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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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January 29, 2018

Board of Directors
White County Council on Aging, Inc.
116 E. Marion St.
Monticello, IN 47960

We have reviewed the report prepared by White County Council on Aging, Inc. and opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of White County Council on Aging, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Cullar & Associates, 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
Paul D. Joyce, CPA
State Examiner

FINANCIAL REPORT

WHITE COUNTY COUNCIL ON AGING, INC.

December 31, 2016 and 2015

CONTENTS

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CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
White County Council on Aging, Inc.
Monticello, Indiana

We have audited the accompanying financial statements of White County Council on Aging, Inc., which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the years then ended, and the related notes to 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 the modified cash basis of accounting as described in Note 1 to financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 entity'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 entity'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 assets, liabilities, and net assets of White County Council on Aging, Inc. as of December 31, 2016 and

2015, and its revenues, expenses, and changes in net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1 to financial statements.

Basis of Accounting

We draw attention to Note 1 to financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal, state, and local awards, as required by *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Cullen & Associates, P.C.

South Bend, Indiana
September 26, 2017

WHITE COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2016 and 2015

	2016	2015
Assets:		
Current Assets:		
Cash and cash equivalents	$ 74,213	$ 31,176
Cash held for others as agent	1,289	1,315
Total current assets	75,502	32,491
Non-Current Assets:		
Property and Equipment	115,910	143,825
Beneficial interest in assets held by others	7,177	6,529
Total non-current assets	123,087	150,354
Total assets	$ 198,589	$ 182,845
Liabilities and Net Assets:		
Current Liabilities:		
Accrued payroll liabilities	$ 6,565	$ 6,285
Agency obligations	1,289	1,315
Total current liabilities	7,854	7,600
Net Assets, unrestricted:		
General operating	183,558	168,716
Board designated endowment	7,177	6,529
Total net assets, unrestricted	190,735	175,245
Total liabilities and net assets	$ 198,589	$ 182,845

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

WHITE COUNTY COUNCIL ON AGING, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Revenues, Gains, and Other Support:						
Transportation grants	$ 172,589	$ -	$ 172,589	$ 198,588	$ -	$ 198,588
White County United Way grant	39,960	-	39,960	30,594	-	30,594
Other grants and contributions	58,508	27,911	86,419	54,101	44,301	98,402
Contributed facilities and services	11,116	-	11,116	11,348	-	11,348
Program service fees	33,366	-	33,366	31,937	-	31,937
Rents and other income	15,759	-	15,759	16,182	-	16,182
Gain on disposition of equipment	-	-	-	1,729	-	1,729
Interest income	14	-	14	5	-	5
Change in value of beneficial interest in assets held by others	648	-	648	(345)	-	(345)
Net assets released from restrictions	27,911	(27,911)	-	44,301	(44,301)	-
Total revenues, gains, and other support	359,871	-	359,871	388,440	-	388,440
Expenses:						
Transportation	244,530	-	244,530	255,665	-	255,665
Senior services	38,328	-	38,328	37,697	-	37,697
Total program services	282,858	-	282,858	293,362	-	293,362
Management and general	61,523	-	61,523	59,544	-	59,544
Total expenses	344,381	-	344,381	352,906	-	352,906
Change in net assets	15,490	-	15,490	35,534	-	35,534
Net assets, beginning of year	175,245	-	175,245	139,711	-	139,711
Net assets, end of year	$ 190,735	$ -	$ 190,735	$ 175,245	$ -	$ 175,245

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

WHITE COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES -MODIFIED CASH BASIS
Years Ended December 31, 2016 and 2015

	2016				2015			
	Transportation	Senior Services	Management and General	Totals	Transportation	Senior Services	Management and General	Totals
Personnel	$ 140,367	$ 22,720	$ 44,494	$ 207,581	$ 151,978	$ 22,712	$ 43,094	$ 217,784
Vehicle operating expenses	30,685	-	-	30,685	36,134	-	-	36,134
Insurance	19,154	1,299	2,543	22,996	16,434	634	1,203	18,271
Purchased occupancy	15,756	2,550	4,994	23,300	16,138	2,412	4,575	23,125
Contributed occupancy	2,400	6,000	540	8,940	2,400	6,000	560	8,960
Office supplies and expenses	3,346	542	1,060	4,948	2,517	376	714	3,607
Postage	213	34	68	315	133	20	38	191
Communications	101	16	32	149	486	73	137	696
Purchased professional and contracted services	2,966	-	4,900	7,866	2,793	-	4,700	7,493
Contributed professional services	-	2,145	-	2,145	-	2,321	-	2,321
Advertising and promotion	-	-	366	366	-	-	557	557
Dues and subscriptions	501	46	194	741	650	63	218	931
Vehicle lease	1,541	1,005	803	3,349	1,528	996	797	3,321
Travel	-	-	-	-	393	-	-	393
Contributed travel	-	31	-	31	-	67	-	67
Depreciation	27,500	140	275	27,915	24,081	223	424	24,728
Other	-	1,800	1,254	3,054	-	1,800	2,527	4,327
Totals	$ 244,530	$ 38,328	$ 61,523	$ 344,381	$ 255,665	$ 37,697	$ 59,544	$ 352,906

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

WHITE COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	$ 15,490	$ 35,534
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) on disposition of equipment	-	(1,729)
Depreciation	27,915	24,728
(Increase) decrease in beneficial interest in assets held by others	(648)	345
Increase (decrease) in accrued payroll liabilities	280	(1,287)
Net cash provided by operating activities	43,037	57,591
Cash Flows from Investing Activities:		
Proceeds from disposition of equipment	-	1,729
Purchase of property and equipment	-	(71,970)
Net cash (used in) investing activities	-	(70,241)
Net change in cash and cash equivalents	43,037	(12,650)
Cash and cash equivalents, beginning of year	31,176	43,826
Cash and cash equivalents, end of year	$ 74,213	$ 31,176

Supplemental Cash Flows Information:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Change in cash held for others and agency obligation	$ (26)	$ (1,176)

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

White County Council on Aging, Inc. (the "Organization") is an Indiana nonprofit corporation organized to serve older adults in White County, Indiana. The Organization provides transportation services and personal support to older adults. Its operations are supported primarily by grants from governmental agencies and other nonprofit organizations and contributions from the public.

Significant Accounting Policies:

Basis of accounting:

The Organization's accounts are maintained, and these statements are prepared, on a modified cash basis of accounting, under which only revenues collected, costs and expenses paid, assets and net assets arising from cash transactions, a provision for depreciation, and contributed support are recognized. Consequently, accounts receivable, prepaid expenses, deferred revenues, accounts payable, and accrued liabilities, which may be material, are not reflected, and the financial statements are not intended to present financial position and activities in conformity with accounting principles generally accepted in the United States of America.

Use of estimates:

The process of preparing financial statements in conformity with the modified cash basis of accounting requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant estimates used in the accompanying financial statements include:

- Revenue received from cost-reimbursement awards. The majority of the Organization's revenue is earned from such awards from governmental agencies that are governed by federal and State cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.
- The allocations of costs among programs and the supporting service, which are based on time and facility usage studies and other methods of cost allocation. In addition, because the Organization receives the majority of its support from grants and contracts awarded through competitive bidding, fund raising costs are not material and are not separately presented in the accompanying financial statements.
- The valuation of contributed facilities and services, which are based on estimated fair values.

Net asset classes:

The Organization reports its activities and financial position by the following classes of net assets:

- *Unrestricted net assets* are those currently available for use by the Organization.
- *Temporarily restricted net assets* are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and reported in the statements of revenues, expenses, and changes in net assets – modified cash basis as net assets released from restrictions.

Cash and cash equivalents:

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. However, cash and cash equivalents held for others in separate accounts under agency agreements are excluded from cash and cash equivalents.

Property and equipment:

Property and equipment is generally stated at cost, if acquired, or at fair value at the date of receipt, if donated, less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Leasehold improvements	10 years
Vehicles	7-10 years
Office equipment	3-5 years

All of the Organization's program vehicles have been purchased with governmental grant funds. Title to these vehicles is held in the funding source's name for the first five years after acquisition, during which they must be used in the program for which they were purchased or in other future authorized programs. Disposition of these vehicles, as well as the ownership of any sale proceeds, during this time is subject to funding source and other regulatory directives. Because management expects such vehicles to be used in accordance with the funding source's directives, the cost of the vehicles is recorded as an asset when they are acquired.

Beneficial interest in assets held by others:

The Organization recognizes its beneficial rights in assets held by others unless the donor has granted the recipient organization variance power. However, if the Organization is both the donor and the beneficiary of the assets, those rights are recognized even if the recipient organization has been granted variance power.

The beneficial interest in assets held by others is stated at fair value, based on the value of the underlying assets, as provided by the Community Foundation that holds the assets, which approximates the present value of expected future distributions. Changes in the value of the beneficial interest are included in revenues in the statements of revenues, expenses, and changes in net assets – modified cash basis.

Gifts and grants:

The Organization reports gifts and grants of cash and other assets as revenue when received, and considers such gifts to be available for unrestricted use unless specifically restricted by donor. When a donor restriction expires (that is, when a purpose restriction is accomplished or a time restriction expires), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of revenues, expenses, and changes in net assets – modified cash basis as net assets released from restrictions.

Contributed facilities, materials, and equipment are recorded at estimated fair value. Contributed services are recorded at estimated fair value if the services create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization receives a substantial amount of contributed services from volunteers in carrying out its program and supporting services that have not have been recorded in the accompanying financial statements because the criteria for recognition have not been met. Included in revenues and expenses in the accompanying financial statements are the following contributed facilities and services for the years ended December 31, 2016 and 2015, respectively:

	2016	2015
Contributed facilities	$ 8,940	$ 8,960
Contributed nursing services	2,145	2,321
Contributed travel	31	67
Total contributed facilities and services	$ 11,116	$ 11,348

Advertising:

Advertising costs are expensed when incurred. Advertising expense was $366 and $557 for the years ended December 31, 2016 and 2015, respectively.

Income taxes:

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for taxes on unrelated business income. Consequently, the accompanying financial statements generally contain no provision for income taxes. The Organization is classified by the Internal Revenue Service as other than a private foundation under Internal Revenue Code Section 509(a)(1).

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at either December 31, 2016 or 2015, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. The Organization is no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2013.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2016 and 2015, respectively:

	2016	2015
Leasehold improvements	$ 14,587	$ 14,587
Transportation program vehicles	301,899	301,899
Office equipment	6,929	6,929
	323,415	323,415
Less accumulated depreciation	(207,505)	(179,590)
Net property and equipment	$ 115,910	$ 143,825

NOTE 3. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization is the beneficiary of a fund held by White County Community Foundation ("Community Foundation") to which both the Organization and others have donated. The Organization and the other donors have granted the Community Foundation variance power in the determination of annual distributions and transfer of the accounts to other community organizations in certain circumstances. Total accumulated contributions by the Organization to the fund are $5,000, all of which were made in 2007. The value of the portion of the fund attributable to contributions by the Organization was $7,177 and $6,529 at December 31, 2016 and 2015, respectively, which is reported as beneficial interest in assets held by others in the accompanying statements of assets, liabilities, and net assets – modified cash basis. The change in value of that portion of the fund was $648 and $(345) for the years ended December 31, 2016 and 2015, respectively, which is included in revenues in the accompanying statements of revenues, expenses, and changes in net assets – modified cash basis. No distributions were received from that portion of the fund in either 2016 or 2015.

The value of the portion of the fund attributable to contributions by others at December 31, 2016 and 2015 was $3,726 and $3,299, respectively, which is not reported an asset in the accompanying financial statements. No distributions were received from that portion of the fund in either 2016 or 2015.

NOTE 4. NET ASSETS INFORMATION

Net assets reported as Board designated endowment represents the beneficial interest in assets held by others discussed in Note 3. Net assets were released from restrictions for both 2016 and 2015 by incurring expenses satisfying restricted purposes for the Organization's transportation and senior services programs.

NOTE 5. ENDOWMENT INFORMATION

Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absences of donor-imposed restrictions.

The State of Indiana enacted the *Uniform Prudent Management of Institutional Funds Act of 2006* ("UPMIFA") effective July 1, 2007, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors and management have determined that certain net assets meet the definition of endowment funds under UPMIFA. These consist of the beneficial interest in assets held by the Community Foundation discussed in Note 3, which were funded by unrestricted net assets. Funds held at the Community Foundation are subject to the Community Foundation's investment and spending policies and are subject to variance power, as discussed in Note 3.

Changes in the endowment for the years ended December 31, 2016 and 2015, respectively, are as follows:

	2016	2015
Balance beginning of year	$ 6,529	$ 6,874
Change in value	648	(345)
Balance end of year	$ 7,177	$ 6,529

NOTE 6. LEASE INFORMATION

The Organization leases its facilities under a month-to-month agreement with the City of Monticello for free. For the years ended December 31, 2016 and 2015, rent expense for the contributed occupancy was $8,940 and $8,960, respectively.

The Organization began leasing a vehicle in 2014 under an operating lease that expires in 2017. Minimum future rental payments under this lease as of December 31, 2016 is $554, all of which is due in 2017. Total rent expense under this operating lease for the years ended December 31, 2016 and 2015 was $3,349 and $3,321, respectively.

NOTE 7. FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America and the modified cash basis of accounting define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the entity's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such principles establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) 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.

The fair value of assets measured on a recurring basis at December 31, 2016 and 2015, respectively, is as follows:

Beneficial interest in assets held by others:	Fair Value	Level 1	Level 2	Level 3
At December 31, 2016	$ 7,177	$ -	$ -	$ 7,177
At December 31, 2015	$ 6,529	$ -	$ -	$ 6,529

Fair value for the beneficial interest in assets held by others (the Community Foundation fund discussed in Note 3) is based on the fair value of the underlying assets, as provided by the Community Foundation that holds the assets, which approximates the present value of expected future distributions. Fair values for donated facilities are estimated using comparable rental rates. Fair values for donated services are estimated using comparable pay rates.

The following is a reconciliation of beginning and ending balances of the fair value of assets measured by Level 3 inputs for the years ended December 31, 2016 and 2015, respectively:

	2016	2015
Beneficial interests in assets held by others:		
Beginning fair value	$ 6,529	$ 6,874
Change in value	648	(345)
Ending fair value	$ 7,177	$ 6,529

The change in value of the beneficial interest in assets held by others is included in revenues in the statements of revenues, expenses, and changes in net assets – modified cash basis. All the above Level 3 changes in value are attributable to changes in the value of assets held by the Community Foundation.

NOTE 8. CONCENTRATIONS

The Organization's activities and contributors are concentrated in White County, Indiana. Accordingly, its gifts, grants, and other sources of support and revenue may be affected by conditions in that area.

Of total revenues for the years ended December 31, 2016 and 2015, approximately 48% and 51%, respectively, was received from White County for programs funded by the Indiana Department of Transportation, and approximately 11% and 8%, respectively, was received from White County United Way.

NOTE 9. SUBSEQUENT EVENTS INFORMATION

The date through which events occurring subsequent to December 31, 2016 have been evaluated for possible adjustment to the financial statements or disclosure is September 26, 2017, the date on which the financial statements were available to be issued. Management identified no such events.

WHITE COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF FEDERAL, STATE, AND LOCAL AWARDS
Year Ended December 31, 2016

Grantor/Pass-Through Grantor/Program/Title	Identifying Number	Beginning Balance	Award Received	Award Expended	Ending Balance
Federal Awards:					
United States Department of Transportation:					
Passed Through State of Indiana Department of Transportation:					
Passed through White County Commissioners:					
Formula Grants for Other Than Urbanized Areas	EDS #A249-15-320465	$ 29,980	$ -	$ 29,980	$ -
Formula Grants for Other Than Urbanized Areas	18034580	-	120,692	95,485	25,207
Total grant project		29,980	120,692	125,465	25,207
United States Department of Health and Human Services:					
Passed Through State of Indiana Family and Social Services Administration:					
Passed through Area IV Agency on Aging and Community Action Programs, Inc.:					
Special Programs for the Aging - Title IIIB -					
Grants for Supportive Services and Senior Centers	AAA-4-125:16	3,671	-	3,671	-
Grants for Supportive Services and Senior Centers	AAA-4-160:17	-	14,636	9,780	4,856
Total grant project		3,671	14,636	13,451	4,856
Total federal awards		33,651	135,328	138,916	30,063
State Awards:					
Indiana State Department of Transportation:					
Passed through White County Commissioners:					
Section 5311 PMTF Allocation	EDS #A249-15-320465	10,587	-	10,587	-
Section 5311 PMTF Allocation	18034580	-	48,716	36,537	12,179
Total state awards		10,587	48,716	47,124	12,179
Local Awards:					
White County Commissioners	N/A	-	20,700	20,700	-
City of Monticello	N/A	-	6,000	6,000	-
Cass Township	N/A	-	10,000	10,000	-
Honeycreek Township	N/A	-	600	600	-
Jefferson Township	N/A	-	1,000	1,000	-
Liberty Township	N/A		5,000	5,000	
Monon Township	N/A	-	2,000	2,000	-
Total local awards		-	45,300	45,300	-
Total federal, state, and local awards		$ 44,238	$ 229,344	$ 231,340	$ 42,242

WHITE COUNTY COUNCIL ON AGING, INC.

ADDITIONAL 2016 AUDIT COMMUNICATIONS

This communication was prepared as part our audit of the Organization's 2016 financial statements. It is intended solely for the information and use of those charged with governance and, where appropriate, management and is not intended for, and should not be used by, anyone other than these specified parties.

CULLAR & ASSOCIATES, PC
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CULLAR & ASSOCIATES, PC

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
White County Council on Aging, Inc.
Monticello, Indiana

We have audited the financial statements of White County Council on Aging, Inc. (the "Organization") as of and for the year ended December 31, 2016 and have issued our report dated September 26, 2017. As part of our audit, we are also required to communicate certain matters to you that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. This communication provides you with that information and it also provides you with a summary of the Organization's financial report and taxes.

Our communication is organized as follows- <u>Pages</u>

We hope you find this communication useful. Please feel free to contact us if you have any questions or need additional information.

This communication is intended solely for the information and use of those charged with governance (the Board of Directors and Audit Committee, or their equivalents), and, where appropriate, management. Consequently, it is not intended for, and should not be used by, anyone other than these specified parties.

Cullar & Associates, P.C.

South Bend, Indiana
September 26, 2017

SUMMARY

OVERVIEW

- Please note that the Organization reports on a modified cash basis of accounting. Consequently, the statements do not include any accrued revenues or expenses.
- The Organization earned a $15,000 surplus in 2016 mainly due to a late distribution from the 2015 United Way grant. Liquidity improved considerably.
- We proposed three material audit adjustments and have one internal control finding.
- The Organization's federal tax return discloses no issues that, in our opinion, would raise concerns with taxing authorities.

FINANCIAL REPORT

Pages 1-2 – Independent Auditor's Report

Our report on the financial statements and supplementary schedule is an unmodified or "clean" opinion - we believe the statements and schedule are fairly presented in accordance with the Organization's modified basis cash basis of accounting.

Page 3 - Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis

These statements report the Organization's assets, liabilities, and net assets.

- Cash increased approximately $43,000. The balance represents about 89 days of operating expenses, compared to 36 days last year.
- Property and equipment is composed primarily of the depreciated cost of vehicles acquired with INDOT grants.
- The beneficial interest in assets held by others is the value of the portion of the Community Foundation fund contributed by the Organization. There is an additional $3,700 in the fund that is *not* reported as an asset because it was contributed by other donors (see Note 3).
- Net assets of $190,735 represents the excess of total assets over liabilities. All net assets are unrestricted.

Page 4 - Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis

These statements report the Organization's revenues and expenses.

- Total 2016 revenues of $359,871 are down about $29,000, or about 7%, from 2015. The decrease is mainly due to a 2015 INDOT capital grant that did not recur in 2016, partially offset by the increased United Way grant due to a late distribution of the 4th quarter 2015 allocation.
- Total 2016 expenses of $344,000 were down about $9,000, or 2%, from 2015.
- The net result was an increase in net assets (i.e. a surplus) of $15,490. Excluding the capital grant and depreciation expense, the surplus was about $43,000, compared to $5,000 in 2015.

Page 5 - Statements of Functional Expenses – Modified Cash Basis

These statements report the Organization's expenses by both line-item and function.

- Personnel expense is the largest line-item, representing 60% of total expenses.

- The ratio of management and general to total expenses was 18%, about the same as in 2015.

Page 6 - Statements of Cash Flows – Modified Cash Basis

These statements report the Organization's cash flows as follows-

- *Operations* provided $43,037 of cash in 2016.
- *Investing activities* used no cash in 2016 as there were no capital purchases.
- The net result was a $43,037 increase in cash.

Pages 7-13 – Notes to Financial Statements

The notes describe the Organization's accounting policies and provide additional information about items in the statements.

- Note 1 describes the Organization's use of the modified cash basis of accounting, which differs from U.S. generally accepted accounting principles (GAAP) that requires the accrual basis of accounting.
- Note 1 also describes the significant estimates used in the financial statements and the Organization's income tax status.
- Note 3 discusses the Community Foundation fund, including the variance power granted the Foundation.
- Note 9 provides information about revenue concentrations.

Page 14 – Schedule of Federal, State, and Local Awards

The Indiana State Board of Accounts now requires this schedule to report state and local awards.

COMMUNICATION OF AUDIT MATTERS

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We communicated such matters to you in our letter of engagement dated January 19, 2017. Professional standards require that we also communicate to you the following information related to our audit.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Management is responsible for the selection and use of appropriate accounting policies. The Organization's significant accounting policies are described in Note 1 to financial statements. In our opinion, those policies are appropriate, comply with the Organization's modified cash basis of accounting, and industry practices, were consistently applied, and are adequately described in Note 1 to financial statements. No new accounting policies were adopted, and the application of existing policies was not changed, during the year.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The following describes the significant accounting estimates affecting the Organization's financial, the process used by management in determining those estimates, and the primary basis for our conclusions regarding the reasonableness of those estimates-

Significant Estimate	Process Used by Management	Basis for Our Conclusions
Revenue earned by cost-reimbursement awards, which are governed by federal and state cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities.	Management monitors cost allowability of such costs and monitors its compliance with other programmatic regulations.	We reviewed and tested individual transactions and costs submitted for reimbursement under such awards.
Allocation of expenses among programs and supporting services.	Estimates of employee time spent on functions, space used by function, and other factors driving costs.	We reviewed the underlying assumptions used in determining these estimates. We also made inquiries of personnel.
Valuations of contributed facilities and services.	Valuations are based on estimated costs for comparable items.	We reviewed the underlying support for these valuations and assumptions in the use of those valuations.

QUALITY OF THE ORGANIZATION'S FINANCIAL REPORTING

We believe that the presentation of the financial statements, including their overall neutrality, consistency, and clarity of the disclosures, are appropriate and in conformity with the Organization's modified cash basis of accounting. We considered the form, arrangement, and content of the financial statements and notes, including such matters as the terminology, amount of detail, classification, and the basis of amounts reported.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

There were no significant alternative accounting treatments or controversial or emerging areas that affected the financial statements. Also, there were no situations involving the adoption of, or a change in, accounting principles where the application of an alternative method of applying an accounting principle would have a material effect on the Organization's financial statements.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The following material misstatements detected as a result of audit procedures were corrected by management:

- Understatement of depreciation expense by approximately $28,000.
- Overstatement of payroll liabilities, and understatement of United Way revenue, by $8,500 for a mis-posted deposit.
- Understatement of contributed facilities and services revenues and related expenses by approximately $11,000.

We noted no uncorrected misstatements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

New Accounting Pronouncements

The following is a list of significant recent accounting pronouncements that may affect the Organization's future financial reporting-

- Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities*, will be effective for your fiscal year beginning January 1, 2018. It changes nonprofit financial reporting to require-
  - Reporting balances and operating results by two net asset classes (net assets without donor restrictions, and net assets with donor restrictions) instead of the current three classes.
  - Enhanced disclosures regarding governing board designations of resources; the composition of donor restricted net assets; management of liquidity; methods used to allocate expenses by function; and "under-water" endowment funds.

  The biggest effect of this pronouncement on the Organization's financial statements will likely be the need to provide additional disclosures on how the Organization manages its liquid resources to meet cash needs and quantitative disclosures about the availability of financial assets to meet such needs.

  We have sent more detailed information and examples to management about this new standard, along with suggestions to prepare for its implementation.

- ASU 2014-09, *Revenue from Contracts with Customers*, will be effective for your fiscal year beginning January 1, 2019. The standard requires a five-step process to determine when revenues from contracts are to be recognized and increases related disclosures. It does not apply to contributions, but will apply to other sources of the Organization's revenues. FASB has a task force that is currently developing nonprofit implementation guidance for this standard, and we will let management know what that guidance says.

- ASU 2016-02, *Leases*, will be effective for your fiscal year beginning January 1, 2020. It will require <u>all</u> leases with more than a one-year term to be recorded as both an asset and a liability. Since the Organization only has minimal leasing activities, we don't expect this standard to have a material impact on its statements.

REPORT ON INTERNAL CONTROL AND OTHER MATTERS

OUR CONSIDERATION OF INTERNAL CONTROL

In planning and performing our audit, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

LIMITATIONS OF INTERNAL CONTROL

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

DEFINITIONS

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

MATERIAL WEAKNESS

Accounting Expertise and Preparation of Financial Statements

As part of our audit, we proposed certain accounting adjustments and drafted the Organization's financial statements and related notes, which were reviewed and approved by management. This service is necessary, in our opinion, because management would be unable to completely comply with such standards or to prepare financial statements and related disclosures in accordance with U.S. generally accepted accounting principles because of limited resources. Although this service historically was often part of the auditor's function, professional standards require that we communicate this to you as a weakness because, as the independent auditor, we are not part of the Organization's internal control.

This is a repeat finding from previous years.

We also noted that net assets at the beginning of the year did not agree to net assets at the end of the previous year. Although the difference was not material, a procedure should be adopted to reconcile beginning net assets to last year's ending net assets and to investigate and correct any variances so that the current year's statement of activities contains all of the current year's transactions.

We also want to bring the following matter to your attention-

Business Entity Report

The Organization was two months late filing its biennial Indiana Business Entity Report. It is important to timely file this report on time to avoid any negative decisions by grantors and prevent the possible administrative dissolution by the state. We recommend this report be put on a tickler list so it is filed before it lapses in the future.

Federal Tax Return

The Internal Revenue Service strongly encourages nonprofit boards to receive a copy of the Organization's federal tax return, Form 990, before it is filed. We also recommend that the Board review and approve the return and to document this in the minutes. Nonprofits must provide a copy of their federal tax return to anyone who requests it (except for Schedule B), along with certain other documents; in addition, the return is available on-line at guidestar.org and other locations. Consequently it is an important that it be accurately and completely prepares since it communicates much information to donors and others that may influence their decisions about donations and other matters.

The return is a combination of financial, legal compliance, and governance information, and it contains many terms that are not self-explanatory, factors that make reviewing it a challenge. The following summary of the return is to assist you in your review.

- Pages 1 and 2 are a snapshot of the Organization's mission, accomplishments, and finances. It is important to provide as much information as possible about program service accomplishments on page 2 so that donors and regulators understand all the Organization's accomplishments.
- Pages 3-5 provide a series questions about the Organization's activities, some of which may require supporting schedules, and some of which are areas of potential abuse (see below).
- Page 6 covers governance practices. Although such practices are not required, the IRS believes they reflect the quality of the organization's governance, management, and compliance. These questions may also affect how donors view the Organization. You would like to answer "yes" to as many of questions 11a through 15 as possible. Detail about some of these answers is provided in Schedule O.
- Pages 7-8 provide information on officers and directors. Please note that the IRS requires this schedule to include anyone who was on the Board during the tax year and that they consider the CEO-equivalent and CFO-equivalent to be officers. Also please note that the term "highest compensated employee" does not literally mean that, but rather denotes the five highest compensated employees <u>other</u> than officers who make more than $100,000.
- Pages 9-12 report financial information, which contain differences with the financial report. Tax return revenues do not include unrealized investment gains and losses or donated services and facilities, and special event expenses are netted against revenues rather than being reported as fund raising expenses. If the Organization has had an audit, Parts XI and XII of Schedule D reconcile the financial statements to Form 990.
- Schedule A provides information about the Organization's classification as a public charity.
- Schedule B lists large donors. This schedule is not open to public inspection and should <u>not</u> be provided to those who request your tax return. Members should exercise control over this schedule.
- Schedules D and O provide additional detail about finances and governance practices. Schedule O should be reviewed carefully both for accuracy and for the members' knowledge of the Organization's governance policies.

The following questions are potential "hot-button" issues. Any that are answered "yes" should be carefully considered for any possible tax law violations or public image problems.

- Page 3, questions 3 and 4 about political activities and lobbying (generally prohibited).
- Page 3, question 6 about donor-advised funds (funds where the donor retains some control over the donation and which may call into question whether they have made a genuine donation).

- Page 3, question 7 about conservation easements (subject to inflated values).
- Page 3, question 9 about credit counseling and debt management services (subject to fraud) and holding custodian funds (using one organization's tax-exempt status to collect donations for non-exempt entities).
- Page 3, questions 14-16 about activities outside the U.S. (terrorism).
- Page 3, question 17 about professional fund raising expenses (may be excessive or indicate private inurement).
- Page 3, question 19 about gaming activities (compliance with local licensing laws).
- Page 4, questions 25-28 about transactions with insiders (private inurement). **Please let us know if you aware of any such transactions so that they may be properly reported.**
- Page 4, questions 33-37 about activities with non-charitable organizations (private inurement).
- Page 5, question 7 about *quid pro quo* donations, donations of property, payment of premiums on personal benefit contracts, and donations of vehicles (using charitable status to provide excessive tax deductions).

In our opinion, there are no hot-button issues reported in the Organization's return.

Indiana does not require exempt organizations to file an income tax return unless they have unrelated business income. However, they must file a one-page annual report (Form NP-20) to renew their sales tax exemption, which we have prepared.