

**PIMA COUNCIL ON AGING, INC.  
AND SUBSIDIARIES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AND SINGLE AUDIT REPORTS AND SCHEDULES  
YEARS ENDED JUNE 30, 2018 AND 2017**

**PIMA COUNCIL ON AGING, INC.  
AND SUBSIDIARIES**  
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FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

**TABLE OF CONTENTS**

	Page
Independent auditors' report .....	1
<b>AUDITED FINANCIAL STATEMENTS:</b>	
Consolidated statements of financial position .....	3
Consolidated statements of activities:	
2018.....	4
2017.....	5
Consolidated statements of functional expenses:	
2018.....	6
2017.....	7
Consolidated statements of cash flows .....	8
Notes to consolidated financial statements .....	9
<b>SINGLE AUDIT REPORTS AND SCHEDULES:</b>	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .....	21
Independent auditors' report on compliance for each major federal program and report on internal control over compliance required by the Uniform Guidance .....	23
Schedule of findings and questioned costs .....	25
<b>INFORMATION PREPARED BY AUDITEE:</b>	
Schedule of expenditures of federal awards .....	26
Summary of prior year findings .....	28



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pima Council on Aging, Inc. and Subsidiaries  
Tucson, Arizona

### Report on the financial statements

We have audited the accompanying consolidated financial statements of Pima Council on Aging, Inc. and Subsidiaries (Arizona nonprofit corporations), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's responsibility for the consolidated financial statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pima Council on Aging, Inc. and Subsidiaries as of June 30, 2018 and 2017, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 December 12, 2018 on our consideration of Pima Council on Aging, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pima Council on Aging, Inc.'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 Pima Council on Aging, Inc.'s internal control over financial reporting and compliance.

HBL CPAs, P.C.

**HBL CPAs, P.C.**

December 12, 2018

**PIMA COUNCIL ON AGING, INC.**  
**AND SUBSIDIARIES**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,267,792	\$ 906,657
Certificates of deposit held at banks	20,605	20,474
Investments	2,352,148	1,357,946
Contracts and other receivables	1,679,233	1,945,133
Pledges receivable	29,741	27,335
Prepaid expenses	65,542	21,455
Total current assets	5,415,061	4,279,000
Bequests receivable	1,593,072	2,359,905
Refundable deposits	26,860	25,354
Beneficial interest in funds held by others	12,722	12,165
Property and equipment	1,339,771	1,399,308
Permanently restricted investments	61,899	61,729
	\$ 8,449,385	\$ 8,137,461
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 108,986	\$ 123,027
Accrued expenses	435,953	398,961
Due to provider agencies	739,972	537,400
Deferred revenue	87,837	67,753
Current portion of long-term debt	29,126	27,717
Amounts held for others	55,137	55,137
Total current liabilities	1,457,011	1,209,995
Long-term debt	796,065	825,191
	2,253,076	2,035,186
Net assets:		
Unrestricted:		
Expended for property and equipment	514,580	546,400
Board designated for endowment purposes	56,480	54,007
Available for operations	5,332,836	5,124,421
	5,903,896	5,724,828
Temporarily restricted	230,514	315,718
Permanently restricted	61,899	61,729
	6,196,309	6,102,275
	\$ 8,449,385	\$ 8,137,461

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

**PIMA COUNCIL ON AGING, INC.**  
**AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and support:				
Contracts with federal and other governmental agencies:				
Federal awards	\$ 6,626,266	\$ -	\$ -	\$ 6,626,266
Other governmental revenues	4,423,553	-	-	4,423,553
Contributions	311,854	112,920	-	424,774
United Way	162,069	-	-	162,069
Membership dues	55,496	-	-	55,496
Special events fundraising	220,553	-	-	220,553
Bequests	255,921	-	-	255,921
Program service fees	120,300	-	-	120,300
Other contracted revenues	56,611	-	-	56,611
Investment income	92,482	2,657	170	95,309
Gain on sale of property and equipment	2,543	-	-	2,543
	<u>12,327,648</u>	<u>115,577</u>	<u>170</u>	<u>12,443,395</u>
Net assets released from restrictions	200,781	(200,781)	-	-
Total revenues and support	<u>12,528,429</u>	<u>(85,204)</u>	<u>170</u>	<u>12,443,395</u>
Expenses:				
Program services:				
In-home services	4,271,665	-	-	4,271,665
Meal programs	2,047,020	-	-	2,047,020
Family caregiver support	764,762	-	-	764,762
Other OAA programs	1,179,922	-	-	1,179,922
PimaCare at Home	1,510,144	-	-	1,510,144
Healthy Living programs	296,627	-	-	296,627
Neighbors Care and volunteer services	261,936	-	-	261,936
Other programs	418,210	-	-	418,210
Support services:				
General and administrative	1,162,889	-	-	1,162,889
Fundraising	340,635	-	-	340,635
	<u>12,253,810</u>	<u>-</u>	<u>-</u>	<u>12,253,810</u>
Direct donor benefit costs	95,551	-	-	95,551
Total expenses	<u>12,349,361</u>	<u>-</u>	<u>-</u>	<u>12,349,361</u>
Change in net assets	179,068	(85,204)	170	94,034
Net assets, beginning of year	<u>5,724,828</u>	<u>315,718</u>	<u>61,729</u>	<u>6,102,275</u>
Net assets, end of year	<u>\$ 5,903,896</u>	<u>\$ 230,514</u>	<u>\$ 61,899</u>	<u>\$ 6,196,309</u>

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

**PIMA COUNCIL ON AGING, INC.  
AND SUBSIDIARIES**  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and support:				
Contracts with federal and other governmental agencies:				
Federal awards	\$ 6,247,517	\$ -	\$ -	\$ 6,247,517
Other governmental revenues	4,196,124	-	-	4,196,124
Contributions	291,140	71,615	1,000	363,755
United Way	125,667	-	-	125,667
Membership dues	63,643	-	-	63,643
Special events fundraising	218,335	-	-	218,335
Bequests	3,443,552	-	-	3,443,552
Program service fees	102,049	-	-	102,049
Other contracted revenues	86,504	-	-	86,504
Investment income	33,007	2,029	128	35,164
Gain on sale of property and equipment	4,700	-	-	4,700
	<u>14,812,238</u>	<u>73,644</u>	<u>1,128</u>	<u>14,887,010</u>
Net assets released from restrictions	<u>117,286</u>	<u>(117,286)</u>	<u>-</u>	<u>-</u>
Total revenues and support	14,929,524	(43,642)	1,128	14,887,010
Expenses:				
Program services:				
In-home services	3,823,010	-	-	3,823,010
Meal programs	1,919,206	-	-	1,919,206
Family caregiver support	654,469	-	-	654,469
Other OAA programs	1,120,617	-	-	1,120,617
PimaCare at Home	1,494,838	-	-	1,494,838
Healthy Living programs	280,145	-	-	280,145
Neighbors Care and volunteer services	279,511	-	-	279,511
Other programs	303,437	-	-	303,437
Support services:				
General and administrative	1,119,444	-	-	1,119,444
Fundraising	367,340	-	-	367,340
	<u>11,362,017</u>	<u>-</u>	<u>-</u>	<u>11,362,017</u>
Direct donor benefit costs	78,535	-	-	78,535
Total expenses	<u>11,440,552</u>	<u>-</u>	<u>-</u>	<u>11,440,552</u>
Change in net assets	3,488,972	(43,642)	1,128	3,446,458
Net assets, beginning of year	<u>2,235,856</u>	<u>359,360</u>	<u>60,601</u>	<u>2,655,817</u>
Net assets, end of year	<u>\$ 5,724,828</u>	<u>\$ 315,718</u>	<u>\$ 61,729</u>	<u>\$ 6,102,275</u>

**PIMA COUNCIL ON AGING, INC.  
AND SUBSIDIARIES**  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018

	<b>Program services</b>								<b>Total program services</b>	<b>General and adminis- trative</b>	<b>Fundraising</b>	<b>Total expenses</b>
	<b>In-home services</b>	<b>Meal programs</b>	<b>Family caregiver support</b>	<b>Other OAA programs</b>	<b>PimaCare at Home</b>	<b>Healthy living programs</b>	<b>Neighbors care and volunteer services</b>	<b>Other programs</b>				
Salaries and wages	\$ 692,053	\$ 13,065	\$ 255,753	\$ 679,447	\$ 1,202,978	\$ 171,859	\$ 94,207	\$ 231,823	\$ 3,341,185	\$ 810,807	\$ 179,544	\$ 4,331,536
Payroll taxes and employee benefits	162,850	2,764	67,358	163,818	206,620	36,329	13,289	38,604	691,632	160,945	38,384	890,961
	<u>854,903</u>	<u>15,829</u>	<u>323,111</u>	<u>843,265</u>	<u>1,409,598</u>	<u>208,188</u>	<u>107,496</u>	<u>270,427</u>	<u>4,032,817</u>	<u>971,752</u>	<u>217,928</u>	<u>5,222,497</u>
Depreciation	2,406	35,042	6,944	25,131	-	6,049	3,561	7,758	86,891	20,148	4,690	111,729
Insurance	865	270	2,403	8,552	13,299	2,052	3,368	2,591	33,400	11,291	1,604	46,295
Occupancy	51,959	977	13,693	34,867	23,598	7,549	4,863	10,335	147,841	28,233	9,466	185,540
Other operating	15,535	289	6,312	41,851	34,430	18,615	7,603	16,457	141,092	32,131	48,133	221,356
Postage, printing and publications	5,182	118	1,343	14,187	1,448	7,066	379	26,236	55,959	6,332	35,584	97,875
Professional and consulting	13,715	167	1,825	16,782	15,890	31,470	1,783	30,567	112,199	54,453	13,612	180,264
Maintenance and repairs	1,565	257	2,393	10,158	514	2,363	1,187	2,600	21,037	12,826	1,794	35,657
Subcontracts - service providers	3,281,524	1,956,738	396,278	137,487	-	-	-	33,684	5,805,711	32	-	5,805,743
Supplies	26,945	2,146	7,404	28,328	7,831	9,174	2,156	11,511	95,495	22,057	6,641	124,193
Travel and transportation	17,066	35,187	3,056	19,314	3,536	4,101	129,540	6,044	217,844	3,634	1,183	222,661
	<u>\$ 4,271,665</u>	<u>\$ 2,047,020</u>	<u>\$ 764,762</u>	<u>\$ 1,179,922</u>	<u>\$ 1,510,144</u>	<u>\$ 296,627</u>	<u>\$ 261,936</u>	<u>\$ 418,210</u>	<u>\$ 10,750,286</u>	<u>\$ 1,162,889</u>	<u>\$ 340,635</u>	<u>\$ 12,253,810</u>

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



**PIMA COUNCIL ON AGING, INC.  
AND SUBSIDIARIES**  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017

	<u>In-home services</u>	<u>Meal programs</u>	<u>Family caregiver support</u>	<u>Other OAA programs</u>	<u>PimaCare at Home</u>	<u>Healthy living programs</u>	<u>Neighbors care and volunteer services</u>	<u>Other programs</u>	<u>Total program services</u>	<u>General and adminis- trative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Salaries and wages	\$ 632,591	\$ 15,822	\$ 247,813	\$ 638,296	\$ 1,186,668	\$ 159,865	\$ 94,667	\$ 154,841	\$ 3,130,563	\$ 780,268	\$ 180,469	\$ 4,091,300
Payroll taxes and employee benefits	143,446	5,009	58,829	149,900	214,254	34,358	13,520	24,163	643,479	159,205	39,910	842,594
	<u>776,037</u>	<u>20,831</u>	<u>306,642</u>	<u>788,196</u>	<u>1,400,922</u>	<u>194,223</u>	<u>108,187</u>	<u>179,004</u>	<u>3,774,042</u>	<u>939,473</u>	<u>220,379</u>	<u>4,933,894</u>
Depreciation	-	27,013	9,047	25,841	-	5,820	3,761	4,664	76,146	21,952	5,046	103,144
Insurance	942	296	2,641	10,165	13,304	2,388	7,403	1,933	39,072	28,361	1,810	69,243
Occupancy	52,795	948	9,574	35,554	22,528	6,775	4,803	6,512	139,489	29,131	5,839	174,459
Other operating	16,234	545	29,056	44,494	26,052	20,771	7,545	8,150	152,847	29,087	56,885	238,819
Postage, printing and publication	4,403	21	992	11,057	2,042	2,094	503	30,586	51,698	12,394	29,623	93,715
Professional and consulting	4,662	-	7	20,463	17,071	32,833	1,112	13,284	89,432	29,572	35,761	154,765
Maintenance and repairs	1,236	389	3,467	12,356	-	2,880	1,704	2,206	24,238	14,037	2,393	40,668
Subcontracts - service providers	2,934,638	1,825,952	287,166	140,386	-	-	-	41,553	5,229,695	-	-	5,229,695
Supplies	18,687	12,137	4,148	10,235	8,919	8,038	6,675	7,738	76,577	11,636	8,904	97,117
Travel and transportation	13,376	31,074	1,729	21,870	4,000	4,323	137,818	7,807	221,997	3,801	700	226,498
	<u>\$ 3,823,010</u>	<u>\$ 1,919,206</u>	<u>\$ 654,469</u>	<u>\$ 1,120,617</u>	<u>\$ 1,494,838</u>	<u>\$ 280,145</u>	<u>\$ 279,511</u>	<u>\$ 303,437</u>	<u>\$ 9,875,233</u>	<u>\$ 1,119,444</u>	<u>\$ 367,340</u>	<u>\$ 11,362,017</u>

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

**PIMA COUNCIL ON AGING, INC.**  
**AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 94,034	\$ 3,446,458
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	111,729	103,144
Unrealized (gains) on investments	(24,469)	(38,047)
Realized losses on investments	4,006	22,484
Change in value of beneficial interest in funds held by others	(557)	(1,060)
Donated securities	(11,488)	(13,604)
(Gain) on sale of property and equipment	(2,543)	(4,700)
Provision for bad debt	10,719	1,930
Provision for discount to present value for bequests receivable	(75,759)	-
(Increase) decrease in operating assets:		
Contracts and other receivables	263,913	(168,032)
Pledges receivable	(11,138)	(18,475)
Prepaid expenses	(44,087)	25,338
Bequests receivable	842,592	(2,359,905)
Refundable deposits	(1,506)	(6,207)
Increase (decrease) in operating liabilities:		
Accounts payable	(14,041)	52,363
Accrued expenses	36,992	18,080
Due to provider agencies	202,572	46,656
Deferred revenue	20,084	(4,235)
Change in amounts held for others	-	38
Proceeds from sale of donated securities	12,120	5,165
Contributions restricted for long-term purposes	-	(1,000)
Net cash provided by operating activities	<u>1,413,173</u>	<u>1,106,391</u>
Cash flows from investing activities:		
Purchases of investments and reinvestment of interest and dividends	(1,716,271)	(1,329,091)
Proceeds from sales of investments	741,599	119,533
Proceeds from sale of property and equipment	2,543	4,700
Purchases of property and equipment	(52,192)	(94,628)
Net cash (used in) investing activities	<u>(1,024,321)</u>	<u>(1,299,486)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(27,717)	(26,376)
Contributions restricted for long-term purposes	-	1,000
Net cash (used in) financing activities	<u>(27,717)</u>	<u>(25,376)</u>
Change in cash and cash equivalents	361,135	(218,471)
Cash and cash equivalents, beginning of year	906,657	1,125,128
Cash and cash equivalents, end of year	<u>\$ 1,267,792</u>	<u>\$ 906,657</u>
<u>Supplemental cash flow information:</u>		
Interest paid	<u>\$ 41,750</u>	<u>\$ 43,091</u>
Cash paid for income taxes	<u>\$ 210</u>	<u>\$ 581</u>

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

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 – Organization**

Pima Council on Aging, Inc. (PCOA) is an Arizona nonprofit corporation supported by federal, state and local government funding and corporate, foundation and private donations. It is a designated Area Agency on Aging and is responsible for the planning and coordination of services to the elderly in Pima County, Arizona. The mission of PCOA is to promote dignity and respect for aging and to advocate for independence in the lives of Pima County's older adults and their families, now and for generations to come. PCOA is a membership organization with membership open to any individual or organization interested in the aim and purposes of PCOA.

PCOA's consolidated programs are as follows:

***In-home services*** – The Community Services System (CSS) provides case management and in-home help to individuals who have difficulty performing basic activities of daily living, such as dressing, bathing, toileting, etc. Services may include case management, housekeeper, personal care, lifeline emergency alert, minor home repair and adaptation.

***Meal programs*** – Pima Meals on Wheels is the federally funded home delivered meals program in Pima County that provides low fat, low salt, 1/3 RDA meals to homebound, isolated individuals who have no other access to nutritious meals. Social activities and nutritious meals for individuals aged 60 and over (or spouse regardless of age) are available at selected facilities in metro Tucson, Ajo and Green Valley.

***Family caregiver support*** – Caregiver Specialists provide one-on-one consultation for caregivers. Caregiver Specialists are experienced master's level social workers who provide individuals and families with expert guidance and support. They assist in examining options, locating resources, and helping caregivers maintain their own health while providing care to their loved one. In addition, PCOA facilitates caregiver training and support groups.

***Other OAA programs*** – Other programs available include Elder Rights and Benefits, Medicare Counseling, Personal Budgeting Assistance, Long Term Care Ombudsman and Information and Referral.

***PimaCare at Home*** – PimaCare at Home is a subsidiary of PCOA that provides care and support to individuals who need short or long term services such as assistance with bathing, dressing, cooking, grooming, light housekeeping, shopping, companionship and respite relief for family caregivers.

***Healthy living programs*** – Living Well is about managing one's personal health/staying fit and maintaining or improving your quality of life. PCOA offers several evidence-based personal health promotion programs for adults 60 years and older. Classes include: A Matter of Balance, Enhance Fitness, Healthy Living with Diabetes, Healthy Living with Chronic Pain, Fall Prevention and the Aging Mastery Program.

***Neighbors Care and volunteer services*** – The Neighbors Care Alliance assists neighborhoods and faith communities in creating or strengthening volunteer programs whose goal is to help seniors remain in their own homes for as long as possible through the support of their "neighbors." In addition, many other volunteer opportunities are available within PCOA programs.

***Other programs*** – Other programs operated by PCOA include CATCH Healthy Habits, Medication Abuse Management, End of Life Planning and Advocacy.

PCOA for All, Inc. dba BestCare @ Home (PCOA for All) was incorporated in December 2010 in Arizona. In March 2015, PCOA for All was converted from a corporation to a limited liability company and the name was formally changed to PimaCare at Home, LLC (PimaCare). PimaCare has a contract to provide attendant care services under the Arizona Long-Term Care System. PimaCare is a wholly owned subsidiary of PCOA.

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018 AND 2017

**NOTE 1 – Organization, continued**

PimaCare Holdings, LLC (Holdings) is a limited liability company formed in June 2015 in Arizona. Holdings was created to hold title to real property and its related mortgage payable. Holdings is a wholly owned subsidiary of PCOA.

**NOTE 2 – Summary of significant accounting policies**

*Principles of consolidation*

The accompanying consolidated financial statements include the accounts of PCOA, PimaCare and Holdings (collectively referred to as the Organization). Inter-organization transactions and balances have been eliminated in consolidation.

*Financial statement presentation*

The Organization is required under generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.
- Temporarily restricted – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time.
- Permanently restricted – Net assets that are subject to donor-imposed stipulations that assets be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the investment return of these assets on continuing operations which may be subject to certain restrictions.

*Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and cash equivalents*

The Organization considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in brokerage accounts and in bank deposit accounts which may exceed federally insured limits. At June 30, 2018, uninsured cash was \$933,174.

*Certificates of deposit held at banks*

Certificates of deposit held at banks have original maturities ranging from one year to three years, bear interest at rates less than 1%, and have penalties for early withdrawal. Any such penalties for early withdrawal would not have a material effect on the accompanying consolidated financial statements taken as a whole.

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018 AND 2017

**NOTE 2 – Summary of significant accounting policies, continued**

*Investments and beneficial interest in funds held by others*

Investments in marketable securities are held at brokerages and reported at fair market value. Beneficial interests in funds held by others are held in pooled funds at a community foundation and are reported at fair market value. Donated investments are recorded at fair market value at the date of the gift. Income, gains and losses are reported in the consolidated statements of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

*Contracts and other receivables*

Contracts receivable are stated at the amount that the Organization expects to collect from various governmental entities and other funding sources on outstanding balances, net of an allowance for doubtful accounts. The Organization provides for losses on contracts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of funding sources to meet their obligations. Receivables are considered impaired if payments are not received in accordance with grant terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

*Pledges receivable*

Unconditional promises to give are recognized as receivables and in the period in which the Organization is notified in writing by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value and are classified as current or noncurrent. Management believes all promises to give are fully collectible and accordingly has recorded no valuation allowance. Promises to give are periodically reviewed for collectability and written off at the time of such determination.

*Property and equipment*

Purchased property and equipment are carried at cost. Donated equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Organization capitalizes all expenditures for equipment in excess of \$1,500 with a useful life of more than one year. Title and equipment purchased with federal or state funds will be transferred to the grantor in the event PCOA is no longer funded or otherwise discontinues the program.

*Deferred revenue*

Deferred revenue consists of unearned revenues as well as an advance from a government entity used as start-up funds to begin a volunteer transportation program. Based on the original agreement, any remaining unused funds are to be repaid to the governmental entity in 2026.

*Amounts held for others*

Amounts held for others consist of amounts received and held by PCOA for conferences held by other organizations in association with PCOA.

*Revenues and support*

Revenues from governmental and other pass-through agency contracts are reported as exchange transactions based on the contract provisions. Revenues derived from contracts that are based on performance units are recorded in the period in which the service is provided. Revenues resulting from cost reimbursement contracts are recorded in the period in which allowable costs are incurred.

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018 AND 2017

**NOTE 2 – Summary of significant accounting policies, continued**

*Revenues and support, continued*

Advances received from governmental funding sources in excess of costs incurred under the related grants are deferred and recognized as revenue when the related expenses are incurred.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a 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 consolidated statement of activities as net assets released from restrictions. Endowment contributions are reported as additions to permanently restricted net assets.

*Donated goods, facilities and services*

Donated goods and facilities are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although the Organization utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

*Advertising*

The Organization expenses all advertising costs as incurred. Costs totaled \$41,619 and \$72,092 for the years ended June 30, 2018 and 2017, respectively, and are included in other operating expenses in the statement of functional expenses.

*Functional expenses*

The costs of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited.

*Endowments*

The Organization's endowments consist of funds held at brokerages and at the Community Foundation for Southern Arizona (CFSA). As required by generally accepted accounting principles, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Management of Charitable Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2018 AND 2017**

**NOTE 2 – Summary of significant accounting policies, continued**

*Endowments, continued*

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

*Income taxes*

PCOA is exempt from income taxes under both federal (Internal Revenue Code Section 501(c)(3)) and Arizona income tax laws, and is classified as other than private foundations. Income from certain activities not directly related to these entities' tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBTI).

PCOA for All was taxable as a corporation until March 2015 when it became a single-member limited liability company (PimaCare) and is now a disregarded entity for tax purposes. As a result, PimaCare's activities are exempt from income taxes. Accordingly, income taxes presented on the consolidated statement of functional expenses represent the tax provision from income earned as PCOA for All until March 2015 and no provision for income taxes is provided for PimaCare.

PCOA may be subject to income taxes on unrelated business taxable income (UBTI). As a result, these entities are required to file informational returns for federal and state purposes and, if they have UBTI, federal and state income tax returns. With limited exceptions, the Organizations are no longer subject to tax examination for any years earlier than 2013 for federal and 2012 for state. Management has performed its evaluation of tax positions taken on all open tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard.

**NOTE 3 – Contracts and other receivables**

Contracts and other receivables consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Contracts and other receivables	\$ 1,681,733	\$ 1,947,633
Less allowance for doubtful accounts	(2,500)	(2,500)
	\$ 1,679,233	\$ 1,945,133

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2018 AND 2017**

**NOTE 4 – Bequests receivable**

Pima Council on Aging has been notified that they are a 50% residuary beneficiary of a donor’s estate. The estate is made up of a variety of assets including cash, equity and debt securities, and real estate holdings. PCOA received distributions of \$830,687 and \$1,000,000 from the estate during the years ended June 30, 2018 and 2017, respectively. An accounting of the remaining estate assets was received from the Trustee, as of September 30, 2017. We have recorded in the financial statements a receivable of \$1,573,000 and \$2,348,000 on this bequest as of and for the years ended June 30, 2018 and 2017, respectively, based on the asset valuation reported by the Trustee and the following analysis.

PCOA's share of remaining assets (50%):	2018	2017
Assets	\$ 1,740,813	\$ 2,588,000
Allowance for estimated administrative expenses, fees and commissions	(127,661)	(144,161)
Discount to present value at 4% based on estimated timing of receipts of proceeds from asset liquidation	<u>(20,080)</u>	<u>(95,839)</u>
Net bequest receivable based on valuation of assets from Trustee	1,593,072	2,348,000
Other bequests receivable	-	11,905
	<u>\$ 1,593,072</u>	<u>\$ 2,359,905</u>

**NOTE 5 – Property and equipment**

Property and equipment consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Land	\$ 426,310	\$ 426,310
Building and improvements	1,524,988	1,520,888
Furniture and equipment	206,199	182,101
Vehicles	<u>426,589</u>	<u>427,388</u>
	2,584,086	2,556,687
Less accumulated depreciation	<u>(1,244,315)</u>	<u>(1,157,379)</u>
	<u>\$ 1,339,771</u>	<u>\$ 1,399,308</u>

**NOTE 6 – Fair value measurements, investments, beneficial interest and investment income**

The Organization applies *Accounting Standards Codification* (ASC) 820), *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. Fair value measurements are determined based on the assumptions—referred to as inputs – that market participants would use in pricing the asset. The fair value hierarchy distinguishes between market participant assumptions and the Organization’s own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are the Organization’s own assumptions about what market participants would assume based on the best information available in the circumstances.

*Level 1 inputs.* A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The fair value of the Organization’s marketable securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.



**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2018 AND 2017**

**NOTE 6 – Fair value measurements, investments, beneficial interest and investment income, continued**

*Level 2 inputs.* These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. The Organization does not utilize Level 2 inputs.

*Level 3 inputs.* These inputs are unobservable and are used to measure fair value only when observable inputs are not available. The Organization is the beneficiary of a fund held at Community Foundation for Southern Arizona (CFSA). CFSA has variance power over the funds. This beneficial interest in funds held at CFSA are considered Level 3, because the Organization owns units of pooled funds held at CFSA, and relies on CFSA to provide the value of those funds. At CFSA, these pooled investments are primarily held in mutual funds and are considered to be Level 1.

Fair value of assets measured on a recurring basis at June 30, 2018 consisted of the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments in marketable securities:			
Mutual funds - equity funds	\$ 1,233,749	\$ -	\$ 1,233,749
Fixed income securities	1,180,298	-	1,180,298
	<u>2,414,047</u>	<u>-</u>	<u>2,414,047</u>
Less non-current portion	<u>(61,899)</u>	<u>-</u>	<u>(61,899)</u>
Current portion	2,352,148	-	2,352,148
Beneficial interest in funds held by others	-	12,722	12,722
	<u>\$ 2,352,148</u>	<u>\$ 12,722</u>	<u>\$ 2,364,870</u>

Fair value of assets measured on a recurring basis at June 30, 2017 consisted of the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments in marketable securities:			
Mutual funds - equity funds	\$ 571,028	\$ -	\$ 571,028
Bonds	5,675	-	5,675
Fixed income securities	842,972	-	842,972
	<u>1,419,675</u>	<u>-</u>	<u>1,419,675</u>
Less non-current portion	<u>(61,729)</u>	<u>-</u>	<u>(61,729)</u>
Current portion	1,357,946	-	1,357,946
Beneficial interest in funds held by others	-	12,165	12,165
	<u>\$ 1,357,946</u>	<u>\$ 12,165</u>	<u>\$ 1,370,111</u>

Activity in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) was as follows for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 12,165	\$ 11,105
Change in value of beneficial interest in funds held by others	557	1,060
Ending balance	<u>\$ 12,722</u>	<u>\$ 12,165</u>

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2018 AND 2017**

**NOTE 6 – Fair value measurements, investments, beneficial interest and investment income, continued**

Investment income consisted of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 88,370	\$ 19,680
Unrealized gains	24,469	38,047
Realized (losses)	(4,006)	(22,484)
Change in value of beneficial interest in funds held by others	557	1,060
Investment fees	<u>(14,081)</u>	<u>(1,139)</u>
	<u>\$ 95,309</u>	<u>\$ 35,164</u>

Assets measured on a non-recurring basis utilizing significant unobservable inputs (Level 3) consisted of bequests receivable totaling \$1,593,072 and \$2,359,905 at June 30, 2018 and 2017, respectively.

**NOTE 7 – Long-term debt**

At June 30, 2017, Holdings has a mortgage payable to a financial institution, payable in monthly installments of \$5,789 through June 2036, including a 10-year, fixed interest rate of 4.9% per annum through June 2026 at which time it will have an adjusted interest rate based on US Treasury yields and other factors (no less than 2.65%). The note is collateralized by a deed of trust. Long-term debt consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Current portion of long-term debt	\$ 29,126	\$ 27,717
Long-term debt	<u>796,065</u>	<u>825,191</u>
Total long-term debt	<u>\$ 825,191</u>	<u>\$ 852,908</u>

Future maturities of long-term debt are as follows:

Year ending June 30, 2019	\$ 29,126
2020	30,500
2021	32,156
2022	33,791
2023	35,508
Thereafter	<u>664,110</u>
	<u>\$ 825,191</u>

**NOTE 8 – Permanently restricted net assets**

Activity in permanently restricted net assets consisted of the following for the year ended June 30, 2018:

	<u>Beginning balance</u>	<u>Investment income</u>	<u>Ending balance</u>
R.L Harbour Family endowment - HOST program	\$ 37,117	\$ 170	\$ 37,287
Foundation endowment - operations	<u>24,612</u>	<u>-</u>	<u>24,612</u>
	<u>\$ 61,729</u>	<u>\$ 170</u>	<u>\$ 61,899</u>

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018 AND 2017

**NOTE 8 – Permanently restricted net assets, continued**

Activity in permanently restricted net assets consisted of the following for the year ended June 30, 2017:

	<u>Beginning balance</u>	<u>Contributions</u>	<u>Investment income</u>	<u>Ending balance</u>
R.L Harbour Family endowment - HOST program	\$ 35,989	\$ 1,000	\$ 128	\$ 37,117
Foundation endowment - operations	<u>24,612</u>	<u>-</u>	<u>-</u>	<u>24,612</u>
	<u>\$ 60,601</u>	<u>\$ 1,000</u>	<u>\$ 128</u>	<u>\$ 61,729</u>

The R.L. Harbour Family endowment requires 10% of the annual investment earnings be added to the corpus balance.

**NOTE 9 – Temporarily restricted net assets**

Temporarily restricted net asset activity consisted of the following for the year ended June 30, 2018:

	<u>Beginning balance</u>	<u>Contributions</u>	<u>Investment income</u>	<u>Releases</u>	<u>Ending balance</u>
Purpose restrictions:					
Community Services					
System	\$ 52,883	\$ -	\$ -	\$ (51,034)	\$ 1,849
HOST program	25,174	1,000	-	(14,164)	12,010
Pima meals on wheels	69,944	57,448	-	(67,498)	59,894
Minor yard home repair and adaptation	20,975	320	-	(2,942)	18,353
Major home repair	29,435	22,000	-	(34,435)	17,000
Minor home repair	10,000	1,750	-	(1,750)	10,000
Elder initiative	8,208	-	-	(8,208)	-
Community Kitchen	18,399	-	-	-	18,399
Other	<u>57,581</u>	<u>30,402</u>	<u>-</u>	<u>(20,750)</u>	<u>67,233</u>
	292,599	112,920	-	(200,781)	204,738
Endowment earnings:					
HOST program	8,382	-	1,127	-	9,509
Operating endowment	<u>14,737</u>	<u>-</u>	<u>1,530</u>	<u>-</u>	<u>16,267</u>
	23,119	-	2,657	-	25,776
	<u>\$ 315,718</u>	<u>\$ 112,920</u>	<u>\$ 2,657</u>	<u>\$ (200,781)</u>	<u>\$ 230,514</u>

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018 AND 2017

**NOTE 9 – Temporarily restricted net assets, continued**

Temporarily restricted net asset activity consisted of the following for the year ended June 30, 2017:

	<u>Beginning balance</u>	<u>Contributions</u>	<u>Investment income</u>	<u>Releases</u>	<u>Ending balance</u>
Purpose restrictions:					
Community Services					
System	\$ 52,883	\$ -	\$ -	\$ -	\$ 52,883
HOST program	32,781	2,000	-	(9,607)	25,174
Pima meals on wheels	82,204	38,292	-	(50,552)	69,944
Minor yard home repair and adaptation	23,267	558	-	(2,850)	20,975
Major home repair	23,857	10,000	-	(4,422)	29,435
Minor home repair	10,000	-	-	-	10,000
Elder initiative	17,431	7,400	-	(16,623)	8,208
Neighborhood Lift	9,370	500	-	(9,870)	-
Community Kitchen	18,399	-	-	-	18,399
Other	68,078	12,865	-	(23,362)	57,581
	<u>338,270</u>	<u>71,615</u>	<u>-</u>	<u>(117,286)</u>	<u>292,599</u>
Endowment earnings:					
HOST program	7,229	-	1,153	-	8,382
Operating endowment	13,861	-	876	-	14,737
	<u>21,090</u>	<u>-</u>	<u>2,029</u>	<u>-</u>	<u>23,119</u>
	<u>\$ 359,360</u>	<u>\$ 71,615</u>	<u>\$ 2,029</u>	<u>\$ (117,286)</u>	<u>\$ 315,718</u>

**NOTE 10 – Endowments**

*Funds with deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature to be reported as of either June 30, 2018 or 2017.

*Return objectives and risk parameters*

The Organization has adopted investment policies including those for endowment assets that attempt to preserve the capital, preserve the purchasing power, and achieve long-term growth of capital of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, all assets including endowment assets are invested in a manner that is intended to produce results that exceed various external benchmarks while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

*Investment strategies*

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2018 AND 2017**

**NOTE 10 – Endowments, continued**

*Spending policy*

PCOA follows a spending policy of appropriating HOST endowment investment earnings to cover related expenses for the HOST program. There is no formal spending policy for the operating endowment.

*Endowment fund net assets*

Net assets in the endowment funds consisted of the following at June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Beginning balance	\$ 54,007	\$ 23,119	\$ 61,729	\$ 138,855
Investment income	<u>2,473</u>	<u>2,657</u>	<u>170</u>	<u>5,300</u>
Ending balance	<u>\$ 56,480</u>	<u>\$ 25,776</u>	<u>\$ 61,899</u>	<u>\$ 144,155</u>

Net assets in the endowment funds consisted of the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Beginning balance	\$ 51,509	\$ 21,090	\$ 60,601	\$ 133,200
Contributions	-	-	1,000	1,000
Investment income	<u>2,498</u>	<u>2,029</u>	<u>128</u>	<u>4,655</u>
Ending balance	<u>\$ 54,007</u>	<u>\$ 23,119</u>	<u>\$ 61,729</u>	<u>\$ 138,855</u>

See Notes 8 and 9 for endowment-related activities in permanently and temporarily restricted net assets, respectively.

**NOTE 11 – Operating leases**

The Organization leases a building and equipment under various noncancelable operating leases in effect through December 2021. Rental expense for the years ended June 30, 2018 and 2017 was \$103,783 and \$102,023, respectively. Future minimum lease payments are as follows:

Year ending June 30, 2019	\$ 90,457
2020	30,742
2021	4,892
2022	<u>2,038</u>
	<u>\$ 128,129</u>

An inter-organization lease exists between PCOA and Holdings for office space. Inter-organization lease expense and rental income of \$69,467 was eliminated in consolidation in each of the years ended June 30, 2018 and 2017.

**PIMA COUNCIL ON AGING, INC. AND SUBSIDIARIES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2018 AND 2017

**NOTE 12 – Concentrations**

PCOA has a contract with the Arizona Department of Economic Security funded primarily with federal funds authorized by the Older Americans Act. Such revenue comprised 51% of total revenue in each of the years ended June 30, 2018 and 2017. At June 30, 2018 and 2017, this funding accounted for 69% and 66%, respectively, of contracts and other receivables.

**NOTE 13 – Contingencies**

*Funding*

The Organization received a substantial amount (89% and 70% in 2018 and 2017, respectively) of its support from governmental and other pass-through agencies. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Organization. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

**NOTE 14 – Subsequent events**

On August 2, 2018, the Organization entered into an agreement to purchase an office building for a total price of \$1,755,000.

The Organization's obligations under the Agreement are subject to and conditioned upon the Organization's investigation of the property and satisfaction with all aspects thereof deemed relevant by the Organization in its sole and absolute discretion. The Organization has until January 21, 2019 (the "Contingency Period") to make such investigations with respect to the property. The Organization has deposited with the escrow agent a cash deposit of \$20,000, which deposit shall be fully refundable if the Organization terminates the Agreement on or prior to the last day of the Contingency Period for any reason. At closing, the Organization will deliver to the seller a purchase money promissory note in the amount of \$1,000,000 (the "Note"), and will pay the balance of the purchase price plus closing costs by wire transfer. A purchase money first mortgage on the property will secure the Note.

Subsequent events have been evaluated through December 12, 2018, which is the date the financial statements were available to be issued.

**SINGLE AUDIT REPORTS AND SCHEDULES**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Pima Council on Aging, Inc.  
Tucson, Arizona

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 Pima Council on Aging, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, 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 December 12, 2018.

***Internal control over financial reporting***

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

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

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



Board of Directors  
Pima Council on Aging, Inc.

***Compliance and other matters***

As part of obtaining reasonable assurance about whether Pima Council on Aging, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this report***

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

HBL CPAs, P.C.

**HBL CPAs, P.C.**

December 12, 2018



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

Board of Directors  
Pima Council on Aging, Inc.  
Tucson, Arizona

***Report on compliance for each major federal program***

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

***Management's responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' responsibility***

Our responsibility is to express an opinion on compliance for each of Pima Council on Aging, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pima Council on Aging, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on each major federal program***

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

***Report on internal control over compliance***

Management of Pima Council on Aging, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pima Council on Aging, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pima Council on Aging, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

HBL CPAs, P.C.

**HBL CPAs, P.C.**

December 12, 2018

**PIMA COUNCIL ON AGING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2018**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal awards**

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major program –

Aging Cluster:

- 93.044 Special Programs for the Aging\_ Title III, Part B\_ Grants for Supportive Services and Senior Centers
- 93.045 Special Programs for the Aging\_ Title III, Part C\_ Nutrition Services
- 93.053 Nutrition Services Incentive Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**INFORMATION PREPARED BY AUDITEE**

**PIMA COUNCIL ON AGING, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA number</b>	<b>Grantor's identifying number</b>	<b>Passed through to subrecipients</b>	<b>Federal expenditures</b>
<u>U.S. Department of Housing and Urban Development:</u>				
<i>Passed through City of Tucson –</i>				
Community Development Block Grants/Entitlement Grants	14.218	18496/18497	\$ -	\$ 99,978
 <u>U.S. Department of Health and Human Services:</u>				
<i>Passed through Arizona Department of Economic Security:</i>				
Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	ADES15-089129	-	9,082
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	ADES15-089129	-	46,799
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	ADES15-089129	-	63,746
 <i>Aging Cluster:</i>				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	ADES15-089129	145,787	1,796,299
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	ADES15-089129	571,568	1,707,624
Nutrition Services Incentive Program	93.053	ADES15-089129	57,873	192,911
<i>Total Aging Cluster</i>			775,228	3,696,834
 <i>Special Programs for the Aging-Title IV-and Title II-Discretionary Projects</i>				
National Family Caregiver Support, Title III, Part E	93.048	ADES15-089129	-	28,896
Refugee and Entrant Assistance-State Administered Programs	93.052	ADES15-089129	43,593	574,290
Refugee and Entrant Assistance-State Administered Programs	93.566	ADES15-089129	-	15,947

**PIMA COUNCIL ON AGING, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA number</b>	<b>Grantor's identifying number</b>	<b>Passed through to subrecipients</b>	<b>Federal expenditures</b>
<i>U.S. Department of Health and Human Services, continued</i>				
<i>Passed through Arizona Department of Economic Security, continued:</i>				
Social Services Block Grant	93.667	ADES15-089129	\$ -	\$ 1,809,474
State Health Insurance Assistance Program	93.324	ADES15-089129	-	99,193
Medicare Enrollment Assistance Program	93.071	ADES15-089129	-	59,606
<i>Passed through National Council on Aging –</i>				
Medicare Enrollment Assistance Program	93.071	933	-	14,421
<i>Total CFDA No. 93.071</i>			<u>-</u>	<u>74,027</u>
<i>Passed through Cenpatico Integrated Care –</i>				
Block Grant for Prevention and Treatment of Substance Abuse	93.959	N/A	-	108,000
<i>Total awards</i>			<u>\$ 818,821</u>	<u>\$ 6,626,266</u>

**NOTE 1 - Basis of presentation**

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

**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*, 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. Pima Council on Aging, Inc. has elected to use the 10-percent de minimis indirect cost rate as allowed under the *Uniform Guidance*.

**PIMA COUNCIL ON AGING, INC.**  
**SUMMARY OF PRIOR YEAR FINDINGS**  
**JUNE 30, 2018**

**FINDING/NONCOMPLIANCE**

None