

JAYHAWK AREA AGENCY ON AGING, INC.

**FINANCIAL STATEMENTS WITH ADDITIONAL
INFORMATION AND A-133 SECTION**

**YEARS ENDED SEPTEMBER 30,
2012 AND 2011**



Mayer Hoffman McCann P.C.

An Independent CPA Firm

990 SW Fairlawn Road
Topeka, Kansas 66606-2384
785-272-3176 ph
785-272-2903 fx
www.mhm-pc.com

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, 2012 and 2011, 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, 2012 and 2011, 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 March 18, 2013 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 assessing the results of our audit.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.
Topeka, Kansas
March 18, 2013

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

	September 30,	
	2012	2011
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 282,822	\$ 212,191
Cash and cash equivalents - temporarily restricted	25,108	21,734
Certificates of deposit	102,319	101,400
Accounts receivable	261,691	210,943
Prepaid expenses	13,479	15,666
Total current assets	685,419	561,934
Property, plant and equipment, at cost, less accumulated depreciation	1,015,428	1,015,206
Total assets	\$ 1,700,847	\$ 1,577,140
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of note payable	\$ 29,518	\$ 28,082
Accounts payable	150,493	110,411
Deferred revenue	110,600	90,682
Accrued payroll taxes and benefits	37,878	30,289
Accrued payroll	42,147	41,827
Current portion of deferred lease income	1,600	1,600
Total current liabilities	372,236	302,891
Long term liabilities:		
Note payable	499,679	531,778
Deferred lease income	28,800	30,400
Total long term liabilities	528,479	562,178
Total liabilities	900,715	865,069
Net assets:		
Unrestricted:		
Board designated	31,492	46,623
Undesignated	743,532	643,714
Total unrestricted net assets	775,024	690,337
Temporarily restricted	25,108	21,734
Total net assets	800,132	712,071
Total liabilities and net assets	\$ 1,700,847	\$ 1,577,140

See Notes to the Financial Statements

JAYHAWK AREA AGENCY ON AGING, INC.
STATEMENT OF ACTIVITIES
Year ended September 30, 2012

Support and revenue:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Kansas Department for Aging and Disability Services funds:			
Title III funds - federal	\$ 949,506	\$ -	\$ 949,506
Title III funds - state	344,896	-	344,896
NSIP	175,688	-	175,688
Nutrition check off	11,400	-	11,400
Senior Care Act	524,183	-	524,183
CARE Level 1	150,869	-	150,869
Targeted case management	412,683	-	412,683
Other grants and contracts	64,604	-	64,604
Local resources	108,622	-	108,622
Miscellaneous income	48,349	-	48,349
Donations	61,509	10,324	71,833
Interest income	1,184	-	1,184
Gain on sale of property	26,566	-	26,566
Net assets released from restrictions	6,950	(6,950)	-
Total support and revenue	<u>2,887,009</u>	<u>3,374</u>	<u>2,890,383</u>
 Expenses:			
Program expenses:			
Title III - Administration	136,067	-	136,067
Title III - Supportive Services	330,093	-	330,093
Title III - C (1)	467,083	-	467,083
Title III - C (2)	497,990	-	497,990
Title III - D	23,675	-	23,675
Title III - E	130,247	-	130,247
Senior Care Act	455,307	-	455,307
Targeted case management	528,070	-	528,070
CARE Level 1	150,755	-	150,755
SHICK program	52,878	-	52,878
Older Americans Month	7,760	-	7,760
Guardian Angel	1,748	-	1,748
Nursing facility transition	1,812	-	1,812
Fundraising	629	-	629
Management and general	18,208	-	18,208
Total expenses	<u>2,802,322</u>	<u>-</u>	<u>2,802,322</u>
Change in net assets	84,687	3,374	88,061
Net assets, beginning of year	690,337	21,734	712,071
Net assets, end of year	<u>\$ 775,024</u>	<u>\$ 25,108</u>	<u>\$ 800,132</u>

See Notes to the Financial Statements

JAYHAWK AREA AGENCY ON AGING, INC.
STATEMENT OF ACTIVITIES
Year ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Kansas Department for Aging and Disability Services funds:			
Title III funds - federal	\$ 980,935	\$ -	\$ 980,935
Title III funds - state	355,667	-	355,667
NSIP	183,657	-	183,657
Nutrition check off	11,097	-	11,097
Senior Care Act	429,070	-	429,070
CARE Level 1	144,663	-	144,663
Targeted case management	464,990	-	464,990
Other grants and contracts	55,191	6,000	61,191
Local resources	98,185	-	98,185
Miscellaneous income	47,684	-	47,684
Donations	9,658	16,006	25,664
Interest income	1,638	-	1,638
Net assets released from restrictions	17,788	(17,788)	-
Total support and revenue	<u>2,800,223</u>	<u>4,218</u>	<u>2,804,441</u>
Expenses:			
Program expenses:			
Title III - Administration	137,033	-	137,033
Title III - Supportive Services	331,041	-	331,041
Title III - C (1)	490,882	-	490,882
Title III - C (2)	493,576	-	493,576
Title III - D	25,210	-	25,210
Title III - E	132,957	-	132,957
Senior Care Act	387,314	-	387,314
Targeted case management	607,744	-	607,744
CARE Level 1	132,849	-	132,849
SHICK program	49,194	-	49,194
Other grants	26,078	-	26,078
Older Americans Month	9,928	-	9,928
Guardian Angel	1,232	-	1,232
Voucher contractual services	8,422	-	8,422
Fundraising	532	-	532
Management and general	20,127	-	20,127
Total expenses	<u>2,854,119</u>	<u>-</u>	<u>2,854,119</u>
Change in net assets	(53,896)	4,218	(49,678)
Net assets, beginning of year	744,233	17,516	761,749
Net assets, end of year	<u>\$ 690,337</u>	<u>\$ 21,734</u>	<u>\$ 712,071</u>

See Notes to the Financial Statements

Program services			Supporting activities				Total expenses
SHICK Program	Guardian Angel Fund	Nursing Facility Transition	Fundraising		Management and general		
			Fundraising	Older Americans Month	Management and general	Title III Administration	
\$ 21,779	\$ -	\$ 1,465	\$ -	\$ -	\$ 9,054	\$ 79,725	\$ 925,016
6,638	-	320	-	-	312	18,677	211,136
128	-	-	-	-	804	9,082	35,336
10,978	-	-	-	350	415	-	12,665
-	-	-	-	-	840	3,310	6,638
554	-	-	-	105	1,931	-	6,936
870	-	-	-	-	-	-	42,312
-	-	-	-	-	8,428	50	8,603
4,775	-	-	-	-	4,408	155	17,997
3,424	-	-	-	25	1,747	575	17,134
156	-	-	-	-	1,031	949	8,481
-	-	-	-	-	3,783	1,706	8,335
2,208	-	-	-	1,361	-	11,010	86,739
251	-	-	-	-	663	-	1,338
-	-	-	-	-	539	-	613
147	-	-	-	-	-	1,045	10,334
597	-	27	-	15	34	1,705	46,643
373	1,748	-	629	3,938	(23,373)	3,054	22,387
-	-	-	-	1,966	7,592	5,024	14,826
-	-	-	-	-	-	-	1,318,853
<u>\$ 52,878</u>	<u>\$ 1,748</u>	<u>\$ 1,812</u>	<u>\$ 629</u>	<u>\$ 7,760</u>	<u>\$ 18,208</u>	<u>\$ 136,067</u>	<u>\$ 2,802,322</u>

Program services			Supporting activities				Total expenses
Other grants	Guardian Angel Fund	Voucher Contractual Services	Fundraising		Management and general		
			Fundraising	Older Americans Month	Management and general	Title III Administration	
\$ -	\$ -	\$ 5,062	\$ -	\$ -	\$ 9,218	\$ 89,941	\$ 957,635
-	-	1,051	-	-	1,178	18,241	220,673
-	-	665	-	-	746	8,652	28,911
-	-	-	-	470	440	-	1,182
-	-	-	-	-	226	-	615
-	-	75	-	169	5,245	-	12,291
-	-	-	-	-	-	-	41,829
-	-	-	-	-	5,456	50	5,564
20,079	-	752	-	-	7,157	2,061	34,312
744	-	82	-	46	878	857	11,603
-	-	143	-	56	1,680	140	9,626
1,102	-	109	-	-	2,038	59	7,263
-	-	-	-	1,541	3,893	8,816	87,601
3,321	-	-	-	-	1,195	-	5,185
-	-	-	-	-	516	-	812
-	-	-	-	-	-	999	10,309
-	-	237	-	-	-	960	36,710
832	1,232	246	532	3,583	(25,060)	3,018	21,391
-	-	-	-	4,063	5,321	3,239	12,623
-	-	-	-	-	-	-	1,347,984
<u>\$ 26,078</u>	<u>\$ 1,232</u>	<u>\$ 8,422</u>	<u>\$ 532</u>	<u>\$ 9,928</u>	<u>\$ 20,127</u>	<u>\$ 137,033</u>	<u>\$ 2,854,119</u>

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

	Years ended September 30,	
	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 88,061	\$ (49,678)
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	42,312	41,830
Gain on sale of property	(26,566)	-
Decrease (increase) in operating assets:		
Temporarily restricted cash and cash equivalents	(3,374)	(4,218)
Accounts receivable	(50,748)	51,735
Deposits	(150)	30
Prepaid expense	2,338	5,706
(Decrease) increase in operating liabilities:		
Accounts payable	40,082	(66,132)
Deferred revenue	19,918	9,874
Accrued payroll taxes and benefits	7,589	2,381
Accrued payroll	320	120
Deferred lease income	(1,600)	(1,600)
	118,182	(9,952)
Cash flows from operating activities		
Cash flows from investing activities:		
Change in certificates of deposit	(919)	78,239
Proceeds from sale of property	92,253	-
Purchase of property and equipment	(108,221)	(6,134)
	(16,887)	72,105
Cash flows from investing activities		
Cash flows from financing activities:		
Principal payments on notes payable	(30,664)	(23,638)
	(30,664)	(23,638)
Cash flows from financing activities		
Net increase in cash and cash equivalents	70,631	38,515
Cash and cash equivalents at beginning of year	212,191	173,676
Cash and cash equivalents at end of year	\$ 282,822	\$ 212,191

See Notes to the Financial Statements

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies**

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.

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, 2012 and 2011.

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.

There have been no interest or penalties recognized neither in the statements of activities nor in the statements of financial position 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 2008 and forward.

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.

The Federal Deposit Insurance Corporation insures amounts held by each institution in the Agency's name up to \$250,000. For the period, December 31, 2010 through December 31, 2012, all noninterest-bearing transactional accounts are fully insured, regardless of the balance of the account at all FDIC-insured institutions. Beginning January 1, 2013, all amounts held by each FDIC-insured institution in the Organization's name are insured up to \$250,000. At various times during the fiscal year, the Agency's cash in bank balances exceeded the federally insured limits. The Agency has securities pledged with CoreFirst Bank & Trust that covers any uninsured amount. At September 30, 2012 and 2011, all deposits were fully collateralized.

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS

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	3-10 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.

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 supporting activities benefited.

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, 2012 and 2011.

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 \$14,827 and \$12,623 for the years ended September 30, 2012 and 2011, respectively. In addition, certain in-kind services and related expenses have been allocated to the respective programs.

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.

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS

Advertising costs - The Agency expenses advertising costs as they are incurred. Advertising expenses for the years ended September 30, 2012 and 2011 were \$12,665 and \$1,182 respectively.

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.

2. Property, plant and equipment

	September 30,	
	2012	2011
Cost:		
Land	\$ 139,000	\$ 139,000
Buildings and improvements	1,083,777	1,067,367
Furniture and equipment	38,439	22,971
Total property, plant and equipment	1,261,216	1,229,338
Less accumulated depreciation	(245,788)	(214,132)
Net property, plant and equipment	\$ 1,015,428	\$ 1,015,206

3. 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. Accrued vacation as of September 30, 2012 and 2011 was \$37,878 and \$30,288, respectively.

4. 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.

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS

The employer rate established for the period of October 1, 2011 to December 31, 2011 was 6.74%. The employer rate established for the period of January 1, 2012 to September 30, 2012 was 7.34%.

The employer rate established for the period of October 1, 2010 to December 31, 2010 was 6.14%. The employer rate established for the period of January 1, 2011 to September 30, 2011 was 6.74%.

The Agency's contributions to KPERS for the fiscal years ended September 30, 2012 and 2011 were \$69,090 and \$65,692, respectively.

5. 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 \$31,492 and \$26,457 at September 30, 2012 and 2011, respectively.

The Agency's Board of Directors has designated a portion of the net assets for use for expenditures on a voucher meal site in Shawnee County. The balance of this Board designated net asset was \$0 and \$20,166 at September 30, 2012 and 2011, 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, 2012 and 2011.

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, 2012 and 2011.

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, 2012 and 2011 are the remaining funds raised by the employees.

Temporarily restricted net assets consisted of the following:

	September 30,	
	2012	2011
Older Americans Month	\$ 8,885	\$ 13,674
Employee fundraising	414	306
Guardian Angel Fund	15,809	7,754
 Total temporarily restricted net assets	 \$ 25,108	 \$ 21,734

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS

6. Operating leases

The Agency entered into a lease for its Lawrence office facility. This lease has been extended to cover the period from January 1, 2012 to December 31, 2012 and requires monthly rent of \$345. Lease expense for the years ended September 30, 2012 and 2011 was \$4,140 and \$3,894, respectively.

The Agency leases a copier. This lease commenced in January 2007 and was renewed February 2012. The new agreement is for 63 months, expiring in May 2017. Required monthly rental payments are \$215. Lease expense for this was \$3,621 and \$4,378 for the years ended September 30, 2012 and 2011, respectively.

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 \$69. Lease expense for this was \$828 and \$824 for years ended September 30, 2012 and 2011, 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, expiring June 30, 2013. Lease expense for this was \$2,400 and \$2,400 for years ended September 30, 2012 and 2011, respectively.

Future minimum lease payments are as follows for the years ended September 30:

2013	\$	5,830
2014		2,581
2015		2,581
2016		2,581
2017		<u>1,721</u>
Total		<u>\$ 15,294</u>

7. 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.

8. Note payable

Note payable consisted of the following:

	September 30,	
	2012	2011
Mortgage note payable to bank in monthly installments of \$4,632, including interest at 5.00%, due December 7, 2025, secured by building with a net book value at September 30, 2012 of \$582,594.	\$ 529,197	\$ 559,860
Less current portion of note payable	(29,518)	(28,082)
Total note payable – long term	\$ 499,679	\$ 531,778

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS

Future maturities of the note payable are as follows:

2013	\$ 29,518
2014	31,029
2015	32,616
2016	34,285
2017	41,858
Thereafter	<u>359,891</u>
Total	<u>\$ 529,197</u>

9. Concentrations

The Agency is dependent upon funding granted by the Kansas Department for Aging and Disability Services. 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 for Aging and Disability Services made up approximately 90% and 92% of the Agency's operating revenues for the years ended September 30, 2012 and 2011, respectively.

Approximately 98% and 93% of the Agency's accounts receivable came from the Kansas Department for Aging and Disability Services as of September 30, 2012 and 2011, 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% of the total purchases for each of the years ended September 30, 2012 and 2011.

10. 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, 2012 and 2011.

11. 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 four years.

12. Cash flow disclosures

The following is a summary of supplemental cash flow information:

	<u>Years ended September 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash paid:		
Interest	<u>\$ 27,654</u>	<u>\$ 30,553</u>

JAYHAWK AREA AGENCY ON AGING, INC.
NOTES TO THE FINANCIAL STATEMENTS

13. Subsequent events

The Agency has evaluated subsequent events through March 18, 2013, which is the date the financial statements were available to be issued. No events were significant enough to warrant disclosures in the accompanying financial statements or notes.

Supplementary Information



Mayer Hoffman McCann P.C.

An Independent CPA Firm

990 SW Fairlawn Road
Topeka, Kansas 66606-2384
785-272-3176 ph
785-272-2903 fx
www.mhm-pc.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the basic financial statements of Jayhawk Area Agency on Aging, Inc. as of and for the years ended September 30, 2012 and 2011 and have issued our report thereon dated March 18, 2013, which contained an unqualified opinion on the basic financial statements. Our audits were performed for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on pages 16-28, including the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.
Topeka, Kansas
March 18, 2013

JAYHAWK AREA AGENCY ON AGING, INC.
ADDITIONAL INFORMATION

1. Cash and cash equivalents and certificates of deposit

Cash and cash equivalents at September 30, 2012 were as follows:

	Book Balance	Bank Balance
CoreFirst Bank and Trust, Topeka, Kansas:		
Checking	\$ 33,276	\$ 41,385
Small checking	185	185
Money market	274,469	274,469
Total CoreFirst Bank and Trust	307,930	316,039
Horton National Bank, Horton, Kansas:		
Certificate of deposit	102,319	102,319
Total cash and cash equivalents and certificates of deposit	\$ 410,249	\$ 418,359

2. Deferred revenue

Deferred revenue consisted of the following:

	September 30,	
	2012	2011
Local resources	\$ 15,254	\$ 7,087
Title III Funds	8,178	17,400
Senior Care Act advance	80,907	62,302
Other	6,261	3,893
Total deferred revenue	\$ 110,600	\$ 90,682

JAYHAWK AREA AGENCY ON AGING, INC.
RECONCILIATION OF AUDITED FINANCIAL STATEMENTS TO
FINAL REPORTS TO THE KANSAS DEPARTMENT FOR AGING AND DISABILITY SERVICES (KDADS)
Year ended September 30, 2012

	Revenue per KDADS Reports	Adjustments		Audited Financial Statements
		Debits	Credits	
Federal Title III C(1) Administration	\$ 101,528	-	-	\$ 101,528
Federal Title III B Supportive Services	312,113 (1)	6,301 (2)	4,694	310,506
Federal Title III C(1)	168,622 (1)	402 (2)	7,647	175,867
Federal Title III C(1) NSIP	75,296	-	-	75,296
Federal Title III C(2)	210,393	-	-	210,393
Federal Title III C(2) NSIP	100,392	-	-	100,392
Federal Title III C(2) Nutrition Checkoff	11,400	-	-	11,400
Federal Title III D	22,893 (1)	1,077 (2)	111	21,927
Federal Title III E	124,735 (1)	398 (2)	4,948	129,285
State Title III C(1)	169,091	-	-	169,091
State Title III C(2)	175,805	-	-	175,805
Senior Care Act	-	(3)	524,183	524,183
CARE Level 1	-	(3)	150,869	150,869
Targeted Case Management	-	(3)	412,683	412,683
Program income, in-kind and other	936,419 (4)	813,373 (3)	198,112	321,158
	<u>\$ 2,408,687</u>			<u>\$ 2,890,383</u>

- (1) Deferred revenue at September 30, 2012
(2) Deferred revenue at September 30, 2011
(3) Programs with no reports
(4) Per provider reports, not included on Agency books

	Cost per KDADS Reports	Adjustments		Audited Financial Statements
		Debits	Credits	
Title III Administration	\$ 135,671 (5)	396	-	\$ 136,067
Title III B Supportive Services	376,071	(5)	45,978	330,093
Title III C(1)	800,346	(5)	333,263	467,083
Title III C(2)	933,836	(5)	435,846	497,990
Title III D	23,765	(5)	90	23,675
Title III E	130,820	(5)	573	130,247
Senior Care Act	- (6)	455,307	-	455,307
CARE Level 1	- (6)	150,755	-	150,755
Targeted Case Management	- (6)	528,070	-	528,070
Program income, in-kind and other	- (6)	83,035	-	83,035
	<u>\$ 2,400,509</u>			<u>\$ 2,802,322</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, 2012

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 for Aging and Disability Services:			
Title III C(1) Administration	93.045	12-04-4A	\$ 101,528
Title III B	93.044	12-04-5B	310,507
Title III C(1) Congregate Meals	93.045	12-04-5C(1)	175,867
Title III C(1) NSIP	93.053	12-04-5C(1)	75,296
Title III C(2) Home Delivered Meals	93.045	12-04-5C(2)	198,993
Title III C(2) NSIP	93.053	12-04-5C(2)	111,792
Title III D Disease Prevention	93.043	12-04-4D	21,927
Title III E National Family Caregiver Support	93.052	12-04-4E	129,285
Social Services Block Grant	93.667	N/A	<u>270,583</u>
Total expenditures of federal awards			<u>\$ 1,395,778</u>

JAYHAWK AREA AGENCY ON AGING, INC.
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 Year ended September 30, 2012

Pass-through grantor/program title	Expenditures
Received from - Kansas Department for Aging and Disability Services	
Title III C(1) Congregate Meals	\$ 169,091
Title III C(2) Home Delivered Meals	175,805
Title III C(2) Nutritional Checkoff	11,400
Senior Care Act	184,724
Total passed through	541,020
Total expenditures	\$ 541,020

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, 2012

	Expenses per Financial Statements	NSIP Funds	Other Resources	State Funds	Per SEFA
Title III Administration	\$ 136,067	\$ -	\$ (34,539)	\$ -	\$ 101,528
Title III B Supportive Services	330,093	-	(19,586)	-	310,507
Title III C(1)	467,083	(75,296)	(46,829)	(169,091)	175,867
Title III C(1) - NSIP	-	75,296	-	-	75,296
Title III C(2)	497,990	(111,792)	-	(187,205)	198,993
Title III C(2) - NSIP	-	111,792	-	-	111,792
Title III D	23,765	-	(1,838)	-	21,927
Title III E	130,247	-	(962)	-	129,285
Subtotal	<u>1,585,245</u>	<u>-</u>	<u>(103,754)</u>	<u>(356,296)</u>	<u>1,125,195</u>
Senior Care Act - Social Services Block Grant	<u>455,307</u>	<u>-</u>	<u>-</u>	<u>(184,724)</u>	<u>270,583</u>
Total	<u>\$ 2,040,552</u>	<u>\$ -</u>	<u>\$ (103,754)</u>	<u>\$ (541,020)</u>	<u>\$ 1,395,778</u>

JAYHAWK AREA AGENCY ON AGING, INC.
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 September 30, 2012

1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Jayhawk Area Agency on Aging, Inc. (the Agency) under programs of the federal government for the year ended September 30, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Agency.

2. Subrecipients

Of the federal expenditures presented in the Schedule, the Agency provided federal awards to subrecipients as follows for the year ended September 30, 2012:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Title III B	93.044	\$ 166,883
Title III C(1)	93.045	114,684
Title III C(1) NSIP	93.053	67,272
Title III C(2)	93.045	198,993
Title III C(2) NSIP	93.053	111,792
Title III D	93.043	15,004
Title III E	93.052	56,740

JAYHAWK AREA AGENCY ON AGING, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2012

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-	None
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-	None
Major programs-	Department of Health and Human Services Aging Cluster CFDA No. 93.045/93.044/93.053
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-	None

JAYHAWK AREA AGENCY ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2012

Findings and Questioned Costs - Financial Statement Audit

Finding 2012-01 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 2012 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

There were no audit findings required to be reported by section 510(a) of Circular A-133 found or reported.

Status of Corrective Action Taken on Prior Findings

Prior year findings year ended September 30, 2011:

Finding 2011-01 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.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

990 SW Fairlawn Road
Topeka, Kansas 66606-2384
785-272-3176 ph
785-272-2903 fx
www.mhm-pc.com

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
Jayhawk Area Agency on Aging, Inc.
Topeka, Kansas

We have audited the financial statements of Jayhawk Area Agency on Aging, Inc. (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated March 18, 2013. We conducted our audit 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.

Internal control over financial reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined previously. However, we identified a certain deficiency in internal control over financial reporting, as described in the accompany schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (Finding 2012-01). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Agency in a separate letter dated March 18, 2013.

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.

Mayer Hoffman McCann P.C.
Topeka, Kansas
March 18, 2013



Mayer Hoffman McCann P.C.

An Independent CPA Firm

990 SW Fairlawn Road
Topeka, Kansas 66606-2384
785-272-3176 ph
785-272-2903 fx
www.mhm-pc.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Jayhawk Area Agency on Aging, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended September 30, 2012. The Agency's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jayhawk Area Agency on Aging, Inc's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2012.



Internal control over compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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.

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
March 18, 2013