

**SOUTHWESTERN INDIANA REGIONAL  
COUNCIL ON AGING, INC.**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**JUNE 30, 2009**

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC.

TABLE OF CONTENTS

---

	<u>Page Number</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 12



Independent Auditors' Report

Board of Directors  
Southwestern Indiana Regional  
Council on Aging, Inc.  
Evansville, Indiana

We have audited the accompanying statement of financial position of Southwestern Indiana Regional Council on Aging, Inc. (SWIRCA) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of SWIRCA'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 SWIRCA's management, as well as evaluating the overall financial statement presentation. We believe that 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 SWIRCA as of June 30, 2009, 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.

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2010, on our consideration of SWIRCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

*Gauthier & Kimmerling, LLC*

February 12, 2010

**SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2009**

---

**ASSETS**

Cash and cash equivalents	\$ 142,561
Grants receivable	882,046
Accounts receivable trade	86,617
Investments (Note 9)	168,189
Prepaid expenses	30,117
Property, net of accumulated depreciation (Note 7)	<u>1,426,495</u>
 Total Assets	 <u>\$ 2,736,025</u>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable	\$ 410,728
Due to funding source	60,953
Accrued vacation	228,489
Accrued payroll and benefits	69,182
Deferred revenue trade	18,510
Bond payable	784,896
Line of credit	100,000
Bond swap (Note 11)	<u>35,719</u>

Total Liabilities 1,708,477

Unrestricted net assets	788,821
Temporarily restricted net assets	<u>238,727</u>

Total Net Assets 1,027,548

Total Liabilities and Net Assets \$ 2,736,025

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

**SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUES AND OTHER SUPPORT</u></b>			
Federal grants	\$ 2,565,511	\$ 88,555	\$ 2,654,066
State grants	1,952,056	-	1,952,056
City grants	50,000	-	50,000
Medicaid revenue	486,828	-	486,828
Program revenue	238,036	-	238,036
Sponsorships	96,938	-	96,938
Contributions	338,224	-	338,224
Contributions in-kind	125,119	-	125,119
Fundraising catering	119,250	-	119,250
Fundraising	155,566	-	155,566
Interest	2,598	-	2,598
Other	(4,942)	-	(4,942)
Revenues and other support	<u>6,125,184</u>	<u>88,555</u>	<u>6,213,739</u>
Revenues released from restriction	<u>11,551</u>	<u>(11,551)</u>	<u>-</u>
Total Revenues and Other Support	<u>6,136,735</u>	<u>77,004</u>	<u>6,213,739</u>
<b><u>EXPENSES</u></b>			
Nutrition	1,424,582	-	1,424,582
Wellness	42,369	-	42,369
Independence	3,834,680	-	3,834,680
Community programs	33,736	-	33,736
Total program expenses	<u>5,335,367</u>	<u>-</u>	<u>5,335,367</u>
Fundraising	323,225	-	323,225
General and administrative	137,401	-	137,401
Total fundraising and general and administrative	<u>460,626</u>	<u>-</u>	<u>460,626</u>
Total Expenses	<u>5,795,993</u>	<u>-</u>	<u>5,795,993</u>
Increase (decrease) in net assets from operations	340,742	77,004	417,746
Loss on interest rate swap	(35,719)	-	(35,719)
Increase (decrease) in net assets	305,023	77,004	382,027
Net assets - beginning of year	<u>483,798</u>	<u>161,723</u>	<u>645,521</u>
Net assets - end of year	<u>\$ 788,821</u>	<u>\$ 238,727</u>	<u>\$ 1,027,548</u>

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

**SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	SUPPORTING SERVICES					Total 2009		
	Nutrition Programs	Wellness Programs	Independence Programs	Community Programs	Fund- raising		Management and General	
Personnel	\$ 615,335	\$ 27,080	\$ 1,764,340	\$ 1,162	\$ 120,037	\$ 41,146	\$ 161,183	\$ 2,569,100
Occupancy	50,866	8,825	75,771	1,025	8,523	10,356	18,879	155,366
Telephone and postage	5,102	650	10,857	576	4,119	182	4,301	21,486
Contracted services	16,157	2,503	22,618	4,278	9,035	130	9,165	54,721
Supplies	560,651	1,281	75,889	22,594	75,168	7,492	82,660	743,075
Equipment	44,597	91	11,095	237	9,495	2,927	12,422	68,442
Travel and transportation	92,853	1,217	62,162	997	9,087	594	9,681	166,910
Professional fees	4,531	56	20,790	-	1,962	1,304	3,266	28,643
Advertising	1,951	42	4,203	1,454	51,218	111	51,329	58,979
Bank fees	452	4	906	7	4,394	28	4,422	5,791
Dues and subscriptions	1,131	11	2,513	-	6,024	76	6,100	9,755
Insurance	14,434	91	19,798	875	4,269	1,649	5,918	41,116
Repairs and maintenance	5,858	11	2,473	13	373	945	1,318	9,673
Miscellaneous taxes	2	-	55	5	1,718	50	1,768	1,830
Trash removal	3,683	-	62	26	3,303	670	3,973	7,744
Depreciation	-	-	-	-	-	69,598	69,598	69,598
Provider services	-	-	1,750,092	-	-	-	-	1,750,092
Printing	6,979	507	11,056	487	14,500	143	14,643	33,672
<b>Total expenses</b>	<b>\$ 1,424,582</b>	<b>\$ 42,369</b>	<b>\$ 3,834,680</b>	<b>\$ 33,736</b>	<b>\$ 323,225</b>	<b>\$ 137,401</b>	<b>\$ 460,626</b>	<b>\$ 5,795,993</b>

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

**SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

---

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 382,027
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	69,598
Realized and unrealized loss on investments	10,124
Contributed building	(338,224)
Loss on bond swap	35,719
(Increases) decreases in operating assets:	
Grants receivable	(221,766)
Accounts receivable trade	(31,576)
Prepaid expenses	5,569
Increases (decreases) in operating liabilities:	
Accounts payable	47,043
Due to funding source	9,575
Accrued payroll and related liabilities	14,655
Deferred revenue trade	<u>(3,725)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(20,981)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of investments	7,093
Purchase of investments	(86,593)
Purchase of property and equipment	<u>(968,958)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(1,048,458)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payment on debt	(680,554)
Proceeds from new debt	<u>1,565,450</u>
Net Cash Provided by (Used in) Financing Activities	<u>884,896</u>
Net increase (decrease) in cash	(184,543)
Cash - beginning of year	<u>327,104</u>
Cash - end of year	<u>\$ 142,561</u>
Interest paid during the year	<u>\$ 22,954</u>

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

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

---

1. NATURE OF THE ORGANIZATION

The Southwestern Indiana Regional Council on Aging, Inc. (SWIRCA) was designated as an Area Agency on Aging in July 1974, to serve Gibson, Perry, Posey, Spencer, Vanderburgh, and Warrick counties, now known as Area 16. Area Agencies are designated by the Indiana Division of Aging as focal points responsible for planning and coordinating a system of services for the elderly and disabled of all ages in each of the 16 regions of Indiana.

SWIRCA's network was built by establishing Councils on Aging in each county of its area. The Councils serve as assessors of the elderly and disabled needs, clearing houses for proposed projects in that county, and deliverers of services when necessary. SWIRCA's mission is to develop a comprehensive array of services which will prevent inappropriate institutionalization and encourage self sufficiency among senior citizens and disabled individuals. Establishing this network and building bridges between it and other agencies with already existing services has been the primary goal of the Area Agency on Aging.

Federal funding sources for these services are through the Older Americans Act, the Social Services Block Grant, Medicaid, and the USDA. The state funding sources include CHOICE and the Older Hoosier Fund. In addition to these federal and state dollars, funds are raised locally to further develop the network of services.

All services provided are non-sectarian in nature and are provided without regard to race, religion, or ethnic origin. To be eligible for some services, persons must be 60 years of age or older. Eligibility for others does not include a minimum age, but is based on a need for assistance due to health impairments and risk of institutionalization. Some funding sources have income eligibility requirements. All services are targeted to those with the greatest social and economic needs, especially minorities.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles, as described below.

Unrestricted net assets include all assets over which SWIRCA has full discretion as to use. Temporarily restricted net assets include net assets whose use by SWIRCA is limited by donor-imposed restrictions that either expire by the passage of time or are fulfilled by SWIRCA. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets.

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

(Continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions for which the restrictions are met in the same period in which the contribution is received are also recorded as unrestricted.

In addition, a number of volunteers have donated significant amounts of their time to SWIRCA's program services and supporting services. No amounts have been reflected in the accompanying financial statements for those donated services because they do not meet the criteria for revenue recognition. Donated rent is recorded in the financial statements based on equivalent fair market rents.

Federal and state grant awards are recognized as unrestricted revenue subject to compliance with grant restrictions. Unexpended funds are reported as temporarily restricted revenue.

Recognition of revenue for ticket sales and catering deposits relating to future events is deferred until the period in which the events take place or the services are provided.

Grants receivable and accounts receivable represent amounts due from various granting agencies and individual clients, but not received at year-end. Management believes that all receivables are fully collectible.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. Actual amounts may differ from these estimates.

SWIRCA allocates its expenses on a functional basis among various programs. Expenses directly related to certain programs are expensed to those programs. Other expenses that are common to several programs are allocated based upon a rational and systematic method.

SWIRCA is exempt from income taxation under the Internal Revenue Code Section 501(c)(3).

All liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

## 3. FINANCIAL INSTRUMENTS

SWIRCA maintains its cash in deposit accounts that, at times, may exceed federally insured limits. SWIRCA has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

## 4. LINE OF CREDIT

SWIRCA maintains a line of credit with Old National Bank in the amount of \$400,000. Advances of \$750,000 and repayments of \$650,000 were made during the year ended June 30, 2009. The outstanding balance was \$100,000 at June 30, 2009. The line of credit matures April 5, 2010, and is normally renewed.

5. OPERATING LEASES

SWIRCA leased a postage machine with payments of \$238 per month. The lease expired on January 31, 2009.

SWIRCA also leases a copier with payments of \$522 per month, with the lease expiring on January 1, 2012.

SWIRCA leases space on a month to month basis from various entities.

The future minimum annual rental commitments and future minimum operating lease payments under noncancellable lease agreements at June 30, 2009, are as follows:

Year ending June 30,		
2010	\$	6,263
2011		6,263
2012		3,132
2013		-
Thereafter		<u>-</u>
Total	\$	<u>15,658</u>

6. RELATED PARTY TRANSACTIONS

SWIRCA has secured bond financing to pay off the mortgage on the building it leased from the Foundation (Note 11). The Foundation subsequently has re-deeded the building to SWIRCA on October 2, 2008. The land and building were recorded at the Foundation's book value at the time of donation. SWIRCA assumed the building mortgage resulting in a net contribution of \$338,224 from the Foundation to SWIRCA.

7. PROPERTY AND EQUIPMENT

SWIRCA's property and equipment consist of the following at June 30, 2009:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 100,000	\$ -	\$ 100,000
Building	1,378,237	325,086	1,053,151
Computers	186,813	116,667	70,146
Equipment	<u>352,507</u>	<u>149,309</u>	<u>203,198</u>
Total	<u>\$ 2,017,557</u>	<u>\$ 591,062</u>	<u>\$ 1,426,495</u>

Depreciation expense for the year totaled \$69,598.

8. GRANT REVENUE, GRANTS RECEIVABLE

SWIRCA's grant revenue and grants receivable consist of the following at June 30, 2009:

Grantor/Program Title	Grants Receivable 6/30/08	Grant Revenue 6/30/09	Collections 6/30/09	Grants Receivable 6/30/09
<i>HHS</i>				
Stimulus	\$ -	\$ 112,024	\$ 112,024	\$ -
Aging and Disability Resource Centers	1,564	56,662	40,539	17,687
Elderly Nutrition	17,515	113,338	113,316	17,537
Title III-B Administration	-	123,540	123,540	-
Title III-B Social Svcs	147,344	374,163	482,693	38,814
Title III-C Congregate	-	338,435	259,654	78,781
Title III-C Home Delivered	-	343,006	124,501	218,505
Title III-E - Family Caregivers	-	189,337	117,837	71,500
Alzheimer's	33,407	-	33,407	-
Title VII	5,527	18,491	16,856	7,162
Title III-D Preventative	-	30,303	27,733	2,570
SSBG	320,419	646,831	966,776	474
Pre-Admission Screening	<u>26,032</u>	<u>307,936</u>	<u>306,684</u>	<u>27,284</u>
Total Federal	551,808	2,654,066	2,725,560	480,314
<i>State and Other Programs</i>				
CHOICE Resource Centers	5,357	-	5,357	-
Older Hoosier Funds	14,539	90,627	70,279	34,887
CHOICE	63,576	1,850,334	1,572,065	341,845
Assisted Living OMBUD	-	11,095	11,095	-
City of Evansville	<u>25,000</u>	<u>50,000</u>	<u>50,000</u>	<u>25,000</u>
Total State and City	<u>108,472</u>	<u>2,002,056</u>	<u>1,708,796</u>	<u>401,732</u>
Totals	<u>\$ 660,280</u>	<u>\$ 4,656,122</u>	<u>\$ 4,434,356</u>	<u>\$ 882,046</u>

9. INVESTMENTS

Investments as of June 30, 2009 are composed of the following:

	<u>June 30, 2009</u>	
	<u>Cost</u>	<u>Fair Market Value</u>
Money market	\$ 2,832	\$ 2,832
Bond market funds	62,723	69,800
Equity funds	79,288	61,436
Certificates of deposit	<u>33,300</u>	<u>34,121</u>
 Total	 <u>\$ 178,143</u>	 <u>\$ 168,189</u>

Investment income, net realized and unrealized gains were as follows:

	<u>June 30, 2009</u>	
Investments 6/30/08		\$ 98,813
Reinvested interest	2,596	
Reinvested dividends	<u>4,245</u>	
Total reinvestments		6,841
Unrealized loss	(10,124)	
Realized loss	<u>(892)</u>	
Total loss		(11,016)
CD purchased from cash	33,300	
Deposits to investment account	<u>40,251</u>	
Total		<u>73,551</u>
Investments 6/30/09		<u>\$ 168,189</u>

Past investment returns are not indicative of future results as bond and equity funds could decrease in value. Only the money market and certificates of deposit are FDIC insured.

10. TEMPORARILY RESTRICTED ASSETS

Temporarily restricted assets consisted of the following at June 30, 2009. All were restricted by purpose by donors or grantors.

	Balance 6/30/2009
Pre-admission Screening	\$ 88,555
Choice Wait List Funds	105,316
Points of Hope	37,716
Case Management	3,479
Angel Tree	463
Faith Based Initiative	1,800
EMT Bracelets	<u>1,398</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 238,727</u>

11. LONG-TERM DEBT

On October 2, 2008 SWIRCA entered into a bond purchase and loan agreement with Indiana Finance Authority, as issuer of the bond, and Old National Bank, as purchaser and servicer of the bond. The principle sum was \$908,000. Interest is adjusted and each interest rate adjustment equals (65% x LIBOR rate) + 2.58%. The principle balance drawn at June 30, 2009 was \$784,896, leaving \$123,104 available to be drawn if needed.

The future maturities of long-term debt are as follows:

Year ending June 30,	
2010	\$ 70,497
2011	74,694
2012	79,110
2013	83,931
2014	90,336
Thereafter	<u>386,328</u>
Total	<u>\$ 784,896</u>

As part of a strategy to maintain an acceptable level of exposure to risk of interest rate fluctuation, SWIRCA entered into interest rate swap agreements as follows:

SWIRCA agreed with Old National Bank to exchange the difference between a fixed rate ( 5.5%) and variable rate interest amounts calculated by reference to 65% USD-LIBOR-BBA notional principle amount of \$770,368 for a period of 10 years beginning October 6, 2008. The outstanding notional amount at June 30, 2009 is \$759,446.

(Continued)

11. LONG-TERM DEBT – Continued

Accounting Standards require companies to recognize all derivative instruments as either assets or liabilities at fair value in the Statement of Financial Position. In accordance with Accounting Standards, SWIRCA designates interest rate swaps as cash flow hedges of fixed-rate borrowings.

For derivative instruments that are designated and qualify as a cash flow hedge of a not-for-profit organization, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged risk, are included in the current year change in net assets. SWIRCA includes the gain or loss on the hedged items (that is fixed rate borrowings) in building expense and the offsetting gain or loss on the related interest rate swaps in other gains and losses as follows:

	2009	
Income statement classification	Gain/(loss) on swaps	Gain/(loss) on borrowings
Other gain/loss	\$ 35,719	\$ -
Building expenses	<u>-</u>	<u>(9,647)</u>
Total	<u>\$ 35,719</u>	<u>\$ (9,647)</u>

As of June 30, 2009 the total national amount of SWIRCA's receive-fixed/pay-variable interest rate on swap was \$759,446.

For information on the location and amounts of derivative fair value in the Statement of Financial Position and derivative gains and losses in the Statement of Activities, see the tabular information presented below:

Balance Sheet		
	<u>Location</u>	<u>Fair Value</u>
Bond Swap	Liabilities	<u>\$ 35,719</u>

The Effect of Derivatives Instruments on the Statement of Activities for the year ended June 30, 2009:

<u>Cash Value Hedging Relationships</u>	<u>Location of Gain or (Loss) Recognized in Income on Derivative</u>	<u>Amount of Gain or (Loss) Recognized in Income on Derivative</u>
Interest rate contracts	Loss on interest rate swap	<u>\$ 35,719</u>

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure through the date of the auditors' report, February 12, 2010.