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November 30, 2009

Board of Directors  
Porter County Aging and  
Community Services, Inc.  
1005 Campbell  
Valparaiso, IN 46385

We have reviewed the audit report prepared by Comer, Nowling and Associates, PC, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Porter County Aging and Community Services, Inc., as of June 30, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**Porter County Aging And  
Community Services, Inc.**

=====  
**Consolidated Financial  
Statements  
For The Years Ended  
June 30, 2008 and 2007**



*Certified Public Accountants*

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.  
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BUSINESS PLANNING  
FINANCIAL STATEMENTS  
BUSINESS VALUATIONS  
TAX PLANNING  
TAX PREPARATION

## Independent Auditor's Report

Board of Directors  
Porter County Aging And Community Services, Inc.  
Valparaiso, Indiana

We have audited the accompanying consolidated statements of financial position of Porter County Aging And Community Services, Inc. as of June 30, 2008 and 2007, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Porter County Aging and Community Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Porter County Aging and Community Services, Inc. and its affiliate as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Comer, Nowling And Associates, P.C.*

Comer, Nowling And Associates, P.C.  
September 23, 2008

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2008 AND 2007**

**ASSETS**

|  | 2008              |                           |                   | 2007              |                           |                     |
|--|-------------------|---------------------------|-------------------|-------------------|---------------------------|---------------------|
|  | Unrestricted      | Temporarily<br>Restricted | Total             | Unrestricted      | Temporarily<br>Restricted | Total               |
| <b>CURRENT ASSETS:</b>                     |                   |                           |                   |                   |                           |                     |
| Cash and cash equivalents                  | \$ 51,909         | \$ 10,000                 | \$ 61,909         | \$ 50,609         | \$ 411,130                | \$ 461,739          |
| Certificates of deposit                    | 35,074            | -                         | 35,074            | 84,474            | -                         | 84,474              |
| Investments                                | 34,388            | 338,218                   | 372,606           | -                 | -                         | -                   |
| Accounts receivable                        | 107,054           | -                         | 107,054           | 105,481           | -                         | 105,481             |
| Prepaid expenses                           | -                 | -                         | -                 | 2,172             | -                         | 2,172               |
| Total current assets                       | <u>228,425</u>    | <u>348,218</u>            | <u>576,643</u>    | <u>242,736</u>    | <u>411,130</u>            | <u>653,866</u>      |
| <b>FIXED ASSETS:</b>                       |                   |                           |                   |                   |                           |                     |
| Building                                   | 344,118           | -                         | 344,118           | 344,118           | -                         | 344,118             |
| Vehicles                                   | 427,132           | -                         | 427,132           | 427,132           | -                         | 427,132             |
| Furniture and equipment                    | 112,741           | -                         | 112,741           | 112,741           | -                         | 112,741             |
| Leasehold improvements                     | 55,797            | -                         | 55,797            | 55,797            | -                         | 55,797              |
|  | 939,788           | -                         | 939,788           | 939,788           | -                         | 939,788             |
| Accumulated depreciation                   | (613,489)         | -                         | (613,489)         | (587,235)         | -                         | (587,235)           |
| Total fixed assets, net                    | <u>326,299</u>    | <u>-</u>                  | <u>326,299</u>    | <u>352,553</u>    | <u>-</u>                  | <u>352,553</u>      |
| Total assets                               | <u>\$ 554,724</u> | <u>\$ 348,218</u>         | <u>\$ 902,942</u> | <u>\$ 595,289</u> | <u>\$ 411,130</u>         | <u>\$ 1,006,419</u> |
| <b>LIABILITIES AND NET ASSETS</b>          |                   |                           |                   |                   |                           |                     |
| <b>CURRENT LIABILITIES:</b>                |                   |                           |                   |                   |                           |                     |
| Accounts payable                           | \$ 12,724         | \$ -                      | \$ 12,724         | \$ 17,284         | \$ -                      | \$ 17,284           |
| Accrued payroll                            | 10,117            | -                         | 10,117            | 10,636            | -                         | 10,636              |
| Accrued annual leave                       | 24,559            | -                         | 24,559            | 28,249            | -                         | 28,249              |
| Current portion of capital lease liability | 1,184             | -                         | 1,184             | 1,184             | -                         | 1,184               |
| Current portion of long-term debt          | -                 | -                         | -                 | 11,931            | -                         | 11,931              |
| Total current liabilities                  | <u>48,584</u>     | <u>-</u>                  | <u>48,584</u>     | <u>69,284</u>     | <u>-</u>                  | <u>69,284</u>       |
| <b>LONG-TERM LIABILITIES:</b>              |                   |                           |                   |                   |                           |                     |
| Long-term debt                             | -                 | -                         | -                 | 296,127           | -                         | 296,127             |
| Capital lease liability                    | 3,284             | -                         | 3,284             | 4,467             | -                         | 4,467               |
| Total long-term liabilities                | <u>3,284</u>      | <u>-</u>                  | <u>3,284</u>      | <u>300,594</u>    | <u>-</u>                  | <u>300,594</u>      |
| Total liabilities                          | <u>51,868</u>     | <u>-</u>                  | <u>51,868</u>     | <u>369,878</u>    | <u>-</u>                  | <u>369,878</u>      |
| <b>NET ASSETS:</b>                         |                   |                           |                   |                   |                           |                     |
| Unrestricted                               | 502,856           | -                         | 502,856           | 225,411           | -                         | 225,411             |
| Temporarily restricted                     | -                 | 348,218                   | 348,218           | -                 | 411,130                   | 411,130             |
|  | <u>502,856</u>    | <u>348,218</u>            | <u>851,074</u>    | <u>225,411</u>    | <u>411,130</u>            | <u>636,541</u>      |
| Total liabilities and net assets           | <u>\$ 554,724</u> | <u>\$ 348,218</u>         | <u>\$ 902,942</u> | <u>\$ 595,289</u> | <u>\$ 411,130</u>         | <u>\$ 1,006,419</u> |

See accompanying notes to financial statements.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

|                                       | 2008                |                                   |                   | 2007                |                                   |                   |
|---------------------------------------|---------------------|-----------------------------------|-------------------|---------------------|-----------------------------------|-------------------|
|                                       | Unrestricted        | Temporarily<br>Restricted         | Total             | Unrestricted        | Temporarily<br>Restricted         | Total             |
|                                       | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      |
| <b>REVENUE AND OTHER SUPPORT</b>      |                     |                                   |                   |                     |                                   |                   |
| Contributions and other local cash    | \$ 430,511          | \$ 10,000                         | \$ 440,511        | \$ 359,998          | \$ 411,130                        | \$ 771,128        |
| Donation of building                  | 308,058             | -                                 | 308,058           | -                   | -                                 | -                 |
| Government grants, federal            | 421,357             | -                                 | 421,357           | 426,197             | -                                 | 426,197           |
| Government grants, state              | 98,557              | -                                 | 98,557            | 95,820              | -                                 | 95,820            |
| Project income                        | 37,670              | -                                 | 37,670            | 89,060              | -                                 | 89,060            |
| Interest income                       | 27,964              | -                                 | 27,964            | 14,512              | -                                 | 14,512            |
| Miscellaneous income                  | -                   | -                                 | -                 | 411                 | -                                 | 411               |
| Unrealized loss on investments        | (1,525)             | (38,080)                          | (39,605)          | -                   | -                                 | -                 |
| Net assets released from restrictions | 34,832              | (34,832)                          | -                 | -                   | -                                 | -                 |
| Total revenue and other support       | <u>1,357,424</u>    | <u>(62,912)</u>                   | <u>1,294,512</u>  | <u>985,998</u>      | <u>411,130</u>                    | <u>1,397,128</u>  |
| <b>OPERATING EXPENSES</b>             |                     |                                   |                   |                     |                                   |                   |
| Community services                    | 270,400             | -                                 | 270,400           | 225,230             | -                                 | 225,230           |
| Elderly services                      | 299,569             | -                                 | 299,569           | 298,625             | -                                 | 298,625           |
| RSVP                                  | 60,480              | -                                 | 60,480            | 60,815              | -                                 | 60,815            |
| Transportation services               | 414,899             | -                                 | 414,899           | 411,536             | -                                 | 411,536           |
| Management and general                | 55,558              | -                                 | 55,558            | 68,785              | -                                 | 68,785            |
| Total operating expenses              | <u>1,100,905</u>    | <u>-</u>                          | <u>1,100,905</u>  | <u>1,064,991</u>    | <u>-</u>                          | <u>1,064,991</u>  |
| Increase (decrease) in net assets     | 256,519             | (62,912)                          | 193,607           | (78,993)            | 411,130                           | 332,137           |
| Prior period adjustment               | 20,926              | -                                 | 20,926            | 16,452              | -                                 | 16,452            |
| Increase (decrease) in net assets     | <u>277,445</u>      | <u>(62,912)</u>                   | <u>214,533</u>    | <u>-</u>            | <u>-</u>                          | <u>-</u>          |
| <b>NET ASSETS - BEGINNING OF YEAR</b> | <u>225,411</u>      | <u>411,130</u>                    | <u>636,541</u>    | <u>287,952</u>      | <u>-</u>                          | <u>287,952</u>    |
| <b>NET ASSETS - END OF YEAR</b>       | <u>\$ 502,856</u>   | <u>\$ 348,218</u>                 | <u>\$ 851,074</u> | <u>\$ 225,411</u>   | <u>\$ 411,130</u>                 | <u>\$ 636,541</u> |

See accompanying notes to financial statements.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

|                            | <u>Community<br/>Services</u> | <u>Elderly<br/>Services</u> | <u>RSVP</u>      | <u>Transportation</u> | <u>Management<br/>And General</u> | <u>2008<br/>Totals</u> |
|----------------------------|-------------------------------|-----------------------------|------------------|-----------------------|-----------------------------------|------------------------|
| <b>OPERATING EXPENSES</b>  |                               |                             |                  |                       |                                   |                        |
| Salaries and wages         | \$ 156,960                    | \$ 76,284                   | \$ 45,663        | \$ 186,520            | \$ 41,515                         | \$ 506,941             |
| Payroll taxes and benefits | 14,664                        | 6,303                       | 5,034            | 16,980                | 3,753                             | 46,734                 |
| Professional services      | 11,923                        | 1,881                       | -                | 627                   | 1,427                             | 15,858                 |
| Rent                       | 1,713                         | 3,809                       | -                | 1,028                 | -                                 | 6,550                  |
| Other space costs          | 330                           | -                           | -                | -                     | -                                 | 330                    |
| Repairs and maintenance    | 3,720                         | 5,255                       | -                | 79,087                | -                                 | 88,062                 |
| Utilities                  | 5,411                         | 10,385                      | -                | 3,672                 | -                                 | 19,468                 |
| Telephone                  | 2,872                         | 4,997                       | 1,596            | 1,410                 | -                                 | 10,875                 |
| Fuel                       | -                             | -                           | -                | 73,579                | -                                 | 73,579                 |
| Beneficiary utilities      | 5,960                         | -                           | -                | -                     | -                                 | 5,960                  |
| FEMA                       | 143                           | -                           | -                | -                     | -                                 | 143                    |
| RSVP                       | 1,190                         | -                           | -                | -                     | -                                 | 1,190                  |
| Lifeline                   | -                             | 3,811                       | -                | -                     | -                                 | 3,811                  |
| Insurance                  | 4,290                         | 5,171                       | 506              | 34,852                | 4,383                             | 49,201                 |
| Beneficiary meals          | -                             | 154,029                     | -                | -                     | -                                 | 154,029                |
| Office                     | 31,338                        | 5,108                       | -                | 4,806                 | -                                 | 41,252                 |
| Supplies                   | 12,323                        | 7,485                       | 3,013            | 1,090                 | 2,067                             | 25,978                 |
| Travel and meetings        | 3,984                         | -                           | 1,635            | -                     | -                                 | 5,619                  |
| Postage                    | 4,080                         | 578                         | 40               | 418                   | -                                 | 5,115                  |
| Dues and subscriptions     | 4,697                         | 107                         | 135              | 107                   | -                                 | 5,045                  |
| Miscellaneous              | 2,776                         | -                           | 2,858            | -                     | -                                 | 5,634                  |
| Interest                   | 504                           | 683                         | -                | -                     | 50                                | 1,237                  |
| Bad debt                   | -                             | 2,039                       | -                | -                     | -                                 | 2,039                  |
| Depreciation               | 1,524                         | 11,644                      | -                | 10,723                | 2,363                             | 26,254                 |
|                            | <u>\$ 270,400</u>             | <u>\$ 299,569</u>           | <u>\$ 60,480</u> | <u>\$ 414,899</u>     | <u>\$ 55,558</u>                  | <u>\$ 1,100,905</u>    |
| Total operating expenses   | <u>\$ 270,400</u>             | <u>\$ 299,569</u>           | <u>\$ 60,480</u> | <u>\$ 414,899</u>     | <u>\$ 55,558</u>                  | <u>\$ 1,100,905</u>    |

See accompanying notes to financial statements.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

|                            | <u>Community<br/>Services</u> | <u>Elderly<br/>Services</u> | <u>RSVP</u>       | <u>Transportation</u> | <u>Management<br/>And General</u> | <u>2007<br/>Totals</u> |
|----------------------------|-------------------------------|-----------------------------|-------------------|-----------------------|-----------------------------------|------------------------|
| <b>OPERATING EXPENSES</b>  |                               |                             |                   |                       |                                   |                        |
| Salaries and wages         | \$ 129,788                    | \$ 48,534                   | \$ 43,235         | \$ 180,485            | \$ 35,487                         | \$ 437,529             |
| Payroll taxes and benefits | 17,311                        | 7,159                       | 5,028             | 30,941                | 5,480                             | 65,919                 |
| Professional services      | 14,779                        | 5,940                       | -                 | 8,448                 | 2,885                             | 32,052                 |
| Rent                       | 1,713                         | 5,949                       | -                 | 1,028                 | -                                 | 8,690                  |
| Other space costs          | 692                           | -                           | 1,881             | -                     | -                                 | 2,573                  |
| Repairs and maintenance    | 3,984                         | 3,400                       | -                 | 82,731                | -                                 | 90,115                 |
| Utilities                  | 4,528                         | 10,504                      | -                 | 3,079                 | -                                 | 18,111                 |
| Telephone                  | 3,739                         | 9,830                       | 1,520             | 1,806                 | -                                 | 16,895                 |
| Fuel                       | -                             | -                           | -                 | 64,246                | -                                 | 64,246                 |
| Beneficiary utilities      | 6,806                         | -                           | -                 | -                     | -                                 | 6,806                  |
| FEMA                       | 11,067                        | -                           | -                 | -                     | -                                 | 11,067                 |
| RSVP                       | 1,150                         | -                           | -                 | -                     | -                                 | 1,150                  |
| Lifeline                   | -                             | 49,551                      | -                 | -                     | -                                 | 49,551                 |
| Insurance                  | 1,237                         | 1,873                       | 506               | 19,488                | 2,235                             | 25,339                 |
| Beneficiary meals          | -                             | 131,070                     | -                 | -                     | -                                 | 131,070                |
| Office                     | 4,698                         | 4,198                       | 1,408             | 2,027                 | -                                 | 12,331                 |
| Supplies                   | 3,165                         | 4,690                       | 2,364             | 1,241                 | 427                               | 11,887                 |
| Travel and meetings        | 4,788                         | 14                          | 1,585             | 15                    | -                                 | 6,402                  |
| Postage                    | 3,904                         | 1,084                       | 91                | 538                   | -                                 | 5,617                  |
| Dues and subscriptions     | 2,660                         | -                           | 255               | 144                   | -                                 | 3,059                  |
| Miscellaneous              | 355                           | -                           | 2,942             | 104                   | -                                 | 3,401                  |
| Interest                   | 898                           | -                           | -                 | -                     | 18,852                            | 19,750                 |
| Bad debt                   | 15                            | 3,418                       | -                 | -                     | -                                 | 3,433                  |
| Depreciation               | 7,953                         | 11,411                      | -                 | 15,215                | 3,420                             | 37,999                 |
|                            | <u>          </u>             | <u>          </u>           | <u>          </u> | <u>          </u>     | <u>          </u>                 | <u>          </u>      |
| Total operating expenses   | <u>\$ 225,230</u>             | <u>\$ 298,625</u>           | <u>\$ 60,815</u>  | <u>\$ 411,536</u>     | <u>\$ 68,785</u>                  | <u>\$ 1,064,991</u>    |

See accompanying notes to financial statements.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2008 AND 2007**

|   | 2008       | 2007       |
|---|------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |            |            |
| Increase (decrease) in net assets   | \$ 214,533 | \$ 332,137 |
| Adjustments to reconcile increase in net assets to net cash used in operating activities: |            |            |
| Depreciation expense  | 26,254     | 37,999     |
| Unrealized loss on investments  | 39,605     | -          |
| Non-cash donation   | (308,058)  | -          |
| Increase (decrease) in cash from changes in:  |            |            |
| Accounts receivable   | (1,573)    | 8,738      |
| Prepaid expenses  | 2,172      | (796)      |
| Accounts payable  | (4,560)    | (10,067)   |
| Accrued liabilities   | (4,209)    | 10,935     |
| Net cash provided by (used in) operating activities                                       | (35,836)   | 378,946    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |            |            |
| Proceeds from maturing certificates of deposit  | 49,400     | (17,941)   |
| Purchases of investments  | (433,043)  | -          |
| Proceeds from investments   | 20,832     | 52,358     |
| Net cash provided by (used in) investing activities                                       | (362,811)  | 34,417     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |            |            |
| Capital lease financing   | (1,183)    | 5,651      |
| Principal payments on mortgage  | -          | (11,238)   |
| Net cash used in financing activities   | (1,183)    | (5,587)    |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | (399,830)  | 407,776    |
| <b>CASH, BEGINNING OF YEAR</b>  | 461,739    | 53,963     |
| <b>CASH, END OF YEAR</b>  | \$ 61,909  | \$ 461,739 |
| <b>Supplemental Disclosures of Cash Flow Information</b>                                  |            |            |
| Cash paid during the year for interest  | \$ 559     | \$ 19,750  |

See accompanying notes to financial statements.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

Porter County Aging and Community Services, Inc. (the “Organization”) is an Indiana not-for-profit corporation organized in 1973. The mission of the Organization is to identify the problems of the aged and citizens in need in Porter County; to propose solutions to the problems identified; to work in conjunction with the Indiana Commission on the Aging and Aged and residents, agencies, and organizations within Porter County to solve these problems; to enhance public awareness of the needs of the aging and underprivileged; and to assist those who may be sick, disabled, or destitute. The Organization also provides services through the Retired Senior Volunteer Program which includes the expansion of opportunities for older adults to perform volunteer service by developing a permanent corps of senior volunteers to serve Porter County.

Porter County Services Holding Company, Inc. (“Affiliate”) was incorporated in the State of Indiana during 2003 to own real estate held for the benefit of the Organization.

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary. All material intercompany transactions have been eliminated in consolidation.

**BASIS OF ACCOUNTING**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**REVENUE RECOGNITION**

The Organization receives grants from the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the State appropriate records of services provided to eligible individuals. Revenues under the contracts are recognized as the services are provided.

**CASH AND CASH EQUIVALENTS**

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

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

**INVESTMENTS**

Under SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost and depreciated over estimated useful lives of three to forty years using the straight-line method. The following is a summary of the lives for each class of asset:

|                        |            |
|------------------------|------------|
| Buildings              | 30 years   |
| Leasehold improvements | 15 years   |
| Equipment              | 3-10 years |
| Vehicles               | 5 years    |

Expenditures for improvements and major renewals are capitalized. When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred. Depreciation expense for the years ended June 30, 2008 and 2007 totaled \$26,254 and \$37,999, respectively.

**INCOME TAX STATUS**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**CONTRIBUTIONS**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

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

**CONTRIBUTED SERVICES**

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments.

**GOVERNMENT GRANTS**

Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Amounts required prior to expenditures being incurred are reflected as refundable advances on the Statements of Financial Position.

**USE OF ESTIMATES**

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

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

**FINANCIAL STATEMENT PRESENTATION**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

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

**EXPENSE ALLOCATION**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE 2 – LONG-TERM DEBT AND RELATED PARTIES**

The Affiliate was established in 2003 for the purpose of acquiring and holding real property located at 1005 Campbell Street in Valparaiso, Indiana, the Organization's corporate offices and main facility. The Affiliate obtained a loan in the amount of \$350,000 from Mr. Wilbur Hutchins, an Organization Board Member, to purchase the building. The balance is to be paid in monthly installments, including principal, over a twenty (20) year period at 6% interest.

Due to the death of Mr. Wilbur, the Organization was initially entitled to a specific bequest in the amount of \$50,000. On October 15, 2007, the Court ordered that in lieu of the \$50,000 specific bequest, the Organization will not be required to make any further payments on its promissory note. The Organization recorded this transaction as an increase in revenues and a decrease in notes payable for the year ended June 30, 2008.

In addition, during the years ended June 30, 2008 and 2007, maintenance services were provided by the children of the Executive Director. For the years ended June 30, 2008 and 2007, amounts paid to these related parties were \$7,905 and \$1,525, respectively.

Also, one of the board members, Lisa Marek, is an employee of the company where the investment account is held.

**NOTE 3 – EMPLOYEE BENEFITS**

The Organization has a SIMPLE-IRA retirement plan. The Organization's matching contribution is 3% of each employee's compensation. Contributions to the plan are made for all full-time employees working twenty hours or more per week and with at least one year of service. Employee benefit expense under this plan was approximately \$7,599 and \$6,900 for the years ended June 30, 2008 and 2007, respectively.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 4 – CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances at multiple financial institutions. The accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At times throughout the year, the balances of certain accounts exceeded \$100,000.

Financial awards from federal, state and local governmental entities in the form of grants are subject to financial and compliance audits by funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

**NOTE 5 – MAJOR CONTRIBUTOR**

During the year ended June 30, 2007, the Organization received a specific bequest in the amount of \$397,130 as a part of the Estate of Dorothy Risto. Subsequent to receiving the bequest, certain issues were raised concerning the interpretation of the Will as to Porter County Aging and Community Services and the Valparaiso Parks Department. Conditions existed such as providing a plan to the Executor of the Estate as to how funds would be utilized for active senior citizens in the immediate area.

The Organization outlined the framework for the use of funds from the Estate and the related issues were resolved. As a result of the restrictive nature of the bequest, the contribution is presented as a restricted contribution in the statements of activities. These funds will be expended for the improvement of the Banta Senior Center physical plant and the expansion of the services to the senior community.

**NOTE 6 - STATEMENT OF FINANCIAL ACCOUNTING STANDARD (SFAS) NO. 144**

SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 has not materially affected the Organization's net change in net assets, statements of financial position or statements of cash flows.

**NOTE 7 – PRIOR PERIOD ADJUSTMENTS**

During the audit for the year ended June 30, 2008, it was noted that the Medicaid receivable as of June 30, 2007 was understated by \$20,668. As a result, an adjustment relating to correcting this error increased beginning unrestricted net assets by \$20,668.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 8 – OPERATING LEASES**

The Organization leases various equipments and a facility for use in the operation of its programs. Lease expense for the years ended June 30, 2008 and 2007 were \$14,779 and \$8,690 respectively. Future minimum lease payments on leases having non-cancelable terms beyond June 30, 2008 are as follows:

|      |         |
|------|---------|
| 2009 | \$3,943 |
|------|---------|

**NOTE 9 - CAPITAL LEASE**

A long-term lease transaction relating to the financing of copying equipment is accounted for as a capital lease. Capital lease obligations reflect the present value of future rental payments, discounted at the interest rate implicit in the lease.

A corresponding amount is capitalized and amortized over the asset's estimated economic life on a straight-line basis. The amortization is included in depreciation expense.

**NOTE 10 – INVESTMENTS**

During 2008, the Organization opened an investment account with the funds partially received from the estate of Dorothy Risto. The initial investment was in the amount of \$413,017 on November 5, 2007. Of the initial investment, \$397,130 is restricted for improvements to the Banta Senior Center physical plant and the expansion of the services to the senior community. Investment income is unrestricted. During 2008, 1,305 shares were sold and the proceeds were reinvested in order to maximize income potential and to minimize risk.

Investments at June 30, 2008 are summarized as follows:

| As of June 30, 2008: | <u>Cost or<br/>Original<br/>Donated<br/>Value</u> | <u>Market<br/>Value</u> | <u>Gross<br/>Unrealized<br/>Gain (loss)</u> |
|----------------------|---|-------------------------|---|
| Mutual Funds         | \$ 412,211  | \$ 372,606              | \$ (39,605)                                 |
| Money Market Funds   | 140   | 140                     | -   |
|                      | <u>\$ 412,351</u>                                 | <u>\$ 372,746</u>       | <u>\$ (39,605)</u>                          |

Included in revenue and other support on the statement of activities are unrealized loss on investments of \$39,605 and \$0 for 2008 and 2007 respectively.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 11 – RECLASSIFICATIONS**

Certain reclassifications have been made to the 2007 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.