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February 6, 2015

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, P.C., for the period July 1, 2010 to June 30, 2011. 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 Porter County Aging and Community Services, Inc., as of June 30, 2011, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

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

**Consolidated Financial
Statements
For The Years Ended
June 30, 2011 and 2010**

COMER  NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.
AND SUBSIDIARY**

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COMER NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

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. and Subsidiary as of June 30, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Subsidiary as of June 30, 2011 and 2010, 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.
December 27, 2011

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	ASSETS			2010		
	2011			Unrestricted	Temporarily Restricted	Total
	Unrestricted	Temporarily Restricted	Total			
CURRENT ASSETS:						
Cash	\$ 212,500	\$ -	\$ 212,500	\$ 128,632	\$ -	\$ 128,632
Certificates of deposit	-	30,000	30,000	14,224	-	14,224
Investments	13,825	315,587	329,412	13,940	348,455	362,395
Grants receivable	166,761	-	166,761	141,294	-	141,294
Total current assets	<u>393,086</u>	<u>345,587</u>	<u>738,673</u>	<u>298,090</u>	<u>348,455</u>	<u>646,545</u>
PROPERTY AND EQUIPMENT:						
Building	344,118	-	344,118	344,118	-	344,118
Vehicles	109,246	-	109,246	109,246	-	109,246
Furniture and equipment	123,169	-	123,169	123,169	-	123,169
Leasehold improvements	55,797	-	55,797	55,797	-	55,797
	632,330	-	632,330	632,330	-	632,330
Accumulated depreciation	(304,315)	-	(304,315)	(305,988)	-	(305,988)
Total fixed assets, net	<u>328,015</u>	<u>-</u>	<u>328,015</u>	<u>326,342</u>	<u>-</u>	<u>326,342</u>
Total assets	<u>\$ 721,101</u>	<u>\$ 345,587</u>	<u>\$ 1,066,688</u>	<u>\$ 624,432</u>	<u>\$ 348,455</u>	<u>\$ 972,887</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable	\$ 16,356	\$ -	\$ 16,356	\$ 15,876	\$ -	\$ 15,876
Accrued payroll	15,279	-	15,279	17,904	-	17,904
Accrued annual leave	22,788	-	22,788	24,561	-	24,561
Current portion of capital lease liability	-	-	-	1,657	-	1,657
Total current liabilities	<u>54,423</u>	<u>-</u>	<u>54,423</u>	<u>59,998</u>	<u>-</u>	<u>59,998</u>
LONG-TERM LIABILITIES:						
Capital lease liability	-	-	-	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>54,423</u>	<u>-</u>	<u>54,423</u>	<u>59,998</u>	<u>-</u>	<u>59,998</u>
NET ASSETS:						
Unrestricted	666,678	-	666,678	564,434	-	564,434
Temporarily restricted	-	345,587	345,587	-	348,455	348,455
	<u>666,678</u>	<u>345,587</u>	<u>1,012,265</u>	<u>564,434</u>	<u>348,455</u>	<u>912,889</u>
Total liabilities and net assets	<u>\$ 721,101</u>	<u>\$ 345,587</u>	<u>\$ 1,066,688</u>	<u>\$ 624,432</u>	<u>\$ 348,455</u>	<u>\$ 972,887</u>

See accompanying notes to financial statements.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT						
Contributions and other local cash	\$ 603,961	\$ -	\$ 603,961	\$ 470,342	\$ -	\$ 470,342
Government grants, federal	475,114	-	475,114	407,340	-	407,340
Government grants, state	240,272	-	240,272	230,339	-	230,339
Project income	14,788	-	14,788	22,436	-	22,436
Rent income	16,980	-	16,980	19,956	-	19,956
Interest income	529	10,852	11,381	588	11,261	11,849
Realized loss on investments	(235)	(5,865)	(6,100)	-	-	-
Unrealized gain on investments	1,605	40,084	41,689	867	21,667	22,534
	<u>1,353,014</u>	<u>45,071</u>	<u>1,398,085</u>	<u>1,151,868</u>	<u>32,928</u>	<u>1,184,796</u>
Net assets released from restrictions	47,939	(47,939)	-	-	-	-
	<u>1,400,953</u>	<u>(2,868)</u>	<u>1,398,085</u>	<u>1,151,868</u>	<u>32,928</u>	<u>1,184,796</u>
Total revenue, other support and net assets released from restrictions						
	<u>1,400,953</u>	<u>(2,868)</u>	<u>1,398,085</u>	<u>1,151,868</u>	<u>32,928</u>	<u>1,184,796</u>
OPERATING EXPENSES						
Program Services:						
Community services	251,505	-	251,505	199,787	-	199,787
Elderly services	84,938	-	84,938	77,305	-	77,305
RSVP	108,268	-	108,268	116,002	-	116,002
Transportation services	662,534	-	662,534	485,233	-	485,233
Total program services	<u>1,107,245</u>	<u>-</u>	<u>1,107,245</u>	<u>878,327</u>	<u>-</u>	<u>878,327</u>
Management and general	191,464	-	191,464	181,067	-	181,067
Total operating expenses	<u>1,298,709</u>	<u>-</u>	<u>1,298,709</u>	<u>1,059,394</u>	<u>-</u>	<u>1,059,394</u>
Increase (decrease) in net assets	102,244	(2,868)	99,376	92,474	32,928	125,402
NET ASSETS - BEGINNING OF YEAR	<u>564,434</u>	<u>348,455</u>	<u>912,889</u>	<u>471,960</u>	<u>315,527</u>	<u>787,487</u>
NET ASSETS - END OF YEAR	<u>\$ 666,678</u>	<u>\$ 345,587</u>	<u>\$ 1,012,265</u>	<u>\$ 564,434</u>	<u>\$ 348,455</u>	<u>\$ 912,889</u>

See accompanying notes to financial statements.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Community Services</u>	<u>Elderly Services</u>	<u>RSVP</u>	<u>Transportation</u>	<u>Management And General</u>	<u>2011 Totals</u>
OPERATING EXPENSES						
Salaries and wages	\$ 68,680	\$ 24,890	\$ 92,470	\$ 297,596	\$ 132,149	\$ 615,785
Payroll taxes and benefits	12,161	6,240	9,661	71,100	11,602	110,764
Professional services	20,904	27,416	-	4,290	12,499	65,109
Rent	-	7,025	-	-	-	7,025
Repairs and maintenance	4,704	2,871	-	131,146	11,366	150,087
Utilities	8,656	6,815	-	2,947	-	18,418
Telephone	5,311	3,341	1,490	1,886	-	12,028
Fuel	-	-	-	117,081	-	117,081
Beneficiary utilities	73,675	-	-	-	-	73,675
FEMA	14,210	-	-	-	-	14,210
RSVP	-	-	-	-	-	-
Insurance	1,418	1,418	156	18,658	2,723	24,373
Beneficiary meals	-	777	-	-	-	777
Office	8,360	1,499	2,251	7,633	-	19,743
Supplies	6,193	2,539	1,495	5,589	-	15,816
Travel and meetings	-	-	620	-	2,444	3,064
Postage	4,057	107	-	567	-	4,731
Dues and subscriptions	140	-	125	13	6,976	7,254
Miscellaneous	-	-	-	-	-	-
Interest	385	-	-	-	60	445
Bad debt	-	-	-	4,028	-	4,028
Depreciation	22,651	-	-	-	11,645	34,296
Total operating expenses	\$ 251,505	\$ 84,938	\$ 108,268	\$ 662,534	\$ 191,464	\$ 1,298,709

See accompanying notes to financial statements.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Community Services</u>	<u>Elderly Services</u>	<u>RSVP</u>	<u>Transportation</u>	<u>Management And General</u>	<u>2010 Totals</u>
OPERATING EXPENSES						
Salaries and wages	\$ 64,152	\$ 21,847	\$ 95,327	\$ 247,467	\$ 130,770	\$ 559,563
Payroll taxes and benefits	7,235	5,510	9,821	53,174	11,452	87,192
Professional services	29,650	23,352	-	3,823	5,585	62,410
Rent	-	5,100	-	-	-	5,100
Repairs and maintenance	4,876	3,595	120	73,490	4,969	87,050
Utilities	7,718	6,076	-	2,767	-	16,561
Telephone	5,528	3,815	1,558	2,213	-	13,114
Fuel	-	-	-	68,726	-	68,726
Beneficiary utilities	34,905	-	-	-	-	34,905
FEMA	4,934	-	-	-	-	4,934
RSVP	311	-	2,652	-	-	2,963
Insurance	960	960	323	12,930	2,362	17,535
Beneficiary meals	-	531	-	-	-	531
Office	5,742	3,431	2,107	9,851	-	21,131
Supplies	7,531	2,951	2,075	3,090	-	15,647
Travel and meetings	-	-	1,847	-	5,055	6,902
Postage	4,385	137	47	1,211	-	5,780
Dues and subscriptions	524	-	125	235	9,167	10,051
Interest	1,029	-	-	-	62	1,091
Bad debt	49	-	-	6,256	-	6,305
Depreciation	20,258	-	-	-	11,645	31,903
	<u>\$ 199,787</u>	<u>\$ 77,305</u>	<u>\$ 116,002</u>	<u>\$ 485,233</u>	<u>\$ 181,067</u>	<u>\$ 1,059,394</u>
Total operating expenses	<u>\$ 199,787</u>	<u>\$ 77,305</u>	<u>\$ 116,002</u>	<u>\$ 485,233</u>	<u>\$ 181,067</u>	<u>\$ 1,059,394</u>

See accompanying notes to financial statements.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 99,376	\$ 125,402
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation expense	34,296	31,903
Realized loss on investments	6,100	-
Unrealized gain on investments	(41,689)	(22,534)
Increase (decrease) in cash from changes in:		
Accounts receivable	(25,467)	(105,517)
Accounts payable	480	(14,124)
Accrued liabilities	(4,398)	6,210
Net cash provided by operating activities	68,698	21,340
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturing certificates of deposit	14,225	15,776
Purchase of certificates of deposit	(30,000)	-
Proceeds from sale of investments	110,504	-
Purchases of investments	(41,933)	(11,742)
Purchase of vehicles and equipment	(35,969)	(48,953)
Net cash provided by (used in) investing activities	16,827	(44,919)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease payments	(1,657)	(1,485)
Net cash used in financing activities	(1,657)	(1,485)
NET INCREASE (DECREASE) IN CASH	83,868	(25,064)
CASH, BEGINNING OF YEAR	128,632	153,696
CASH, END OF YEAR	\$ 212,500	\$ 128,632
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 445	\$ 1,091

See accompanying notes to financial statements.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

**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. (“Subsidiary”) 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-controlled 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.

INVESTMENTS

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. 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.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciated over estimated useful lives of three to thirty years using the straight-line method. Fair value of donated property and equipment at time of donation is similarly capitalized. 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 that are over \$5,000 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, 2011 and 2010 totaled \$34,296 and \$31,903, respectively.

The Organization, on a bi-yearly basis, acquires vehicles and equipment through NIRPC lease program. Per the lease agreement, the lessee pays one dollar (\$1.00) per year for each vehicle and a flat fee of five dollars (\$5.00) per year for all other transit equipment (including computers, tools, radios, etc.) for the use of the equipment during the term of the lease agreement. The Organization provides 20% cash match for these vehicles and equipment. Only the cash match portion is capitalized and depreciated over the useful life of the vehicles and equipment.

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. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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 Accounting Standards Codification. Per applicable standards, Porter County Aging and Community Services, Inc. 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. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted net assets represent the portion of net assets of Porter County Aging and Community Services, Inc. that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by Porter County Aging and Community Services, Inc. is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Porter County Aging and Community Services, Inc. pursuant to those stipulations.

Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

Permanently restricted net assets represent contributions and other inflows of assets whose use by Porter County Aging and Community Services, Inc. is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization did not have permanently restricted net assets at June 30, 2011 and 2010. Temporarily restricted net assets are explained in Note 10.

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.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective July 1, 2009, the Organization adopted the accounting policy to recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded.

Porter County Aging and Community Services, Inc. has examined this issue and has determined there are no material contingent tax liabilities.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)

Effective June 30, 2009, the Organization adopted applicable portions of FASB ASC 820, *Fair Value Measurements*. FASB ASC 820 defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. GAAP standards and expands the disclosure of the methods used and the effect of fair value measurements on earnings.

SUBSEQUENT EVENTS

Subsequent events are evaluated through December 27, 2011, which is the date the financial statements were available to be issued.

NOTE 2 – GRANTS RECEIVABLE

Grants receivable consists of receivables from various funding sources for performance of services per contracts. All receivables are deemed collectible, and therefore no allowance for uncollectible accounts was recorded for the years ended June 30, 2011 and 2010. Adjustments to an accounts receivable from transactions other than payments and bad debts are recorded as they occur.

NOTE 3 – INVESTMENTS

Investments at June 30, 2011 and 2010 are summarized as follows:

	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
As of June 30, 2011:			
Mutual Funds	\$ 364,476	\$ 329,412	\$ (35,064)
Certificates of Deposit	30,000	30,000	-
	<u>\$ 394,476</u>	<u>\$ 359,412</u>	<u>\$ (35,064)</u>

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 3 – INVESTMENTS (Continued)

As of June 30, 2010:	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
Mutual Funds	\$ 439,148	\$ 362,395	\$ (76,753)
Money Market Funds	142	142	-
	<u>\$ 439,290</u>	<u>\$ 362,537</u>	<u>\$ (76,753)</u>

Included in revenue and other support on the statement of activities are unrealized gains on investments of \$41,689 and \$22,534 for 2011 and 2010 respectively.

NOTE 4 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year's format.

NOTE 5 – 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 \$6,985 and \$7,819 for the years ended June 30, 2011 and 2010, respectively.

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at multiple financial institutions. As of June 30, 2011 and 2010, the accounts at each institution were insured by the Federal Deposit Insurance Corporation up to \$250,000. At times throughout the year, the balances of certain accounts may exceed these limits.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 6 – CONCENTRATION OF CREDIT RISK (Continued)

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.

A significant amount of contributions are provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Organization's market is concentrated in the Valparaiso, Indiana, geographical area.

NOTE 7 – 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, 2011 and 2010 were \$11,212 and \$12,245 respectively. All leases are either on a month-to-month basis or the lease agreement expired as of June 30, 2011. There were no minimum lease rental commitments as of June 30, 2011.

The Subsidiary leases space to an unaffiliated third party, and rental income under the lease was \$16,980 and \$19,956 for the years ended June 30, 2011 and 2010, respectively.

NOTE 8 –RELATED PARTY TRANSACTIONS

During the years ended June 30, 2011 and 2010, building maintenance, snowplowing and construction services were provided by the children of the Executive Director.

For the years ended June 30, 2011 and 2010, amounts paid to these related parties were \$2,790 and \$7,495, respectively.

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

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NOTE 9 - CAPITAL LEASE

The Organization entered into a long-term lease transaction relating to the financing of copying equipment in 2007, which was 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 expense is included in depreciation expense.

The lease contained a bargain purchase option at the end of the lease. As of June 30, 2011, the lease term expired and the Organization purchased the equipment.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

During 2008, the Organization opened an investment account with the funds partially received from the estate of Dorothy Risto. Of the initial investment in the amount of \$413,017, the restricted portion is \$397,130 and is subject to the conditions in the plan provided to the Executor of the Estate. The Board of Directors of the Organization agrees to review the use of the funds on an annual basis to ensure that the overall plan is being followed. In 2008, the Organization expended \$20,832 for server upgrades.

For the years ended June 30, 2011 and 2010, the fair value of remaining temporarily restricted net assets were \$345,587 and \$348,455, respectively.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The Organization has an investment account consisting of mutual funds and money market funds held at PrimeVest Financial Services, a private brokerage company. These investments are considered level 1 and are traded in active exchange markets, such as the New York Stock Exchange. There have been no changes in valuation techniques and related inputs.