

**Area Agency on Aging of Palm Beach/
Treasure Coast, Inc.**

**Financial Statements
(With supplementary information)
Independent Auditor's Report,
and Additional Reports Required by
the Uniform Guidance**

December 31, 2022 and 2021

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

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Independent Auditor's Report

To the Board of Directors
Area Agency on Aging of Palm Beach/Treasure Coast, Inc. West Palm Beach, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Area Agency on Aging of Palm Beach/Treasure Coast, Inc. (the "Agency", a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Agency as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Agency as of and for the year ended December 31, 2021 were audited by another auditor whose report dated June 29, 2022, expressed an unmodified opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of Florida Chapter 10.65, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the 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 U.S. GAAS. In our opinion, the schedules of expenditures of federal awards and state financial assistance are 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 September 15, 2023 on our consideration of the Agency'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 solely 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 effectiveness of the Agency's 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 the Agency's internal control over financial reporting and compliance.



Boca Raton, Florida
September 15, 2023

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Financial Position
December 31, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 2,616,415	\$ 4,263,486
Federal and state grants receivable	6,056,682	2,526,314
Other receivables	73,843	95,994
Prepaid expenses	5,431	6,779
Advances to providers	<u>424,164</u>	<u>293,978</u>
Total current assets	<u>9,176,535</u>	<u>7,186,551</u>
Other assets		
Operating lease, right-of-use assets, net	3,018,517	3,618,949
Finance lease, right-of-use assets	<u>32,383</u>	<u>96,936</u>
Total other assets	<u>3,050,900</u>	<u>3,715,885</u>
Total assets	<u>\$ 12,227,435</u>	<u>\$ 10,902,436</u>

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Financial Position
December 31, 2022 and 2021**

	<u>Liabilities and Net Assets</u>	<u>2022</u>	<u>2021</u>
Current liabilities			
Accounts payable	\$	71,673	\$ 212,086
Accrued expenses		254,375	215,303
Due to providers		5,000,074	3,442,389
Deferred revenue		449,724	475,467
Line of credit		-	-
Operating lease liability, current portion		588,726	562,010
Finance lease liability, current portion		39,291	74,416
Total current liabilities		<u>6,403,863</u>	<u>4,981,671</u>
Long-term liabilities			
Operating lease liability, less current portion		2,932,753	3,385,827
Finance lease liability, less current portion		<u>-</u>	<u>39,291</u>
Total long-term liabilities		<u>2,932,753</u>	<u>3,425,118</u>
Total liabilities		<u>9,336,616</u>	<u>8,406,789</u>
Commitments and contingencies			
Net assets		<u>2,890,819</u>	<u>2,495,647</u>
Total net assets		<u>2,890,819</u>	<u>2,495,647</u>
Total liabilities and net assets	\$	<u><u>12,227,435</u></u>	\$ <u><u>10,902,436</u></u>

See Notes to Financial Statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
	Without donor restriction	Without donor restriction
Revenues and gains		
Federal grants	\$ 16,870,238	\$ 15,662,923
State grants	16,849,662	12,664,021
Other revenues	1,142,528	794,608
Gain on extinguishment of debt	-	689,054
Gain on insurance proceeds	-	750,000
	<u>34,862,428</u>	<u>30,560,606</u>
Total revenues and gains		
Expenses		
Program services	33,480,134	27,375,839
Support services		
General and administrative	<u>987,122</u>	<u>852,407</u>
Total expenses	<u>34,467,256</u>	<u>28,228,246</u>
Change in net assets	395,172	2,332,360
Net assets, beginning of year	<u>2,495,647</u>	<u>163,287</u>
Net assets, end of year	<u><u>\$ 2,890,819</u></u>	<u><u>\$ 2,495,647</u></u>

See Notes to Financial Statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Functional Expenses
Year Ended December 31, 2022**

	Department of Elder Affairs (DOEA) Programs					
	Older Americans Act	Alzheimers Disease Initiative	Community Care	EHEAP	Elder Abuse	CARES Act
Providers	\$ 7,841,565	\$ 7,416,486	\$ 7,563,516	\$ 520,959	\$ -	\$ 280,178
Client services	-	-	-	291,145	-	-
Wages and benefits	832,119	55,316	359,132	23,712	309	10,303
Rental space	315,017	6,536	33,946	16,810	13,806	-
Maintenance and repairs	26,135	-	7,775	2,573	175	-
Travel and training	5,095	-	-	100	-	-
Communications and utilities	61,641	-	15,619	2,001	4,017	-
Printing and supplies	22,071	-	1,650	-	-	-
Data maintenance and equipment	30,865	-	11,620	871	759	-
Other expenses	20,316	-	2,388	2,373	319	-
Professional fees	22,008	-	3,030	1,090	295	-
Insurance	27,004	-	5,019	730	1,202	-
Volunteer expenses	300	-	-	-	-	-
Depreciation and amortization	19,184	-	7,222	542	471	-
Total expenses	<u>9,223,320</u>	<u>7,478,338</u>	<u>8,010,917</u>	<u>862,906</u>	<u>21,353</u>	<u>290,481</u>
Allocation of general and administrative expenses	<u>268,132</u>	<u>217,404</u>	<u>232,886</u>	<u>25,086</u>	<u>621</u>	<u>8,445</u>
Total expenses after allocation	<u><u>\$ 9,491,452</u></u>	<u><u>\$ 7,695,742</u></u>	<u><u>\$ 8,243,803</u></u>	<u><u>\$ 887,992</u></u>	<u><u>\$ 21,974</u></u>	<u><u>\$ 298,926</u></u>

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Functional Expenses
Year Ended December 31, 2022**

Department of Elder Affairs (DOEA) Programs							
	CAA Act	Medicaid intake	Home care	Relief	SHINE	American Rescue	Other DOEA Programs
Providers	\$ 572,750	\$ -	\$ 588,518	\$ 34,429	\$ -	\$ 2,725,338	\$ 277,563
Client services	-	-	314,700	44,504	-	-	-
Wages and benefits	-	657,428	17,027	7,956	80,669	48,885	151,427
Rental space	-	81,510	7,701	-	122,638	-	37,370
Maintenance and repairs	-	4,089	1,074	-	3,420	-	6,586
Travel and training	-	115	100	-	319	-	102
Communications and utilities	-	-	2,308	-	6,890	-	4,777
Printing and supplies	-	-	1,797	-	3,537	-	6,350
Data maintenance and equipment	-	-	3,046	-	9,229	-	11,135
Other expenses	-	754	1,883	50	4,102	68	10,191
Professional fees	-	1,500	1,590	-	8,151	-	710
Insurance	-	-	385	-	1,147	-	1,705
Volunteer expenses	-	-	-	-	630	-	-
Depreciation and amortization	-	-	1,894	-	5,736	-	6,921
Total expenses	<u>572,750</u>	<u>745,396</u>	<u>942,023</u>	<u>86,939</u>	<u>246,468</u>	<u>2,774,291</u>	<u>514,837</u>
Allocation of general and administrative expenses	<u>16,650</u>	<u>21,669</u>	<u>27,386</u>	<u>2,527</u>	<u>7,165</u>	<u>80,652</u>	<u>14,967</u>
Total expenses after allocation	<u>\$ 589,400</u>	<u>\$ 767,065</u>	<u>\$ 969,409</u>	<u>\$ 89,466</u>	<u>\$ 253,633</u>	<u>\$ 2,854,943</u>	<u>\$ 529,804</u>

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Functional Expenses
Year Ended December 31, 2022**

	Non-DOEA Programs					
	Other non-DOEA	Foster Grandparents	Veterans Choice	Total program services	General and administrative	Total 2022
Providers	\$ 105,943	\$ -	\$ -	27,927,245	\$ -	\$ 27,927,245
Client services	-	-	608,199	1,258,548	-	1,258,548
Wages and benefits	319,074	206,455	24,516	2,794,328	690,371	3,484,699
Rental space	7,800	22,934	12,058	678,126	136,728	814,854
Maintenance and repairs	1,108	800	594	54,329	14,079	68,408
Travel and training	589	2,365	3,670	12,455	1,923	14,378
Communications and utilities	2,643	5,289	477	105,662	33,914	139,576
Printing and supplies	1,800	6,659	3,116	46,980	14,601	61,581
Data maintenance and equipment	2,266	4,160	860	74,811	42,860	117,671
Other expenses	427	1,775	29,753	74,399	8,964	83,363
Professional fees	11,310	1,696	3,150	54,530	12,395	66,925
Insurance	-	3,554	-	40,746	13,233	53,979
Volunteer expenses	23,595	286,952	-	311,477	-	311,477
Depreciation and amortization	1,408	2,586	534	46,498	18,054	64,552
Total expenses	477,963	545,225	686,927	33,480,134	987,122	34,467,256
Allocation of general and administrative expenses	27,712	15,850	19,970	987,122	(987,122)	-
Total expenses after allocation	\$ 505,675	\$ 561,075	\$ 706,897	\$ 34,467,256	\$ -	\$ 34,467,256

See Notes to Financial Statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Functional Expenses
Year Ended December 31, 2021**

Department of Elder Affairs (DOEA) Programs						
	Older Americans Act	Alzheimers Disease Initiative	Community Care	EHEAP	Elder Abuse	CARES Act
Providers	\$ 9,001,713	\$ 5,595,665	\$ 5,461,820	\$ 298,942	\$ -	\$ 368,996
Client services	-	-	-	204,416	-	14,706
Wages and benefits	821,565	47,662	373,484	16,731	2,061	-
Rental space	180,859	1,585	60,430	13,794	4,765	-
Maintenance and repairs	24,452	-	11,409	1,810	590	-
Travel and training	2,262	-	-	-	-	-
Communications and utilities	37,541	-	13,230	4,001	3,965	-
Printing and supplies	21,244	-	7,523	295	1,300	196
Data maintenance and equipment	42,662	300	26,701	2,700	1,412	-
Other expenses	26,150	-	1,737	324	185	2,737
Professional fees	13,786	-	2,581	956	137	-
Insurance	23,299	-	8,137	957	1,025	-
Volunteer expenses	-	-	-	-	-	-
Depreciation and amortization	22,547	-	-	-	-	11,436
Total expenses	10,218,080	5,645,212	5,967,052	544,926	15,440	398,071
Allocation of general and administrative expenses	318,164	175,776	185,797	16,967	481	12,395
Total expenses after allocation	\$ 10,536,244	\$ 5,820,988	\$ 6,152,849	\$ 561,893	\$ 15,921	\$ 410,466

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Functional Expenses
Year Ended December 31, 2021**

	Department of Elder Affairs (DOEA) Programs					
	CAA Act	Medicaid intake	Home care	Relief	SHINE	Other DOEA programs
Providers	\$ 733,798	\$ -	\$ 304,749	\$ 22,706	\$ -	\$ 100,029
Client services	-	-	474,578	35,485	-	42,164
Wages and benefits	-	622,318	48,578	13,269	84,658	202,121
Rental space	-	94,008	16,961	-	58,720	43,539
Maintenance and repairs	-	16,166	1,100	-	6,080	1,943
Travel and training	-	-	-	-	-	-
Communications and utilities	-	8,222	4,051	-	6,007	2,765
Printing and supplies	-	4,142	1,997	-	16,499	2,417
Data maintenance and equipment	-	13,903	8,090	-	7,951	4,426
Other expenses	-	801	341	-	5,853	34,540
Professional fees	-	3,900	2,337	-	2,760	1,310
Insurance	-	-	1,025	-	2,210	1,302
Volunteer expenses	-	-	-	-	560	-
Depreciation and amortization	-	-	-	-	6,807	7,522
Total expenses	<u>733,798</u>	<u>763,460</u>	<u>863,807</u>	<u>71,460</u>	<u>198,105</u>	<u>444,078</u>
Allocation of general and administrative expenses	<u>22,848</u>	<u>23,772</u>	<u>26,897</u>	<u>2,225</u>	<u>6,168</u>	<u>13,827</u>
Total expenses after allocation	<u>\$ 756,646</u>	<u>\$ 787,232</u>	<u>\$ 890,704</u>	<u>\$ 73,685</u>	<u>\$ 204,273</u>	<u>\$ 457,905</u>

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Functional Expenses
Year Ended December 31, 2021**

	Non-DOEA Programs				Total program services	General and administrative	Total 2021
	Other non-DOEA	Foster Grandparents	Elder Rights	Veterans Choice			
Providers	\$ 31,538	\$ -	\$ -	\$ -	\$ 21,919,956	\$ -	\$ 21,919,956
Client services	6,089	-	-	565,796	1,343,234	-	1,343,234
Wages and benefits	100,251	195,868	36,125	-	2,564,691	667,297	3,231,988
Rental space	14,378	22,747	-	190,606	702,392	84,760	787,152
Maintenance and repairs	6,128	3,521	1,025	550	74,774	7,426	82,200
Travel and training	1,125	1,589	-	-	4,976	461	5,437
Communications and utilities	15,837	9,927	-	783	106,329	23,190	129,519
Printing and supplies	3,129	30,835	8,004	2,703	100,284	9,052	109,336
Data maintenance and equipment	8,096	9,497	-	1,970	127,708	29,326	157,034
Other expenses	623	2,086	-	10,377	85,754	8,795	94,549
Professional fees	2,025	900	-	4,350	35,042	10,188	45,230
Insurance	1,845	2,290	-	-	42,090	11,912	54,002
Volunteer expenses	14,735	186,106	-	-	201,401	-	201,401
Depreciation and amortization	-	-	-	18,896	67,208	-	67,208
Total expenses	205,799	465,366	45,154	796,031	27,375,839	852,407	28,228,246
Allocation of general and administrative expenses	6,408	14,490	1,406	24,786	852,407	(852,407)	-
Total expenses after allocation	\$ 212,207	\$ 479,856	\$ 46,560	\$ 820,817	\$ 28,228,246	\$ -	\$ 28,228,246

See Notes to Financial Statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Statements of Cash Flows
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 395,172	\$ 2,332,360
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Amortization expense-financing leasing	64,553	67,208
Gain on extinguishment of debt	-	(689,054)
Changes in operating assets and liabilities		
Federal and state grants receivable	(3,530,368)	1,624,297
Other receivables	22,151	190,882
Prepaid expenses	1,348	(3,834)
Operating leases right-of-use assets	600,432	727,856
Advances to providers	(130,186)	(13,343)
Accounts payable	(140,413)	929
Accrued expenses	39,072	(30,320)
Due to providers	1,557,685	(944,538)
Deferred revenue	(25,743)	(7,640)
Operating lease liability	<u>(426,358)</u>	<u>(534,022)</u>
Net cash (used in) provided by operating activities	<u>(1,572,655)</u>	<u>2,720,781</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from paycheck protection program loan	-	-
Principal payments on finance leases	(74,416)	(70,437)
Repayment on line of credit	<u>-</u>	<u>(275,000)</u>
Net cash used in financing activities	<u>(74,416)</u>	<u>(345,437)</u>
Net (decrease) increase in cash and cash equivalents	(1,647,071)	2,375,344
Cash and cash equivalents, beginning of year	<u>4,263,486</u>	<u>1,888,142</u>
Cash and cash equivalents, end of year	<u>\$ 2,616,415</u>	<u>\$ 4,263,486</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 7,869</u>	<u>\$ 19,738</u>

See Notes to Financial Statements.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 1 - Organization and purpose

Area Agency on Aging of Palm Beach/Treasure Coast, Inc. (the "Agency") was incorporated on September 27, 1988 as a private, non-profit, regional agency designated by the State of Florida in accordance with the Older Americans Act of 1965 and in the State Community Care for the Elderly Act. The Agency administers a network of services for the aging population in Palm Beach, Martin, St. Lucie, Indian River and Okeechobee counties. The goal of the Agency is to meet the nutritional and social needs of the aging population. To carry out this goal, the Agency conducts annual assessments of the needs of the elderly population, determines resources available to satisfy these needs, and then plans and coordinates programs available to alleviate the identified needs. The Agency awards service provider contracts to the appropriate local agencies, which provide the service to the aging population.

Note 2 - Summary of significant accounting policies

Basis of presentation

The Agency's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires the Agency to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the statements of activities and changes in net assets. As of December 31, 2022 and 2021, there were no net assets with donor restriction.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Costs incurred by a program or supporting service are charged directly to that service. Accordingly, rent and facilities, insurances, taxes and amortization costs have been allocated among the programs and supporting services benefited. The allocation is based on a percentage of headcount on specific programs and supporting services.

Cash and cash equivalents

For purposes of reporting cash flows, the Agency considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Notes to Financial Statements
December 31, 2022 and 2021**

Federal and state grants receivable

Grants receivable are un-collateralized federal and state obligations requiring payment within thirty days from the request date. Unpaid receivables with request dates over thirty days do not bear interest. Grants receivable are stated at the amount management expects to collect from outstanding balances. In the past, substantially all of grants receivable have been collected within sixty days, therefore management has not recorded a provision for uncollectible accounts. Payments of receivables are allocated to the specific requests identified on the state's remittance advice.

Advances to providers

Advances to providers are comprised of amounts received from grantor agencies by the Agency that are submitted to sub-recipients prior to meeting the expense recognition criteria. In subsequent periods, when the expense recognition criteria have been met, the asset for prepaid expenses is reduced and expense is recognized.

Property and equipment

Property and equipment are recorded at cost. Donated property and equipment are valued at fair value on the date of donation. Property and equipment consists primarily of office equipment. Office equipment is depreciated using the straight-line method over a range from three to five years. The Agency's policy is to capitalize property and equipment with a cost of \$5,000 or more. Depreciation expense for the years ended December 31, 2022 and 2021 was \$0. As of December 31, 2022 and 2021, property and equipment was fully depreciated.

Valuation of long-lived assets

The Agency accounts for the valuation of long-lived assets under authoritative guidance issued by the Financial Accounting Standards Board ("FASB"), which requires that long-lived assets and certain intangible assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. No indicators of impairment were identified for the years ended December 31, 2022 and 2021.

Right-of-use assets

The Agency's leases consist of noncancelable operating and financing leases that relate to real estate and computer equipment rental agreements, respectively.

On January 1, 2020, the Agency adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"), using the modified retrospective method applied to leases that were in place as of January 1, 2020. Topic 842 establishes a right-of-use ("ROU") model that requires the Agency to record a ROU asset and a lease liability on the statements of financial position for all leases with terms longer than twelve months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets. Minimum rental payments under operating leases are recognized as a single lease expense on a straight-line basis over the term of the lease, while finance leases are recognized as interest and amortization expense.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

Notes to Financial Statements December 31, 2022 and 2021

The Agency determined the appropriate the incremental borrowing rate ("IBR") by identifying a reference rate and making adjustments that take into consideration financing options and certain lease-specific circumstances. For the reference rate, the Agency used the ten year mortgage interest rate.

Revenue recognition

Grants and contributions: The Agency receives grant funding from federal agencies, state and local governments, and private sources. Grants and contributions are classified as either conditional or unconditional. Revenue is recognized on a conditional grant or contribution once a barrier or hurdle to be entitled to the resource is overcome and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Agency fails to overcome the barrier. Any funding received prior to overcoming the barrier is recognized as deferred revenue. Unconditional grants and contributions are recognized as revenue when the commitment to contribute is received. The Agency recognizes the revenue under grants and contracts and other contributions in the statements of activities and change in net assets. AAA has executed conditional grants and contracts of approximately \$15,298,552 that have not been recognized at December 31, 2022 because qualifying expenditures have not yet been incurred

A portion of the Agency's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported in deferred revenue in the statements of financial position.

At December 31, 2022 and 2021, the Agency had advances relating to these activities of \$424,164 and \$293,978, respectively.

Service fees: the Agency provides various program activities with a negotiated fixed rate or price. Revenue is recognized upon the occurrence of the services. Revenue received in advance and not yet earned is deferred to the applicable period.

Compensated absences

Employees of the Agency are entitled to paid annual leave, which they earn throughout the year. As of December 31, 2022 and 2021, the Agency accrued an estimated liability for compensated absences in the amount of \$125,463 and \$114,588, respectively.

Due to providers

Due to providers is comprised of cost-reimbursement requests submitted by the Agency's service providers that the Agency has yet to pay out.

Deferred revenue

Deferred revenue is comprised of amounts received from grantor agencies by the Agency prior to meeting the revenue recognition criteria. In subsequent periods, when the revenue recognition criteria have been met, the liability for deferred revenue is reduced and revenue is recognized.

Income taxes

The Agency has been granted an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC"), as a non-profit corporation.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Notes to Financial Statements
December 31, 2022 and 2021**

In accordance with U.S. GAAP on accounting for uncertainty in income taxes, the Agency recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Agency's tax years subject to examination by tax authorities generally remain open for three years from the date of filing.

Reclassification

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year financial statement presentation.

Subsequent events

Management has evaluated subsequent events through September 15, 2023, the date on which the financial statements were available to be issued.

Note 3 - Liquidity and availability of resources

The Agency's financial assets available to meet cash needs for general expenditure, without donor or other restrictions limiting their use, within one year consist of the following as of December 31:

	2022	2021
Cash and cash equivalents	\$ 2,616,415	\$ 4,263,486
Federal and state grants receivable	6,056,682	2,526,314
Other receivables	73,843	95,994
Total financial assets available for general expenditures	<u>\$ 8,746,940</u>	<u>\$ 6,885,794</u>

The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 4 - Federal and state grants receivable

Federal and state grants receivable from grantors consists of the following as of December 31:

	2022	2021
Federal		
Corporation for National and Community Service	\$ 53,347	\$ 99,317
U.S. Department of HHS	3,447,567	1,617,988
U.S. Department of Justice	-	7,340
State		
Florida Department of Elder Affairs	2,555,768	801,669
Total federal and state grants receivable	<u>\$ 6,056,682</u>	<u>\$ 2,526,314</u>

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Notes to Financial Statements
December 31, 2022 and 2021**

Note 5 - Employee benefit plan

In August 2006, the Agency adopted a 401(k) Employer Retirement Plan (the "Plan"). The Plan allows for participation for all employees eighteen (18) years of age or older. The employer contributions under the Plan are discretionary. Employees are 25% vested after one year of service, 50% vested after two years, 75% vested after three years and 100% vested after four years of service. In November of 2022, the Plan was amended to allow employees to be 50% vested after one year and 100% vested after two years.

During the years ended December 31, 2022 and 2021, total contributions made to the Plan by the Agency was \$276,269 and \$64,941, respectively.

Note 6 - Leases

The Agency leases building space and equipment used in its operations. All contracts that implicitly or explicitly involve property, plant and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, the Agency recognizes a lease liability, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for prepaid lease costs, initial direct costs, and lease incentives. The Agency has elected and applies the practical expedient available to lessees to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. The Agency remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

The Agency determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, the Agency estimates its incremental borrowing rate as the discount rate. The Agency's incremental borrowing rate, which is determined at either lease commencement or when a lease liability is remeasured, is an estimate of the interest rate it would pay on a collateralized borrowing, for an amount equal to the amount and currency of denomination of the lease payments, over a period commensurate with the lease term and in a similar economic environment.

For accounting purposes, the Agency's leases commence on the earlier of (i) the date upon which the Agency obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of the Agency's leases coincides with the contractual effective date. The Agency's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Agency and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts.

Unless the Agency determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or non-exercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum non-cancellable contractual term. When the exercise of a renewal option or non-exercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

Notes to Financial Statements December 31, 2022 and 2021

The Agency includes variable rental payments based on a rate or an index such as the Consumer Price index (CPI) in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred.

Leases involving real estate

Leases for the Agency's operational locations have lease terms at range from 3 to 10 years, which terms has been incorporated into the measurement of the related right-of-use assets and lease liabilities. Our real estate leases generally require reimbursement of real estate taxes, common area maintenance, and insurance.

Rental payments on these leases typically provide for fixed minimum payments that increase over the lease term at predetermined amounts. Certain leases of real estate provide for rental increases based on the CPI, which are included in Agency's measurement of lease payments based on the rate or index in effect at lease commencement and are therefore included in the measurement of the lease liabilities.

The Agency leased office space under an amendment lease that is to expire in 2028. The annualized base rent for the first year of the lease term was at \$16 per rentable square foot of the space, with a 2.5% increase over the base year at each anniversary. In addition to the base rent, the Agency is obligated to pay 62% of Tenant's propriate share of the operating expenses, real estate taxes and assessments and the property and liability insurance as provided for in the lease.

Leases involving equipment

Equipment leases have lease terms that generally range from less than 1 year to 5 years and generally do not have renewal options. Rental payments on these leases typically provide for fixed payments that increase over the lease term at predetermined amounts, are included in the measurement of lease payments, and are therefore included in the measurement of lease liabilities. Certain of the Agency's leases involving equipment have purchase options. When those options are reasonably certain of being exercised, the Agency reflects such purchase options when measuring the lease term and lease payments for those leases.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Notes to Financial Statements
December 31, 2022 and 2021**

Financial information

The following provides information about the Agency's right-of-use assets and lease liabilities for its operating and finance leases as of December 31, 2022 and 2021:

	Balance Sheet Classification	2022	2021
Right-of-use assets			
Operating leases		\$ 3,018,517	\$ 3,618,949
Finance leases	Operating lease assets	<u>32,383</u>	<u>96,936</u>
Total leased assets	Property, plant and equipment, net	<u>\$ 3,050,900</u>	<u>\$ 3,715,885</u>
Lease liabilities			
<i>Current</i>			
Operating leases		\$ 588,726	\$ 562,010
Finance leases	Accrued and other current liabilities	39,291	74,416
<i>Noncurrent</i>	Current portion of long-term debt		
Operating leases		2,932,753	3,385,827
Finance leases	Noncurrent operating lease liabilities	<u>-</u>	<u>39,291</u>
Total lease liabilities	Long-term debt	<u>\$ 3,560,770</u>	<u>\$ 4,061,544</u>

The components of Agency's lease cost for the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
Operating lease cost, net		
Rent expense	\$ 814,855	\$ 787,152
Finance lease cost		
Amortization expense	64,552	67,208
Interest expense (1)	<u>7,869</u>	<u>16,082</u>
Total lease cost, net	<u>\$ 887,276</u>	<u>\$ 870,442</u>

(1) Interest on the Company's finance lease liabilities is recognized on a level yield basis over the period preceding purchase options, if any, which is generally two to five years from lease commencement.

Supplemental cash flow information related to the Agency's leases for the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
Operating	\$ 426,358	\$ 534,022
Finance	<u>74,416</u>	<u>70,437</u>
Total	<u>\$ 500,774</u>	<u>\$ 604,459</u>

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Notes to Financial Statements
December 31, 2022 and 2021**

Weighted average remaining lease term and weighted average discount rate for the Agency's leases as of December 31, 2022 and 2021:

<u>Year ended December 31, 2022</u>	<u>Operating leases</u>	<u>Finance leases</u>
Weighted average remaining term on leases	64 months	11 months
Incremental borrowing rate	2%	10%
 <u>Year ended December 31, 2021</u>	 <u>Operating leases</u>	 <u>Finance leases</u>
Weighted average remaining term on leases	76 months	19 months
Incremental borrowing rate	2%	10%

The Agency has elected to use its incremental borrowing rate for real estate leases and has elected to use risk-free rates as the discount rate for all its leases involving other classes of underlying assets. The Company uses rates on US government securities for periods comparable with lease terms as risk-free rates.

Annual maturity analysis of the Agency's lease liabilities as of December 31, 2022 is as follows:

<u>Years ending December 31,</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2023	\$ 665,120	\$ 41,283	\$ 706,403
2024	666,864	-	666,864
2025	693,540	-	693,540
2026	721,284	-	721,284
2027	750,132	-	750,132
Thereafter	<u>260,044</u>	<u>-</u>	<u>260,044</u>
Total undiscounted future minimum lease payments	3,756,984	41,283	3,798,267
Less imputed interest	<u>(235,505)</u>	<u>(1,992)</u>	<u>(237,497)</u>
Total lease liability	3,521,479	39,291	3,560,770
Total lease liability, current portion	<u>(588,726)</u>	<u>(39,291)</u>	<u>(628,017)</u>
Total lease liability, less current portion	<u>\$ 2,932,753</u>	<u>\$ -</u>	<u>\$ 2,932,753</u>

Note 7 - Commitments and contingencies

Grants

The Agency participates in various federal and state assisted grant programs that are subject to review and audit by the respective grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the Agency and have an impact on future awards granted.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

Notes to Financial Statements December 31, 2022 and 2021

In 2020, the Florida Department of Financial Services (the "FDFS") began an investigation on the Agency for the year ended December 31, 2019 and prior, in regards to the misappropriation of program funds received from the DOEA which were identified by management. The misappropriation of funds primarily involved the Agency utilizing program funding to support operational expenses, which resulted in the Agency not paying providers in a timely manner. The misappropriation led to an approximate amount past due to providers in the amount of \$1,700,000, which was fully settled in December 2021 (see Legal Matter note).

In 2020, the Agency filed a crime claim and a directors and officers claim with its insurance provider in efforts to recoup the misappropriated funds. In 2020, the Agency received insurance proceeds of \$43,789 for the crime claim. In 2021, the Agency received insurance proceeds of \$750,000 for the directors and officers claim which is included in gain on insurance proceeds in the accompanying statements of activities and changes in net assets.

Legal matters

From time to time, the Agency may become subject to threatened and/or asserted claims arising in the ordinary course of operations. In the opinion of management, there are currently no matters pending or outstanding that would have a material effect on the Agency's financial position or results of operations.

In July 2020, the Agency received a demand letter (the "Demand") from a provider, whereby, the provider demanded payment for past due reimbursements from 2019 and prior in the approximate amount of \$1,700,000. The provider claimed the Agency did not make required reimbursements under the terms of their subcontract agreement from funding the Agency received from the DOEA (see Grants note). Management was in agreement with the Demand and in December 2021, management executed a settlement agreement (the "Settlement Agreement") with the provider. Under the Settlement Agreement, the Agency agreed to pay a lump sum to the provider in the amount of \$1,160,000 and the provider released the Agency from all remaining amounts due in the amount of \$514,054. The cancellation of debt in the amount of \$514,054 is included in gain on extinguishment of debt in the accompanying statements of activities and changes in net assets for the year ended December 31, 2021. In January 2022, the Agency made a payment to the provider in the lump sum of \$1,160,000. As of December 31, 2022 and 2021, the amount due to the provider for past due reimbursements was \$0 and \$1,160,000 respectively, and is included in due to providers in the accompanying statements of financial position.

Note 8 - Concentrations of risk

Cash deposits

The Agency maintains its cash on deposit with several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC"). The FDIC covers \$250,000 per depositor, per insured bank. From time to time, balances during the year have exceeded this limit.

Major grantor

For the years ended December 31, 2022 and 2021, the DOEA accounted for approximately 97% and 95%, respectively, of the Agency's total revenue. As of December 31, 2022 and 2021, the DOEA accounted for 99% and 95%, respectively, of the Agency's total federal and state grants receivable.

Supplementary Schedules

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

Schedule of Expenditures of Federal Awards December 31, 2022

Federal grantor/ pass through grantor/program or cluster title	Assistance listing number	Pass-through award number	Total federal expenditures	Provided to subrecipients
FEDERAL AWARDS				
Department of Health and Human Services				
<i>Passed through from State of Florida Department of Elder Affairs (FDEA)</i>				
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers				
Title III Administration	93.044	IA022	\$ 642,716	\$ -
Title III B	93.044	IA022	3,631,045	3,215,991
Title III ARP Administration	93.044	IA022	73,285	-
Title IIIB ARP	93.044	IA022	717,055	-
Title IIIB ARP	93.044	IRP21	1,023,337	986,840
CARES Act Title IIIB	93.044	ICA20	69,790	69,790
COVID-19 Vaccines	93.044	ICV21	388,854	197,208
CARES Act Administration	93.044	ICA20	50,533	46,186
			<u>6,596,615</u>	<u>4,516,015</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services				
Title III C1	93.045	IA022	921,640	921,640
Title III C2	93.045	IA022	1,740,648	1,740,648
Title III C1 ARP	93.045	IA022	138,243	138,243
Title III C2 ARP	93.045	IA022	416,058	416,058
Title III C1 ARP	93.045	IRP21	954,269	954,269
Title III C2 ARP	93.045	IRP21	570,335	564,559
CARES Act Title IIIC	93.045	ICA20	141,129	141,129
Title III C	93.045	ICV21	572,753	572,753
			<u>5,455,075</u>	<u>5,449,299</u>
Nutrition Services Incentive Program	93.053	IA022	<u>563,479</u>	<u>563,479</u>
Total Aging Cluster			<u>12,615,169</u>	<u>10,528,793</u>

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Schedule of Expenditures of Federal Awards
December 31, 2022**

Federal grantor/pass through grantor/program or cluster title	Assistance listing number	Pass-through award number	Total federal expenditures	Provided to subrecipients
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and exploitation Title VII Elder Abuse Prevention	93.041	IA022	21,267	-
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services Title III D	93.043	IA022	158,000	-
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects Senior Medicare Patrol Senior Medicare Patrol	93.048 93.048	IG021 IG022	17,185 41,114	- -
			58,299	-
National Family Caregiver Support, Title III, Part E Title III E Title III E Title III E ARP CARES Act Title III E	93.052 93.052 93.052 93.052	IA022 IA022 IRP21 ICA20	898,964 210,981 219,018 38,530	835,816 - 213,245 38,530
			1,367,493	1,087,591
Low Income Home Energy Assistance Low Income Home Energy Assistance	93.568 93.568	IP021 IPP21	477,141 399,185	297,876 223,731
			876,326	521,607
Medicare Enrollment Assistance Program Passed through from FDEA Passed through from FDEA Passed through from National Council on Aging Passed through from National Council on Aging	93.071 93.071 93.071 93.071	IB022 IB023 NCOA NCOA	124,759 59,326 90,000 30,000	- - - -
Total Medicare Enrollment Assistance Program			304,085	-

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Schedule of Expenditures of Federal Awards
December 31, 2022**

Federal grantor/pass through grantor/program or cluster title	Assistance listing number	Pass-through award number	Total federal expenditures	Provided to subrecipients
Medicaid Cluster				
Medical Assistance Program	93.778	IX020	730,011	-
Total Medicaid Cluster			730,011	-
Centers for Medicare and Medicaid Services (CMS)				
Research, Demonstrations and Evaluations				
SHINE	93.779	IN021	68,046	-
SHINE	93.779	IN021	206,444	-
			274,490	-
Total Department of Health and Human Services			16,405,140	12,137,991
Corporation for National and Community Service:				
Passed through State of Florida Department of Elder Affairs (FDEA)				
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011	19SFSFL003	329,523	-
Foster Grandparent Program	94.011	19SFSFL003	135,575	-
Total Corporation for National and Community Service/Medicaid Cluster			465,098	-
Total Expenditures of Federal Awards			\$ 16,870,238	\$ 12,137,991

See Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Schedule of Expenditures of State Financial Assistance
December 31, 2022**

Grantor/Program Title	CFSA Number	Grant Contract Number	Total State Expenditures	Provided to Subrecipients
STATE FINANCIAL ASSISTANCE				
Department of Elder Affairs:				
Community Care for the Elderly	65.010	IC021	\$ 3,781,833	\$ 3,551,047
Community Care for the Elderly	65.010	IC022	4,347,203	4,012,469
Home Care for the Elderly	65.001	IH021	419,337	272,890
Home Care for the Elderly	65.001	IH022	542,444	315,628
Local Service Programs	65.009	IL021	45,352	45,352
Local Service Programs	65.009	IL022	35,003	35,003
Respite for Elders Living in Everyday Families	65.006	IR021	55,241	19,804
Respite for Elders Living in Everyday Families	65.006	IR022	41,678	14,625
Alzheimer's Disease Initiative	65.004	IZ021	3,568,255	3,528,425
Alzheimer's Disease Initiative	65.004	IZ022	4,013,316	3,888,061
Total Department of Elder Affairs			<u>16,849,662</u>	<u>15,683,304</u>
Total State Financial Assistance			<u>\$ 16,849,662</u>	<u>\$ 15,683,304</u>

See Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Notes to the Schedules of Expenditures of
Federal Awards and State Financial Assistance
December 31, 2022**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedules") include the federal and state award activity of the Agency for the year ended December 31, 2022. The information in the Schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards* ("Uniform Guidance") and the *State of Florida Chapter 10.650, Rules of the Auditor General*. Because the Schedules present only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Agency.

The Agency has elected not to use the 10% de minimis indirect cost rate for its federal programs or state programs. The indirect cost rates used on the Agency's federal programs and state programs are determined by the relevant federal or state agency.

Note 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 and the State of Florida Chapter, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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
Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
West Palm Beach, Florida

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 Area Agency on Aging of Palm Beach/Treasure Coast, Inc., (the "Agency") which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Boca Raton, Florida
September 15, 2023

Independent Auditor's Report on Compliance for Each Major
Federal and State Program and Report on Internal Control
over Compliance Required by the Uniform Guidance and
State of Florida Chapter 10.650, Rules of the Auditor General

To the Board of Directors
Area Agency on Aging of Palm Beach/Treasure Coast, Inc.
West Palm Beach, Florida

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Area Agency on Aging of Palm Beach/Treasure Coast, Inc. (the "Agency") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements described in the Department of Financial Services' State Programs Compliance Supplement, that could have a direct and material effect on each of the Agency's major federal and state programs for the year ended December 31, 2022. The Agency's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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") and State of Florida Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 or state 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 or state 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 and State of Florida Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Boca Raton, Florida
September 15, 2023

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Schedule of Findings and Questioned Costs
December 31, 2022**

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified
2. Internal control over financial reporting
 - a. Material weakness(es) identified? yes ✓ no
 - b. Significant deficiency(ies) identified? yes ✓ none reported
3. Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

1. Internal control over major federal programs:
 - a. Material weakness(es) identified? yes ✓ no
 - b. Significant deficiency(ies) identified? yes ✓ none reported
2. Type of auditor's report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes ✓ no
4. Identification of major federal programs:

Federal Assistance Listing Number
93.044, 93.045, 93.053
93.568

Name of Federal Program or Cluster
Aging Cluster
Low Income Home Energy Assistance

5. Dollar threshold used to distinguish between type A and B programs \$750,000
6. Auditee qualified as low-risk auditee? ✓ yes no

Area Agency on Aging of Palm Beach/Treasure Coast, Inc.

**Schedule of Findings and Questioned Costs
December 31, 2022, continued**

State Financial Assistance

1. Internal control over major state programs:

- a. Material weakness(es) identified? ☐ yes ☒ no
- b. Significant deficiency(ies) identified? ☐ yes ☒ none reported

2. Type of auditor's report issued on compliance
for major state programs:

Unmodified

3. Any audit findings disclosed that are required to be reported in
Accordance with the Florida Single Audit Act and Chapter
10.650, *Rules of the Auditor General*?

☐ yes ☒ no

4. Identification of major state programs:

<u>CFSA Number</u>
65.004
65.010
65.001

<u>Name of Major State Programs</u>
Alzheimer's Disease Initiative
Community Care for the Elderly
Home Care for the Elderly

5. Dollar threshold used to distinguish
between type A and B programs

\$750,000

6. Auditee qualified as low-risk auditee?

☒ yes ☐ no

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

See Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.



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