



**KNOL & MINNEY, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Areawide Aging Agency, Inc.

We have audited the accompanying consolidated statement of financial position of Areawide Aging Agency, Inc. (Areawide) as of June 30, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Areawide's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Areawide Aging Agency, Inc. as of June 30, 2009, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2010, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and other additional and supplementary financial information are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other contractors and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Knol & Minney, PLLC*

March 1, 2010

AREAWIDE AGING AGENCY, INC.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009

ASSETS

Cash and cash equivalents:	
Social services	\$ 123,789
Administration	34,222
Contingency reserve	240,236
Housing projects	52,312
Total cash and cash equivalents	<u>450,559</u>
Receivables:	
Grants and contracts	616,878
Subcontractor agencies	6,582
Certificates of deposit	150,000
Receivable from Areawide Elderly Center, L.P.	295,000
Receivable from Temple Gardens, L.P.	303,000
Property and equipment (net of accumulated depreciation of \$135,900)	29,686
Land	542,000
Other assets	<u>38,275</u>
 TOTAL ASSETS	 <u>\$2,431,980</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 71,462
Payable to subcontractor agencies	514,764
Government contract advances	78,942
Note payable	<u>595,000</u>
 Total liabilities	 <u>1,260,168</u>
Net assets – unrestricted	1,105,870
Net assets - temporarily restricted	<u>65,942</u>
 Total net assets	 <u>1,171,812</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$2,431,980</u>

See accompanying notes to financial statements.

AREAWIDE AGING AGENCY, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Fees and grants:			
Federal grants for:			
Administration (including Direct Services)	\$ 403,101	\$ -	\$ 403,101
Social services	3,035,414	-	3,035,414
State (Special Unit on Aging) grants for:			
Administration (including Direct Services)	328,017	-	328,017
Social services	1,023,761	-	1,023,761
Government grants/reimbursements for special projects	<u>553,869</u>	<u>-</u>	<u>553,869</u>
Total fees and grants	<u>5,344,162</u>	<u>-</u>	<u>5,344,162</u>
Matching funds applied:			
Nonfederal cash applied for administration	<u>55,843</u>	<u>-</u>	<u>55,843</u>
Program income & in-kind contributed services	<u>803,626</u>	<u>-</u>	<u>803,626</u>
Other income:			
Contributions	18,094	129,204	147,298
Resource directory income	675	-	675
Interest	16,976	-	16,976
Administrative charge	20,835	-	20,835
Miscellaneous income	2,402	-	2,402
Unrealized change in beneficial interest	<u>(9,297)</u>	<u>-</u>	<u>(9,297)</u>
Total other income	<u>49,685</u>	<u>129,204</u>	<u>178,889</u>
Net assets released from restrictions	<u>156,311</u>	<u>(156,311)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>6,409,627</u>	<u>(27,107)</u>	<u>6,382,520</u>

(Continued)

See accompanying notes to financial statements.

AREAWIDE AGING AGENCY, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
EXPENSES AND LOSSES:			
Program expenditures:			
Area agency activities	591,062	-	591,062
Social services provided by subcontractors	<u>5,474,094</u>	<u>-</u>	<u>5,474,094</u>
Total program expenditures	<u>6,065,156</u>	<u>-</u>	<u>6,065,156</u>
Supporting services expenses:			
Management and general expenses			
Area agency activities	464,884	-	464,884
Housing project activities	<u>1,011</u>	<u>-</u>	<u>1,011</u>
Total management and general expenses	465,895	-	465,895
Fundraising expenses	<u>738</u>	<u>-</u>	<u>738</u>
Total supporting services expenses	<u>466,633</u>	<u>-</u>	<u>466,633</u>
TOTAL EXPENSES AND LOSSES	<u>6,531,789</u>	<u>-</u>	<u>6,531,789</u>
CHANGE IN NET ASSETS	(122,162)	(27,107)	(149,269)
NET ASSETS – BEGINNING OF YEAR	<u>1,228,032</u>	<u>93,049</u>	<u>1,321,081</u>
NET ASSETS – END OF YEAR	<u>\$1,105,870</u>	<u>\$65,942</u>	<u>\$1,171,812</u>

See accompanying notes to financial statements.

AREAWIDE AGING AGENCY, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	<u>\$(149,269)</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	13,130
Unrealized change in beneficial interest	9,297
(Increase) decrease from changes in:	
Grants and contracts receivable	(186,988)
Receivable from subcontractor agencies	3,811
Receivable from Temple Gardens, L.P.	1,332
Other assets	(1,376)
Increase (decrease) from changes in:	
Accounts payable and accrued expenses	(4,586)
Payable to subcontractor agencies	202,480
Government contract advances	<u>(263,439)</u>
Total adjustments	<u>(226,339)</u>

NET CASH USED BY OPERATING ACTIVITIES (375,608)

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid to purchase certificate of deposit	(100,000)
Cash paid for equipment	<u>(1,636)</u>

NET CASH USED BY INVESTING ACTIVITIES (101,636)

NET DECREASE IN CASH AND CASH EQUIVALENTS (477,244)

CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR 927,803

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 450,559

See accompanying notes to financial statements.

AREAWIDE AGING AGENCY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*ORGANIZATION*

Areawide Aging Agency, Inc. (Areawide) is a non-profit corporation organized to cooperate with and assist governmental and private agencies in accomplishing the purposes described in the Older Americans Act. To accomplish those purposes, Areawide implements programs under grants from the Oklahoma Department of Human Services – Special Unit on Aging within central Oklahoma including Canadian, Cleveland, Logan and Oklahoma counties.

Areawide Management Company (AMC) was incorporated in 2000 as a wholly owned, for-profit subsidiary of Areawide. AMC was created to participate as a general partner, through Areawide Elderly Center, L.P., in a joint venture for the construction and management of a 59-unit apartment development in Oklahoma City for elderly, low-income individuals.

Areawide TG Housing Corporation (TG Housing) was incorporated in 2004 as a wholly-owned, for-profit subsidiary of Areawide. TG Housing was created to participate as a general partner, through Temple Gardens, L.P., in a joint venture for the construction and management of an apartment development in Oklahoma City for elderly, low-income individuals.

*BASIS OF PRESENTATION*

The accompanying consolidated financial statements include the accounts of Areawide Aging Agency, Inc., Areawide Management Company and Areawide TG Housing Corporation (collectively referred to as Areawide) and have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Areawide reports information regarding its financial position and changes in net assets according to three classes of net assets, based on the existence or absence of donor-imposed restrictions, as follows:

**Unrestricted** - expendable amounts available for use without restriction.

**Temporarily Restricted** - amounts which have been temporarily restricted by donors or grantors for specific purposes or time periods.

**Permanently Restricted** - amounts restricted by donors or grantors to be maintained in perpetuity with income generated by such amounts available for expenditure, if applicable.

*CASH AND CASH EQUIVALENTS*

Areawide considers highly liquid investments with original maturities of three months or less to be cash equivalents. From time to time, cash balances with individual banks may exceed FDIC limits.

AREAWIDE AGING AGENCY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*PROPERTY AND EQUIPMENT*

Purchased assets are recorded at cost, and donated assets are recorded at market value at the time of donation. Property and equipment with initial values of \$300 or more are capitalized and depreciated over their estimated useful lives of three to five years on a straight-line basis.

Property and equipment acquired under certain government contracts is considered to be owned by Areawide while used in the program for which it was purchased or in other future authorized programs; however, the United States has a reversionary interest in the property. Its disposition, as well as the ownership of any proceeds, is subject to federal regulations.

*ESTIMATES*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates. It is at least reasonably possible that the significant estimates used will change within the next year.

*INCOME TAXES*

Areawide is an exempt organization under Internal Revenue Service (IRS) Code Section 501(c)(3) and is not classified as a private foundation within the meaning of IRS Code Section 509(a). Therefore, no provision has been made in the financial statements for income taxes. AMC and TG Housing are subject to tax in accordance with applicable statutes.

*CONTRIBUTIONS*

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily-restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Areawide reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

AREAWIDE AGING AGENCY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*CONTRIBUTIONS (continued)*

Contributed materials are recorded at market value at the time of donation, and contributed services are recorded at the fair value of the services, provided they meet the following criteria:

- Create or enhance non-financial assets; or
- Require specialized skills, are provided by individuals possessing those skills and would typically be purchased if not provided by donation.

*DELEGATED ACTIVITIES*

Certain program activities have been subcontracted by Areawide to other agencies within the service area. The responsibility of the operations of the subcontractors remains with Areawide. Cash advances are made to the subcontractors to finance their programs. The subcontractors provide monthly reports of program expenses which are summarized in the accompanying financial statements.

*FAIR VALUE MEASUREMENTS*

In September 2006, the Financial Accounting Standards Board (FASB) issued statement number 157, *Fair Value Measurements* (FASB 157). This statement defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). FASB 157 does not change existing guidance as to whether or not an instrument is carried at fair value. Areawide adopted FASB 157 effective July 1, 2008. As of July 1, 2008, Areawide determined that FASB 157 did not have a significant impact on the financial assets and liabilities in the financial statements.

Financial instruments in the statement of financial position currently include certificates of deposit. Certificates of deposit are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.



AREAWIDE AGING AGENCY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 2 – GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable represent amounts due from grantors under expense-reimbursement arrangements for which expenses had been incurred at year-end and reimbursements had not yet been received. Also included are amounts committed by grantors at the financial statements date for use in future periods.

**NOTE 3 – RECEIVABLE FROM SUBCONTRACTOR AGENCIES**

This amount represents the unexpended portion of funds advanced to subcontractors at the financial statement date. These amounts are to be refunded to Areawide by the subcontractors.

**NOTE 4 – GOVERNMENT CONTRACT ADVANCES**

Government contract advances represent funds made available to Areawide for which program-related expenses had not yet been incurred at the financial statement date. It is the policy of the principal grantor to permit the use of contract advances in the implementation of approved programs during the subsequent year. If funds are not used in approved programs, they must be refunded to the grantor.

**NOTE 5 – NET ASSETS - UNRESTRICTED**

Unrestricted net assets consisted of the following:

Designated by the board of directors-Special Needs	\$ 445,909
Designated by the board of directors-OCCF	37,185
Capital and retained earnings of Areawide Management Company, Inc.	51,714
Capital and retained earnings of Areawide TG Housing Corporation	(624)
Land associated with housing projects	542,000
Property and equipment	<u>29,686</u>
 Total net assets – unrestricted	 <u>\$1,105,870</u>

The amounts designated by the board of directors for special needs includes amounts for hearing aids and eyeglasses of clients in the service area, special needs of the Agency and to supplement low budgeted salaries approved by the Special Unit on Aging. These designated funds are not externally restricted and may be changed by action of the board of directors.

AREAWIDE AGING AGENCY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 5 – NET ASSETS – UNRESTRICTED (continued)**

The amounts designated by the board of directors-OCCF include reciprocal transfer assets held by the Oklahoma City Community Foundation (OCCF), further described in Note 7 below. The earnings on these assets benefit the Agency but the assets themselves have been irrevocably transferred.

**NOTE 6 - NET ASSETS - TEMPORARILY RESTRICTED**

Temporarily restricted net assets included contributions for specific projects and needs of the elderly.

**NOTE 7 - OKLAHOMA CITY COMMUNITY FOUNDATION**

Areawide and other donors have contributed to a fund administered by the Oklahoma City Community Foundation, Inc. (OCCF) for the benefit of Areawide. According to OCCF policy, the principal amounts of such contributions become the legal assets of OCCF. Generally accepted accounting principles provide that the value of reciprocal transfer assets, that is, assets transferred by Areawide to organizations raising or holding contributions for others, such as OCCF, be recognized as assets in the financial statements of the transferor. These principles also provide that the value of assets contributed by others to these types of organizations for the benefit of a specified beneficiary specifically not be recognized and recorded by the beneficiary. Reciprocal transfer assets included:

Market value of beneficial interest in assets held by others - beginning	\$46,482
Market value changes during the year ended June 30, 2009	<u>(9,297)</u>
Market value of beneficial interest in assets held by others-ending	<u>\$37,185</u>

The market value of assets contributed by others to OCCF for the benefit of Areawide and, therefore, not recorded in the financial statements was \$43,565 at June 30, 2009.

Annual distributions from income are made to Areawide based on OCCF's spending policy, which is currently five percent of the average market value over the previous eight quarters of all assets held for the benefit of Areawide. Distributions to Areawide under the spending policy of \$5,272 were received during the year ended June 30, 2009, and are included in interest income in the statement of activities.

**NOTE 8 – OPERATING LEASES**

Areawide leases office space under an operating lease that is renewable annually. Lease expense for the period totaled \$36,358 and is included in rent expense.

AREAWIDE AGING AGENCY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 9 – PROGRAM EXPENDITURES – AREA AGENCY ACTIVITIES**

Expenses for area agency activities allocated to program expenditures include amounts directly related to the provision of Ombudsman and Information and Referral services provided to the elderly by Areawide as well as the allocation of expenses related to subgrantee oversight and certain related overhead costs. Also included in program expenditures directly attributable to Areawide are coordination and funding of health promotion activities such as memory loss screenings and caregiver support activities including the Oklahoma Aging Advocates Leadership Academy.

**NOTE 10 – RETIREMENT PLAN**

Areawide provides a tax-deferred annuity plan for the benefit of all employees effective on the completion of one year of service. The plan provides for Areawide to make contributions to the plan equal to 10.75% of compensation up to Internal Revenue Code limits. Contributions to the plan become fully vest upon the completion of three years of service. Areawide's contributions for the year ended June 30, 2009, totaled \$56,032.

**NOTE 11 – HOUSING PROJECTS**

*Areawide Elderly Center*

The land upon which the Areawide Elderly Center, L.P. development, described in Note 1 above, is constructed was contributed to Areawide by another partner in the joint venture.

Notes payable at the financial statement date included \$295,000 borrowed by Areawide from a Federal Home Loan Bank (FHLB) member bank. The proceeds of this note were loaned to Areawide Elderly Center, L.P., of which AMC is a general partner, for use in the construction of an elderly center described in Note 1. Both the note receivable and the note payable are non-interest bearing and will only become due if the partnership violates the Regulatory Agreement applicable to the elderly center under the Affordable Housing Program. If the partnership defaults under the terms of the note, the note will bear interest at 10% beginning 60 days after notice of default is received, through the date of repayment. The note is collateralized by the land reflected in the financial statements and described above.

*Temple Gardens*

Areawide is the developer of Temple Gardens, an additional low income housing project for the elderly, also described in Note 1 above. The facility was completed and opened for occupancy in November 2006.

AREAWIDE AGING AGENCY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 11 – HOUSING PROJECTS (continued)**

Notes payable at the financial statement date included \$300,000 borrowed by Areawide from a FHLB-member bank, the proceeds from which were loaned to Temple Gardens, L.P. (the Partnership), of which TG Housing is a general partner, for use in the construction of this additional elderly housing project. This note receivable and note payable are also non-interest bearing and will only become due if the partnership violates the Regulatory Agreement under the Affordable Housing Program. If the partnership defaults under the terms of this note, the note will bear interest at 12%, beginning 60 days after notice of default is received. This note is collateralized by a mortgage on the underlying property.

Areawide, through its investment in TG Housing, is liable under certain contractual guarantees related to development and operation of Temple Gardens. Among these guarantees are provisions requiring TG Housing to loan to the Partnership amounts up to \$150,000 to finance operating deficits during the first three years of operation, through 2009. TG Housing would also be required to reimburse the limited partner any amounts related to a tax credit shortfall, should it occur. Areawide, as Developer of the project, would be liable to the Partnership for costs of construction in excess of the Development Budget and has also warranted the materials and workmanship in the project for one year. No estimate is available for the potential amount of future payments that could be required under these guarantees, and no liability has been recognized in the financial statements.

**NOTE 12 – CONCENTRATIONS**

Eighty-four percent of Areawide's total revenues were provided by government grants.