

JAYHAWK AREA AGENCY ON AGING, INC.

FINANCIAL STATEMENTS WITH ADDITIONAL
INFORMATION AND A-133 SECTION

YEARS ENDED SEPTEMBER 30,
2010 AND 2009



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jayhawk Area Agency on Aging, Inc.
Topeka, Kansas

We have audited the accompanying statements of financial position of Jayhawk Area Agency on Aging, Inc. (a nonprofit organization) (the Agency) as of September 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. 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. 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jayhawk Area Agency on Aging, Inc. as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011 on our consideration of Jayhawk Area Agency on Aging, Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in accessing the results of our audit.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.
Topeka, Kansas
February 11, 2011

JAYHAWK AREA AGENCY ON AGING, INC.
STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2010	2009
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 173,676	\$ 307,395
Cash and cash equivalents - restricted	17,516	17,152
Certificates of deposit	179,639	-
Accounts receivable	262,678	240,306
Deposits	30	-
Prepaid expenses	21,372	22,999
Total current assets	654,911	587,852
Property, plant and equipment, at cost, less accumulated depreciation	1,050,902	1,077,799
Total assets	\$ 1,705,813	\$1,665,651
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of note payable	\$ 20,847	\$ 33,952
Accounts payable	176,543	132,796
Deferred revenue	80,808	87,869
Accrued payroll taxes and benefits	27,908	666
Accrued payroll	41,707	31,186
Current portion of deferred lease income	1,600	1,600
Total current liabilities	349,413	288,069
Long term liabilities:		
Note payable	562,651	581,527
Deferred lease income	32,000	33,600
Total long term liabilities	594,651	615,127
Total liabilities	944,064	903,196
Net assets:		
Unrestricted:		
Board designated	14,577	7,462
Undesignated	729,656	737,841
Total unrestricted net assets	744,233	745,303
Temporarily restricted	17,516	17,152
Total net assets	761,749	762,455
Total liabilities and net assets	\$ 1,705,813	\$1,665,651

See Notes to the Financial Statements

JAYHAWK AREA AGENCY ON AGING, INC.
STATEMENT OF ACTIVITIES
Year ended September 30, 2010

Support and revenue:	Unrestricted	Temporarily Restricted	Total
Kansas Department on Aging funds:			
Title III funds - federal	\$1,145,335	\$ -	\$ 1,145,335
Title III funds - state	215,604	-	215,604
NSIP	190,457	-	190,457
Nutrition check off	11,122	-	11,122
Senior Care Act	500,547	-	500,547
CARE Level 1	129,740	-	129,740
Targeted case management	501,169	-	501,169
Other grants and contracts	34,733	5,000	39,733
Local resources	95,347	-	95,347
Miscellaneous income	21,253	-	21,253
Donations	13,824	13,020	26,844
Interest income	2,022	-	2,022
Net assets released from restrictions	17,656	(17,656)	-
Total support and revenue	<u>2,878,809</u>	<u>364</u>	<u>2,879,173</u>
Expenses:			
Program expenses:			
Title III - ARRA	102,401	-	102,401
Title III - Administration	140,487	-	140,487
Title III - Supportive Services	352,944	-	352,944
Title III - C (1)	420,735	-	420,735
Title III - C (2)	452,794	-	452,794
Title III - D	21,553	-	21,553
Title III - E	144,694	-	144,694
Senior Care Act	437,898	-	437,898
Targeted case management	582,328	-	582,328
CARE Level 1	123,443	-	123,443
SHICK program	39,855	-	39,855
Other grants	6,144	-	6,144
Older Americans Month	9,478	-	9,478
Guardian Angel	1,654	-	1,654
Fundraising	453	-	453
Management and general	43,018	-	43,018
Total expenses	<u>2,879,879</u>	<u>-</u>	<u>2,879,879</u>
Change in net assets	(1,070)	364	(706)
Net assets, beginning of year	745,303	17,152	762,455
Net assets, end of year	<u>\$ 744,233</u>	<u>\$ 17,516</u>	<u>\$ 761,749</u>

See Notes to the Financial Statements

JAYHAWK AREA AGENCY ON AGING, INC.
STATEMENT OF ACTIVITIES
Year ended September 30, 2009

Support and revenue:	Unrestricted	Temporarily Restricted	Total
Kansas Department on Aging funds:			
Title III funds - federal	\$1,065,431	\$ -	\$ 1,065,431
Title III funds - state	316,586	-	316,586
NSIP	189,302	-	189,302
Nutrition check off	10,823	-	10,823
Senior Care Act	583,775	-	583,775
CARE Level 1	135,326	-	135,326
Targeted case management	524,918	-	524,918
Other grants and contracts	55,438	2,000	57,438
Local resources	89,875	-	89,875
Miscellaneous income	17,121	-	17,121
Donations	20,825	14,356	35,181
Interest income	3,231	-	3,231
Net assets released from restrictions	14,816	(14,816)	-
Total support and revenue	<u>3,027,467</u>	<u>1,540</u>	<u>3,029,007</u>
Expenses:			
Program expenses:			
Title III - ARRA	1,252	-	1,252
Title III - Administration	138,427	-	138,427
Title III - Supportive Services	321,172	-	321,172
Title III - C (1)	520,841	-	520,841
Title III - C (2)	508,521	-	508,521
Title III - D	19,516	-	19,516
Title III - E	128,732	-	128,732
Senior Care Act	515,107	-	515,107
Targeted case management	574,951	-	574,951
CARE Level 1	112,623	-	112,623
SHICK program	70,056	-	70,056
Other grants	6,659	-	6,659
Older Americans Month	5,760	-	5,760
Guardian Angel	1,446	-	1,446
Fundraising	1,091	-	1,091
Management and general	20,300	-	20,300
Total expenses	<u>2,946,454</u>	<u>-</u>	<u>2,946,454</u>
Change in net assets	81,013	1,540	82,553
Net assets, beginning of year	664,290	15,612	679,902
Net assets, end of year	<u>\$ 745,303</u>	<u>\$ 17,152</u>	<u>\$ 762,455</u>

See Notes to the Financial Statements

JAYHAWK AREA AGENCY ON AGING, INC.
STATEMENTS OF CASH FLOWS

	Years ended September 30,	
	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (706)	\$ 82,553
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,762	42,029
Decrease (increase) in operating assets:		
Restricted cash and cash equivalents	(364)	(1,540)
Accounts receivable	(22,372)	(1,116)
Deposits	(30)	-
Prepaid expense	1,627	(12,271)
(Decrease) increase in operating liabilities:		
Accounts payable	43,747	10,231
Deferred revenue	(7,061)	(15,813)
Accrued payroll taxes and benefits	27,242	(3,238)
Accrued payroll	10,521	4,860
Deferred lease income	(1,600)	(1,600)
Total adjustments	93,472	21,542
Net cash provided by operating activities	92,766	104,095
Cash flows from investing activities:		
Purchase of certificates of deposit	(179,639)	-
Purchase of property and equipment	(14,865)	-
Net cash used by investing activities	(194,504)	-
Cash flows from financing activities:		
Principal payments on notes payable	(31,981)	(31,417)
Net cash used by financing activities	(31,981)	(31,417)
Net (decrease) increase in cash and cash equivalents	(133,719)	72,678
Cash and cash equivalents at beginning of year	307,395	234,717
Cash and cash equivalents at end of year	\$ 173,676	\$ 307,395

See Notes to the Financial Statements

Targeted case management	CARE Level 1	SHICK Program	Other grants	Older Americans Month	Guardian Angel Fund	Fundraising	Management and general	Total expenses
\$ 376,005	\$ 75,499	\$ 25,194	\$ -	\$ -	\$ -	\$ -	\$ 28,604	\$ 957,653
87,121	15,412	5,871	-	-	-	-	689	213,546
15,488	708	344	-	-	-	-	1,192	33,644
-	-	113	-	522	-	-	1,453	2,588
315	1,052	-	-	-	-	-	510	4,640
-	40	-	-	-	-	-	-	40
2,125	854	880	53	-	-	-	4,356	11,200
21,470	5,558	1,097	-	-	-	-	-	41,762
1,832	476	94	-	-	-	-	489	5,550
731	994	10	-	-	-	-	2,867	7,269
756	322	579	1,058	46	-	-	7,782	11,610
1,650	1,590	574	15	10	-	-	3,985	9,834
-	-	-	1,212	-	-	-	3,901	5,767
43,091	12,601	2,957	-	-	-	-	4,248	101,528
-	99	403	3,806	-	-	-	319	4,965
-	-	-	-	-	-	-	485	1,004
302	79	16	-	-	-	-	10,087	10,907
16,150	4,225	1,069	-	-	-	-	4	41,733
14,992	3,934	654	-	5,082	1,654	453	(33,412)	11,919
-	-	-	-	3,818	-	-	5,459	14,727
300	-	-	-	-	-	-	-	1,387,993
<u>\$ 582,326</u>	<u>\$ 123,443</u>	<u>\$ 39,855</u>	<u>\$ 6,144</u>	<u>\$ 9,478</u>	<u>\$ 1,654</u>	<u>\$ 453</u>	<u>\$ 43,018</u>	<u>\$ 2,879,879</u>

Targeted case management	CARE Level 1	SHICK Program	Other grants	Older Americans Month	Guardian Angel Fund	Fundraising	Management and general	Total expenses
\$ 364,381	\$ 70,609	\$ 40,319	\$ 737	\$ -	\$ -	\$ -	\$ 272	\$ 877,553
73,769	14,871	8,925	106	-	-	-	17	181,462
15,513	548	824	23	480	-	-	1,429	33,099
-	-	1,313	-	270	-	-	1,319	3,398
277	55	30	-	-	-	-	274	1,276
19,032	690	-	-	-	-	-	-	26,588
2,307	1,091	629	-	-	-	-	-	10,825
21,883	4,355	993	-	-	-	2	4,503	42,029
4	1	-	-	-	-	-	356	5,590
1,384	990	6,012	642	-	-	-	5,438	14,316
5,045	1,649	1,937	-	33	-	-	2,148	14,847
1,939	493	403	-	51	-	100	372	9,065
-	-	2,029	-	-	-	-	1,915	5,291
39,321	9,730	2,857	-	-	-	-	2,227	92,537
-	72	1,911	4,422	-	-	-	4,381	8,793
-	-	-	-	-	-	-	365	519
3,639	1,016	319	-	-	-	-	-	9,357
16,436	4,757	1,168	-	10	-	-	-	40,204
9,742	1,696	387	729	4,916	1,446	6	983	14,986
-	-	-	-	-	-	-	(18,230)	19,154
279	-	-	-	-	-	-	13,514	1,535,565
<u>\$ 574,951</u>	<u>\$ 112,623</u>	<u>\$ 70,056</u>	<u>\$ 6,659</u>	<u>\$ 5,760</u>	<u>\$ 1,446</u>	<u>\$ 1,091</u>	<u>\$ 20,300</u>	<u>\$ 2,946,454</u>

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

1. Nature of activities

Jayhawk Area Agency on Aging, Inc. (the Agency) is an administrative and oversight agency and a provider of services. It develops plans for the provision of services which are funded by federal, state and local governmental funds. It then monitors and assesses the services provided. The Agency provides direct services in the areas of information, assistance and outreach, as well as provides for community-wide program development and coordination and case management.

2. Summary of significant accounting policies

a. Basis of presentation

Assets, liabilities, net assets, revenues and expenses are recognized on the accrual basis of accounting. Revenue from providing services is recognized as revenue in the year in which the service takes place.

The Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Net assets were released from restrictions by incurring expenses satisfying the restricted purpose. The Agency has no permanently restricted net assets as of September 30, 2010 and 2009.

b. Income tax status

The Agency is a not-for-profit Kansas Corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

In June 2006, the Financial Accounting Standards Board (FASB) issued an Interpretation, Accounting for Uncertainty in Income Taxes (FASB ASC 740-10). Implementation of this standard was deferred until 2009. The Agency has adopted this standard effective October 1, 2009. There was no material impact on the Agency's financial statements as a result of the adoption of this standard. There has been no interest or penalties recognized neither in the statement of operations nor in the balance sheet related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months. Tax years with open statutes of limitations are 2006 and forward.

c. Cash and cash equivalents

For the purposes of the statement of cash flows, the Agency considers all unrestricted, undesignated, highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

d. Property and equipment

All property and equipment is capitalized at cost. The fair market value of donated fixed assets is similarly capitalized. Expenditures for major renewals and betterments that extend the lives of property and equipment from non-federal or state funds are capitalized. A detailed record of all equipment is maintained by the Agency to insure accountability. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reduced and any resulting gain or loss is recognized in income for the period. The cost of repairs and maintenance is charged against income as incurred.

Depreciation is computed on a straight line method with estimated useful lives as follows:

Buildings and improvements	5-40 years
Furniture and equipment	5-10 years

The Agency periodically evaluates the remaining useful life and recoverability of such buildings and equipment in light of current circumstances and believes it will recover the carrying amount in future operations.

e. Functional allocation of expenses

The costs of providing the various programs, fundraising, 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 fundraising activities benefited.

f. Accounts receivable

Accounts receivable is recorded at original amounts. The Agency does not accrue interest or finance charges. On a periodic basis the Agency evaluates its accounts receivable and determines the need for an allowance for doubtful accounts based on a history of past write-offs and collection and current conditions. An accounts receivable is written off when it is determined that all collection efforts have been exhausted. The Agency has determined that no allowance for doubtful accounts is necessary as of September 30, 2010 and 2009.

As of September 30, 2010 and 2009, approximately 99% of the Agency's accounts receivable came from the Kansas Department on Aging.

g. In-kind contributions

In-kind contributions, which are donations of materials, supplies, equipment and services are recognized as support and expenses in the statement of activities. In-kind contributions are recorded at their estimated fair market value at date of receipt.

Included in donations revenue is donated services and other miscellaneous items in the amounts of \$14,727 and \$19,153 for the years ended September 30, 2010 and 2009, respectively. In addition, certain in-kind services and related expenses have been allocated to the respective programs.

JAYHAWK AREA AGENCY ON AGING, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 For the years ended September 30, 2010 and 2009

h. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Management's estimates and assumptions include, but are not limited to, collectability of accounts receivable, salvage values and estimated useful lives of property and equipment, and the basis for the functional allocation of expenses. Actual results could vary from the estimates that were used.

i. Advertising costs

The Agency expenses advertising costs as they are incurred. Advertising expenses for the years ended September 30, 2010 and 2009 were \$2,588 and \$3,398, respectively.

j. Fair value

The fair value of cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and notes payable approximates carrying value because of the short-term maturities of these financial instruments, or underlying interest rates, where applicable, approximates market for the same or similar issues.

3. Cash and cash equivalents

The FDIC insures deposits at each institution up to \$250,000. The Agency has securities pledged with CoreFirst Bank & Trust that covers any uninsured amount. At September 30, 2010 and 2009, all deposits were fully collateralized.

4. Property, plant and equipment

	September 30,	
	2010	2009
Cost:		
Land	\$ 139,000	\$ 139,000
Buildings and improvements	1,064,006	1,049,666
Furniture and equipment	20,198	19,673
Total property and equipment	1,223,204	1,208,339
Less accumulated depreciation	(172,302)	(130,540)
Net property and equipment	\$ 1,050,902	\$ 1,077,799

5. Compensated absences

Personnel policies entitle all full time employees to earn vacation time from 12 days for up to three years of employment to 21 days for over ten years of employment. Vacation time for part time employees who work a minimum of 20 hours per week is based on the same scale, but prorated based on hours worked. Employees can carry over 80 hours for full time employees and 40 hours for part time employees. Sick leave accumulates at the rate of one day per month for full time employees and one-half day for part time employees. A full time employee may carry over a maximum of 480 hours and part time employees may carry over 240 hours into the next fiscal year. The Agency's policy is to recognize the costs of compensated absences when they are earned by the employee.

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

6. Employee retirement plan

The Agency participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan provided by K.S. A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law established and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for employees hired before July 1, 2010 and 6% of covered salary for employees hired after July 1, 2010. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers.

The employer rate established for the period of October 1, 2009 to December 31, 2009 was 5.54%. The employer rate established for the period of January 1, 2010 to September 30, 2010 was 6.14%.

The employer rate established for the period of October 1, 2008 to December 31, 2008 was 5.93%. The employer rate established for the period of January 1, 2009 to September 30, 2009 was 5.54%.

The Agency's contributions to KPERS for the fiscal years ended September 30, 2010 and 2009 were \$58,377 and \$39,319, respectively.

7. Net assets

The Agency's Board of Directors has designated a portion of the net assets for use for building maintenance future expenditures. The balance of this Board designated net asset was \$14,577 and \$7,462 at September 30, 2010 and 2009, respectively.

The Agency raises funds for activities during Older Americans Month. The funds raised are temporarily restricted for the use in these activities. The remaining funds are included in the temporarily restricted net assets at September 30, 2010 and 2009.

The Agency has a Guardian Angel Fund that is used to cover expenses for the elderly not covered by other programs. The Agency receives donations restricted by the donor for this fund. The funds not spent on items for the elderly are included in temporarily restricted net asset at September 30, 2010 and 2009.

The Agency has instituted an employee fundraising program. The funds donated by the employees can be used as part of the Agency's Guardian Angel Fund or for other events. The amounts included in temporarily restricted net assets at September 30, 2010 and 2009 are the remaining funds raised by the employees.

JAYHAWK AREA AGENCY ON AGING, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 For the years ended September 30, 2010 and 2009

The Agency received a PEANE grant from the Kansas Department on Aging to provide training and education for the prevention and awareness of elder abuse, neglect and exploitation. The amounts included in temporarily restricted net assets at September 30, 2010 and 2009 are the amounts of the grant that are unspent.

Temporarily restricted net assets consisted of the following:

	September 30,	
	2010	2009
Older Americans Month	\$ 13,554	\$ 13,554
PEANE grant	-	1,071
Employee fundraising	549	491
Guardian Angel Fund	3,413	2,036
Total temporarily restricted net assets	\$ 17,516	\$ 17,152

8. Operating leases

As of April 1, 1997 the Agency entered into a lease for its Lawrence office facility. This lease has been extended annually to cover the period from January 1, 2010 to December 31, 2010 and requires monthly rent of \$354. Lease expense for each of the years ended September 30, 2010 and 2009 was \$4,248.

The Agency leases a copier. This lease commenced on January 16, 2007 and is for 63 months, expiring in April 2012. Required monthly rental payments are \$398. Lease expense for this was \$4,776 for each of the years ended September 30, 2010 and 2009.

The Agency leases a mailing machine. This lease commenced on March 30, 2009 and is for 48 months, expiring in March 2013. Required monthly rental payments are \$63. Lease expense for this was \$756 and \$378 for years ended September 30, 2010 and 2009, respectively.

The Agency leases an office at The Center Place. This lease commenced on July 1, 2009 and is for 12 months automatically renewing annually. Required monthly rental payments increased from \$125 to \$200 beginning September 1, 2010. Lease expense for this was \$1,575 and \$1,500 for years ended September 30, 2010 and 2009, respectively.

Future minimum lease payments are the following for the year ended September 30:

2011	\$ 8,594
2012	3,542
2013	378
Total	\$ 12,514

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

9. Deferred lease income

In October 2006, the Agency entered into a lease contract with a company to construct an advertising sign above their building. The lease term is 25 years and the Agency received a lump sum amount at the inception of the lease for all future rental payments. This amount is included on the Statement of Financial Position as deferred lease income. It will be amortized over the life of the lease in the amount of \$1,600 per year.

10. Note payable

Note payable consisted of the following:

	September 30,	
	2010	2009
Mortgage note payable to bank in monthly installments of \$4,632, including interest at 5.00%, due December 7, 2025, secured by building.	<u>\$ 583,498</u>	<u>\$ 615,479</u>
Less current portion of note payable	<u>(20,847)</u>	<u>(33,952)</u>
Total note payable – long term	<u>\$ 562,651</u>	<u>\$ 581,527</u>

Future maturities of the note payable are as follows:

Year ended September 30, 2011	\$ 20,847
Year ended September 30, 2012	28,082
Year ended September 30, 2013	29,519
Year ended September 30, 2014	31,029
Year ended September 30, 2015	32,616
Thereafter	<u>441,405</u>
Total	<u>\$ 583,498</u>

11. Concentrations

The Agency is dependent upon funding granted by the Kansas Department on Aging. If this funding was lost, the Agency would not be able to provide the level of services that they are currently providing. Revenues from the Kansas Department on Aging made up approximately 94% and 88% of the Agency's operating revenues for the years ended September 30, 2010 and 2009, respectively.

The Agency requires no collateral in the granting of credit for services. However, the majority of their accounts receivable is from governmental agencies for services performed as part of a contract.

The Agency had two major vendors that accounted for 56% and 54% of the total purchases for the years ended September 30, 2010 and 2009, respectively.

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

12. Contingencies

As a recipient of federal funding, the Agency may be audited by the grantor agency each year. If the auditor determines that the Agency has spent funds inappropriately, the Agency will be required to repay those funds. The Agency has not been audited by the grantor agency for the years ended September 30, 2010 and 2009.

13. Risk management

The Agency is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Agency carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

14. Cash flow disclosures

The following is a summary of supplemental cash flow information:

	<u>Years ended September 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash paid:		
Interest	<u>\$ 36,746</u>	<u>\$ 40,087</u>
Cash received:		
Interest	<u>\$ 2,022</u>	<u>\$ 3,231</u>

15. Subsequent events

The Agency has evaluated subsequent events through February 11, 2011 the date which the financial statements were available to be issued. No significant items were noted during this evaluation that would require disclosure in the financial statements or accompanying footnotes.

Additional Information

JAYHAWK AREA AGENCY ON AGING, INC.
 ADDITIONAL INFORMATION
 For the year ended September 30, 2010

1. Cash and cash equivalents and certificates of deposit

Cash and cash equivalents at September 30, 2010 were as follows:

	Book Balance	Bank Balance
CoreFirst Bank and Trust, Topeka, Kansas:		
Checking	\$ 23,367	\$ 36,255
Small checking	112	112
Certificates of deposit	79,639	79,639
Money market	167,713	167,713
Total CoreFirst Bank and Trust	270,831	283,719
Horton National Bank, , Kansas:		
Certificate of deposit	100,000	100,000
Total cash and cash equivalents and certificates of deposit	\$ 370,831	\$ 383,719

2. Deferred revenue

Deferred revenue consisted of the following:

	September 30,	
	2010	2009
Local resources	\$ 6,822	\$ 11,400
Title III Funds	11,684	8,753
Senior Care Act advance	62,302	67,069
Other	-	647
Total deferred revenue:	\$ 80,808	\$ 87,869

JAYHAWK AREA AGENCY ON AGING, INC.
RECONCILIATION OF AUDITED FINANCIAL STATEMENTS TO
FINAL REPORTS TO THE KANSAS DEPARTMENT ON AGING (KDOA)
Year ended September 30, 2010

	Revenue per KDOA Reports	Adjustments		Audited Financial Statements
		Debits	Credits	
Federal Title III C(1) Administration	95,068	-	-	\$ 95,068
Federal Title III E Administration	7,130	-	-	7,130
Federal Title III B Supportive Services	327,984 (1)	4,994 (2)	2,582	325,572
Federal Title III C(1)	276,064 (1)	425	-	275,639
Federal Title III C(1) NSIP	93,446	-	-	93,446
Federal Title III C(2)	194,277 (1)	2,728 (2)	5,388	196,937
Federal Title III C(2) NSIP	97,266	-	-	97,266
Federal Title III C(2) Nutrition Checkoff	11,122	-	-	11,122
Federal Title III D	21,010	-	-	21,010
Federal Title III E	143,200 (1)	3,537 (2)	783	140,446
Federal Title III C(1) ARRA	48,424	-	-	48,424
Federal Title III C(2) ARRA	27,971	-	-	27,971
Federal Title III ARRA Admin	8,391	-	-	8,391
State Title III C(1)	61,953	-	-	61,953
State Title III C(2)	153,651	-	-	153,651
Senior Care Act	-	- (3)	500,547	500,547
CARE Level 1	-	- (3)	129,740	129,740
Targeted Case Management	-	- (3)	501,169	501,169
Program income, in-kind and other	852,357 (4)	788,353 (3)	119,687	183,691
	<u>\$ 2,419,314</u>			<u>\$ 2,879,173</u>

- (1) Deferred revenue at September 30, 2010
(2) Deferred revenue at September 30, 2009
(3) Programs with no reports
(4) Per provider reports, not included on agency books

	Cost per KDOA Reports	Adjustments		Audited Financial Statements
		Debits	Credits	
Title III ARRA	\$ 162,616	- (5)	60,215	\$ 102,401
Title III Administration	136,264 (5)	4,223	-	140,487
Title III B Supportive Services	403,844	- (5)	50,900	352,944
Title III C(1)	753,578	- (5)	332,843	420,735
Title III C(2)	788,725	- (5)	335,931	452,794
Title III D	21,521 (5)	32	-	21,553
Title III E	141,157 (5)	3,537	-	144,694
Senior Care Act	- (6)	437,898	-	437,898
CARE Level 1	- (6)	123,443	-	123,443
Targeted Case Management	- (6)	582,328	-	582,328
Program income, in-kind and other	- (6)	100,602	-	100,602
	<u>\$ 2,407,705</u>			<u>\$ 2,879,879</u>

- (5) Paid with Agency's or provider's other local resources
(6) Programs with no reports

JAYHAWK AREA AGENCY ON AGING, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended September 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Federal expenditures
U.S. Department of Health and Human Services: Passed Through - Kansas Department On Aging:			
Title III C(1) Administration	93.045	10-04-3A	\$ 95,068
Title III E Administration	93.052	10-04-3A	<u>7,130</u>
Total administration			<u>102,198</u>
Title III B	93.044	10-04-4B	325,505
Title III C(1) Congregate Meals	93.045	10-04-4C(1)	275,639
Title III C(1) NSIP	93.053	10-04-4C(1)	93,446
Title III C(2) Home Delivered Meals	93.045	10-04-5C(2)	196,848
Title III C(2) NSIP	93.053	10-04-5C(2)	97,266
Title III D Disease Prevention	93.043	10-04-3D	21,010
Title III E National Family Caregiver Support	93.052	10-04-4E	140,446
Social Services Block Grant	93.667	N/A	291,946
Title III C(1) Congregate Meals - ARRA	93.707	N/A	56,815
Title III C(2) Home Delivered Meals - ARRA	93.705	N/A	<u>27,971</u>
Total program			<u>1,526,892</u>
Total expenditures of federal awards			<u><u>\$ 1,629,090</u></u>

JAYHAWK AREA AGENCY ON AGING, INC.
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 September 30, 2010

1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the Jayhawk Area Agency on Aging, Inc.

2. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Jayhawk Area Agency on Aging, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. Subrecipients

Of the federal expenditures presented in the schedule, the Agency provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Title III B	93.044	\$ 186,680
Title III C(1)	93.045	275,639
Title III C(1) NSIP	93.053	93,446
Title III C(2)	93.045	196,848
Title III C(2) NSIP	93.053	97,011
Title III D	93.043	20,010
Title III E	93.052	74,794
Title III C(1) ARRA	93.707	48,424
Title III C(2) ARRA	93.705	27,971

JAYHAWK AREA AGENCY ON AGING, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year ended September 30, 2010

<u>Pass-through grantor/program title</u>	<u>Expenditures</u>
Received from - Kansas Department On Aging	
Title III C(1) Congregate Meals	\$ 61,953
Title III C(2) Home Delivered Meals	153,651
Title III C(2) Nutritional Checkoff	11,122
Senior Care Act	<u>145,952</u>
Total passed through	<u>372,678</u>
Total expenditures	<u>\$ 372,678</u>

JAYHAWK AREA AGENCY ON AGING, INC.
RECONCILIATION OF EXPENSES PER AUDITED FINANCIAL STATEMENTS TO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
Year ended September 30, 2010

	Expenses per Financial Statements	LESS			Per SEFA
		NSIP Funds	Other Resources	State Funds	
Title III Administration	\$ 140,487	\$ -	\$ (38,289)	\$ -	\$ 102,198
Title III B Supportive Services	352,944	-	(27,439)	-	325,505
Title III C(1)	420,735	(83,143)	-	(61,953)	275,639
Title III C(1) - NSIP	-	93,446	-	-	93,446
Title III C(1) - ARRA	68,592	(10,303)	(1,474)	-	56,815
Title III C(2) - ARRA	33,809	(5,838)	-	-	27,971
Title III C(2)	452,794	(102,295)	-	(153,651)	196,848
Title III C(2) - NSIP	-	108,133	255	(11,122)	97,266
Title III D	21,553	-	(543)	-	21,010
Title III E	144,694	-	(4,248)	-	140,446
Subtotal	<u>1,635,608</u>	<u>-</u>	<u>(71,738)</u>	<u>(226,726)</u>	<u>1,337,144</u>
Senior Care Act - Social Services Block Grant	<u>437,898</u>	<u>-</u>	<u>-</u>	<u>(145,952)</u>	<u>291,946</u>
Total	<u>\$ 2,073,506</u>	<u>\$ -</u>	<u>\$ (71,738)</u>	<u>\$ (372,678)</u>	<u>\$ 1,629,090</u>

JAYHAWK AREA AGENCY ON AGING, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2010

Summary of Auditor's Results:

Type of report issued on the financial statements	Unqualified
Internal control over financial reporting: Material weaknesses, if any-	None
Significant deficiencies identified that are not considered to be material weaknesses, if any-	Yes
Noncompliance which is material to the financial statements-	None
Internal control over major programs: Material weaknesses, if any-	None
Significant deficiencies identified that are not considered to be material weaknesses, if any-	Yes
Type of report issued on compliance for major programs-	Unqualified
Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133-	Yes
Major program-	Department of Health and Human Services Aging Cluster CFDA No. 93.045/93.044/ 93.053/93.705/93.707
Dollar threshold used to distinguish between Type A and Type B programs-	\$300,000
Auditee qualified as low-risk auditee-	Yes
Findings related to the financial statements required to be reported in accordance with GAGAS-	Yes
Findings and questioned costs for major federal awards-	Yes

JAYHAWK AREA AGENCY ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2010

Findings and Questioned Costs - Financial Statement Audit

Finding 2010-01 Financial statement preparation

Criteria and condition:

We assisted in the preparation of the Agency's year-end financial statements.

Effect:

Management cannot properly analyze the financial position and the related statements of activities, functional expenses and cash flows, including all required footnote disclosures, of the Agency.

Cause of condition:

The Agency does not appear to have adequately qualified personnel responsible for accounting and reporting functions to prepare the Agency's annual financial statements, including related footnote disclosures, in accordance with U.S. generally accepted accounting principles.

Recommendation:

The Agency should periodically consider its alternatives to either obtain this required expertise whether on a full time or as needed basis or continue to outsource these functions. However, outsourcing of these functions requires oversight of these processes by a member of the Agency's management who has the appropriate skill, knowledge and/or expertise and will also accept responsibility for the results.

Grantee response and corrective action plan (unaudited):

The presentation by representatives of Mayer, Hoffman, McCann P.C. to the JAAA finance committee regarding the 2010 audit report explained to the committee that this finding is stated in 95-98% of the non-profit organizations they audit. They stated that this is not a reflection on the staffing at JAAA, and they stated that staff has great knowledge of the agency financial status.

JAAA total funding resources dictates limited management and staffing positions. Employee compensation is below the statewide average. Based on these facts the Management Team and the JAAA Board of Directors have implemented procedures to ensure our financial integrity. JAAA has established a procedure to present monthly financial reports to the Finance Committee for review prior to presenting the report to the JAAA Board of Directors. The Finance Committee, comprised of members of the JAAA Advisory Council and the JAAA Board of directors, reviews the proposed agency budget prior to JAAA Board approval.

JAAA will continue to outsource with a certified public accounting firm, the function of preparing the Agency's annual financial statements in accordance with U.S. generally accepted accounting principles.

Findings and Questioned Costs - Major Federal Award Programs Audit

Finding 2010-02 Procurement, Suspension and Debarment

Federal program and specific Federal award identification:

Program CFDA No.: 93.045/93.044/93.053/93.705/93.707

CFDA program title: Department of Health and Human Services Aging Cluster

Federal Award No.: 10-04-3A, 10-04-4C(1), 10-04-5C(2), 10-04-4B

Federal Award Year: 2010

Name of pass-through entity: Kansas Department on Aging

Compliance Requirement:

Procurement, suspension and debarment

Criteria and condition:

The audit finding is based on the compliance requirement and specific guidance within 2 CFR 180 that states that procurement transactions expected to equal or exceed \$25,000 require that the Agency must verify that the entity in the next lower tier that it is contracting with is not suspended or debarred. During the fiscal year 2010, the Agency did not check the "Excluded Parties List System" (EPLS) for contractors involved to ensure the contractors were not suspended or debarred prior to entering into the contracts.

Effect:

Without verifying that the entity is not suspended or debarred, the Agency could provide funding to a suspended or debarred party.

Cause of condition:

The Agency was unaware of this requirement.

Recommendation:

The Agency should implement controls that would verify that entities with whom it contracts with for equal to or greater than \$25,000 are not suspended or debarred.

Grantee response and corrective action plan (unaudited):

Jayhawk Area Agency on Aging has verified that all current contractors meeting the criteria are neither suspended nor debarred and it is now the practice of the agency to comply with this requirement with future agreements.

Status of Corrective Action Taken on Prior Findings

Prior year findings year ended September 30, 2009:

Finding 2009-01 Financial Statement Preparation

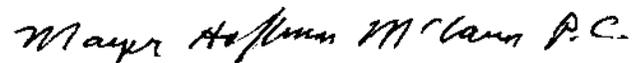
Jayhawk Area Agency on Aging will continue to outsource with a certified public accounting firm, the function of preparing the Agency's annual financial statements in accordance with U.S. generally accepted accounting principles.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Agency'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 Finding 2010-02.

Jayhawk Area Agency on Aging, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Mayer Hoffman McCann P.C.
Topeka, Kansas
February 11, 2011

control over compliance with the requirements that could have a direct and material effect on a major federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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 over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, as described in the accompanying schedule of finding and questioned costs as Finding 2010-02. A significant deficiency in internal control over compliance is a deficiency, or 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.

Jayhawk Area Agency on Aging, Inc.'s responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's responses and accordingly, we express no opinion on the responses.

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

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.
Topeka, Kansas
February 11, 2011