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February 6, 2018

Board of Directors  
LaGrange County Council on Aging, Inc.  
410 E. Central Avenue, 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, 2016 to December 31, 2016. 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, 2016 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, 2016 AND 2015**

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## 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, 2016 and 2015, 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, 2016 and 2015, 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal, State and Local Grant Awards on page 20 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.

*Insight Accounting Group, P.C.*

Insight Accounting Group, P.C.

Goshen, IN  
September 20, 2017

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 18,566	\$ 79,963
Non-endowed funds held by the Community Foundation of LaGrange County	55,152	49,222
Grants receivable	90,625	128,516
Inventory	469	469
Prepaid expenses	5,222	4,043
<b>Total Current Assets</b>	<b>170,034</b>	<b>262,213</b>
<b>Property and Equipment</b>		
Land	14,500	14,500
Equipment	13,097	10,734
Vehicles	613,363	540,941
Furniture and fixtures	85,993	83,863
Building and improvements	240,423	231,976
	967,376	882,014
Less accumulated depreciation	(463,066)	(370,222)
<b>Net Property and Equipment</b>	<b>504,310</b>	<b>511,792</b>
<b>Other Assets</b>		
Endowed funds held by the Community Foundation of LaGrange County	10,250	10,250
<b>Total Other Assets</b>	<b>10,250</b>	<b>10,250</b>
<b>TOTAL ASSETS</b>	<b>\$ 684,594</b>	<b>\$ 784,255</b>

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, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable-Other	\$ 12,377	\$ 11,085
Short-term bank loan	-	226,836
Current portion of long-term debt	12,868	-
Accrued expenses	9,417	10,365
<b>Total Current Liabilities</b>	<b>34,662</b>	<b>248,286</b>
<b>Long-Term Liabilities</b>		
Long-term debt, net of current portion	205,005	-
<b>Total Long-Term Liabilities</b>	<b>205,005</b>	<b>-</b>
<b>Total Liabilities</b>	<b>239,667</b>	<b>248,286</b>
<b>Net Assets</b>		
Unrestricted	434,677	525,719
Permanently restricted	10,250	10,250
<b>Total Net Assets</b>	<b>444,927</b>	<b>535,969</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 684,594</b>	<b>\$ 784,255</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>
<b>REVENUES AND SUPPORT</b>				
Public rural transportation fees	\$ 174,748	\$ -	\$ -	\$ 174,748
INDOT public rural transportation grant	487,978	-	-	487,978
INDOT 5310 grant	29,239	-	-	29,239
Title IIIB transportation grants	30,811	-	-	30,811
Title IIIB home assistance grants	440	-	-	440
CHOICE home assistance grants	4,869	-	-	4,869
SSBG homemaker grant	4,861	-	-	4,861
FEMA grant income	1,609	-	-	1,609
EDS (Medicaid) transportation/homemaker County Commissioners	45,594 40,000	-	-	45,594 40,000
United Way grant	4,392	-	-	4,392
Grant revenue	15,892	-	-	15,892
Homemaker donations and private pay	4,771	-	-	4,771
Senior income	7,114	-	-	7,114
Transportation donations	17,060	-	-	17,060
Contributions	6,051	-	-	6,051
Fundraising income, net of fundraising expenses of \$11,296	4,453	-	-	4,453
Other income	4,603	-	-	4,603
Interest and dividends on investments	1,718	-	-	1,718
Realized gain (loss)	10,506	-	-	10,506
Unrealized gain (loss) on investments	(5,989)	-	-	(5,989)
<b>Total Revenues and Other Support</b>	<u>890,720</u>	<u>-</u>	<u>-</u>	<u>890,720</u>
<b>EXPENSES</b>				
Program Services				
Transport	845,716	-	-	845,716
Homemaker	15,426	-	-	15,426
Supporting Services				
General and administrative	120,620	-	-	120,620
<b>Total Expenses</b>	<u>981,762</u>	<u>-</u>	<u>-</u>	<u>981,762</u>
<b>CHANGE IN NET ASSETS</b>	(91,042)	-	-	(91,042)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>525,719</u>	<u>-</u>	<u>10,250</u>	<u>535,969</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 434,677</u>	<u>\$ -</u>	<u>\$ 10,250</u>	<u>\$ 444,927</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, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
<b>REVENUES AND SUPPORT</b>				
Public rural transport fees	\$ 159,847	\$ -	\$ -	\$ 159,847
INDOT public rural transportation grant	569,502	-	-	569,502
INDOT vehicle 5310 grant	56,292	-	-	56,292
Title IIIB transportation grant	30,494	-	-	30,494
CHOICE home assistance grant	4,400	-	-	4,400
SSBG homemaker 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 gains (losses) on investments	514	-	-	514
Unrealized gains (losses) 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	762,309	-	-	762,309
Homemaker	15,893	-	-	15,893
Supporting Services				
General and administrative	85,446	-	-	85,446
<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 FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2016

	<u>Program Services</u>		<u>Supporting Services</u>	<u>Total</u>
	<u>Transport</u>	<u>Homemaker</u>	<u>General and Administrative</u>	<u>2016</u>
Salaries	\$ 441,244	\$ 11,136	\$ 2,589	\$ 454,969
Payroll taxes	32,830	865	1,632	35,327
Employee benefits and unemployment	7,008	-	369	7,377
Travel expense	-	3,175	181	3,356
Rural transportation expenses	1,607	-	-	1,607
Cell phones	2,794	-	-	2,794
Driver physicals	1,060	-	-	1,060
Van gas	74,599	-	-	74,599
Van expense - other	112,960	-	-	112,960
Advertising / marketing	6,183	-	326	6,510
Drug testing and TB testing	911	-	-	911
Building and computer repairs	5,104	-	5,268	10,372
Dues and subscriptions	2,492	-	131	2,623
Employee / Board training	1,983	-	104	2,087
Liability insurance	-	-	3,538	3,538
Workers compensation insurance	7,241	-	381	7,622
Loan interest	-	-	12,220	12,220
Finance charge	-	-	265	265
Meetings and meals	4,351	-	229	4,580
Miscellaneous	1,208	-	2,663	3,871
Newsletter printing	-	-	1,875	1,875
Office furniture and equipment	-	-	945	945
Postage and delivery	1,984	-	105	2,090
Professional fees	19,659	250	72,557	92,466
Investment fees	-	-	305	305
Computer and website repairs	1,556	-	-	1,556
Office supplies	3,189	-	165	3,354
Telephone and internet	5,502	-	290	5,792
Trash removal	-	-	1,526	1,526
Utilities	-	-	6,990	6,990
Routematch	23,373	-	-	23,373
Depreciation expense	86,878	-	5,966	92,844
<b>Total Expenses</b>	<u>\$ 845,716</u>	<u>\$ 15,426</u>	<u>\$ 120,620</u>	<u>\$ 981,762</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	\$ 401,209	\$ 11,995	\$ 2,418	\$ 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>\$ 762,309</u>	<u>\$ 15,893</u>	<u>\$ 85,446</u>	<u>\$ 863,648</u>

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, 2016 and 2015

	2016	2015
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (91,042)	\$ 127,615
<b>Adjustments to Reconcile Net Assets to Net Cash</b>		
<b>Provided by (Used in) Operating Activities</b>		
Depreciation and amortization	92,844	76,110
Non-cash grant received	(29,239)	-
(Gain) loss on sale of assets	-	12,273
Realized (gain) loss on investments	(10,506)	(514)
Unrealized (gain) loss on investments	5,989	3,516
<b>Decrease (Increase) in Assets</b>		
Grants and contributions receivable	37,891	(25,487)
Prepaid expenses	(1,179)	(1,354)
<b>Increase (Decrease) in Liabilities</b>		
Accounts payable	1,294	(7,588)
Accrued expenses	(948)	1,934
<b>Net Cash Provided by (Used in) Operating Activities</b>	5,104	186,505
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	-	(23,581)
Proceeds from sale of investments	-	32,551
Reinvestment of investment income	(1,416)	(362)
Proceeds from sale of assets	-	13,025
Purchases of furniture and equipment	(56,122)	(215,074)
<b>Net Cash Provided by (Used in) Investing Activities</b>	(57,538)	(193,441)
<b>Cash Flows From Financing Activities</b>		
Proceeds from borrowings on long-term debt	226,085	-
Principal payments on long-term debt	(235,048)	(9,754)
<b>Net Cash Provided by (Used in) Financing Activities</b>	(8,963)	(9,754)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(61,397)	(16,690)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	79,963	96,653
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 18,566	\$ 79,963

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, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 12,056</u>	<u>\$ 12,319</u>
<b>SCHEDULE OF NONCASH FINANCING TRANSACTIONS</b>		
Purchase of van	\$ 36,649	\$ -
Portion of purchase price paid directly by the grantor	<u>(29,239)</u>	<u>-</u>
Cash paid for van	<u>\$ 7,410</u>	<u>\$ -</u>

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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, 2016 and 2015**

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

**Nature of Organization** – The LaGrange County Council on Aging, Inc. (the Organization) 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.

As discussed in Notes 2 and 4, the Organization has funds invested with the LaGrange County Community Foundation. These funds are pooled with funds from other organizations and invested in stocks and mutual funds. Income and expenses are allocated to the Organization's account based on their percentage of the entire funds invested by the Community Foundation. As a result, the Community Foundation was unable to provide detail for the gross proceeds from investments sold during the years ended December 31, 2016 and 2015. It is the Organization's understanding that all proceeds were used to purchase new investments and pay investment fees. Thus, this information has not been reported separately in the investing section of the statement of cash flows.

**Investments** - Investments in stocks, mutual funds 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.

**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 93% and 94% of grants receivable as of December 31, 2016 and 2015, respectively, were due from INDOT.

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

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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

**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, 2016 and 2015 was \$92,844 and \$76,110, 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

**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.

**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, 2016 and 2015 amounted to approximately \$6,510 and \$8,750, 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.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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

**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, 2013 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.

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

As of December 31, 2016 and 2015, the Community Foundation of LaGrange County (the "Foundation") held three separate funds on behalf of LaGrange County Council on Aging, Inc. for the purpose of furthering their charitable purpose. 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.

All of the income and expenses are allocated to the non-endowed portion of the fund balance. Approximately 70 percent of the assets are invested in stocks and the remaining balance is invested in various mutual funds.

**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

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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

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 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 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

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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

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 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, 2016 and 2015:

	2016			
	Total	Level 1	Level 2	Level 3
Non-endowed - CF	\$ 55,152	55,152	\$ -	\$ -
Endowed - CF	10,250	10,250	-	-
	\$ 65,402	\$ 65,402	\$ -	\$ -
	2015			
	Total	Level 1	Level 2	Level 3
Non-endowed - CF	\$ 49,222	49,222	\$ -	\$ -
Endowed - CF	10,250	10,250	-	-
	\$ 59,472	\$ 59,472	\$ -	\$ -

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 3 – Fair Value Measurement (continued)**

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.

Investment income for the years ended December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 1,718	\$ 1,440
Net realized gains and (losses)	10,506	514
Net unrealized gains and (losses)	<u>(5,989)</u>	<u>(3,516)</u>
	<u>\$ 6,235</u>	<u>\$ (1,562)</u>

**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 it's care. Investment of the Foundation's assets will be diversified as to 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

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**Note 4 – Endowment (continued)**

exceed the market index or relative benchmark and to display an overall level of risk which is consistent with the associated benchmark.

**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, 2016 and 2015, endowment net assets consisted of:

		<b>2016</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
		<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 years ending December 31, 2016 and 2015, changes in endowment net assets were:

		<b>2016</b>			
		<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Beginning of year		\$ 10,250	\$ -	\$ -	\$ 10,250
Contributions		-	-	-	-
End of year		\$ 10,250	\$ -	\$ -	\$ 10,250

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

**Note 4 – Endowment (continued)**

	2015			
	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Beginning of year	\$ -	\$ -	\$ -	\$ -
Contributions	10,250	-	-	10,250
End of year	\$ 10,250	\$ -	\$ -	\$ 10,250

**Note 5 – Debt**

The Organization renewed a bank note on the building on April 17, 2015. The term of the note was for one-year and was due on demand. The note required payments of interest only at a rate equal to prime plus 1.75%. The interest rate can change daily. The rate was 5% as of December 31, 2015 and interest totaled \$12,378 for the year then ended. Since the note was set to mature on April 17, 2016, 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.

In March 2016, the Organization signed an agreement with the LaGrange County Community Foundation to pay off the bank note and refinanced the outstanding balance with the Community Foundation. The total amount financed with the Community Foundation was \$226,836. The agreement with the Community Foundation requires monthly payments of \$2,000, including principal and interest, through March 2024, the date which the loan matures. A balloon payment will be due upon maturity. The interest rate is fixed at 5.25% through December 31, 2016 and then becomes a variable rate equal to the prime rate plus 1.75%.

Total interest expense for the year ended December 31, 2016 was \$12,220.

Aggregate maturities of long-term liabilities as of the year ending December 31, 2016 are as follows:

Year ending December 31, 2017	\$ 12,868
Year ending December 31, 2018	13,561
Year ending December 31, 2019	14,290
Year ending December 31, 2020	15,058
Year ending December 31, 2021 and thereafter	162,096
	\$ 217,873

**Note 6 – Restrictions of Net Assets**

Permanently restricted net assets totaling \$10,250 as of December 31, 2016 and 2015, 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. As a result, no income or expenses are allocated to the endowment fund balance.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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**Note 7 – 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. Unemployment benefits paid for the years ending December 31, 2016 and 2015 totaled \$5,460 and \$1,629, respectively.

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.

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 63% and 68% of total revenues were received from state and federal governmental sources for the years ended December 31, 2016 and 2015, respectively.

**Note 8 – Reclassifications**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the change in net assets.

**Note 9 – Subsequent Events**

The Organization has evaluated subsequent events through September 20, 2017, the date which the financial statements were available to be issued.

**LAGRANGE COUNTY COUNCIL ON AGING, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL GRANT AWARDS**  
**For the Year Ended December 31, 2016**

<u>Grantor/Program</u>	<u>Amount Reported on Form E-1</u>	<u>Less 2015 Expenditures Reimbursed in 2016</u>	<u>2016 Expenditures Pending Reimbursement</u>	<u>Audited Amounts Expended in Program Exp.</u>	<u>2016 Amount Awarded</u>
<b>Federal Transportation Administration</b>					
Passed through state or local government or other organization					
Indiana Department of Transportation	\$ 524,726	\$ (121,062)	\$ 84,314	\$ 487,978	\$ 487,978
Indiana Department of Transportation - Van	-	-	-	29,239	29,239
Total	<u>524,726</u>	<u>(121,062)</u>	<u>84,314</u>	<u>517,217</u>	<u>517,217</u>
<b>Fee for Service</b>					
Aging & In-Home Services					
SSBG Homemaker	5,483	(1,045)	423	4,861	4,861
Choice Homemaker	4,884	(1,028)	1,013	4,869	4,869
3B Transportation/Homemaker	31,758	(5,381)	4,874	31,251	31,251
Indiana Medicaid					
Medicaid Transportation/Homemaker	<u>45,594</u>	<u>-</u>	<u>-</u>	<u>45,594</u>	<u>45,594</u>
Total Fee for Service	87,719	(7,454)	6,310	86,575	86,575
<b>State and Local Grants</b>					
Paid directly					
LaGrange County Commissioners	40,000	-	-	40,000	40,000
Total Federal, State and Local Funds Expended	<u>\$ 652,445</u>	<u>\$ (128,516)</u>	<u>\$ 90,624</u>	<u>\$ 643,792</u>	<u>\$ 643,792</u>
Total Expenditures for the Organization				<u>\$ 981,762</u>	