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January 22, 2018

Board of Directors  
LaGrange County Council on Aging, Inc.  
P.O. Box 107  
LaGrange, IN 46761

We have reviewed the report prepared by LaGrange County Council on Aging, Inc. and opined upon by Insight Accounting Group, PC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of LaGrange County Council on Aging, Inc. as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Insight Accounting Group, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner



**LAGRANGE COUNTY COUNCIL ON AGING, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2015 AND 2014**

## CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3-4
Statements of Activities and Changes in Net Assets	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9-10
Notes to Financial Statements	11-19



## **INDEPENDENT AUDITOR'S REPORT**

To Board of Directors of  
LaGrange County Council on Aging, Inc.  
LaGrange, IN

We have audited the accompanying financial statements of LaGrange County Council on Aging, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LaGrange County Council on Aging, Inc. as of December 31, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Insight Accounting Group, P.C.*

Insight Accounting Group, P.C.

Goshen, IN  
February 27, 2017

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 79,963	\$ 96,653
Farmers CD	-	17,427
Investments	-	53,655
Non-endowed funds held by the Community Foundation of LaGrange County	49,222	-
Grants receivable	128,516	103,029
Inventory	469	469
Prepaid expenses	4,043	2,689
<b>Total Current Assets</b>	262,213	273,922
<b>Property and Equipment</b>		
Land	14,500	14,500
Equipment	10,734	706
Vehicles	540,941	369,626
Furniture and fixtures	83,863	96,894
Building and improvements	231,976	231,976
	882,014	713,702
Less accumulated depreciation	(370,222)	(315,576)
<b>Net Property and Equipment</b>	511,792	398,126
<b>Other Assets</b>		
Endowed funds held by the Community Foundation of LaGrange County	10,250	-
<b>Total Other Assets</b>	10,250	-
<b>TOTAL ASSETS</b>	\$ 784,255	\$ 672,048

The accompanying notes to financial statements are an integral part of these statements.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

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	2015	2014
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,085	\$ 18,673
Bank loan	226,836	236,590
Accrued expenses	10,365	8,431
<b>Total Current Liabilities</b>	<b>248,286</b>	<b>263,694</b>
<b>Total Liabilities</b>	<b>248,286</b>	<b>263,694</b>
<b>Net Assets</b>		
Unrestricted	525,719	408,354
Permanently restricted	10,250	-
<b>Total Net Assets</b>	<b>535,969</b>	<b>408,354</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 784,255</b>	<b>\$ 672,048</b>

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The accompanying notes to financial statements are an integral part of these statements.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
<b>REVENUES AND SUPPORT</b>				
Public rural transportation fees	\$ 159,847	\$ -	\$ -	\$ 159,847
INDOT public rural transportation grant	569,502	-	-	569,502
INDOT 5310 grant	56,292	-	-	56,292
Title IIIB transportation grants	30,494	-	-	30,494
CHOICE home assistance grant	4,400	-	-	4,400
SSBG homemake grant	6,002	-	-	6,002
FEMA grant income	1,121	-	-	1,121
EDS (Medicaid) transportation	56,610	-	-	56,610
County Commissioners	40,000	-	-	40,000
United Way grant	7,126	-	-	7,126
Grant revenue	22,677	-	-	22,677
Homemaker donations and private pay	6,366	-	-	6,366
Senior income	7,624	-	-	7,624
Transportation donations	18,694	-	-	18,694
Contributions	6,321	-	250	6,571
NC-20 tax credit donations	500	-	-	500
Fundraising income, net of fundraising expenses of \$9,611	5,930	-	-	5,930
Other income	5,342	-	-	5,342
Interest and dividends on investments	1,440	-	-	1,440
Gain (loss) on sale of assets	(12,273)	-	-	(12,273)
Realized gain (loss)	514	-	-	514
Unrealized gain (loss) on investments	(3,516)	-	-	(3,516)
<b>Total Revenues and Other Support</b>	<u>991,013</u>	<u>-</u>	<u>250</u>	<u>991,263</u>
<b>EXPENSES</b>				
Program Services				
Transport	733,907	-	-	733,907
Homemaker	15,893	-	-	15,893
Supporting Services				
General and administrative	113,848	-	-	113,848
<b>Total Expenses</b>	<u>863,648</u>	<u>-</u>	<u>-</u>	<u>863,648</u>
<b>CHANGE IN NET ASSETS</b>	127,365	-	250	127,615
Establishment of endowment fund	(10,000)	-	10,000	-
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>408,354</u>	<u>-</u>	<u>-</u>	<u>408,354</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 525,719</u>	<u>\$ -</u>	<u>\$ 10,250</u>	<u>\$ 535,969</u>

The accompanying notes to financial statements are an integral part of these statements.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>
<b>REVENUES AND SUPPORT</b>				
Public rural transport fees	\$ 127,827	\$ -	\$ -	\$ 127,827
INDOT public rural transportation grant	398,262	-	-	398,262
INDOT 5311 capital grant	33,830	-	-	33,830
Title IIIB transportation grant	29,635	-	-	29,635
CHOICE home assistance grant	2,539	-	-	2,539
SSBG homemaker grant	6,681	-	-	6,681
FEMA grant income	1,796	-	-	1,796
EDS (Medicaid) transportation	60,377	-	-	60,377
County commissioners	40,000	-	-	40,000
United Way grant	2,166	-	-	2,166
Grant revenue	18,500	-	-	18,500
Homemaker donations and private pay	10,859	-	-	10,859
Senior income	10,111	-	-	10,111
Transportation donations	20,026	-	-	20,026
Contributions	2,939	-	-	2,939
NC-20 tax credit donations	750	-	-	750
Fundraising income, net of fundraising expenses of \$12,658	11,459	-	-	11,459
Other income	1,680	-	-	1,680
Interest and dividends on investments	1,625	-	-	1,625
Unrealized gains (losses) on investments	4,360	-	-	4,360
<b>Total Revenues and Other Support</b>	<u>785,422</u>	<u>-</u>	<u>-</u>	<u>785,422</u>
<b>EXPENSES</b>				
Program Services				
Transport	679,721	-	-	679,721
Homemaker	23,639	-	-	23,639
Supporting Services				
General and administrative	72,829	-	-	72,829
<b>Total Expenses</b>	<u>776,189</u>	<u>-</u>	<u>-</u>	<u>776,189</u>
<b>CHANGE IN NET ASSETS</b>	9,233	-	-	9,233
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>399,121</u>	<u>-</u>	<u>-</u>	<u>399,121</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 408,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,354</u>

The accompanying notes to financial statements are an integral part of these statements.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	Program Services		Supporting Services	Total
	Transport	Homemaker	General and Administrative	2015
Salaries	\$ 372,807	\$ 11,995	\$ 30,820	\$ 415,622
Payroll taxes	28,407	881	2,298	31,586
Employee benefits and unemployment	3,625	-	178	3,803
Travel expense	-	2,767	-	2,767
Rural transportation expenses	1,890	-	-	1,890
Cell phones	3,125	-	-	3,125
Driver physicals	3,577	-	-	3,577
Van gas	83,717	-	-	83,717
Van expense - other	90,812	-	-	90,812
Advertising / marketing	8,311	-	438	8,750
Drug testing and TB testing	955	-	-	955
Building and computer repairs	3,954	-	27,470	31,424
Dues and subscriptions	1,235	-	65	1,300
Employee / Board training	973	-	52	1,025
Liability insurance	-	-	4,178	4,178
Workers compensation insurance	6,721	-	354	7,075
Loan interest	-	-	12,378	12,378
Meetings and meals	2,461	-	130	2,591
Miscellaneous	525	-	1,974	2,499
Newsletter printing	-	-	1,431	1,431
Office furniture and equipment	-	-	948	948
Preventative health	-	-	200	200
Postage and delivery	1,884	-	99	1,984
Professional fees	16,207	250	160	16,617
Investment fees	-	-	509	509
Computer and website repairs	1,070	-	-	1,070
Office supplies	2,984	-	157	3,141
Telephone and internet	4,874	-	257	5,131
Trash removal	-	-	1,315	1,315
Utilities	-	-	9,675	9,675
Routematch	23,631	-	-	23,631
Contributions	-	-	12,814	12,814
Depreciation expense	70,162	-	5,948	76,110
<b>Total Expenses</b>	<u>\$ 733,907</u>	<u>\$ 15,893</u>	<u>\$ 113,848</u>	<u>\$ 863,648</u>

The accompanying notes to financial statements are an integral part of these statements.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2014**

	<u>Program Services</u>		<u>Supporting Services</u>	<u>Total</u>
	<u>Transport</u>	<u>Homemaker</u>	<u>General and Administrative</u>	<u>2014</u>
Salaries	\$ 340,209	\$ 17,722	\$ 2,205	\$ 360,136
Payroll taxes	25,580	1,343	157	27,080
Employee benefits and unemployment	3,886	-	205	4,091
Travel expense	-	4,281	-	4,281
Rural transportation expenses	2,971	-	-	2,971
Cell phones	3,187	-	-	3,187
Driver physicals	1,892	-	-	1,892
Van gas	101,665	-	-	101,665
Van expense - other	71,419	-	-	71,419
Advertising / marketing	5,920	-	312	6,233
Drug testing and TB testing	266	-	-	266
Building and computer repairs	4,693	-	33,234	37,927
Dues and subscriptions	1,131	-	59	1,190
Employee / Board training	293	-	16	309
Facility lease	-	-	5,388	5,388
Liability insurance	-	-	3,748	3,748
Workers compensation insurance	5,264	-	277	5,541
Loan interest	-	-	8,544	8,544
Meetings and meals	2,663	-	140	2,803
Miscellaneous	77	-	1,019	1,096
Newsletter printing	-	-	2,077	2,077
Office furniture and equipment	-	-	2,642	2,642
Postage and delivery	2,011	-	106	2,118
Professional fees	20,372	293	263	20,928
Computer and website repairs	836	-	44	880
Office supplies	3,072	-	162	3,234
Telephone and internet	4,452	-	234	4,686
Trash removal	-	-	894	894
Utilities	-	-	6,831	6,831
FEMA grant expense	-	-	334	334
Routematch	5,862	-	-	5,862
Depreciation expense	72,000	-	3,938	75,938
<b>Total Expenses</b>	<b><u>\$ 679,721</u></b>	<b><u>\$ 23,639</u></b>	<b><u>\$ 72,829</u></b>	<b><u>\$ 776,189</u></b>

The accompanying notes to financial statements are an integral part of these statements.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 127,615	\$ 9,233
<b>Adjustments to Reconcile Net Assets to Net Cash</b>		
<b>Provided by (Used in) Operating Activities</b>		
Depreciation and amortization	76,111	75,938
(Gain) loss on sale of assets	12,273	-
Realized (gain) loss on investments	(514)	-
Unrealized (gain) loss on investments	3,516	(4,360)
<b>Decrease (Increase) in Assets</b>		
Grants and contributions receivable	(25,487)	(16,029)
Inventory	-	(469)
Prepaid expenses	(1,354)	(1,998)
<b>Increase (Decrease) in Liabilities</b>		
Accounts payable	(7,588)	9,156
Accrued expenses	1,934	(6,218)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>186,506</b>	<b>65,253</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(23,581)	(15,225)
Proceeds from sale of investments	32,551	15,000
Reinvestment of investment income	(363)	(8)
Proceeds from sale of assets	13,025	-
Purchases of furniture and equipment	(215,074)	(41,672)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(193,442)</b>	<b>(41,905)</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on long-term debt	(9,754)	(3,410)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(9,754)</b>	<b>(3,410)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(16,690)	19,938
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>96,653</b>	<b>76,715</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 79,963</b>	<b>\$ 96,653</b>

The accompanying notes to financial statements are an integral part of these statements.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2015 and 2014**

	2015	2014
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 12,319	\$ 8,090
<b>SCHEDULE OF NONCASH FINANCING TRANSACTIONS</b>		
Purchase of land and building	\$ -	\$ 240,000
Bank note	-	(240,000)
Cash paid for land and building	\$ -	\$ -

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The accompanying notes to financial statements are an integral part of these statements.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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**Note 1 – Nature of Organization and Significant Accounting Policies**

**Nature of Organization** - The LaGrange County Council on Aging, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana.

Through government grants and private financial support from individuals and businesses, the Organization provides client transportation, food, and senior activity services.

**Basis of Accounting** - The Organization records its transactions on the accrual basis of accounting and accordingly all significant receivables, payables, and other liabilities are reflected.

**Basis of Presentation** - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in FASB ASC 958-205 – *Not-for-Profit Entities*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Use of Estimates** - The preparation of the financial statements in accordance with accounting principles generally accepted in United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Grants and Contributions Receivable** - Grants and contributions receivable consist primarily of amounts due under government cost-reimbursement grants. All amounts are due within one year, and no allowance for uncollectibility is considered necessary. Approximately 94% and 89% of grants receivable as of December 31, 2015 and 2014, respectively, were due from INDOT.

**Inventory** - Inventory consists of items in the food pantry. The value is not determined when donated.

**Property and Equipment** - Property and equipment are carried on the balance sheet at historical cost. Depreciation is calculated over the useful lives of the assets using the modified accelerated cost recovery system over the useful life of the assets. The Organization's capitalization policy is \$1,000. Depreciation expense for the years ended December 31, 2015 and 2014 was \$76,111 and \$75,938, respectively. Capital asset classes are estimated to have the following useful lives:

	<u>Useful Lives</u>
Equipment	3 years
Vehicles	5 years
Furniture and fixtures in housing units	3 - 7 years
Building and improvements	39 years

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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**Note 1 – Nature of Business and Significant Accounting Policies (continued)**

**Donated Property** - Donated property is recorded at the estimated fair market value at date of receipt as determined by the owner.

**Volunteer Service** - A number of unpaid volunteers have made contributions of their time to LaGrange County Council on Aging, Inc. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation. When professional services are donated they are recorded at the fair market value and reflected in the financial statements.

**Investments** - Investments in stocks and bonds are carried at fair market value in the statements of financial position based on quoted market prices. Investment income including realized and unrealized gains and losses on investments, dividends and interest are reported in the statement of activities.

**New Vehicle Grants** - The Organization has received grants through the Indiana Department of Transportation (INDOT) to purchase new vehicles. In accordance with the grant, INDOT pays for 80% of the cost of the new vehicles. The vehicles are capitalized in fixed assets at the full purchase price on the statement of financial position and revenue is recognized in the statement of activities and changes in net assets equal to the amount of the purchase price that is paid by the grants regardless of whether the grant funds are received by the Organization or if INDOT pays the vendor directly. INDOT retains an 80% lien on these vehicles for four years or 100,000 miles.

**Functional Allocation of Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on periodic time and expense studies which may vary from year-to-year.

**Advertising** - Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising expense for the years ended December 31, 2015 and 2014 amounted to approximately \$8,750 and \$6,233, respectively.

**Tax Status of the Organization** - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization is also exempt from Indiana income taxes under a similar section of the state's income tax laws. The Organization is not considered a private foundation.

**Uncertain Tax Positions** - The Organization has adopted the accounting for uncertainty in income tax guidance FASB ASC 740-10 which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. LaGrange County Council on Aging, Inc. does not accrue interest or penalties associated with uncertain tax positions as part of the income tax provision. The Organization's U.S. federal income tax returns prior to fiscal year December 31, 2012 are closed. The State of Indiana has statutes of limitations of three years. The Organization's tax returns are currently not under examination. An audit by the IRS could change the unrecognized tax benefit or liability; however, it is not possible to estimate a range for such a change.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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**Note 2 – Asset Held by the Community Foundation of LaGrange County**

As of December 31, 2015 and 2014, the Community Foundation of LaGrange County (the “Foundation”) held three separate funds for the purpose of furthering the charitable purpose of the Organization. The Organization applies the provisions of accounting principles generally accepted in the United States of America to the investments held by the Foundation which are received by the Foundation on behalf of the Organization from outside donors. The investments are not reflected as an asset on the Organization’s financial statements as the donors have granted the Foundation variance power, which precludes recognition of expected cash flows by the beneficiary.

During 2015, the Organization entered into an agreement with the Foundation to setup an advised agency endowment fund to further the charitable purpose of the Organization. The agreement allows for irrevocable gifts from the Organization or any other source. The ordinary income, capital appreciation (realized and unrealized), and principal (both historic dollar value and any principal contributions, accumulations, additions or reinvestments) allocable to the Fund, net of the fees and expenses may be committed, granted or expended pursuant to spending policy of the Community Foundation. The Foundation has no variance power over these funds. As a result, the balance in this fund is reported on the Statement of Financial Position and the income (loss) associated with these investments is reported on the Statement of Activities and Changes in Net Assets. This fund contains both endowed contributions and non-endowed contributions.

**Note 3 – Fair Value Measurement**

The Organization follows the provisions of ASC Topic, “*Fair Value Measurements*,” which applies to all assets and liabilities that are being measured and reported at fair value. This topic establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurement. Under accounting principles generally accepted in the United States of America, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. This standard enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine the fair values.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity, and other factors.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by management. LaGrange County Council on Aging, Inc. considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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**Note 3 – Fair Value Measurement (continued)**

relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not correspond to LaGrange County Council on Aging, Inc.'s perceived risk of that instrument. The standard requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Pricing inputs are quoted prices in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded equities, certain U.S. government and sovereign obligations, and certain money market securities.

Level 2 – Pricing inputs are other than quoted prices in active markets for identical assets, but the inputs are either directly or indirectly observable. Quoted prices are available but the assets are traded less frequently and thus valuation is accomplished using similar securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market price, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These generally include certain U.S. government and sovereign obligations, most government agency securities, investment grade corporate bonds, certain mortgage products, certain bank loan and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information.

Level 3 – Pricing inputs are not observable in the market. Thus valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). Within Level 3, the use of market approach generally consists of using comparable market transactions, while

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**Note 3 – Fair Value Measurement (continued)**

use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used in estimating the fair value of Level 3 investments include the original transaction price, recent transactions for the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs as an input, although those costs may have been capitalized as part of the security's cost. Due to the lack of observable inputs, the assumptions used may significantly impact resulting fair value and, therefore, the amounts reported in the accompanying financial statements.

The following table sets forth by level and major classification, within the fair value hierarchy, the Organization's investments as of December 31, 2015 and 2014:

	<b>2015</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Corporate bonds	\$ -	\$ -	\$ -	\$ -
Equities	-	-	-	-
Non-endowed - CF	49,222	49,222	-	-
Endowed - CF	10,250	10,250	-	-
	\$ 59,472	\$ 59,472	\$ -	\$ -
	<b>2014</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Corporate bonds	\$ 15,062	\$ -	\$ 15,062	\$ -
Equities	38,593	38,593	-	-
	\$ 53,655	\$ 38,593	\$ 15,062	\$ -

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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**Note 3 – Fair Value Measurement (continued)**

Investment income for the years ended December 31, 2015 and 2014 is as follows:

	<b>2015</b>	<b>2014</b>
Interest and dividends	\$ 1,440	\$ 1,625
Net realized gains and (losses)	514	-
Net unrealized gains and (losses)	(3,516)	4,360
	\$ (1,562)	\$ 5,985

**Note 4 – Endowment**

During 2015 the Organization started an endowment fund at the Community Foundation of LaGrange County. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board interpreted Indiana Trust and Fiduciary Law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted asset classification until appropriated by the Board for expenditure unless explicitly stated otherwise in the gift instrument.

In addition, the Board has interpreted Indiana Trust and Fiduciary Law to appropriate as much of net appreciation of permanently restricted net assets as is prudent considering the duration and preservation of the endowment fund, the purpose of the Organization and endowment fund, general economic conditions, the effect of inflation and deflation, the expected total return on its investments, and the investment policy of the Organization.

**Funds with Deficiencies**

The fund follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which requires that the investing and spending will be at a rate that will preserve the purchasing power of the principal over the long term. From time to time, the fair value of assets associated with restricted endowment funds may fall below the level that the amount required to be maintained as donor-restricted net assets. In accordance with GAAP, the investment loss is required to be recorded as temporarily or unrestricted activity and not as a decrease in the permanently restricted endowment.

**Investment Policy – Return Objectives and Risk Parameters**

The Community Foundation is committed to preserving the purchasing power of the assets entrusted to its care. Investment of the Foundation's assets will be diversified as to the minimize the risk of larger losses, unless under the circumstances it is clearly prudent not to do so. The Community Foundation recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. At the same time, efforts will be made to control risk. The goal is to meet or exceed the market index or relative benchmark and to display an overall level of risk which is consistent with the associated benchmark.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**Note 4 – Endowment (continued)**

**Strategies Employed for Achieving Objectives**

The Foundation’s investment strategy is to emphasize total return. The primary objective is to achieve a balanced return of income and growth of capital while emphasizing long-term growth of principal and avoiding excessive risk. Short-term volatility will be tolerated as long as it is consistent with volatility of comparable market index.

**Spending Policy**

The Organization has adopted the Community Foundation’s spending policy for the assets held by the Community Foundation. The goal is to spend up to 4% based upon a three-year rolling average return and December 31 asset value. The actual payout level will be restricted to 4% or the actual Net Total Return-CPI, whichever is less. For new accounts, there is no payout until monies have been invested for one complete calendar year. The first payout will then be based on the first year’s actual return.

**Endowment Net Asset Composition**

As of December 31, 2015, endowment net assets consisted of:

	<b>2015</b>			
	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Board Designated	\$ 10,000	\$ -	\$ -	\$ 10,000
Donor Endowed	250	-	-	250
	\$ 10,250	\$ -	\$ -	\$ 10,250

**Changes in Endowment Net Assets**

For the year ending December 31, 2015, changes in endowment net assets were:

	<b>2015</b>			
	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Beginning of year	\$ -	\$ -	\$ -	\$ -
Contributions	10,250	-	-	10,250
Investment return:				
Investment income	-	-	-	-
Unrealized gain/(loss)	-	-	-	-
Realized gain/(loss)	-	-	-	-
Investment fees	-	-	-	-
Net investment inc.	-	-	-	-
End of year	\$ 10,250	\$ -	\$ -	\$ 10,250

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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**Note 5 – Building Lease**

The Organization had a lease agreement for its office facilities which expired May 1, 2014. Rent escalated based on the increase in the consumer price index each year. The lease agreement required monthly rental payments of approximately \$838 during 2014. Upon expiration of the lease, the Organization continued to lease the building for two months at a rate of \$1,438 per month as it waited for their new location to become available to move. Rent expense for the years ended December 31, 2015 and 2014 was \$0 and \$5,388, respectively.

**Note 6 – Bank Debt**

In April 2014, the Organization purchased land and a building which it now occupies. The land and building were purchased with a bank note which totaled \$240,000. The bank note required monthly payments of interest only at a variable rate of prime plus 1.75% and was due on demand. The interest rate could change daily. The rate was 5% as of December 31, 2014 and interest totaled \$8,544 for the year then ended. The note matured on April 17, 2015, and therefore, the entire unpaid balance was considered a short term liability on the statement of financial position. The loan was secured by the land and building.

The Organization renewed the bank note on April 17, 2015 for another one-year period. The note continues to be due on demand and requires payments of interest only at a rate equal to prime plus 1.75%. The interest rate can change daily. The rate is 5% as of December 31, 2015 and interest totaled \$12,378 for the year then ended. The note matures on April 17, 2016, and therefore, the entire unpaid balance is considered a short term liability on the statement of financial position. The loan is secured by the land and building.

**Note 7 – Restrictions of Net Assets**

Permanently restricted net assets totaling \$10,250 and none as of December 31, 2015 and 2014, respectively, are comprised of investments in an endowment for the Organization. These assets are being invested in perpetuity for the purpose of generating income for any use deemed necessary by the Organization.

**Note 8 – Contingencies and Concentrations**

The Organization has elected to not pay unemployment insurance to the State of Indiana. Consequently, the Organization is responsible for paying unemployment compensation claims by former employees as they are made.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization has cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation. Cash and cash equivalents are maintained at high-quality financial institutions and the Organization has not experienced any losses on such deposits.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

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**Note 8 – Contingencies and Concentrations (continued)**

The Organization's donors and activities are concentrated in the northeast Indiana area. Consequently, its contributions, special events, and other sources of support and revenue may be affected by conditions in that area.

Approximately 68% of total revenues were received from state and federal governmental sources for the years ended December 31, 2015 and 2014.

**Note 9 – Subsequent Events**

The Organization has evaluated subsequent events through February 27, 2017, the date which the financial statements were available to be issued.

The Organization did not renew the loan agreement with the bank in 2016. Instead, a loan agreement was signed with the Community Foundation of LaGrange County.