



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 14, 2011

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, 2008 to June 30, 2009. 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, 2009, 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, 2009 and 2008**



Certified Public Accountants

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.
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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. as of June 30, 2009 and 2008, 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, 2009 and 2008, 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 01, 2009

See accompanying notes to financial statements.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

ASSETS

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS:						
Cash and cash equivalents	\$ 153,696	\$ -	\$ 153,696	\$ 51,909	\$ 10,000	\$ 61,909
Certificates of deposit	30,000	-	30,000	35,074	-	35,074
Investments	32,093	296,057	328,150	34,388	338,218	372,606
Grants receivable	35,777	-	35,777	107,054	-	107,054
Total current assets	<u>251,566</u>	<u>296,057</u>	<u>547,623</u>	<u>228,425</u>	<u>348,218</u>	<u>576,643</u>
FIXED ASSETS:						
Building	344,118	-	344,118	344,118	-	344,118
Vehicles	438,620	-	438,620	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
	951,276	-	951,276	939,788	-	939,788
Accumulated depreciation	(642,015)	-	(642,015)	(613,489)	-	(613,489)
Total fixed assets, net	<u>309,261</u>	<u>-</u>	<u>309,261</u>	<u>326,299</u>	<u>-</u>	<u>326,299</u>
Total assets	<u>\$ 560,827</u>	<u>\$ 296,057</u>	<u>\$ 856,884</u>	<u>\$ 554,724</u>	<u>\$ 348,218</u>	<u>\$ 902,942</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:						
Accounts payable	\$ 30,000	\$ -	\$ 30,000	\$ 12,724	\$ -	\$ 12,724
Accrued payroll	13,323	-	13,323	10,117	-	10,117
Accrued annual leave	22,932	-	22,932	24,559	-	24,559
Current portion of capital lease liability	1,485	-	1,485	1,184	-	1,184
Total current liabilities	<u>67,740</u>	<u>-</u>	<u>67,740</u>	<u>48,584</u>	<u>-</u>	<u>48,584</u>
LONG-TERM LIABILITIES:						
Capital lease liability	1,657	-	1,657	3,284	-	3,284
Total long-term liabilities	<u>1,657</u>	<u>-</u>	<u>1,657</u>	<u>3,284</u>	<u>-</u>	<u>3,284</u>
Total liabilities	<u>69,397</u>	<u>-</u>	<u>69,397</u>	<u>51,868</u>	<u>-</u>	<u>51,868</u>
NET ASSETS:						
Unrestricted	491,430	-	491,430	502,856	-	502,856
Temporarily restricted	-	296,057	296,057	-	348,218	348,218
	<u>491,430</u>	<u>296,057</u>	<u>787,487</u>	<u>502,856</u>	<u>348,218</u>	<u>851,074</u>
Total liabilities and net assets	<u>\$ 560,827</u>	<u>\$ 296,057</u>	<u>\$ 856,884</u>	<u>\$ 554,724</u>	<u>\$ 348,218</u>	<u>\$ 902,942</u>

See accompanying notes to financial statements.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT						
Contributions and other local cash	\$ 478,740	\$ -	\$ 478,740	\$ 430,511	\$ 10,000	\$ 440,511
Donation of building	-	-	-	308,058	-	308,058
Government grants, federal	331,877	-	331,877	421,357	-	421,357
Government grants, state	110,468	-	110,468	98,557	-	98,557
Project income	32,055	-	32,055	37,670	-	37,670
Interest income	666	15,225	15,891	27,964	-	27,964
Miscellaneous income	11	-	11	-	-	-
Unrealized loss on investments	(2,296)	(57,386)	(59,682)	(1,525)	(38,080)	(39,605)
Net assets released from restrictions	10,000	(10,000)	-	34,832	(34,832)	-
Total revenue and other support	<u>961,521</u>	<u>(52,161)</u>	<u>909,360</u>	<u>1,357,424</u>	<u>(62,912)</u>	<u>1,294,512</u>
OPERATING EXPENSES						
Community services	323,139	-	323,139	270,400	-	270,400
Elderly services	103,849	-	103,849	299,569	-	299,569
RSVP	67,472	-	67,472	60,480	-	60,480
Transportation services	413,665	-	413,665	414,899	-	414,899
Management and general	64,822	-	64,822	55,558	-	55,558
Total operating expenses	<u>972,947</u>	<u>-</u>	<u>972,947</u>	<u>1,100,905</u>	<u>-</u>	<u>1,100,905</u>
Increase (decrease) in net assets	(11,426)	(52,161)	(63,587)	256,519	(62,912)	193,607
Prior period adjustment	-	-	-	20,926	-	20,926
Increase (decrease) in net assets	<u>(11,426)</u>	<u>(52,161)</u>	<u>(63,587)</u>	<u>277,445</u>	<u>(62,912)</u>	<u>214,533</u>
NET ASSETS - BEGINNING OF YEAR	<u>502,856</u>	<u>348,218</u>	<u>851,074</u>	<u>225,411</u>	<u>411,130</u>	<u>636,541</u>
NET ASSETS - END OF YEAR	<u>\$ 491,430</u>	<u>\$ 296,057</u>	<u>\$ 787,487</u>	<u>\$ 502,856</u>	<u>\$ 348,218</u>	<u>\$ 851,074</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, 2009

	Community Services	Elderly Services	RSVP	Transportation	Management And General	2009 Totals
OPERATING EXPENSES						
Salaries and wages	\$ 182,484	\$ 41,357	\$ 40,273	\$ 189,770	\$ 46,361	\$ 500,245
Payroll taxes and benefits	17,066	2,800	4,694	17,037	4,114	45,711
Professional services	30,044	15,413	-	3,181	4,810	53,448
Rent	(16,445)	16,063	-	5,482	-	5,100
Other space costs	-	-	-	-	-	-
Repairs and maintenance	8,142	2,738	1,915	70,621	-	83,416
Utilities	21,427	40	1,873	20	-	23,360
Telephone	5,483	1,452	1,671	1,588	-	10,194
Fuel	-	-	-	63,661	-	63,661
Beneficiary utilities	10,370	-	-	-	-	10,370
FEMA	15,646	-	-	-	-	15,646
RSVP	1,217	-	-	-	-	1,217
Insurance	5,869	4,611	779	34,243	4,500	50,002
Beneficiary meals	-	525	-	-	-	525
Office	14,296	4,778	6,849	4,021	-	29,944
Supplies	14,490	2,286	1,101	1,677	1,934	21,488
Travel and meetings	2,685	41	4,093	76	-	6,895
Postage	4,867	96	1,666	893	-	7,522
Dues and subscriptions	4,152	-	135	124	-	4,411
Miscellaneous	-	-	2,423	-	-	2,423
Interest	27	5	-	-	535	567
Bad debt	-	-	-	8,275	-	8,275
Depreciation	1,319	11,644	-	12,996	2,567	28,526
Total operating expenses	\$ 323,139	\$ 103,849	\$ 67,472	\$ 413,665	\$ 64,822	\$ 972,947

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 Services</u>	<u>Elderly Services</u>	<u>RSVP</u>	<u>Transportation</u>	<u>Management And General</u>	<u>2008 Totals</u>
OPERATING EXPENSES						
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
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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (63,587)	\$ 214,533
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation expense	28,526	26,254
Unrealized loss on investments	59,682	39,605
Non-cash donation	-	(308,058)
Increase (decrease) in cash from changes in:		
Accounts receivable	71,277	(1,573)
Prepaid expenses	-	2,172
Accounts payable	17,276	(4,560)
Accrued liabilities	1,579	(4,209)
Net cash provided by (used in) operating activities	<u>114,753</u>	<u>(35,836)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturing certificates of deposit	5,074	49,400
Purchases of investments	(15,225)	(433,043)
Proceeds from investments	-	20,832
Purchase of vehicle	(11,489)	-
Net cash provided by (used in) investing activities	<u>(21,640)</u>	<u>(362,811)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease financing	(1,326)	(1,183)
Net cash used in financing activities	<u>(1,326)</u>	<u>(1,183)</u>
NET INCREASE (DECREASE) IN CASH	91,787	(399,830)
CASH, BEGINNING OF YEAR	<u>61,909</u>	<u>461,739</u>
CASH, END OF YEAR	<u>\$ 153,696</u>	<u>\$ 61,909</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 565</u>	<u>\$ 559</u>

See accompanying notes to financial statements.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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.

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.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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 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 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, 2009 and 2008 totaled \$28,526 and \$26,254, 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.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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, 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.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted net assets represent the portion of net assets of the Organization 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 the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization 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 Organization 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.

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 – 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 2009 and 2008. Adjustments to an accounts receivable from transactions other than payments and bad debts are recorded as they occur.

NOTE 3 – 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 towards services to the senior community. Investment income is unrestricted. During 2008, 1,305 shares in various equity investments were sold and the proceeds were reinvested in order to maximize income potential and to minimize risk. During 2009 no shares were sold and dividends in the amount of \$15,225 were reinvested.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 3 – INVESTMENTS (continued)

Investments at June 30, 2009 and 2008 are summarized as follows:

	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
As of June 30, 2009:			
Mutual Funds	\$ 427,436	\$ 328,150	\$ (99,287)
Money Market Funds	142	142	-
	<u>\$ 427,578</u>	<u>\$ 328,292</u>	<u>\$ (99,287)</u>
	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
As of June 30, 2008:			
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 \$59,682 and \$39,605 for 2009 and 2008 respectively.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at multiple financial institutions. As of June 30, 2009 and 2008, the accounts at each institution were insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000, respectively. At times throughout the year, the balances of certain accounts may exceed these limits.

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.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 5 - 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 6 – 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, 2009 and 2008 were \$13,263 and \$14,779 respectively. Future minimum lease payments on leases having non-cancelable terms beyond June 30, 2009 are \$1,886, which is payable during the year ending June 30, 2010.

NOTE 7 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2008 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 8 - 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.

Future minimum lease payments under capital lease as of June 30,:

	2010	\$ 1,862
	2011	<u>1,862</u>
Total minimum lease payments		3,724
Less amount representing interest		<u>582</u>
Present value of net minimum capital lease payments		<u>\$ 3,142</u>

The interest rate on the capitalized lease is 12%. It is imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

PORTER COUNTY AGING AND COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 9 – 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, 2009 and 2008, major building maintenance, snowplowing and construction services were provided by the children of the Executive Director. For the years ended June 30, 2009 and 2008, amounts paid to these related parties were \$4,705 and \$7,905, respectively.

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

NOTE 10 – 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 \$7,074 and \$7,599 for the years ended June 30, 2009 and 2008, respectively.

NOTE 11 - ADOPTION OF NEW ACCOUNTING STANDARDS

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), issued July 2006, was effective as of January 1, 2007. The Organization has elected to defer adoption of FIN 48, in accordance with the provisions of FASB Staff Position No. FIN 48-3, which permits certain nonpublic enterprises to delay adoption until fiscal years beginning after December 15, 2008.

Upon adoption of FIN 48, the Organization will 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

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NOTE 11 - ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

more-likely-than-not test, no tax benefit will be recorded. Currently, the Organization accounts for contingencies associated with certain tax positions in accordance with SFAS No. 5, Accounting for Contingencies, which provides the recording of a contingency based on the probability of certain events to transpire that range from probable to remote as opposed to applying a more likely than not recognition threshold. The Organization has examined this issue and has determined there are no material contingent tax liabilities.

In 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 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. The Organization adopted applicable portions of this standard for the year ended June 30, 2009.

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standard No. 157, Fair Value Measurements (SFAS No. 157), 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.

SFAS No. 157 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.

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.

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NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Organization holds shares in various company stocks and mutual funds. These investments are considered level 1 and are traded in active exchange markets, such as the New York Stock Exchange.