

CONNECTIONS AREA AGENCY ON AGING, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

TABLE OF CONTENTS

	Page
OFFICIALS	
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	1
Consolidated Statement of Activities	2
Consolidated Statement of Functional Expenses	3-4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-11
SUPPLEMENTARY FINANCIAL INFORMATION	
Consolidating Statement of Financial Position	12-13
Consolidating Statement of Activities	14-15
Cumulative Expenditure Report	16-21
Schedule of Expenditures of Federal Awards	22-23
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	24-25
INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	26-27
Schedule of findings and questioned costs	28

CONNECTIONS AREA AGENCY ON AGING, INC.

OFFICIALS

Year Ended June 30, 2018

Name

Title

State:

Honorable Kim Reynolds

Governor

Linda Miller

Director, Iowa Department on Aging

Board of Directors:

Thomas Hoogestraat

Chair

Bonnie Godden

Vice-Chair

Kari Livermore

Secretary

George Gillespie

Treasurer

Barbara Redmond

Member

Mark Monson

Member

Cathay Pringnitz

Member

Lori Harvey

Member

Agency:

Kelly Butts-Elston

CEO

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Connections Area Agency on Aging, Inc.
Council Bluffs, Iowa

Report on the Financial Statement

We have audited the accompanying consolidated financial statements of Connections Area Agency on Aging, Inc. which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We did not audit the financial statements of Riverside Gardens, Inc., Fairmount Park Senior Housing, Inc., or Diamond Heights, Inc., controlled subsidiaries, which statements reflect total assets constituting 62 percent of consolidated total assets at June 30, 2018, and total revenues constituting 8 percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Riverside Gardens, Inc., Fairmount Park Senior Housing, Inc., or Diamond Heights, Inc., is based solely on the reports of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of Connections Area Agency on Aging, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position, the consolidating statement of activities, and the Schedule of Expenditures of Federal Awards as required by title 2 U.S. Code of Federal Regulations (CFR) part 200, uniform administrative requirements, cost principles, and audit requirements for federal awards are presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying cumulative expenditure report is presented for purposes of additional analysis as required by the Iowa Department of Aging and is also 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We did not perform procedures on the information in the Schedule of Expenditures of Federal Awards for Riverside Gardens, Inc., Fairmount Park Senior Housing, Inc., or Diamond Heights, Inc., controlled subsidiaries, whose separate statements reflect all of the expenditures for CFDA numbers 14.157 and 14.195 presented in Connections Area Agency on Aging Inc.'s Schedule of Expenditures of Federal Awards. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CFDA numbers 14.157 and 14.195, is based solely on the reports of the other auditors. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of Connections Area Agency on Aging, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Connections Area Agency on Aging, Inc.'s internal control over financial reporting and compliance.

Hamilton Associates, P.C.

Council Bluffs, Iowa
November 28, 2018

CONNECTIONS AREA AGENCY ON AGING, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,642,364
Accounts receivable	185,225
Escrow deposit	15,829
Prepaid expense	45,705
Total current assets	<u>\$ 1,889,123</u>

CAPITAL ASSETS

Property and equipment, at cost	\$ 7,600,825
Less accumulated depreciation	<u>(3,575,614)</u>
Total capital assets	<u>\$ 4,025,211</u>

OTHER ASSETS

Restricted cash	<u>\$ 428,435</u>
-----------------	-------------------

Total assets	<u>\$ 6,342,769</u>
--------------	---------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 501,757
Current portion of long-term debt	23,334
Accrued payroll expenses	29,020
Accrued vacation	93,011
Other accrued expenses	6,725
Prepaid rent	688
Deferred revenue	162,830
Total current liabilities	<u>\$ 817,365</u>

OTHER LIABILITIES

Long-term debt	\$ 6,190,753
Tenant deposits	38,330
Total other liabilities	<u>\$ 6,229,083</u>

NET ASSETS

Unrestricted net assets	
Aging services	<u>\$ (703,679)</u>

Total liabilities and net assets	<u>\$ 6,342,769</u>
----------------------------------	---------------------

See Notes to Financial Statements

CONNECTIONS AREA AGENCY ON AGING, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

UNRESTRICTED NET ASSETS

Revenues and support	
Federal funds	
Title III B	\$ 524,863
Title III C-1 & 2	936,191
Title IIID	46,916
Title IIIE	230,929
Nutrition services incentive program	167,854
Foster grandparent program	97,821
Senior companion program	32,611
Medicare improvement grant	11,645
Other federal programs	111,010
Total federal revenues	<u>\$ 2,159,840</u>
State funds	1,068,082
Nutrition contributions	398,245
Matching funds	467,329
Rent	445,826
Local and other income funds	1,442,183
Interest	2,293
Total revenues and support	<u>\$ 5,983,798</u>
Expenses	
Program services:	
Nutrition services	\$ 2,603,485
Case Management and care transitions	655,591
Housing	600,909
Transportation	508,061
Information	408,587
Senior corps program	211,607
Other Services	547,073
	<u>\$ 5,535,313</u>
Supporting services	
General and administrative	1,021,912
Residual receipts recapture	\$ 15
Total expenses	<u>\$ 6,557,240</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (573,442)
NET ASSETS, BEGINNING OF YEAR	<u>(130,237)</u>
NET ASSETS, END OF YEAR	<u>\$ (703,679)</u>

See Notes to Financial Statements

CONNECTIONS AREA AGENCY ON AGING, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Nutrition Services	Case Management and Care Transitions	Housing	Transportation	Information
Salaries	\$ 463,537	\$ 356,569	\$ 107,879	\$ 10,963	\$ 215,281
Employee health and retirement benefits	78,659	88,997	16,178	3,839	53,648
Payroll taxes and insurance	44,081	34,545	8,175	674	24,087
Total salaries and related expenses	<u>\$ 586,277</u>	<u>\$ 480,111</u>	<u>\$ 132,232</u>	<u>\$ 15,476</u>	<u>\$ 293,016</u>
Contract services	-	1,099	11,757	487,318	11,971
Volunteer expenses	-	-	-	-	-
In-kind expenses	428,423	-	-	1,798	13,795
Advertising	283	-	2,125	-	17,235
Bad debt	2,533	88,682	-	-	-
Cleaning	2,137	2,681	514	67	2,185
Dues and subscriptions	3,897	-	-	-	1,204
Employee Training	11,327	875	-	-	1,785
Food	1,333,027	-	-	-	-
Insurance	8,150	4,663	32,319	95	3,076
Interest	-	-	-	-	-
Occupancy	95,192	30,710	111,766	392	20,963
Postage	1,581	2,101	1,324	1,647	507
Printing	1,001	-	-	249	-
Professional fees	257	120	25,801	-	270
Repairs and maintenance	33,560	14,610	100,365	319	8,585
Supplies	16,034	9,174	18,827	461	8,001
Telephone and internet	23,470	9,840	1,708	239	19,176
Travel	47,877	9,576	1,363	-	2,647
Miscellaneous	8,459	1,349	13,974	-	4,171
Total operating expenses before depreciation	<u>\$ 2,603,485</u>	<u>\$ 655,591</u>	<u>\$ 454,075</u>	<u>\$ 508,061</u>	<u>\$ 408,587</u>
Depreciation	<u>-</u>	<u>-</u>	<u>146,834</u>	<u>-</u>	<u>-</u>
Total expenses	<u><u>\$ 2,603,485</u></u>	<u><u>\$ 655,591</u></u>	<u><u>\$ 600,909</u></u>	<u><u>\$ 508,061</u></u>	<u><u>\$ 408,587</u></u>

See Notes to Financial Statements

CONNECTIONS AREA AGENCY ON AGING, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Senior Corps Programs	Other Services	Total Program Services	General and Administrative	Total
Salaries	\$ 78,140	\$ 170,249	\$ 1,402,618	\$ 494,962	\$ 1,897,580
Employee health and retirement benefits	27,440	42,106	310,867	109,658	420,525
Payroll taxes and insurance	6,379	25,016	142,957	41,998	184,955
Total salaries and related expenses	<u>\$ 111,959</u>	<u>\$ 237,371</u>	<u>\$ 1,856,442</u>	<u>\$ 646,618</u>	<u>\$ 2,503,060</u>
Contract services	-	254,760	766,905	-	766,905
Volunteer expenses	73,162	-	73,162	-	73,162
In-kind expenses	3,949	17,123	465,088	2,243	467,331
Advertising	530	25	20,198	69	20,267
Bad debt	-	1,950	93,165	12,895	106,060
Cleaning	-	982	8,566	5,758	14,324
Dues and subscriptions	350	57	5,508	32,444	37,952
Employee Training	435	698	15,120	7,122	22,242
Food	-	-	1,333,027	-	1,333,027
Insurance	1,156	1,393	50,852	15,941	66,793
Interest	-	-	-	12,868	12,868
Occupancy	8,843	10,358	278,224	50,872	329,096
Postage	427	515	8,102	8,610	16,712
Printing	-	606	1,856	-	1,856
Professional fees	1,665	60	28,173	21,268	49,441
Repairs and maintenance	300	3,977	161,716	56,747	218,463
Supplies	2,320	1,605	56,422	28,010	84,432
Telephone and internet	-	5,168	59,601	10,387	69,988
Travel	254	6,119	67,836	9,577	77,413
Miscellaneous	6,257	4,306	38,516	21,246	59,762
Total operating expenses before depreciation	<u>\$ 211,607</u>	<u>\$ 547,073</u>	<u>\$ 5,388,479</u>	<u>\$ 942,675</u>	<u>\$ 6,331,154</u>
Depreciation	<u>-</u>	<u>-</u>	<u>146,834</u>	<u>79,237</u>	<u>226,071</u>
Total expenses	<u><u>\$ 211,607</u></u>	<u><u>\$ 547,073</u></u>	<u><u>\$ 5,535,313</u></u>	<u><u>\$ 1,021,912</u></u>	<u><u>\$ 6,557,225</u></u>

See Notes to Financial Statements

CONNECTIONS AREA AGENCY ON AGING, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (573,442)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	226,071
Loss on disposal of assets	5,800
Changes in operating assets and liabilities	
Accounts receivable	344,999
Escrow deposits	(753)
Prepaid expense	6,462
Accounts payable	(32,533)
Accrued payroll expenses	(11,409)
Accrued vacation	(27,330)
Other accrued expenses	(173,767)
Prepaid rent	(1,093)
Deferred revenue	20,417
Tenant deposits	3,135
Net cash flows used in operating activities	<u>\$ (213,443)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of capital assets	\$ (20,406)
(Deposits) releases of restricted cash	<u>134,623</u>
Net cash flows from investing activities	<u>\$ 114,217</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long-term debt	<u>\$ (21,873)</u>
----------------------------	--------------------

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS \$ (121,099)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 1,763,463

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,642,364

SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid	\$ 12,868
---------------	-----------

See Notes to Financial Statements

CONNECTIONS AREA AGENCY ON AGING, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. Nature of Activities and Summary of Significant Accounting Policies

Organization:

Connections Area Agency on Aging, Inc. (the Organization), was formed and incorporated in the State of Iowa on July 1, 2013, as the result of a merger of Southwest 8 Senior Services, and Siouxland Aging Services. The State of Iowa mandated that the 13 area agencies on aging in the state be consolidated into 6 area agencies effective July 1, 2013. In November, 2012, Southwest 8 Senior Services was designated by the Commission on Aging as the new area agency for Planning and Service Area 6. This designation necessitated the merging of Southwest 8 Senior Services with Siouxland Aging Services.

Connections Area Agency on Aging, Inc., is a nonprofit organization granted corporate status under the Iowa Nonprofit Corporation Act. The Organization is dedicated to cooperating with government officials, providers of services and senior citizens in establishing educational, legislative, scientific research, safety, charitable and action programs to improve the quality of life for the older citizens in the area served by the Organization and further, to promote social service programs which allow senior adults to live with independence, dignity and pride.

The planning and services area for the Organization is comprised of Adair, Adams, Cass, Cherokee, Clark, Decatur, Fremont, Harrison, Ida, Mills, Monona, Montgomery, Page, Plymouth, Pottawattamie, Ringgold, Shelby, Taylor, Union and Woodbury counties in Iowa.

The Organization is funded primarily by the Federal Older Americans Act (Titles III-B, III-C, III-D and III-E,) Nutritional Services Incentive Program, State funding and local funding. The Organization qualifies as a nonprofit corporation under the provisions of Section 501 (c)(3) of the Internal Revenue Code.

The Organization's subsidiaries are Riverside Gardens, Inc., Fairmount Park Senior Housing, Inc., and Diamond Heights, Inc. They provide housing under Section 202 of the National Housing Act. Siouxland Aging Services Holding Co., L.L.C. is a wholly owned subsidiary which holds title to real estate for the Organization.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to grant or donor-imposed stipulations.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is recorded as an increase to unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

CONNECTIONS AREA AGENCY ON AGING, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. Nature of Activities and Summary of Significant Accounting Policies – Continued

Basis of Accounting - Continued:

Permanently Restricted – Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit an Organization to use all or part of the income earned on related investments for general or specific purposes.

Principles of Consolidation:

The consolidated financial statements include the accounts and transactions of Connections Area Agency on Aging, Inc., Siouxland Aging Services Holding Co., L.L.C., Riverside Gardens, Inc., Fairmount Park Senior Housing, Inc., and Diamond Heights, Inc. All significant intercompany transactions and balances have been eliminated upon consolidation.

Revenue Recognition:

Program revenues are recognized only when persuasive evidence of arrangements exist through contracts or agreements, an exchange of goods or services has occurred, the price for goods or services have been fixed through contracts or agreements, and collectability is reasonably assured.

Pledges and contributions are generally recognized as earned in the reporting period received or pledged. All pledges and contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes.

Grant revenue is recognized as earned when eligibility requirements have been met, which is primarily when allowable and/or directed expenditures, as dictated by grant awards, are incurred, and when collectability is reasonably assured.

The Organization recognizes revenue for certain donated services received in the period they are received at the fair value of those services. Those services include donated time and services and funding received by service contractors from other agencies or individuals acquired to fulfill service contract requirements. These revenues are classified as matching funds and other local funds on the statement of activities and the cumulative expenditure report.

Amounts received in advance of services rendered for exchange transactions are classified as deferred revenue on the statement of financial position.

Rent revenue from the leasing of apartments is recognized on the operating method under which aggregate rentals are reported as revenue over the life of the leases.

Use of Estimates:

The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

CONNECTIONS AREA AGENCY ON AGING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2018

1. Nature of Activities and Summary of Significant Accounting Policies – Continued

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand and in bank deposit accounts.

Accounts Receivable:

Accounts receivable consist primarily of earned grants and program service reimbursements and are stated at amounts the Organization expects to collect.

Inventory:

Inventories are valued at lower of cost or market. Cost is determined using the FIFO (first-in, first-out) method. Inventories consist of perishable food items held at nutrition sites.

Property and Equipment:

Property and equipment are valued at cost at the date of acquisition. Depreciation is provided on a straight-line method over the estimated useful lives of the property, normally 5 to 40 years.

Income Taxes:

The Organization qualifies as a nonprofit corporation under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization accounts for uncertainties in accounting for income tax assets and liabilities using the guidance included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes. There are no uncertainties that are reflected in the consolidated financial statements and, with few exceptions, the organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2014.

Functional Allocation of Expenses:

The costs of providing the program and support services have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Risks and Uncertainties:

The Organization maintains its cash and certificates of deposits in bank deposit accounts, which, at times, may exceed federally insured limits. As of June 30, 2018, cash deposits were fully insured by FDIC. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash or cash equivalents.

The Organization also receives a majority of its funding from federal and state aging grants. Due to economic conditions, these governmental sources may institute cutbacks to the grant amounts awarded. Management believes these cutbacks will not exceed 5%.

CONNECTIONS AREA AGENCY ON AGING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2018

1. Nature of Activities and Summary of Significant Accounting Policies – Continued

Subsequent Events:

The Organization has evaluated subsequent events through November 28, 2018, the date on which the financial statements were available to be issued.

2. Restricted Cash

Restricted cash consists of replacement reserves as required by HUD, residual receipts, and tenant security deposits. The breakdown of these amounts as of June 30, 2018 are as follows:

Replacement reserves	\$	375,519
Residual receipts		13,340
Tenant security deposits		39,576
		<u>428,435</u>

3. Property and Equipment

Property and equipment consists of the following groups of depreciable assets at June 30, 2018:

Equipment	5-15 years	\$	563,418
Leasehold improvements	15-40 years		84,637
Land and land improvements	15 years (improvements)		649,194
Buildings and fixed equipment	10-40 years		6,248,082
Furnishings	5 years		55,494
		\$	<u>7,600,825</u>
Less accumulated depreciation			<u>(3,575,614)</u>
		\$	<u>4,025,211</u>

Depreciation expense for 2018 was \$226,071.

CONNECTIONS AREA AGENCY ON AGING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2018

4. Long Term Debt

Long term debt consisted of a promissory note and HUD Housing Project mortgages as follows:

Promissory note	\$ 208,987
HUD Housing Projects	<u>6,005,100</u>
	\$ 6,214,087
Less current portion	<u>(23,334)</u>
	<u>\$ 6,190,753</u>

The promissory note is payable in monthly installments of \$3,060 at an interest rate of 5.75%. The note matures on November 15, 2025 and is secured by real estate.

The HUD Housing Project mortgages are Section 202 capital advances. The mortgages bear no interest, and repayment is not required as long as the housing remains available for low-income elderly persons for 40 years.

Future maturities of long term debt are as follows:

Year ending June 30,	
2019	\$ 23,334
2020	24,711
2021	26,170
2022	27,715
2023	29,351
Thereafter	<u>6,082,805</u>
	<u>\$ 6,214,087</u>

5. Pension and Retirement Benefits

The Organization contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by the State statute to plan members and beneficiaries.

Plan members are required to contribute 5.95% of their annual salary and the Organization is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Organization's contributions to IPERS for the year ended June 30, 2018 were \$167,056, which met the required contributions for the year.

6. Commitments and Contingencies

The Organization receives funds under various federal grant programs to be expended in accordance with the provisions of the grants. Compliance with grant provisions is subject to audit by various governmental agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all aspects of the various grant provisions and results of adjustment, if any, relating to such audits would not have any material impact.

CONNECTIONS AREA AGENCY ON AGING, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2018

7. Lease Commitments

The Organization leases office space and equipment under non-cancelable operating leases. The leases expire at various dates through May 2022 and provide for renewal options ranging from no renewal option to 3 years. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties. The scheduled future minimum lease payments are as follows:

Year ending June 30:	
2019	137,990
2020	6,138
2021	2,340
2022	1,950
2023	-
	<u>\$ 148,418</u>

The Organization leases a building for office space from its subsidiary Siouxland Aging Services Holding Co., L.L.C. The lease is a month to month basis. \$3,300 per month during the year ending June 30, 2018. Siouxland Aging Services Holding Co., L.L.C. records the receipt of lease payments as rent revenue, and the Organization records them as occupancy expense. The related revenues and expenses are eliminated during consolidation.

8. Residual Receipts – Fairmount Park

On June 19, 2015, a memorandum was issued that required HUD to recapture residual receipt balances that are in excess of \$250 per unit. These funds are to be remitted to HUD at the termination of the PRAC (Project Rental Assistance Contract. As of June 30, 2018, the Organization's subsidiary, Fairmount Park Senior Housing, Inc., had \$11,515 in the residual receipts account, which is \$15 greater than the \$250 per unit maximum. Fairmount Park's PRAC expired August 31, 2018. The residual receipt recapture of \$15 is included as a liability at June 30, 2018.

CONNECTIONS AREA AGENCY ON AGING, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2018

	<u>Connections Area Agency on Aging</u>	<u>Siouxland LLC</u>	<u>Riverside Gardens Inc.</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,427,607	\$ 210,834	\$ 2,354
Accounts receivable	185,213	-	12
Escrow deposit	-	-	824
Prepaid expense	33,052	-	6,423
Total current assets	<u>\$ 1,645,872</u>	<u>\$ 210,834</u>	<u>\$ 9,613</u>
CAPITAL ASSETS			
Property and equipment, at cost	\$ 551,071	\$ 665,654	\$ 2,406,455
Less accumulated depreciation	(411,437)	(242,567)	(1,168,287)
Total capital assets	<u>\$ 139,634</u>	<u>\$ 423,087</u>	<u>\$ 1,238,168</u>
OTHER ASSETS			
Investment in subsidiaries	\$ (1,715,866)	\$ -	\$ -
Restricted cash	-	-	184,384
Total other assets	<u>\$ (1,715,866)</u>	<u>\$ -</u>	<u>\$ 184,384</u>
Total assets	<u><u>\$ 69,640</u></u>	<u><u>\$ 633,921</u></u>	<u><u>\$ 1,432,165</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 481,748	\$ -	\$ 7,124
Current portion of long-term debt	-	23,334	-
Accrued payroll expenses	29,020	-	-
Accrued vacation	93,011	-	-
Other accrued expenses	6,710	-	-
Prepaid rent	-	-	8
Deferred revenue	162,830	-	-
Total current liabilities	<u>\$ 773,319</u>	<u>\$ 23,334</u>	<u>\$ 7,132</u>
OTHER LIABILITIES			
Long-term debt	\$ -	\$ 185,653	\$ 2,206,900
Tenant deposits	-	-	15,104
Total other liabilities	<u>\$ -</u>	<u>\$ 185,653</u>	<u>\$ 2,222,004</u>
NET ASSETS			
Member capital	\$ -	\$ 1,000	\$ -
Retained earnings	-	423,934	-
Unrestricted net assets:			
Aging services	(703,679)	-	-
Housing projects	-	-	(796,971)
	<u>\$ (703,679)</u>	<u>\$ 424,934</u>	<u>\$ (796,971)</u>
Total liabilities and net assets	<u><u>\$ 69,640</u></u>	<u><u>\$ 633,921</u></u>	<u><u>\$ 1,432,165</u></u>

CONNECTIONS AREA AGENCY ON AGING, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2018

Fairmount Park Senior Housing Inc.	Diamond Heights Inc.	Eliminations	Total
\$ 2,506	\$ (937)	\$ -	\$ 1,642,364
-	-	-	185,225
13,634	1,371	-	15,829
1,140	5,090	-	45,705
<u>\$ 17,280</u>	<u>\$ 5,524</u>	<u>\$ -</u>	<u>\$ 1,889,123</u>
\$ 2,830,602	\$ 1,147,043	\$ -	\$ 7,600,825
(1,272,557)	(480,766)	-	(3,575,614)
<u>\$ 1,558,045</u>	<u>\$ 666,277</u>	<u>\$ -</u>	<u>\$ 4,025,211</u>
\$ -	\$ -	\$ 1,715,866	\$ -
175,277	68,774	-	428,435
<u>\$ 175,277</u>	<u>\$ 68,774</u>	<u>\$ 1,715,866</u>	<u>\$ 428,435</u>
<u>\$ 1,750,602</u>	<u>\$ 740,575</u>	<u>\$ 1,715,866</u>	<u>\$ 6,342,769</u>
\$ 8,873	\$ 4,012	\$ -	\$ 501,757
-	-	-	23,334
-	-	-	29,020
-	-	-	93,011
15	-	-	6,725
680	-	-	688
-	-	-	162,830
<u>\$ 9,568</u>	<u>\$ 4,012</u>	<u>\$ -</u>	<u>\$ 817,365</u>
\$ 2,668,600	\$ 1,129,600	\$ -	\$ 6,190,753
17,178	6,048	-	38,330
<u>\$ 2,685,778</u>	<u>\$ 1,135,648</u>	<u>\$ -</u>	<u>\$ 6,229,083</u>
\$ -	\$ -	\$ (1,000)	\$ -
-	-	(423,934)	-
-	-	-	(703,679)
(944,744)	(399,085)	2,140,800	-
<u>\$ (944,744)</u>	<u>\$ (399,085)</u>	<u>\$ 1,715,866</u>	<u>\$ (703,679)</u>
<u>\$ 1,750,602</u>	<u>\$ 740,575</u>	<u>\$ 1,715,866</u>	<u>\$ 6,342,769</u>

CONNECTIONS AREA AGENCY ON AGING, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Connections Area Agency on Aging	Siouxland LLC	Riverside Gardens Inc.
	<u> </u>	<u> </u>	<u> </u>
UNRESTRICTED NET ASSETS			
Revenues and support			
Federal funds			
Title III B	\$ 524,863	\$ -	\$ -
Title III C-1 & 2	936,191	-	-
Title IIID	46,916	-	-
Title IIIE	230,929	-	-
Nutrition services incentive program	167,854	-	-
Foster grandparent program	97,821	-	-
Senior companion program	32,611	-	-
Medicare improvement grant	11,645	-	-
Other federal programs	111,010	-	-
Total federal revenues	<u>\$ 2,159,840</u>	<u>\$ -</u>	<u>\$ -</u>
State funds	1,068,082	-	-
Nutrition contributions	398,245	-	-
Matching funds	467,329	-	-
Rent	-	42,817	189,863
Local and other income funds	1,534,815	-	2,850
Net income (loss) from subsidiaries	(106,084)	-	-
Interest	2,040	-	105
Total revenues and support	<u>\$ 5,524,267</u>	<u>\$ 42,817</u>	<u>\$ 192,818</u>
Expenses			
Program services:			
Nutrition services	\$ 2,615,719	\$ -	\$ -
Case Management and care transitions	661,890	-	-
Housing	152,389	-	201,304
Transportation	508,529	-	-
Information	414,403	-	-
Senior corps program	211,673	-	-
Advocacy	-	-	-
Other Services	549,348	-	-
	<u>\$ 5,113,951</u>	<u>\$ -</u>	<u>\$ 201,304</u>
Supporting services			
General and administrative	983,758	49,002	-
Residual receipts recapture	-	-	-
Total expenses	<u>\$ 6,097,709</u>	<u>\$ 49,002</u>	<u>\$ 201,304</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (573,442)</u>	<u>\$ (6,185)</u>	<u>\$ (8,486)</u>
NET ASSETS, BEGINNING OF YEAR	<u>(130,237)</u>	<u>431,120</u>	<u>(788,485)</u>
NET ASSETS, END OF YEAR	<u><u>\$ (703,679)</u></u>	<u><u>\$ 424,935</u></u>	<u><u>\$ (796,971)</u></u>

CONNECTIONS AREA AGENCY ON AGING, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Fairmount Park Senior Housing Inc.	Diamond Heights Inc.	Eliminations	Total
\$ -	\$ -	\$ -	\$ 524,863
-	-	-	936,191
-	-	-	46,916
-	-	-	230,929
-	-	-	167,854
-	-	-	97,821
-	-	-	32,611
-	-	-	11,645
-	-	-	111,010
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,159,840</u>
-	-	-	1,068,082
-	-	-	398,245
-	-	-	467,329
173,442	82,521	(42,817)	445,826
2,868	1,513	(99,863)	1,442,183
-	-	106,084	-
113	35	-	2,293
<u>\$ 176,423</u>	<u>\$ 84,069</u>	<u>\$ (36,596)</u>	<u>\$ 5,983,798</u>
\$ -	\$ -	\$ (12,234)	\$ 2,603,485
-	-	(6,299)	655,591
234,906	116,984	(104,674)	600,909
-	-	(468)	508,061
-	-	(5,816)	408,587
-	-	(66)	211,607
-	-	-	-
-	-	(2,275)	547,073
<u>\$ 234,906</u>	<u>\$ 116,984</u>	<u>\$ (131,832)</u>	<u>\$ 5,535,313</u>
-	-	(10,848)	1,021,912
15	-	-	15
<u>\$ 234,921</u>	<u>\$ 116,984</u>	<u>\$ (142,680)</u>	<u>\$ 6,557,240</u>
\$ (58,498)	\$ (32,915)	\$ 106,084	\$ (573,442)
<u>(886,246)</u>	<u>(366,170)</u>	<u>1,609,781</u>	<u>(130,237)</u>
<u>\$ (944,744)</u>	<u>\$ (399,085)</u>	<u>\$ 1,715,865</u>	<u>\$ (703,679)</u>

CONNECTIONS AREA AGENCY ON AGING, INC.

CUMULATIVE EXPENDITURE REPORT

Year Ended June 30, 2018

Funds/Service Category	Area Plan <u>Budget</u>	Beginning <u>Balance</u>	Total <u>Revenue</u>	Total <u>Expense</u>	Ending <u>Balance</u>
Iowa Department of Elder Affairs					
Elderly Services	1,030,258	-	1,030,258	1,030,258	-
LifeLong Links	107,143	-	107,143	107,143	-
Elder Abuse Prev & Awareness	77,090	-	77,090	77,090	-
Older Americans Act					
Title III-B	524,863	-	524,863	524,863	-
Title III-C1	578,392	-	578,392	578,392	-
Title III-C2	357,799	-	357,799	357,799	-
Title III-E	230,929	-	230,929	230,929	-
Title III-D	46,916	-	46,916	46,916	-
Nutrition Services Incentive Program	167,854	-	167,854	167,854	-
Other Funds					
State Non-IDEA	226,522	-	226,522	226,522	-
Local public funds	120,952	-	120,952	120,952	-
Other local cash	126,913	-	126,913	126,913	-
Elderly Services Contributions	5,169	-	5,169	5,169	-
Program Income			-		
Title III-B	61,044	-	61,044	61,044	-
Title III-C1	221,943	-	221,943	221,943	-
Title III-C2	151,741	-	151,741	151,741	-
Title III-E	24,560	-	24,560	24,560	-
Other		-	-	-	-
Total	\$ 4,060,088	\$ -	\$ 4,060,088	\$ 4,060,088	\$ -
Non-Cash: In-kind Match	463,381	-	463,381	463,381	-
Totals per Cost Sharing Report	<u>\$ 4,523,469</u>	<u>\$ -</u>	<u>\$ 4,523,469</u>	<u>\$ 4,523,469</u>	<u>\$ -</u>
Reconciling Items					
Depreciation				54,355	
Uncollectible Accounts				15,351	
ADRC Unmet Needs			37,824	37,824	
Medical Assistance Waiver			284,850	477,273	
Nutrition Medicaid			299,189	299,189	
Medicare and Medicaid Services			11,645	13,849	
Housing			148,415	207,354	
Fresh Conversations program			3,637	3,637	
Employment Specialist Program			77,453	92,161	
Care Transitions Programs			102,043	134,817	
Senior Corp Programs			141,825	238,428	
Private pay programs			19,289	19,516	
Rounding					
From subsidiaries			353,447	459,531	
Adjusting entries			(19,288)	(19,514)	
Non-Cash: In-Kind Match					
Per statement of activities			<u>\$ 5,983,798</u>	<u>\$ 6,557,240</u>	

CONNECTIONS AREA AGENCY ON AGING, INC.

CUMULATIVE EXPENDITURE REPORT
Year Ended June 30, 2018

<u>AAA</u> <u>Administration</u>	<u>Homemaker</u>	<u>Chore</u>	<u>Home</u> <u>Delivered</u> <u>Meals</u>	<u>Case</u> <u>Management</u>	<u>Congregate</u> <u>Meals</u>	<u>Nutrition</u> <u>Counseling</u>
55,279	43,840	52,045	273,204	201,726	197,327	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
46,559	25,893	212	-	65,091	-	341
24,780	-	-	-	-	546,829	-
716	-	-	356,275	-	-	-
25,360	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	159,243	-	8,611	-
-	-	-	-	-	-	-
-	-	-	1,785	-	-	-
3,295	-	-	12,760	-	17,432	-
3,758	75	17,857	84,820	-	51	-
-	2,061	615	-	2,198	-	-
-	-	-	-	-	-	-
-	-	-	-	-	221,943	-
-	-	-	151,741	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
159,747	\$ 71,869	\$ 70,729	\$ 1,039,828	\$ 269,015	\$ 992,193	\$ 341
26,242	-	-	129,293	-	264,630	-
<u>\$ 185,989</u>	<u>\$ 71,869</u>	<u>\$ 70,729</u>	<u>\$ 1,169,121</u>	<u>\$ 269,015</u>	<u>\$ 1,256,823</u>	<u>\$ 341</u>

CONNECTIONS AREA AGENCY ON AGING, INC.

CUMULATIVE EXPENDITURE REPORT

Year Ended June 30, 2018

Funds/Service Category	<u>Assisted Transportation</u>	<u>Transportation</u>	<u>Legal Assistance</u>	<u>Nutrition Education</u>	<u>Information & Assistance</u>
Iowa Department of Elder Affairs					
Elderly Services	-	9,265	-	-	54,657
LifeLong Links	-	-	-	-	40,829
Elder Abuse Prev & Awareness	-	-	-	-	-
Older Americans Act					
Title III-B	16,152	130,536	45,976	-	155,908
Title III-C1	-	-	-	6,783	-
Title III-C2	-	-	-	808	-
Title III-E	-	-	-	-	-
Title III-D	-	-	-	-	-
Nutrition Services Incentive Program	-	-	-	-	-
Other Funds					
State Non-IDEA	-	215,984	8,753	-	-
Local public funds	2,870	73,228	-	-	-
Other local cash	-	3,275	-	-	10,777
Elderly Services Contributions	-	-	-	-	-
Program Income					
Title III-B	-	61,044	-	-	-
Title III-C1	-	-	-	-	-
Title III-C2	-	-	-	-	-
Title III-E	-	-	-	-	-
Other	-	-	-	-	-
Total	<u>\$ 19,022</u>	<u>\$ 493,332</u>	<u>\$ 54,729</u>	<u>\$ 7,591</u>	<u>\$ 262,171</u>
Non-Cash: In-kind Match	-	1,798	-	-	13,795
Totals per Cost Sharing Report	<u>\$ 19,022</u>	<u>\$ 495,130</u>	<u>\$ 54,729</u>	<u>\$ 7,591</u>	<u>\$ 275,966</u>

CONNECTIONS AREA AGENCY ON AGING, INC.

CUMULATIVE EXPENDITURE REPORT

Year Ended June 30, 2018

<u>Preventive Health</u>	<u>Evidence Based Health Activities</u>	<u>EAPA Consultation</u>	<u>EAPA A&I</u>	<u>EAPA T&E</u>	<u>EAPA Non-Consumer Consultation</u>	<u>Training & Education</u>
-	8,971	613	9,538	22	1,061	13,843
-	-	-	-	-	-	-
-	-	4,204	65,450	153	7,283	-
-	-	-	-	-	-	26,829
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	46,916	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	540	6	51	1	2	160
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ 56,427	\$ 4,823	\$ 75,039	\$ 176	\$ 8,346	\$ 40,832
7,065	-	-	-	-	-	-
<u>\$ 7,065</u>	<u>\$ 56,427</u>	<u>\$ 4,823</u>	<u>\$ 75,039</u>	<u>\$ 176</u>	<u>\$ 8,346</u>	<u>\$ 40,832</u>

CONNECTIONS AREA AGENCY ON AGING, INC.

CUMULATIVE EXPENDITURE REPORT

Year Ended June 30, 2018

Funds/Service Category	<u>Options Counseling</u>	<u>Material Aid</u>	<u>Caregiver Access Assistance</u>	<u>Caregiver Counseling</u>	<u>Caregiver Information Services</u>
Iowa Department of Elder Affairs					
Elderly Services	41,835	16,957	3,494	72	22,695
LifeLong Links	66,314	-	-	-	-
Elder Abuse Prev & Awareness	-	-	-	-	-
Older Americans Act					
Title III-B	-	11,366	-	-	-
Title III-C1	-	-	-	-	-
Title III-C2	-	-	-	-	-
Title III-E	-	-	16,004	290	68,084
Title III-D	-	-	-	-	-
Nutrition Services Incentive Program	-	-	-	-	-
Other Funds					
State Non-IDEA	-	-	-	-	-
Local public funds	-	11,367	-	-	-
Other local cash	20	25	-	17	478
Elderly Services Contributions	-	295	-	-	-
Program Income					
Title III-B	-	-	-	-	-
Title III-C1	-	-	-	-	-
Title III-C2	-	-	-	-	-
Title III-E	-	-	-	-	-
Other	-	-	-	-	-
Total	\$ 108,169	\$ 40,010	\$ 19,498	\$ 379	\$ 91,257
Non-Cash: In-kind Match	-	-	8,358	-	-
Totals per Cost Sharing Report	\$ 108,169	\$ 40,010	\$ 27,856	\$ 379	\$ 91,257

CONNECTIONS AREA AGENCY ON AGING, INC.

CUMULATIVE EXPENDITURE REPORT

Year Ended June 30, 2018

<u>Caregiver Respite</u>	<u>Caregiver Supplemental Services</u>	<u>Caregiver Home Del. Meals</u>	<u>Caregiver Options Counseling</u>	<u>Grandparent Counseling</u>	<u>Grandparent Supplemental Services</u>	<u>Combined</u>
-	1,236	9,285	13,291	2	-	1,030,258
-	-	-	-	-	-	107,143
-	-	-	-	-	-	77,090
-	-	-	-	-	-	524,863
-	-	-	-	-	-	578,392
-	-	-	-	-	-	357,799
4,259	4,292	57,343	53,256	1,474	567	230,929
-	-	-	-	-	-	46,916
-	-	-	-	-	-	167,854
-	-	-	-	-	-	226,522
-	-	-	-	-	-	120,952
-	-	5,000	-	-	-	126,913
-	-	-	-	-	-	5,169
-	-	-	-	-	-	61,044
-	-	-	-	-	-	221,943
-	-	-	-	-	-	151,741
-	-	24,560	-	-	-	24,560
-	-	-	-	-	-	-
<u>\$ 4,259</u>	<u>\$ 5,528</u>	<u>\$ 96,188</u>	<u>\$ 66,547</u>	<u>\$ 1,476</u>	<u>\$ 567</u>	<u>\$ 4,060,088</u>
-	-	10,500	1,700	-	-	463,381
<u>\$ 4,259</u>	<u>\$ 5,528</u>	<u>\$ 106,688</u>	<u>\$ 68,247</u>	<u>\$ 1,476</u>	<u>\$ 567</u>	<u>\$ 4,523,469</u>

CONNECTIONS AREA AGENCY ON AGING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development:			
<i>Direct:</i>			
Section 202 Capital Advance	14.157		\$ 6,005,100
Section 202 Project Rental Assistance	14.195		<u>96,089</u>
Total U.S. Department of Housing and Urban Development Direct Program			<u>\$ 6,101,189</u>
U.S. Department of Labor:			
<i>Indirect:</i>			
Pass-Through Iowa Vocational Rehabilitation Services: Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	14-AAA-CON-01	<u>\$ 77,453</u>
U.S. Department of Health and Human Services:			
<i>Indirect:</i>			
Pass-Through Iowa Department on Aging:			
Aging Cluster:			
Title IIIB Grants for Supportive Services and Senior Centers	93.044	XXAAIAT3SS	\$ 524,863
Title IIIC-1 Nutrition Services-Congregate Meals	93.045	XXAAIAT3CM	578,392
Title IIIC-2 Nutrition Services-Home Delivered Meals	93.045	XXAAIAT3HD	357,799
Nutrition Services Incentive Program	93.053	XXAAIAT3PH	<u>167,854</u>
Subtotal Aging Cluster			\$ 1,628,908
Title IIID Preventive Health	93.043	XXAAIAT3FC	\$ 46,916
Title IIIE Caregiver Support	93.052	XXAAIANSIP	230,929
Medicare Enrollment Assistance Program	93.071	1805	<u>11,645</u>
Total Pass-Through Iowa Department on Aging			<u>\$ 1,918,398</u>
Total U.S. Department of Health and Human Services Indirect Program			<u>\$ 1,918,398</u>

CONNECTIONS AREA AGENCY ON AGING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Corporation for National and Community Services:			
<i>Direct:</i>			
Foster Grandparent Program	94.011		\$ 97,821
Senior Companion Program	94.016		<u>32,611</u>
Subtotal Foster Grandparents/Senior Companion Cluster			\$ 130,432
Retired and Senior Volunteer Program	94.002		<u>33,557</u>
Total Corporation for National and Community Services Direct Program			<u>\$ 163,989</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,261,029</u></u>

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Connections Area Agency on Aging, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Connections Area Agency on Aging, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Connections Area Agency on Aging, Inc.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Note 3. Indirect Cost Rate

Connections Area Agency on Aging, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Loans Outstanding

Federal expenditures for the Section 202 Capital Advance program are as follows:

Federal CFDA Number	Balance of loans at July 1, 2017	Balance of loans at June 30, 2018
14.157	\$ 6,005,100	\$ 6,005,100

**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**

To the Board of Directors
Connections Area Agency on Aging, Inc.
Council Bluffs, Iowa

We have audited, in accordance with the 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, the financial statements of Connections Area Agency on Aging, Inc., as of and for the period ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Connections Area Agency on Aging, Inc.'s basic financial statements, and have issued our report thereon dated November 28, 2018. Our report includes a reference to other auditors who audited the financial statements of Riverside Gardens, Inc., Fairmount Park Senior Housing, Inc., and Diamond Heights, Inc., as described in our report on Connections Area Agency on Aging, Inc.'s financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Connections Area Agency on Aging, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connections Area Agency on Aging, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Connections Area Agency on Aging, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Connections Area Agency on Aging Inc.'s financial statements are free from 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 and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hamilton Associates, P.C.

Council Bluffs, Iowa
November 28, 2018

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Connections Area Agency on Aging, Inc.
Council Bluffs, Iowa

Report on Compliance for Each Major Federal Program

We have audited Connections Area Agency on Aging, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Connections Area Agency on Aging, Inc.'s major federal programs for the year ended June 30, 2018. Connections Area Agency on Aging, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Connections Area Agency on Aging, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Connections Area Agency on Aging, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We did not audit the major federal programs for Riverside Gardens, Inc., Fairmount Park Senior Housing, Inc., or Diamond Heights, Inc., controlled subsidiaries, which statements reflect expenditures for CFDA number 14.157 which is a major program for Connections Area Agency on Aging, Inc. That major program was audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the compliance for the major program CFDA number 14.157 is based solely on the reports of the other auditors.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Connections Area Agency on Aging, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Connections Area Agency on Aging, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Connections Area Agency on Aging, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Connections Area Agency on Aging, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Connections Area Agency on Aging, Inc.'s internal control over compliance.

We did not audit the major federal programs for Riverside Gardens, Inc., Fairmount Park Senior Housing, Inc., or Diamond Heights, Inc., controlled subsidiaries. This report includes our consideration of the results of the other auditor's testing of internal control over compliance with the types of compliance requirements referred to above that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We and the other auditors did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hamilton Associates, P.C.

Council Bluffs, Iowa
November 28, 2018

