

COUNCIL ON AGING OF WEST FLORIDA, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2008

COUNCIL ON AGING OF WEST FLORIDA, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2008

CONTENTS

	PAGE
Independent Auditor's Report	1
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information:	
Combined Schedule of Functional Expenses	13
Other Reports and Schedules:	
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 <i>Government Auditing Standards</i>	20
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133	22
Schedule of Expenditures of Federal Awards and State Financial Assistance	24
Schedule of Findings and Questioned Costs	26
Summary Schedule of Prior Audit Findings	28

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

We have audited the accompanying statement of financial position of the Council on Aging of West Florida, Inc., (a nonprofit organization), as of December 31, 2008, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Council on Aging of West Florida, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Council on Aging of West Florida, Inc.'s December 31, 2007 financial statements and in our report dated April 28, 2008, we expressed an unqualified opinion on those financial statements.

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.

The accompanying financial statements were prepared for the purposes of complying with federal and state grantor agency requirements, as described in Note 1, and are not intended to be a complete presentation of the Council on Aging of West Florida, Inc.'s assets, liabilities, revenues and expenses.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council on Aging of West Florida, Inc. as of December 31, 2008, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Council on Aging of West Florida, Inc.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2009, on our consideration of the Council on Aging of West Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Council on Aging of West Florida, Inc. taken as a whole. The combined and combining schedules of functional expenses on pages 13 through 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state projects on pages 24 and 25 are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and as required by Chapter 10.650, Rules of the Auditor General, and also are 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Pensacola, Florida
April 16, 2009

COUNCIL ON AGING OF WEST FLORIDA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
With Comparative Totals for 2007

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 184,697	\$ 8,200	\$ 192,897	\$ 109,357
Investments	115,120	-	115,120	322,751
Promises to give	-	-	-	54,250
Grants and local support receivable	522,219	-	522,219	451,621
Prepaid expenses	7,234	-	7,234	10,114
Total current assets	<u>829,270</u>	<u>8,200</u>	<u>837,470</u>	<u>948,093</u>
Property and Equipment	901,690	-	901,690	908,236
Other Assets	<u>11,500</u>	<u>-</u>	<u>11,500</u>	<u>11,936</u>
Total Assets	<u>\$ 1,742,460</u>	<u>\$ 8,200</u>	<u>\$ 1,750,660</u>	<u>\$ 1,868,265</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Current portion of long-term debt	\$ 21,115	\$ -	\$ 21,115	\$ 19,996
Line of credit	-	-	-	183,372
Accounts payable	476,959	-	476,959	553,181
Accrued expenses	152,468	-	152,468	217,802
Refundable advances	11,008	-	11,008	-
Deposits	14,774	-	14,774	19,834
Total current liabilities	<u>676,324</u>	<u>-</u>	<u>676,324</u>	<u>994,185</u>
Long-Term Debt	<u>344,709</u>	<u>-</u>	<u>344,709</u>	<u>365,252</u>
Total Liabilities	<u>1,021,033</u>	<u>-</u>	<u>1,021,033</u>	<u>1,359,437</u>
Net Assets	<u>721,427</u>	<u>8,200</u>	<u>729,627</u>	<u>508,828</u>
Total Liabilities and Net Assets	<u>\$ 1,742,460</u>	<u>\$ 8,200</u>	<u>\$ 1,750,660</u>	<u>\$ 1,868,265</u>

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

COUNCIL ON AGING OF WEST FLORIDA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008
With Comparative Totals for Year Ended December 31, 2007

	2008		2007	
	Unrestricted	Temporarily Restricted	Total	Total
Public Support and Revenue:				
Public support:				
Grants	\$ 4,438,598	\$ -	\$ 4,438,598	\$ 3,447,420
Local support	159,334	17,500	176,834	166,845
In-kind	367,511	-	367,511	112,972
Total public support	<u>4,965,443</u>	<u>17,500</u>	<u>4,982,943</u>	<u>3,727,237</u>
Revenue:				
Project income	173,273	-	173,273	157,679
Interest income	3,903	-	3,903	14,464
Miscellaneous income	188,523	-	188,523	180,179
Total revenue	<u>365,699</u>	<u>-</u>	<u>365,699</u>	<u>352,322</u>
Net assets released from restrictions	<u>82,362</u>	<u>(82,362)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>5,413,504</u>	<u>(64,862)</u>	<u>5,348,642</u>	<u>4,079,559</u>
Expenses and Losses:				
Direct program services:				
Non-DOEA programs	806,891	-	806,891	879,553
Community service programs	1,484,000	-	1,484,000	1,629,327
Social services programs	871,879	-	871,879	585,485
Home service programs	1,361,150	-	1,361,150	912,972
Total direct program services	<u>4,523,920</u>	<u>-</u>	<u>4,523,920</u>	<u>4,007,337</u>
Support services:				
Management and general	<u>542,733</u>	<u>-</u>	<u>542,733</u>	<u>552,877</u>
Total expenses	5,066,653	-	5,066,653	4,560,214
Unrealized loss on investments	<u>61,190</u>	<u>-</u>	<u>61,190</u>	<u>-</u>
Total expenses and losses	<u>5,127,843</u>	<u>-</u>	<u>5,127,843</u>	<u>4,560,214</u>
Change in Net Assets	285,661	(64,862)	220,799	(480,655)
Net Assets:				
Beginning of year	<u>435,766</u>	<u>73,062</u>	<u>508,828</u>	<u>989,483</u>
End of year	<u>\$ 721,427</u>	<u>\$ 8,200</u>	<u>\$ 729,627</u>	<u>\$ 508,828</u>

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

COUNCIL ON AGING OF WEST FLORIDA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008
With Comparative Totals for Year Ended December 31, 2007

	2008	2007
Cash Flows From Operating Activities:		
Change in net assets	\$ 220,799	\$ (480,655)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities -		
Depreciation	56,416	66,316
Unrealized loss (gain) on investments	61,190	(14,124)
Changes in -		
Promises to give	54,250	-
Grants and local support receivable	(70,598)	30,784
Prepaid expenses	2,880	(3,175)
Other assets	436	6,377
Accounts payable	(76,222)	191,311
Accrued expenses	(65,334)	67,262
Refundable advances	11,008	(12,289)
Deposits	(5,060)	3,166
Net cash provided by (used in) operating activities	189,765	(145,027)
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	150,000	93,000
Purchase of investments	(3,559)	(108,489)
Purchase of property and equipment	(49,870)	(7,713)
Net cash provided by (used in) investing activities	96,571	(23,202)
Cash Flows From Financing Activities:		
Principal payments on long-term debt	(19,424)	(18,426)
Net borrowings under line of credit	(183,372)	183,372
Net cash provided by (used in) financing activities	(202,796)	164,946
Net Increase (Decrease) in Cash	83,540	(3,283)
Cash at Beginning of Year	109,357	112,640
Cash at End of Year	\$ 192,897	\$ 109,357
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 23,929	\$ 22,224

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

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The Council on Aging of West Florida, Inc., (the Council) was incorporated as a Florida not-for-profit corporation in 1972. The Corporation has no paid-in capital or shareholders and the affairs are conducted by the Board of Directors as elected by the general membership of the corporation.

The Council's primary purpose is to assist, encourage and promote the well-being of aging individuals in Escambia County. The Council is funded by grants and contracts with the Northwest Florida Area Agency of Aging, Inc., the State of Florida, Department of Elder Affairs, Department of Children and Families, the Corporation for National Community Service and the United Way of Escambia County (the United Way). The Council also receives local financial support from Escambia County, church groups, civic clubs, program participants, foundations and individuals.

Financially Interrelated Organizations:

Accounting principles generally accepted in the United States of America presume that combined financial statements for financially interrelated organizations are necessary for fair presentation. The Council and the Council on Aging Foundation of West Florida, Inc. (the Foundation) are financially interrelated organizations as defined by accounting principles generally accepted in the United States of America.

In order to comply with federal and state grantor agency reporting requirements, these financial statements present the financial position and the results of operations of the Council only, and do not include the financial position or results of operations of the Foundation.

Unaudited financial data for the Foundation as of and for the year ended December 31, 2008 is summarized below:

Assets	\$	57,606
Liabilities	\$	-
Net Assets	\$	57,606
Revenues	\$	3,068
Expenses	\$	-

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation:

The accompanying financial statements of the Council, which are presented on the accrual basis of accounting, have been prepared to focus on the Council as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Federal, state and local amounts received by the Council in advance of the incurrence of allowable costs or performance of services are recorded as refundable advances until such allowable costs are incurred or services are rendered.

Contributions are recognized when a donor makes an unconditional promise to give to the Council. Contributions that are restricted by a donor are reported as increases in temporarily restricted net assets or permanently restricted net assets depending on the nature of the restrictions. When a time restriction expires or a purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unrestricted net assets represent resources generated from operations, unrestricted donations, and lapse of temporary restrictions and are not subject to donor-imposed stipulations.

Use of 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.

Cash and Cash Equivalents:

Cash and cash equivalents include all highly-liquid investments purchased with an original maturity of ninety days or less.

Investments:

Authorized investments consist of mutual funds carried at fair value based on quoted market prices. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities and changes in net assets.

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Local Support Receivable:

Grants and local support receivable are stated at the amount management expects to collect from outstanding balances. When necessary, management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment:

Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated market value on the date of contribution. Expenditures which equal or exceed \$1,000 that materially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance costs are charged to operations when incurred.

Depreciation is computed using the straight-line method. Estimated useful lives of property and equipment range as follows:

Buildings and improvements	10 - 30 years
Furniture, fixtures and equipment	5 - 10 years
Vehicles	5 years

Public Support:

Public support revenue from local governments and government grants is recorded based upon the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the performance of the services has been rendered. Such revenue is subject to audit by the grantor, and if the examination results in a deficiency of allowable expenses, the Council will be required to refund any deficiencies.

Income Taxes:

The Council is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3). As a result, there is no provision for taxes in the accompanying financial statements.

Advertising Costs:

Advertising costs are expensed when incurred.

**COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Support:

The Council records various types of in-kind support. Contributed professional services are recognized if the services received create or enhance long-lived assets or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if the services were not provided by donation. Contributions of tangible assets are recognized at fair market value when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor and are treated as in-kind support for purposes of meeting state matching requirements. The amounts reported in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

General and Administration Expense Allocation:

Management and general expenses are allocated to various programs based on each program's percentage of direct salaries and wages to total direct salaries and wages.

Facilities Repair and Maintenance Expense Allocation:

Facilities repair and maintenance expenses are allocated to various programs based on each program's percentage of square footage occupied to total square footage of the facility.

Reclassifications:

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

NOTE 2 - INVESTMENTS

Investments held at December 31, 2008 are listed below:

	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Unrealized Loss</u>
Mutual funds	<u>\$ 115,120</u>	<u>\$ 123,815</u>	<u>\$ 8,695</u>

Investment return for the year ended December 31, 2008 is summarized as follows:

Interest income	\$ 3,903
Net realized and unrealized losses	<u>(61,190)</u>
Net investment return	<u>\$ (57,287)</u>

**COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 - GRANTS AND LOCAL SUPPORT RECEIVABLE

Grants and local support receivable at December 31, 2008 consist of the following:

Federal grants	\$ 349,561
State grants	154,372
Local support	12,917
Other	<u>5,369</u>
 Total	 <u><u>\$ 522,219</u></u>

Historically, differences between amounts recorded and collected have been insignificant. Accordingly, no provision is made for uncollectible accounts.

NOTE 4 - PROMISES TO GIVE

Conditional Promises to Give:

At December 31, 2008, the Council had conditional promises to give of \$29,500 from the United Way. The amount actually paid by the United Way will depend on the success of their fundraising campaign. Accordingly, these conditional promises to give will be recognized as contributions only when and to the extent the United Way confirms that funding is available.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$ 47,197
Buildings and improvements	960,859
Vehicles	78,830
Equipment - general	52,790
Equipment - computers	106,067
Furniture and fixtures	<u>53,495</u>
	1,299,238
Accumulated depreciation	<u>(397,548)</u>
 Total	 <u><u>\$ 901,690</u></u>

Depreciation expense was \$56,416 for the year ended December 31, 2008.

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 6 - LINE OF CREDIT

The Council has a \$250,000 line of credit available with a financial institution which has no stated expiration date, carries an agreed interest rate of 1% over the financial institution's prime rate, and is secured by deposits held at the financial institution. There were no outstanding borrowings under the line of credit as of December 31, 2008.

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following:

Notes payable to bank, due in monthly installments, including interest from 5.25% to 6.5%, through July 2021, secured by property, building, furniture and equipment	\$ 365,824
Less current portion	<u>21,115</u>
	<u>\$ 344,709</u>

Interest expense for the year ended December 31, 2008 was \$23,929.

Scheduled maturities on long-term debt are as follows:

2009	\$ 21,115
2010	22,298
2011	23,548
2012	24,868
2013	26,263
Thereafter	<u>247,732</u>
	<u>\$ 365,824</u>

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2008 are available for the following purposes:

Purpose Restrictions:

Escambia County Health Agency - MOW	\$ <u>8,200</u>
-------------------------------------	-----------------

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Uninsured Cash Balances:

The Council's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. In October 2008, FDIC coverage was temporarily increased to \$250,000 at each financial institution. Also, unlimited coverage is now temporarily provided for non-interest bearing transaction accounts at financial institutions participating in FDIC's Transaction Account Guarantee Program. At December 31, 2008, the Company did not have any cash balances held by financial institutions in excess of insured limits.

On January 1, 2010, FDIC coverage is scheduled to return to \$100,000 per institution for most cash balances.

Dependency on Government Support:

The Council's services are funded primarily with grants from the United States Department of Health and Human Services and the State of Florida passed through the Florida Department of Elder Affairs and the Northwest Florida Area Agency on Aging. A reduction in the level of future support from these agencies could have a substantial effect on the Council's programs and activities. As of December 31, 2008, management is unaware of any such reduction in future support.

SUPPLEMENTARY INFORMATION

COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINED SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008
With Comparative Totals for 2007

	Program Expenses				Total Program Expenses	Supporting Services	2008 Total Expenses	2007 Total Expenses
	Non- DOEA Programs	Community Service Programs	Social Service Programs	Home Service Programs		Management and General		
Wages	\$ 147,449	\$ 347,491	\$ 439,634	\$ -	\$ 934,574	\$ 395,191	\$ 1,329,765	\$ 1,372,514
Employee leasing and benefits	38,432	109,295	123,300	-	271,027	113,320	384,347	386,094
Travel	12,418	21,856	19,167	-	53,441	8,267	61,708	99,779
Education and training	1,157	327	4,470	-	5,954	2,992	8,946	7,498
Communications/postage	6,882	18,285	13,199	14	38,379	19,555	57,934	49,969
Utilities	690	11,253	697	10	12,650	20,767	33,417	30,097
Printing/supplies	3,843	6,798	4,043	1	14,686	14,523	29,208	40,384
Advertising	1,025	2,170	3,987	-	7,182	1,143	8,325	16,928
Insurance	6,985	20,504	12,525	81	40,095	4,541	44,637	49,007
Maintenance and repair	886	10,027	1,794	8	12,715	10,627	23,342	24,936
Building costs	2,176	14,922	2,070	34	19,202	15,070	34,272	31,150
Purchased equipment	4,314	6,329	8,941	24	19,608	15,182	34,790	27,290
Professional, legal and accounting	-	-	1,739	-	1,739	42,736	44,475	115,627
Volunteer expenses	318,603	237	30	16	318,886	44	318,929	402,839
Sub-contractors	88,001	649,675	-	1,313,837	2,051,513	2,142	2,053,655	1,624,438
Program supplies	2,693	10,710	459	-	13,861	170	14,031	67,908
Depreciation	-	-	-	-	-	56,416	56,416	65,780
Interest expense	-	-	-	-	-	23,929	23,929	22,224
In-kind expenses	80,453	6,721	-	-	87,174	275,337	362,511	-
Other expenses	1,778	34,926	678	36,418	73,800	68,217	142,017	125,752
Totals	717,784	1,271,525	636,732	1,350,443	3,976,484	1,090,169	5,066,653	4,560,214
Allocation of Management and General Expenses	76,112	182,130	223,584	10,495	492,321	(492,321)	-	-
Allocation of Facilities and Maintenance Expenses	12,995	30,345	11,563	212	55,115	(55,115)	-	-
Total Expenses	\$ 806,891	\$ 1,484,000	\$ 871,879	\$ 1,361,150	\$ 4,523,920	\$ 542,733	\$ 5,066,653	\$ 4,560,214

**COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008**

	Non-DOEA Programs							Total
	Foster Grandparents	Retired Senior Volunteers	Senior Companions	Senior Companions- Companionship	Senior Companions- Relief	Private Pay Home Delivered Meals	Private Pay Adult Day Health Care	
Wages	\$ 29,489	\$ 49,185	\$ 33,567	\$ 43	\$ 6,090	\$ 14,974	\$ 14,102	\$ 147,449
Employee leasing and benefits	5,512	12,332	9,966	24	2,004	4,106	4,488	38,432
Travel	2,577	2,578	2,228	1	298	4,551	185	12,418
Education and training	385	350	375	-	-	-	48	1,157
Communications/postage	1,462	2,573	1,477	20	66	598	685	6,882
Utilities	86	204	87	-	20	72	220	690
Printing/supplies	1,064	1,040	710	15	52	380	582	3,843
Advertising	214	428	214	-	-	61	108	1,025
Insurance	1,060	2,205	1,218	-	162	737	1,603	6,985
Maintenance and repair	136	203	138	-	16	94	299	886
Building costs	296	683	298	-	67	93	738	2,176
Purchased equipment	1,249	1,030	1,228	-	48	342	417	4,314
Professional, legal and accounting	-	-	-	-	-	-	-	-
Volunteer expenses	169,119	6,672	119,258	208	23,322	14	9	318,603
Sub-contractors	38,201	-	25,346	-	-	14,095	10,359	88,001
Program supplies	656	41	647	-	-	65	1,284	2,693
In-kind expenses	37,443	30,084	12,926	-	-	-	-	80,453
Other expenses	148	1,084	129	-	15	19	383	1,778
Totals	289,097	110,692	209,812	310	32,161	40,202	35,511	717,784
Allocation of Management and General Expenses	14,271	27,183	15,630	-	4,077	8,155	6,796	76,112
Allocation of Facilities and Maintenance Expenses	1,806	4,127	1,816	-	424	222	4,600	12,995
Total Expenses	\$ 305,174	\$ 142,002	\$ 227,258	\$ 310	\$ 36,662	\$ 48,579	\$ 46,907	\$ 806,891
Total Units	-	-	-	20	5,242	3,649	650	

COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Community Service Programs							Adult Daycare/ Adult Day Healthcare/ Facility-Based Respite	Total
	Congregate Meals	Home Delivered Meals	Nutrition Education	Outreach	Recreation	Transportation			
Wages	\$ 103,047	\$ 59,383	\$ 9,525	\$ 1,869	\$ 26,452	\$ 19,249	\$ 127,964	\$ 347,491	
Employee leasing and benefits	26,047	19,309	2,157	452	10,428	6,852	44,050	109,295	
Travel	5,682	12,182	610	28	2,518	696	142	21,856	
Education and training	-	-	-	-	52	-	275	327	
Communications/postage	9,560	3,576	16	51	206	154	4,723	18,285	
Utilities	8,900	1,027	10	15	20	31	1,249	11,253	
Printing/supplies	1,624	1,787	9	27	75	65	3,211	6,798	
Advertising	531	591	-	15	25	25	983	2,170	
Insurance	3,793	2,427	-	157	394	3,888	9,847	20,504	
Maintenance and repair	8,025	347	-	26	61	53	1,515	10,027	
Building costs	9,524	1,075	8	51	49	55	4,160	14,922	
Purchased equipment	2,358	1,672	5	79	193	188	1,834	6,329	
Professional, legal and accounting	-	-	-	-	-	-	-	-	
Volunteer expenses	3	165	-	0	11	8	48	237	
Sub-contractors	242,494	328,419	-	-	-	17,929	60,834	649,675	
Program supplies	1,232	701	0	13	1,468	21	7,276	10,710	
In-kind expenses	5,966	-	-	-	-	755	-	6,721	
Other expenses	4,889	608	1	14	6,050	17,551	5,814	34,926	
Totals	433,675	433,269	12,340	2,796	48,001	67,519	273,924	1,271,525	
Allocation of Management and General Expenses	57,765	31,261	5,437	1,359	13,592	8,835	63,881	182,130	
Allocation of Facilities and Maintenance Expenses	1,362	2,098	60	313	212	211	26,089	30,345	
Total Expenses	\$ 492,802	\$ 466,628	\$ 17,837	\$ 4,468	\$ 61,805	\$ 76,565	\$ 363,894	\$ 1,484,000	
Total Units	80,592	99,131	30	1,355	122,549	9,030	27,428		

**COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008
(Continued)**

	Social Service Programs						
	Case Aid	Case Management	Screening and Assessment	Screening	Caregiver Training	Caregiver Support Group	Gerontological Counseling
Wages	\$ 25,176	\$ 369,426	\$ 26,871	\$ 5,729	\$ 2,888	\$ 2,888	\$ 5,555
Employee leasing and benefits	7,763	101,857	8,080	1,970	753	753	1,739
Travel	1,222	16,256	850	386	127	127	177
Education and training	51	4,357	62	-	-	-	-
Communications/postage	1,116	10,403	1,680	-	-	-	-
Utilities	52	425	220	-	-	-	-
Printing/supplies	271	3,296	224	-	253	-	-
Advertising	339	2,922	726	-	-	-	-
Insurance	977	9,522	2,026	-	-	-	-
Maintenance and repair	150	1,402	242	-	-	-	-
Building costs	178	1,414	478	-	-	-	-
Purchased equipment	686	7,184	1,072	-	-	-	-
Professional, legal and accounting	-	1,392	-	-	-	347	-
Volunteer expenses	2	27	2	-	-	-	-
Sub-contractors	-	-	-	-	-	-	-
Program supplies	7	128	9	-	315	-	-
In-kind expenses	-	-	-	-	-	-	-
Other expenses	51	509	117	-	-	-	-
Totals	38,040	530,520	42,659	8,085	4,335	4,114	7,471
Allocation of Management and General Expenses	13,592	169,217	29,222	3,398	1,359	1,359	4,757
Allocation of Facilities and Maintenance Expenses	1,029	7,375	2,391	91	91	91	404
Total Expenses	\$ 52,661	\$ 707,112	\$ 74,272	\$ 11,574	\$ 5,785	\$ 5,564	\$ 12,632
Total Units	1,769	14,147	1,700	406	5	24	488

**COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008
(Continued)**

	Social Service Programs		Home Service Programs			
	Education/ Training	Total	Chore	Companionship	Counseling	Emergency Alert Response
Wages	\$ 1,101	\$ 439,634	\$ -	\$ -	\$ -	\$ -
Employee leasing and benefits	385	123,300	-	-	-	-
Travel	23	19,167	-	-	-	-
Education and training	-	4,470	-	-	-	-
Communications/postage	-	13,199	-	14	-	-
Utilities	-	697	-	10	-	-
Printing/supplies	-	4,043	-	1	-	-
Advertising	-	3,987	-	-	-	-
Insurance	-	12,525	-	81	-	-
Maintenance and repair	-	1,794	-	8	-	-
Building costs	-	2,070	-	34	-	-
Purchased equipment	-	8,941	-	24	-	-
Professional, legal and accounting	-	1,739	-	-	-	-
Volunteer expenses	-	30	16	-	-	-
Sub-contractors	-	-	1,046	215,575	575	24,072
Program supplies	-	459	-	-	-	-
In-kind expenses	-	-	-	-	-	-
Other expenses	-	678	-	7	-	-
Totals	1,509	636,732	1,062	215,754	575	24,072
Allocation of Management and General Expenses	680	223,584	-	680	-	-
Allocation of Facilities and Maintenance Expenses	91	11,563	-	212	-	-
Total Expenses	\$ 2,280	\$ 871,879	\$ 1,062	\$ 216,646	\$ 575	\$ 24,072
Total Units	-		58	15,176	-	29,137

COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Home Service Programs					
	Escort	Frozen Home Delivered Meals	Homemaker	Material Aide	In-Home Respite	Personal Care
Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee leasing and benefits	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Education and training	-	-	-	-	-	-
Communications/postage	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Printing/supplies	-	-	-	-	-	-
Advertising	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Maintenance and repair	-	-	-	-	-	-
Building costs	-	-	-	-	-	-
Purchased equipment	-	-	-	-	-	-
Professional, legal and accounting	-	-	-	-	-	-
Volunteer expenses	-	-	-	-	-	-
Sub-contractors	3,249	17,280	241,767	-	526,283	126,504
Program supplies	-	-	-	-	-	-
In-kind expenses	-	-	-	-	-	-
Other expenses	-	-	-	36,411	-	-
Totals	3,249	17,280	241,767	36,411	526,283	126,504
Allocation of Management and General Expenses	-	-	-	-	3,464	3,284
Allocation of Facilities and Maintenance Expenses	-	-	-	-	-	-
Total Expenses	\$ 3,249	\$ 17,280	\$ 241,767	\$ 36,411	\$ 529,747	\$ 129,788
Total Units	184	3,183	18,445	23	30531	7015

COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008
(Continued)

	Home Service Programs				Total Program Expenses
	Pest Control	Skilled Nursing	Equipment	Total	
Wages	\$ -	\$ -	\$ -	\$ -	934,574
Employee leasing and benefits	-	-	-	-	271,027
Travel	-	-	-	-	53,441
Education and training	-	-	-	-	5,954
Communications/postage	-	-	-	14	38,379
Utilities	-	-	-	10	12,650
Printing/supplies	-	-	-	1	14,686
Advertising	-	-	-	-	7,182
Insurance	-	-	-	81	40,095
Maintenance and repair	-	-	-	8	12,715
Building costs	-	-	-	34	19,202
Purchased equipment	-	-	-	24	19,608
Professional, legal and accounting	-	-	-	-	1,739
Volunteer expenses	-	-	-	16	318,886
Sub-contractors	260	126	157,100	1,313,837	2,051,513
Program supplies	-	-	-	-	13,861
In-kind expenses	-	-	-	-	87,174
Other expenses	-	-	-	36,418	73,800
	260	126	157,100	1,350,443	3,976,484
Allocation of Management and General Expenses	-	-	3,067	10,495	492,321
Allocation of Facilities and Maintenance Expenses	-	-	-	212	55,115
Total Expenses	\$ 260	\$ 126	\$ 160,167	\$ 1,361,150	4,523,920
Total Units	-	4	2,615		

OTHER REPORTS AND SCHEDULES

**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**

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

We have audited the financial statements of Council on Aging of West Florida, Inc., (the Council) as of and for the year ended December 31, 2008, and have issued our report thereon dated April 16, 2009. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential, will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters that we reported to management of Council on Aging of West Florida, Inc. in a separate letter dated April 16, 2009.

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



Pensacola, Florida
April 16, 2009

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

Compliance

We have audited the compliance of the Council on Aging of West Florida, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended December 31, 2008. Council on Aging of West Florida, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of Council on Aging of West Florida, Inc.'s management. Our responsibility is to express an opinion on Council on Aging of West Florida, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, 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 and state project occurred. An audit includes examining, on a test basis, evidence about Council on Aging of West Florida, 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 of Council on Aging of West Florida, Inc.'s compliance with those requirements.

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

In our opinion, Council on Aging of West Florida, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Council on Aging of West Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Council on Aging of West Florida, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program and a state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council on Aging of West Florida, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of Council on Aging of West Florida, Inc., the State of Florida, and applicable 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.



Pensacola, Florida
April 16, 2009

**COUNCIL ON AGING OF WEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of Florida Department of Elder Affairs: Child and Adult Care Food Program	10.558	N/A	\$ 12,301
Passed through Northwest Florida Area Agency on Aging: Nutrition Services Incentive Program	10.570	AU008-E	80,348
<u>U.S. Department of Housing and Urban Development</u>			
Passed through City of Pensacola: Community Development Block Grant	14.218	N/A	80,436
Passed through Escambia County: Community Development Block Grant	14.218	N/A	50,000
			<u>130,436</u>
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program	83.523	N/A	9,000
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Florida Department of Elder Affairs/ Passed through Northwest Florida Area Agency on Aging: Aging Cluster: Special Programs for the Aging:			
Title III-B, Grants for Supportive Services and Senior Centers	93.044	AA-008-E	482,830
Title III-Part C, Nutrition Services	93.045	AA-008-E	660,609
National Family Caregiver Support	93.052	AA008-E	183,968
<u>Corporation for National and Community Service</u>			
Retired and Senior Volunteer Program	94.002	06SRSFL012	52,045
Foster Grandparent Program	94.011	06SFSFL004	263,065
Senior Companion Program	94.016	06SCSFL002	161,487
			<u>476,597</u>
Total Federal Awards			<u>\$ 2,036,089</u>

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

**COUNCIL ON AGING OF WEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF STATE PROJECTS
YEAR ENDED DECEMBER 31, 2008**

<u>State Grantor/Pass-through Grantor/Project Title</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>Department of Children and Families</u>			
Community Care for Disabled Adults	65.008	RPQ000002	\$ 2,419
<u>State Grants and Aids Appropriations</u>			
Tobacco Settlement Trust Funds:			
Community Care for the Elderly	65.010	AC008-E	1,038,874
Alzheimers Disease Initiative - Respite Services	65.004	AZ008-E	312,948
Relief	65.006	AR008-E	38,003
			<u>1,389,825</u>
<u>State Grants and Aids Appropriations</u>			
General Revenues:			
Home Care for the Elderly - Case Management	65.001	AH008-E	32,763
Home Care for the Elderly - Subsidies	65.001	AH008-E	244,193
Communities for a Lifetime	65.012	N/A	2,490
			<u>279,446</u>
Total State Projects			<u>\$ 1,671,690</u>

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

**COUNCIL ON AGING OF WEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
YEAR ENDED DECEMBER 31, 2008**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unqualified opinion on the financial statements of the Council on Aging of West Florida, Inc..
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Council on Aging of West Florida, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs and state projects are reported in the Independent Auditor's Report on Compliance and Internal Control Over Compliance Applicable to each Major Federal Program and State Project.
5. The auditor's report on compliance for major federal award programs and state projects for the Council on Aging of West Florida, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major federal programs and state projects for the Council on Aging of West Florida, Inc. which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs/projects were:

Federal Program

Aging Cluster: Special Programs for the Aging

Title III Part B - Grants for Supportive Services and Senior Centers (CFDA No. 93.044).

Title III Part C - Nutrition Services (CFDA No. 93.045).

State Project

Community Care for the Elderly (CSFA No. 65.010).

Alzheimer's Respite Services (CSFA No. 65.004).

8. The threshold for distinguishing Type A and B programs was \$300,000 for major federal programs and major state projects.
9. Council on Aging of West Florida, Inc. was determined to be a high-risk auditee pursuant to OMB Circular A-133.

COUNCIL ON AGING OF WEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
YEAR ENDED DECEMBER 31, 2008
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

None

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

None

COUNCIL ON AGING OF WEST FLORIDA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding 07-1: Financial Reporting System

Condition: We noted that the Council's financial reporting system was not operating effectively in the first eight months of fiscal year 2007. Specifically, the following conditions were noted:

- The Council did not have an individual on staff with the necessary expertise to prepare its financial statements in accordance with generally accepted accounting principles, or to prevent, detect and correct any material misstatements or missing disclosures therein. As a result, we proposed audit adjustments and prepared the Council's financial statements in connection with our audit. Management accepted our proposed audit adjustments and full responsibility for the financial statements. The most significant audit adjustments included a \$59,000 decrease in miscellaneous income, a \$45,000 decrease in accounts receivable, a \$50,000 adjustment to accrue salaries expense, a \$62,000 decrease in subcontractor services expense, and a \$73,000 decrease in beginning net assets to reverse certain clean up entries made during the current period.
- The ending balances in the old accounting system were not properly rolled forward into the new accounting system in fiscal year 2006 and the first eight months of fiscal year 2007. Accordingly, many transactions in fiscal year 2006 and the first eight months of fiscal year 2007 were coded to the wrong programs and interim financial reports were not prepared in an accurate or timely manner. Also, bank accounts were not being reconciled to a meaningful general ledger balance during fiscal year 2006 and the first eight months of fiscal year 2007.
- As a result of the preceding conditions, certain grant funds were already spent and not available in fiscal year 2007 as had been anticipated in the budget. This contributed to the \$480,655 decrease in net assets experienced by the Council for fiscal year 2007.

In August 2007, management made personnel changes in the accounting department to address these problems. Management also engaged a CPA firm to assist management in correcting the balances brought forward from the old accounting system. By November 2007, management began submitting monthly financial statements to the Board for review and had enhanced the monitoring of program spending through monthly comparisons of actual expenses to specific monthly goals. Although management addressed these problems, an effective system of internal controls should include monitoring procedures that identify and prevent these problems before they occur.

Recommendation: We recommended that the Council continue to review and enhance its procedures for monitoring the effectiveness of the financial reporting system.

Current Status: Condition did not exist in the current year.