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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, 2011 to June 30, 2012. 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, 2012, 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, 2012 and 2011**

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*Certified Public Accountants*

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

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## **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, 2012 and 2011, 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, 2012 and 2011, 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.  
October 22, 2012

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

	<b>ASSETS</b>			<b>2011</b>		
	<b>2012</b>					
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>CURRENT ASSETS:</b>						
Cash	\$ 165,777	\$ 79,142	\$ 244,919	\$ 212,500	\$ -	\$ 212,500
Certificates of deposit	-	30,000	30,000	-	30,000	30,000
Investments	40,490	267,156	307,646	13,825	315,587	329,412
Grants receivable	144,252	-	144,252	166,761	-	166,761
Total current assets	350,519	376,298	726,817	393,086	345,587	738,673
<b>PROPERTY AND EQUIPMENT:</b>						
Building	344,118	-	344,118	344,118	-	344,118
Vehicles	93,054	-	93,054	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
	616,138	-	616,138	632,330	-	632,330
Accumulated depreciation	(316,150)	-	(316,150)	(304,315)	-	(304,315)
Total fixed assets, net	299,988	-	299,988	328,015	-	328,015
Total assets	\$ 650,507	\$ 376,298	\$ 1,026,805	\$ 721,101	\$ 345,587	\$ 1,066,688
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable	\$ 17,263	\$ -	\$ 17,263	\$ 16,356	\$ -	\$ 16,356
Accrued payroll	20,219	-	20,219	15,279	-	15,279
Accrued annual leave	23,004	-	23,004	22,788	-	22,788
Total current liabilities	60,486	-	60,486	54,423	-	54,423
<b>NET ASSETS:</b>						
Unrestricted	590,021	-	590,021	666,678	-	666,678
Temporarily restricted	-	376,298	376,298	-	345,587	345,587
	590,021	376,298	966,319	666,678	345,587	1,012,265
Total liabilities and net assets	\$ 650,507	\$ 376,298	\$ 1,026,805	\$ 721,101	\$ 345,587	\$ 1,066,688

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, 2012 AND 2011**

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND OTHER SUPPORT</b>						
Contributions and other local cash	\$ 455,901	\$ 30,711	\$ 486,612	\$ 603,961	\$ -	\$ 603,961
Government grants, federal	355,429	-	355,429	475,114	-	475,114
Government grants, state	169,101	-	169,101	240,272	-	240,272
Project income	13,468	-	13,468	14,788	-	14,788
Rent income	27,819	-	27,819	16,980	-	16,980
Interest income	9,014	-	9,014	529	10,852	11,381
Realized loss on investments	(1,583)	-	(1,583)	(235)	(5,865)	(6,100)
Unrealized gain on investments	27	-	27	1,605	40,084	41,689
Loss on return/sale of vehicles	(2,247)	-	(2,247)	-	-	-
	<u>1,026,929</u>	<u>30,711</u>	<u>1,057,640</u>	<u>1,353,014</u>	<u>45,071</u>	<u>1,398,085</u>
Net assets released from restrictions	-	-	-	47,939	(47,939)	-
Total revenue, other support and net assets released from restrictions	<u>1,026,929</u>	<u>30,711</u>	<u>1,057,640</u>	<u>1,400,953</u>	<u>(2,868)</u>	<u>1,398,085</u>
<b>OPERATING EXPENSES</b>						
Program Services:						
Community services	196,980	-	196,980	251,505	-	251,505
Elderly services	84,571	-	84,571	84,938	-	84,938
RSVP	46,624	-	46,624	108,268	-	108,268
Transportation services	755,439	-	755,439	662,534	-	662,534
Total program services	<u>1,083,614</u>	<u>-</u>	<u>1,083,614</u>	<u>1,107,245</u>	<u>-</u>	<u>1,107,245</u>
Management and general	<u>19,972</u>	<u>-</u>	<u>19,972</u>	<u>191,464</u>	<u>-</u>	<u>191,464</u>
Total operating expenses	<u>1,103,586</u>	<u>-</u>	<u>1,103,586</u>	<u>1,298,709</u>	<u>-</u>	<u>1,298,709</u>
Increase (decrease) in net assets	<u>(76,657)</u>	<u>30,711</u>	<u>(45,946)</u>	<u>102,244</u>	<u>(2,868)</u>	<u>99,376</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<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>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 590,021</u>	<u>\$ 376,298</u>	<u>\$ 966,319</u>	<u>\$ 666,678</u>	<u>\$ 345,587</u>	<u>\$ 1,012,265</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, 2012**

	<u>Community Services</u>	<u>Elderly Services</u>	<u>RSVP</u>	<u>Transportation</u>	<u>Management And General</u>	<u>2012 Totals</u>
<b>OPERATING EXPENSES</b>						
Salaries and wages	\$ 54,334	\$ 29,663	\$ 39,896	\$ 374,943	\$ -	\$ 498,836
Payroll taxes and benefits	8,029	7,503	4,305	86,916	-	106,753
Professional services	16,800	26,558	-	7,303	-	50,661
Rent	-	7,200	-	-	-	7,200
Repairs and maintenance	3,972	1,156	-	118,444	5,512	129,084
Utilities	9,087	6,641	-	4,845	-	20,573
Telephone	3,726	1,249	779	2,681	-	8,435
Fuel	-	-	-	131,881	-	131,881
Beneficiary utilities	56,250	-	-	-	-	56,250
RSVP	1,027	-	-	-	-	1,027
Insurance	1,206	1,168	517	12,593	2,755	18,239
Office	4,057	1,507	-	7,964	-	13,528
Supplies	4,228	1,756	868	3,272	-	10,124
Travel and meetings	2,944	-	60	131	-	3,135
Postage	3,956	102	-	398	-	4,456
Dues and subscriptions	5,752	68	125	581	-	6,526
Miscellaneous	-	-	74	-	-	74
Interest	89	-	-	-	60	149
Bad debt	346	-	-	3,487	-	3,833
Depreciation	21,177	-	-	-	11,645	32,822
Total operating expenses	<u>\$ 196,980</u>	<u>\$ 84,571</u>	<u>\$ 46,624</u>	<u>\$ 755,439</u>	<u>\$ 19,972</u>	<u>\$ 1,103,586</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>
<b>OPERATING EXPENSES</b>						
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
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
Interest	385	-	-	-	60	445
Bad debt	-	-	-	4,028	-	4,028
Depreciation	22,651	-	-	-	11,645	34,296
Total operating expenses	<u>\$ 251,505</u>	<u>\$ 84,938</u>	<u>\$ 108,268</u>	<u>\$ 662,534</u>	<u>\$ 191,464</u>	<u>\$ 1,298,709</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ (45,946)	\$ 99,376
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation expense	32,822	34,296
Realized loss on investments	1,583	6,100
Unrealized gain on investments	(27)	(41,689)
Loss on return/sale of vehicles	2,247	-
Increase (decrease) in cash from changes in:		
Accounts receivable	22,509	(25,467)
Accounts payable	907	480
Accrued liabilities	5,156	(4,398)
Net cash provided by operating activities	<u>19,251</u>	<u>68,698</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from maturing certificates of deposit	-	14,225
Purchase of certificates of deposit	-	(30,000)
Proceeds from sale of investments	29,139	110,504
Purchases of investments	(8,931)	(41,933)
Purchase of vehicles and equipment	(7,040)	(35,969)
Net cash provided by investing activities	<u>13,168</u>	<u>16,827</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital lease payments	-	(1,657)
Net cash used in financing activities	<u>-</u>	<u>(1,657)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	32,419	83,868
<b>CASH, BEGINNING OF YEAR</b>	<u>212,500</u>	<u>128,632</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 244,919</u></u>	<u><u>\$ 212,500</u></u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	<u><u>\$ 149</u></u>	<u><u>\$ 445</u></u>

See accompanying notes to financial statements.

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**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, 2012 AND 2011**

**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, 2012 and 2011 totaled \$32,822 and \$34,296, 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, 2012 AND 2011**

**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, 2012 AND 2011**

**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, 2012 and 2011. 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, 2012 AND 2011**

**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 October 22, 2012, 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, 2012 and 2011. 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, 2012 and 2011 are summarized as follows:

As of June 30, 2012:	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
Mutual Funds	\$ 342,684	\$ 307,646	\$ (35,038)
Certificates of Deposit	30,000	30,000	-
Money Market Funds	79,142	79,142	-
	<u>\$ 451,826</u>	<u>\$ 416,788</u>	<u>\$ (35,038)</u>

**PORTER COUNTY AGING AND COMMUNITY SERVICES, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**NOTE 3 – INVESTMENTS (Continued)**

As of June 30, 2011:	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
Mutual Funds	\$ 364,476	\$ 329,412	\$ (35,064)
Certificates of Deposit	30,000	30,000	-
	<u>\$ 394,476</u>	<u>\$ 362,537</u>	<u>\$ (35,064)</u>

Included in revenue and other support on the statement of activities are unrealized gains on investments of \$27 and \$41,689 for 2012 and 2011 respectively.

**NOTE 4 – RECLASSIFICATIONS**

Certain reclassifications have been made to the 2011 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 \$5,245 and \$6,985 for the years ended June 30, 2012 and 2011, respectively.

**NOTE 6 – CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances at multiple financial institutions. As of June 30, 2012 and 2011, 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, 2012 AND 2011**

**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, 2012 and 2011 were \$13,569 and \$11,212 respectively. All leases are either on a month-to-month basis or the lease agreement expired as of June 30, 2012. There were no minimum lease rental commitments as of June 30, 2012.

The Subsidiary leases space to an unaffiliated third party, and rental income under the lease was \$27,819 and \$16,980 for the years ended June 30, 2012 and 2011, respectively. These amounts do not reduce lease expense, and recorded as rent income on the Statement of Activities.

**NOTE 8 –RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2012 and 2011, building maintenance, snowplowing and construction services were provided by the children of the Executive Director. In addition, a sister of the Deputy Director was employed in Retired and Senior Volunteer Program for the years ended June 30, 2012 and 2011, and the spouse of Executive Director was temporarily employed during the year ended June 30, 2012 to assist with the Energy Assistance Program. For the years ended June 30, 2012 and 2011, amounts paid to these related parties were \$46,158 and \$39,993, respectively.

Also, one of the board members as of June 30, 2012 and 2011, was an employee of the company where the investment account is held. This board member subsequently submitted her resignation on September 13, 2012.



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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. There are no restrictions on the use of investment income. 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, 2012 and 2011, the temporarily restricted net assets amounted to \$376,298 and \$345,587, 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.