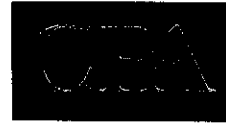
Future leasehold rights at time of contribution	\$ 239,088
Less 28 months expired at June 30, 2012	<u>(66,667)</u>
Balance 06/30/12	\$ 172,421
Less current portion - 12 months	<u>(20,000)</u>
Leasehold interest - noncurrent	<u>\$ 152,421</u>

The expected time expirations on restrictions of leasehold interests are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 20,000
2014	20,000
2015	20,000
2016	20,000
2017	20,000
Thereafter	198,333
Discount to be recognized as additional contributions	<u>(125,912)</u>
	<u>\$ 172,421</u>

10. **Subsequent Events**

Subsequent events have been evaluated through January 31, 2013, which represents the date the financial statements were available to be issued.



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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**

The Board of Directors
Beaufort County Council on Aging, Inc.
Port Royal, South Carolina

I have audited the financial statements of Beaufort County Council on Aging, Inc. as of and for the year ended June 30, 2012, and have issued my report thereon dated January 31, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Beaufort County Council on Aging, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beaufort County Council on Aging, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Beaufort County Council on Aging, Inc.'s internal control over financial reporting.

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

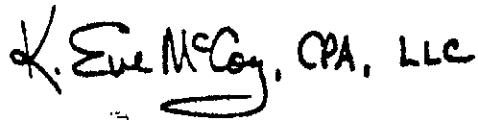
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaufort County Council on Aging, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

I noted certain matters that I reported to management of Beaufort County Council on Aging, Inc. in a separate letter dated January 31, 2013.

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

Handwritten signature of K. Eve McCoy, CPA, LLC. The signature is written in black ink and includes the name 'K. Eve McCoy', the title 'CPA', and the firm name 'LLC'.

January 31, 2013

