

**Heritage Area Agency on Aging
Cedar Rapids, Iowa**

FINANCIAL REPORT

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heritage Area Agency on Aging
Cedar Rapids, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Heritage Area Agency on Aging (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heritage Area Agency on Aging as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heritage Area Agency on Aging and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Heritage Area Agency on Aging'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Heritage Area Agency on Aging'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 Heritage Area Agency on Aging'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, which consists of the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2024, on our consideration of Heritage Area Agency on Aging'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 Heritage Area Agency on Aging'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 Heritage Area Agency on Aging's internal control over financial reporting and compliance.

Denman CPA LLP
Denman CPA LLP

West Des Moines, Iowa
March 24, 2024

**Heritage Area Agency on Aging
STATEMENTS OF FINANCIAL POSITION**

		June 30	
		2023	2022
ASSETS			
Cash and cash equivalents		\$ 920,917	\$ 841,944
Amounts held by others		829,115	752,954
Grants receivable		191,589	325,144
Prepaid expenses		11,039	10,717
Equipment, net		6,429	—
Total assets		\$1,959,089	\$1,930,759
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable		\$ 140,922	\$ 204,910
Accrued expenses		171,378	138,720
Deferred revenue		22,299	—
Total liabilities		334,599	343,630
NET ASSETS			
Net assets without donor restrictions		795,375	834,175
Net assets with donor restrictions		829,115	752,954
Total net assets		1,624,490	1,587,129
Total liabilities and net assets		\$1,959,089	\$1,930,759

See Notes to Financial Statements.

**Heritage Area Agency on Aging
STATEMENTS OF ACTIVITIES**

	<u>Year ended June 30, 2023</u>			<u>Year ended June 30, 2022</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT						
Grants						
Supportive services	\$ 638,166	\$ —	\$ 638,166	\$ 427,757	\$ —	\$ 427,757
Home delivered meals	894,148	—	894,148	922,519	—	922,519
Congregate meals	640,955	—	640,955	433,088	—	433,088
Caregiver support	294,064	—	294,064	269,929	—	269,929
VOCA	142,919	—	142,919	137,067	—	137,067
Elderly services	802,303	—	802,303	805,954	—	805,954
LifeLong links	124,328	—	124,328	124,328	—	124,328
Other nutrition	235,033	—	235,033	237,365	—	237,365
Other services	383,760	—	383,760	232,768	—	232,768
Other income	42,249	—	42,249	45,116	—	45,116
Non-government grants and contributions	157,971	—	157,971	90,951	—	90,951
Contributed facilities	52,448	—	52,448	32,200	—	32,200
Contributed services and supplies	175,183	—	175,183	115,550	—	115,550
Investment income (loss)	<u>3,127</u>	<u>76,161</u>	<u>79,288</u>	<u>319</u>	<u>(111,789)</u>	<u>(111,470)</u>
Total revenues and other support	<u>4,586,654</u>	<u>76,161</u>	<u>4,662,815</u>	<u>3,874,911</u>	<u>(111,789)</u>	<u>3,763,122</u>
EXPENSES						
Program services	4,531,752	—	4,531,752	3,872,628	—	3,872,628
Supporting services						
Management and general	<u>93,702</u>	<u>—</u>	<u>93,702</u>	<u>129,024</u>	<u>—</u>	<u>129,024</u>
Total expenses	<u>4,625,454</u>	<u>—</u>	<u>4,625,454</u>	<u>4,001,652</u>	<u>—</u>	<u>4,001,652</u>
CHANGE IN NET ASSETS	(38,800)	76,161	37,361	(126,741)	(111,789)	(238,530)
NET ASSETS, beginning of year	<u>834,175</u>	<u>752,954</u>	<u>1,587,129</u>	<u>960,916</u>	<u>864,743</u>	<u>1,825,659</u>
NET ASSETS, end of year	<u>\$ 795,375</u>	<u>\$ 829,115</u>	<u>\$ 1,624,490</u>	<u>\$ 834,175</u>	<u>\$ 752,954</u>	<u>\$ 1,587,129</u>

See Notes to Financial Statements.

Heritage Area Agency on Aging
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

	<u>Program Services</u>									<u>Supporting Services</u>	<u>Total expenses</u>	
	<u>Supportive services</u>	<u>Home delivered meals</u>	<u>Congregate meals</u>	<u>Caregiver support</u>	<u>VOCA</u>	<u>Elderly services</u>	<u>LifeLong links</u>	<u>Other nutrition</u>	<u>Other services</u>	<u>Total program services</u>		<u>Management and general</u>
Salaries	\$ 201,952	\$ 123,296	\$ 214,419	\$ 104,796	\$ 95,643	\$ 396,228	\$ 78,752	\$ 332	\$ 280,318	\$1,495,736	\$ 3,359	\$1,499,095
Payroll taxes and benefits	<u>62,626</u>	<u>37,334</u>	<u>65,460</u>	<u>31,211</u>	<u>29,664</u>	<u>122,012</u>	<u>22,175</u>	<u>971</u>	<u>84,136</u>	<u>455,589</u>	<u>995</u>	<u>456,584</u>
Total salaries and related benefits	264,578	160,630	279,879	136,007	125,307	518,240	100,927	1,303	364,454	1,951,325	4,354	1,955,679
Grants to other organizations	197,666	757,405	370,920	98,547	–	195,944	–	233,846	12,259	1,866,587	–	1,866,587
Program supplies	52,247	2,944	123,345	21,445	11,087	20,793	–	–	54,847	286,708	32	286,740
Occupancy	5,275	2,171	31,465	2,171	1,566	15,411	4,058	–	3,587	65,704	30,602	96,306
Travel and conferences	13,305	2,872	10,645	4,882	50	8,336	4,836	–	18,808	63,534	2,726	66,260
Phone	4,014	2,977	4,831	2,971	594	5,321	4,147	–	4,919	29,774	–	29,774
Office expenses	84,656	63,421	40,975	15,387	1,153	22,961	8,146	–	15,360	252,059	55,766	307,825
Advertising	<u>460</u>	<u>1,209</u>	<u>2,861</u>	<u>401</u>	<u>–</u>	<u>3,878</u>	<u>194</u>	<u>–</u>	<u>7,058</u>	<u>16,061</u>	<u>–</u>	<u>16,061</u>
Total expenses before depreciation	622,001	993,629	864,921	281,811	139,757	790,884	122,308	235,149	481,292	4,531,752	93,480	4,625,232
Depreciation	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>222</u>	<u>222</u>
Totals	<u>\$ 622,001</u>	<u>\$ 993,629</u>	<u>\$ 864,921</u>	<u>\$ 281,811</u>	<u>\$ 139,757</u>	<u>\$ 790,884</u>	<u>\$ 122,308</u>	<u>\$ 235,149</u>	<u>\$ 481,292</u>	<u>\$4,531,752</u>	<u>\$ 93,702</u>	<u>\$4,625,454</u>

See Notes to Financial Statements.

Heritage Area Agency on Aging
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	<u>Program Services</u>									<u>Supporting Services</u>	<u>Total expenses</u>	
	<u>Supportive services</u>	<u>Home delivered meals</u>	<u>Congregate meals</u>	<u>Caregiver support</u>	<u>VOCA</u>	<u>Elderly services</u>	<u>LifeLong links</u>	<u>Other nutrition</u>	<u>Other services</u>	<u>Total program services</u>		<u>Management and general</u>
Salaries	\$ 154,216	\$ 109,100	\$ 274,956	\$ 80,263	\$ 99,735	\$ 297,243	\$ 88,537	\$ 6,952	\$ 191,121	\$1,302,123	\$ 293	\$1,302,416
Payroll taxes and benefits	<u>45,895</u>	<u>33,051</u>	<u>77,075</u>	<u>22,415</u>	<u>28,609</u>	<u>83,456</u>	<u>22,871</u>	<u>1,715</u>	<u>63,973</u>	<u>379,060</u>	<u>269</u>	<u>379,329</u>
Total salaries and related benefits	200,111	142,151	352,031	102,678	128,344	380,699	111,408	8,667	255,094	1,681,183	562	1,681,745
Grants to other organizations	172,678	711,476	40,205	151,082	—	263,474	—	235,853	3,776	1,578,544	—	1,578,544
Program supplies	20,104	2,444	13,796	32,834	21,085	122,709	68	—	35,240	248,280	5	248,285
Occupancy	4,725	4,707	—	12,742	3,751	8,384	2,926	433	5,601	43,269	42,917	86,186
Travel and conferences	8,578	1,199	589	6,619	1,609	3,717	1,477	152	7,894	31,834	549	32,383
Phone	2,741	1,068	300	4,746	1,730	4,918	1,293	89	2,425	19,310	—	19,310
Office expenses	33,436	65,314	36,072	62,258	6,387	30,283	9,504	122	9,797	253,173	84,991	338,164
Advertising	<u>677</u>	<u>4,392</u>	<u>770</u>	<u>4,102</u>	<u>1,056</u>	<u>2,500</u>	<u>168</u>	<u>—</u>	<u>3,370</u>	<u>17,035</u>	<u>—</u>	<u>17,035</u>
Total expenses before depreciation	443,050	932,751	443,763	377,061	163,962	816,684	126,844	245,316	323,197	3,872,628	129,024	4,001,652
Depreciation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Totals	<u>\$ 443,050</u>	<u>\$ 932,751</u>	<u>\$ 443,763</u>	<u>\$ 377,061</u>	<u>\$ 163,962</u>	<u>\$ 816,684</u>	<u>\$ 126,844</u>	<u>\$ 245,316</u>	<u>\$ 323,197</u>	<u>\$3,872,628</u>	<u>\$ 129,024</u>	<u>\$4,001,652</u>

See Notes to Financial Statements.

**Heritage Area Agency on Aging
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 37,361	\$ (238,530)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	222	-
Realized and unrealized (gains) losses on amounts held by others	(59,852)	126,121
Interest and dividends reinvested	(16,309)	(14,332)
Change in assets and liabilities		
Grants receivable	133,555	(5,821)
Prepaid expenses	(322)	(10,717)
Accounts payable	(63,988)	(38,129)
Accrued expenses	32,658	27,022
Deferred revenue	22,299	-
Total adjustments	48,263	84,144
Net cash flows from operating activities	85,624	(154,386)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(6,651)	-
Net cash flows from investing activities	(6,651)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	78,973	(154,386)
CASH AND CASH EQUIVALENTS		
Beginning	841,944	996,330
Ending	\$ 920,917	\$ 841,944

See Notes to Financial Statements.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Heritage Area Agency on Aging (Heritage or the Organization) serves the needs of older adults, caregivers, their families, and people with disabilities in the following ways:

- Planning: Developing and implementing plans that identify and meet the needs of older adults in its service area.
- Funding: Obtaining federal, state, and other (i.e., grants, etc.) funding for older-adult programs.
- Advocating: Standing strong for older adults' needs at the national, state, and local levels.

The Organization's service area includes seven counties: Benton, Cedar, Iowa, Johnson, Jones, Linn, and Washington. The Heritage region is also referenced as Planning and Service Area (PSA) 4 in relationship to the county designations of the state of Iowa and the Iowa Department on Aging.

Heritage had been a department of Kirkwood Community College (the College) since its beginning in 1971, and its activity was included as a restricted fund in the College financial statements. In April 2018, Heritage became a separate 501(c)(3) organization.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board as required by the classification of net assets topic of the *FASB Accounting Standards Codification*. Heritage is required to report information regarding its financial position and operations according to two classes of net assets:

Net assets without donor restrictions are those assets which are not restricted by donor-imposed stipulations and represent the portion of expendable assets available for support of the Organization's operations.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. As donor-imposed stipulations expire, net assets with donor restrictions are reclassified as net assets without donor restrictions.

Revenue Recognition

Grants and Contributions

Revenue from grants is generally considered to be subject to conditions that must be met before Heritage is entitled to funding. Heritage recognizes revenue from grants when all material barriers have been overcome in order for Heritage to be entitled to the funding. Typically, these barriers are overcome when qualifying expenditures have been incurred or defined outcomes have been achieved. Certain grants provide for payments in advance based upon estimated budgets. These advance payments are considered unconditional, as there are no material barriers to overcome in order for Heritage to be entitled to the funding nor is there a refund requirement. Revenue from grants whose conditions have been met are recorded as grants receivable until funded by the grantor.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Grants and Contributions (continued)

Contributions are recognized as revenue when the donor makes a promise to give to Heritage which is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Contributions received for special events are presumed to be conditioned on the event taking place. Accordingly, contributions received before the financial statement date for special events that will take place after the financial statement date are recorded as deferred revenue until the event has taken place or the donor explicitly waives the condition of the event taking place. Unconditional contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Other Income

Other income is generated through activities supported by federal grants received and generally consists of fees earned for services performed under the related grants. Other income is recognized as the related services are performed. Other income is used to support the program that generated the income and is considered expended as it is earned and is, therefore, reported as without donor restrictions in the statements of activities.

Contributed Nonfinancial Assets

Heritage receives supplies, services and facilities donated by individuals and corporations. Contributed supplies, services and facilities are reported as unrestricted revenues and support unless the donor has restricted the donation for a specific time or purpose. Contributed items are recorded at their fair values on the date of donation. Contributed services are recognized as contributions if the services received create or enhance a long-lived asset or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation and are recorded at their fair values in the period received. Contributed facilities are recognized for the difference between the market value rent for comparable office space and the amount paid by Heritage for the space.

Numerous volunteers have donated significant amounts of time to help Heritage fulfill its mission. The value of these services has not been recorded to the financial statements as the criteria for recognition have not been met.

During the years ended June 30, 2023 and 2022, contributed facilities of \$52,448 and \$32,200, respectively, were recognized as revenues and expenses. Contributed facilities are valued at the rental cost of comparable properties in the local market. Contributed facilities related to office space and congregate meals space used by Heritage.

During the years ended June 30, 2023 and 2022, contributed services of \$59,729 and \$115,550, respectively, were recognized as revenues and expenses. Contributed services are valued at the price the Organization would have paid for similar services in the local market. Contributed services primarily related to management and administrative services.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributed Nonfinancial Assets (continued)

During the years ended June 30, 2023 and 2022, contributed supplies of \$115,454 and \$-0-, respectively, were recognized as revenue and expenses. Contributed supplies are valued at the price the Organization would have paid for similar supplies in a comparable retail market. Contributed supplies were primarily utilized in the Organization's congregate meals programs.

All contributed services and supplies were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the contributed services and supplies.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits in federally insured financial institutions and money market funds.

Grants Receivable

Unconditional grants receivable are recorded as receivables and grant revenue in the year received. Conditional grants receivable are recognized when the conditions on which they depend are substantially met. An allowance for doubtful accounts is provided for receivables based upon management's judgment, including such factors as prior history and nature of the grant. All grants receivable are considered collectible, therefore, no allowance for doubtful accounts was recorded at June 30, 2023 or 2022.

Amounts Held by Others

The Kirkwood Community College Foundation and the Greater Cedar Rapids Community Foundation (the Foundations) hold amounts designated for Heritage in an agency capacity. These amounts are maintained by the Foundations in the Foundations' investments, which consist of both fixed income and equity mutual funds. The Foundations do not have variance power over these funds. Heritage reports these funds as amounts held by others at fair value in its statements of financial position. Contributions received through these funds during the year, if any, are reported as contributions with donor restrictions in the statements of activities, as donors make contributions to these funds as an endowment to provide perpetual benefits to Heritage. Gains and losses resulting from market fluctuations or sales of the underlying investments are recognized in the period in which the fluctuations occur as increases or decreases in net assets with donor restrictions. Interest and dividend income are reported as an increase in net assets with donor restrictions to the extent distributions are not taken during the year. During the years ended June 30, 2023 and 2022, Heritage reported restricted contributions of \$-0-, and restricted investment income (loss) of \$76,161 and \$(111,789), respectively, from these funds.

Equipment

Equipment greater than \$5,000 and with an estimated useful life of more than one year is recorded at cost. Contributed property and equipment is recorded at estimated fair market value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Depreciation is provided over the estimated useful lives of the respective assets (5 years) on a straight-line basis. Expenditures for improvements and replacements are capitalized and costs of maintenance and repairs are charged to expense.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Heritage determines if an arrangement is a lease at inception based on whether Heritage has the right to control the asset during the contract period and other facts and circumstances. Operating leases are included in operating lease right-of-use (ROU) assets and lease liabilities on the statements of financial position. Finance leases are included in equipment and finance lease liabilities on the statements of financial position. Heritage had no operating or finance leases at June 30, 2023.

Short-term leases (leases with a term of 12 months or less) are recognized as expenses on the straight-line basis over the lease term, and any related variable lease payments are recognized in the period in which the obligation for the payment is incurred.

Effective July 1, 2022, Heritage adopted FASB ASC 842, *Leases* (FASB ASC 842). Heritage elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed Heritage to carry forward the historical lease classification.

There was no effect on Heritage's 2023 financial statements related to the adoption of FASB ASC 842. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with historical accounting treatment.

Estate Gift

During the year ended June 30, 2023, the Organization was notified that it was a beneficiary of an estate. While management has determined that this estate gift is unconditional and irrevocable, there was not sufficient information available as of June 30, 2023 to estimate the potential amount of the gift. Therefore, this gift will be recorded as contribution revenue when it is received. No restrictions on the amounts to be received were noted. A partial distribution in the amount of \$39,614 was received in August 2023; no additional information was provided at that time regarding future distributions.

Credit Risk

Heritage at various times throughout the year has amounts on deposit with financial institutions in excess of FDIC limits. Management believes the credit risk related to the uninsured balance is minimal.

Economic Dependency

Heritage receives substantially all of its support from federal, state, and local governments. A significant reduction in this level of support, if this were to occur, would have a material effect on its programs and activities.

Functional Expenses

The Organization's functional expenses have been allocated on the basis of time spent on the activity or the usage breakdown of the related asset. Accordingly, certain costs have been allocated to the programs or other categories benefited.

Income Taxes

Heritage is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Heritage and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Heritage is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. Management believes Heritage is no longer subject to income tax examinations for years prior to the fiscal year ended June 30, 2020.

Reclassifications

Certain reclassifications have been made to 2022 amounts previously reported in order to conform to the 2023 presentation. The reclassifications had no impact on previously reported net assets.

NOTE 2 LIQUIDITY AND AVAILABILITY

Heritage regularly monitors the availability of resources required to meet its operating needs and other commitments while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Heritage considers all expenditures related to its ongoing activities as well as the conduct of services to support those activities to be general expenditures.

The following table shows the total financial assets held by Heritage which are available to meet its general expenditures and future needs as of the statement of financial position date:

	June 30	
	2023	2022
Cash and cash equivalents	\$ 920,917	\$ 841,944
Grants receivable	191,589	325,144
Totals	<u>\$1,112,506</u>	<u>\$1,167,088</u>

NOTE 3 GRANTS RECEIVABLE

Heritage has grants receivable from both federal and state sources that represent revenues from grants whose conditions have been met but have not yet been funded by the grantor. These receivables are considered unrestricted, as the amounts related to them have already been expended for their restricted purpose. Grants receivable at June 30, 2023 and 2022 were related to the following programs:

	June 30	
	2023	2022
Supportive services	\$ —	\$ 500
Home delivered meals	55,566	68,291
Congregate meals	37,983	—
Caregiver support	14,605	146,253
VOCA	36,936	43,936
Other services	46,499	66,164
Totals	<u>\$191,589</u>	<u>\$325,144</u>

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 EQUIPMENT

Equipment consists of the following:

	June 30	
	2023	2022
Computer equipment	\$ 6,651	\$ —
Less accumulated depreciation	(222)	—
Equipment, net	\$ 6,429	\$ —

NOTE 5 RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions of \$829,115 and \$752,954 at June 30, 2023 and 2022, respectively, consisted of amounts to be held in perpetuity to provide a source of long term income for Heritage programs and operations.

NOTE 6 ENDOWMENT FUND

The Organization's endowment fund consists of donor restricted net assets to be held in perpetuity to provide a source of long-term income for a variety of Heritage programs as well as long-term support for operations. The majority of the endowment fund is held for Heritage by Kirkwood Community College Foundation (the Foundation) in an agency capacity. The Foundation does not have variance power over these funds.

In accordance with the Financial Statements of Not-for-Profit Organizations Topic of the *FASB Accounting Standards Codification* and the Uniform Prudent Management of Institutional Funds Act (Act), Heritage has adopted the practice of preserving the fair value of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary. Accordingly, Heritage classifies as donor restricted net assets held in perpetuity the original value of the gifts donated to the endowment fund, the original value of subsequent gifts to the endowment fund, and accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the Foundation's spending policy for the endowment fund, the yearly interest on the fund may be distributed for use; however, if it is not spent, it is returned to the corpus of the fund to further build the endowment. No distributions have been taken from the endowment fund to-date; therefore, all interest and dividend income has become a part of the corpus of the fund and is perpetually restricted. Gains and losses resulting from market fluctuations or sales of the underlying investments are recognized in the period in which the fluctuations occur as increases or decreases in net assets with donor restrictions. Interest and dividend income is reported as an increase in net assets with donor restrictions to the extent distributions are not taken during the year. The Foundation's overall investment objectives are preservation of principal, preservation of purchasing power through growth, competitive investment returns, and moderate investment risk.

At June 30, 2023 and 2022, the endowment fund composition consisted entirely of donor-restricted funds held in perpetuity. Changes in the endowment fund for the years ended June 30, 2023 and 2022, respectively, were as follows:

	Year ended June 30	
	2023	2022
Endowment fund, beginning of year	\$752,954	\$864,743
Interest and dividends	16,309	14,332
Realized and unrealized gains (losses), net	59,852	(126,121)
Contributions	—	—
Endowment fund, end of year	\$829,115	\$752,954

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 AGREEMENT WITH KIRKWOOD COMMUNITY COLLEGE

The Organization has entered into an agreement with Kirkwood Community College (the College) to provide various management and administrative services. Heritage pays the College directly for rent, desk and cell phones, use of the College fleet, and College printing services utilized. Any other services provided by the College, unless a separate reimbursement arrangement is negotiated, are considered to be contributed services. Prior to July 1, 2022, compensation for the services provided under this agreement also included a management services fee of approximately \$54,960 annually, with an agreed upon fair value of \$150,000. The term of the management services agreement continued through June 30, 2023, and will be automatically renewed for successive one-year terms unless one party provides written notice to the other party at least six months in advance of the end of the then existing term. As of the date of these financial statements, no such notice has been provided by either party.

During the years ended June 30, 2023 and 2022, Heritage paid the College \$21,127 and \$50,127, respectively, and recognized contributed services and office expenses of \$53,929 and \$99,873, respectively.

The Organization also entered into a lease agreement with the College for the space used by Heritage. The lease calls for monthly rental payments of \$3,572 through September 30, 2022, with the annual base rent due increasing each October 1 by an amount equal to the percentage increase in the Consumer Price Index for all Urban Consumers for the twelve-month period ending on March 31 of the then current year. The lease will be automatically renewed for successive one-year terms unless one party provides written notice to the other party at least ninety days in advance of the end of the then existing term. As of the date of these financial statements, no such notice has been provided by either party. The lease is considered a short-term lease by the Organization. Rent expense incurred under this agreement during the years ended June 30, 2023 and 2022 was \$43,833 and \$42,556, respectively. Heritage has determined that the rent charged by the College is less than the market value of the leased space and has recognized contributed facilities and occupancy expense in the amount of \$30,923 and \$32,200 during the years ended June 30, 2023 and 2022, respectively.

The Organization had amounts due to the College of \$1,762 included in accrued expenses at June 30, 2023, and \$4,441 included in accounts payable at June 30, 2022.

NOTE 8 PENSION PLANS

The Organization's employees participate in the Iowa Public Employees Retirement System (IPERS) defined benefit pension plan.

Iowa Public Employees Retirement System

Heritage contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits to plan members and beneficiaries. IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

During the years ended June 30, 2023 and 2022, Plan members were required to contribute 6.29% of their annual covered salary. During the years ended June 30, 2023 and 2022, Heritage was required to contribute 9.44% of annual covered payroll. Contribution requirements are established by state statute. The Organization's contributions to IPERS for the years ended June 30, 2023 and 2022 were \$145,576 and \$115,588, respectively.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 PENSION PLANS (continued)

Iowa Public Employees Retirement System (continued)

At June 30, 2023 and 2022, the Organization's potential liability for its proportionate share of the net pension liability was approximately \$609,000 and \$16,000, respectively. The Organization's net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those respective dates. The Organization's proportion of the net pension liability was based on the Organization's share of contributions to the pension plan relative to the contributions of all IPERS participating employers.

NOTE 9 RISKS AND UNCERTAINTIES

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no claims from these risks that have exceeded commercial insurance coverage for the past three years.

NOTE 10 SUBSEQUENT EVENTS

Heritage has evaluated subsequent events through March 24, 2024, the date which the financial statements were available to be issued. Other than the partial distribution of an estate gift received in August 2023 discussed in Note 1, there were no subsequent events required to be accrued or disclosed.

SUPPLEMENTARY INFORMATION

Heritage Area Agency on Aging
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

<u>Federal grantor/pass-through grantor/ pass through grant description and identifying number</u>	<u>Assistance listing number</u>	<u>Agency or pass-through number</u>	<u>Federal expenditures</u>	<u>Amounts provided to subrecipients</u>
United States Department of Justice				
<i>Passed through Iowa Department of Justice</i>				
Crime Victim Assistance, Elder Rights Program	16.575	VOCA-2022- Heritage-AAA-00198	\$ <u>135,919</u>	\$ <u>—</u>
Total United States Department of Justice			<u>135,919</u>	<u>—</u>
United States Department of Education				
<i>Passed through Iowa Vocational Rehabilitation Services</i>				
Rehabilitation Services Vocational Rehabilitation Grants	84.126	21-AAA-HER-01	<u>88,992</u>	<u>—</u>
Total United States Department of Education			<u>88,992</u>	<u>—</u>
United States Department of Health and Human Services				
<i>Passed through Iowa Department on Aging</i>				
Aging Cluster				
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	N/A	37,547	—
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	N/A	627,831	197,666
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	N/A	1,730,682	1,128,325
National Family Caregiver Support, Title III, Part E	93.052	N/A	285,470	98,547
Nutrition Services Incentive Program	93.053	N/A	<u>233,846</u>	<u>233,846</u>
Total Aging Cluster			2,915,376	1,658,384
Elder Abuse Prevention Interventions Program	93.747	N/A	3,537	—
Medical Assistance Program	93.778	N/A	<u>80,423</u>	<u>—</u>
Total United States Department of Health and Human Services			<u>2,999,336</u>	<u>1,658,384</u>
Total expenditures of federal awards			<u>\$3,224,247</u>	<u>\$1,658,384</u>

Heritage Area Agency on Aging
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Heritage Area Agency on Aging under programs of the federal government for the year ended June 30, 2023. 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 Heritage Area Agency on Aging, it is not intended to and does not present the financial position, change in net assets, or cash flows of Heritage Area Agency on Aging.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule of expenditures of federal awards 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. Heritage Area Agency on Aging has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**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**

Board of Directors
Heritage Area Agency on Aging
Cedar Rapids, Iowa

We have audited, 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, the financial statements of Heritage Area Agency on Aging (a nonprofit organization) which comprise the statement of financial position as of June 30, 2023, 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 March 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heritage Area Agency on Aging's (Heritage) internal control over financial reporting (internal control) as a basis for determining 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 Heritage's internal control. Accordingly, we do not express an opinion on the effectiveness of Heritage'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heritage'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 Heritage's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heritage's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Denman CPA LLP

West Des Moines, Iowa
March 24, 2024

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

Board of Directors
Heritage Area Agency on Aging
Cedar Rapids, Iowa

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Heritage Area Agency on Aging's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Heritage Area Agency on Aging's major federal programs for the year ended June 30, 2023. Heritage Area Agency on Aging's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Heritage Area Agency on Aging 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, 2023.

Basis for Opinion on Each Major Federal 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; 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). 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 Heritage Area Agency on Aging 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 program. Our audit does not provide a legal determination of Heritage Area Agency on Aging'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 Heritage Area Agency on Aging's federal 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 Heritage Area Agency on Aging'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 Heritage Area Agency on Aging's compliance with the requirements of each major federal 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 Heritage Area Agency on Aging'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 Heritage Area Agency on Aging'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 Heritage Area Agency on Aging'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 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 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 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. Accordingly, this report is not suitable for any other purpose.

Denman CPA LLP
Denman CPA LLP

West Des Moines, Iowa
March 24, 2024

**Heritage Area Agency on Aging
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2023**

SECTION 1 – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified opinion**

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor’s report issued on compliance for major federal programs: **Unmodified opinion**

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs: **Assistance Listing Numbers
93.043, 93.044, 93.045, 93.052,
93.053 – Aging Cluster**

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as low-risk auditee? Yes No

**Heritage Area Agency on Aging
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES

None.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

INTERNAL CONTROL DEFICIENCIES

None.

INSTANCES OF NONCOMPLIANCE

No matters were noted.