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August 7, 2018

Board of Directors
LaGrange County Council on Aging, Inc.
410 E Central Avenue, PO 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, 2017 to December 31, 2017. 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, 2017 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, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2017 and 2016, 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 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 financial position of LaGrange County Council on Aging, Inc. as of December 31, 2017 and 2016, and the changes in its 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
July 27, 2018

LAGRANGE COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 54,262	\$ 18,566
Non-endowed funds held by the Community Foundation of LaGrange County	7,035	55,152
Grants receivable	94,433	90,625
Inventory	469	469
Prepaid expenses	5,950	5,222
Total current assets	162,149	170,034
Property and equipment		
Land	14,500	14,500
Buildings and improvements	266,079	240,423
Furniture and fixtures	85,993	85,993
Vehicles	603,348	613,363
Equipment	13,097	13,097
	983,017	967,376
Less accumulated depreciation	(481,000)	(463,066)
Net property and equipment	502,017	504,310
Other assets		
Endowed funds held by the Community Foundation of LaGrange County	10,250	10,250
TOTAL ASSETS	\$ 674,416	\$ 684,594

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, 2017 and 2016

	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities		
Lines of credit	\$ 17,219	\$ -
Current portion of long-term liabilities	10,624	12,868
Accounts payable	13,173	12,376
Accrued expenses	14,976	9,415
Total current liabilities	55,992	34,659
Long-term liabilities		
Note payable	203,341	217,873
Less current portion of long-term liabilities	(10,624)	(12,868)
Total long-term liabilities	192,717	205,005
Total liabilities	248,709	239,664
Net assets		
Unrestricted	415,457	434,680
Permanently restricted	10,250	10,250
Total net assets	425,707	444,930
TOTAL LIABILITIES AND NET ASSETS	\$ 674,416	\$ 684,594

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, 2017

	2017		Temporarily	Permanently
	Total	Unrestricted	Restricted	Restricted
Revenues and support				
Public rural transportation fees	\$ 180,133	\$ 180,133	\$ -	\$ -
INDOT public rural transportation grant	495,372	495,372	-	-
INDOT 5310 grant	27,989	27,989	-	-
Title IIIB transportation grants	36,025	36,025	-	-
Title IIIB home assistance grants	189	189	-	-
CHOICE home assistance grants	2,480	2,480	-	-
SSBG homemake grant	4,037	4,037	-	-
EDS (Medicaid) transportation/homemaker	39,555	39,555	-	-
County Commissioners	44,000	44,000	-	-
United Way grant	2,720	2,720	-	-
Grant revenue	22,567	22,567	-	-
Homemaker donations and private pay	3,895	3,895	-	-
Senior income	6,253	6,253	-	-
Transportation donations	14,150	14,150	-	-
Contributions	3,441	3,441	-	-
Fundraising income, net of fundraising expenses of \$6,626	7,238	7,238	-	-
Other income	5,492	5,492	-	-
Interest and dividends on investments	1,216	1,216	-	-
Realized gain (loss)	371	371	-	-
Unrealized gain (loss) on investments	6,145	6,145	-	-
Gain (loss) on sale of asset	1,500	1,500	-	-
Total revenues and support	904,768	904,768	-	-
Expenses				
Program services				
Transportation	866,266	866,266	-	-
Homemaker	11,387	11,387	-	-
Supporting services				
General and administrative	46,338	46,338	-	-
Total expenses	923,991	923,991	-	-
Change in net assets	(19,223)	(19,223)	-	-
Net assets, beginning of year	444,930	434,680	-	10,250
Net assets, end of year	\$ 425,707	\$ 415,457	\$ -	\$ 10,250

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>2016</u>		<u>Temporarily</u>	<u>Permanently</u>
	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>
Revenues and support				
Public rural transportation fees	\$ 174,749	\$ 174,749	\$ -	\$ -
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	4,861	4,861	-	-
SSBG homemaker grant	4,869	4,869	-	-
FEMA grant income	1,609	1,609	-	-
EDS (Medicaid) transportation/homemaker	45,594	45,594	-	-
County Commissioners	40,000	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	7,115	7,115	-	-
Transportation donations	17,060	17,060	-	-
Contributions	6,051	6,051	-	-
Fundraising income, net of fundraising expenses of \$11,296	4,454	4,454	-	-
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)	-	-
Total revenues and support	<u>890,723</u>	<u>890,723</u>	<u>-</u>	<u>-</u>
Expenses				
Program services				
Transportation	845,721	845,721	-	-
Homemaker	15,426	15,426	-	-
Supporting services				
General and administrative	120,618	120,618	-	-
Total expenses	<u>981,765</u>	<u>981,765</u>	<u>-</u>	<u>-</u>
Change in net assets	(91,042)	(91,042)	-	-
Net assets, beginning of year	<u>535,972</u>	<u>525,722</u>	<u>-</u>	<u>10,250</u>
Net assets, end of year	<u>\$ 444,930</u>	<u>\$ 434,680</u>	<u>\$ -</u>	<u>\$ 10,250</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, 2017

	<u>Total</u>	<u>Program Services</u>		<u>Supporting Services</u>
	<u>2017</u>	<u>Transport</u>	<u>Homemaker</u>	<u>General and Administrative</u>
Salaries	\$ 471,351	\$ 457,647	\$ 8,665	\$ 5,039
Payroll taxes	36,064	35,016	663	385
Employee benefits and unemployment	2,666	2,532	-	134
Travel expense	2,554	-	1,809	745
Rural transportation expenses	1,327	1,327	-	-
Cell phones	2,775	2,775	-	-
Driver physicals	809	809	-	-
Van gas	94,666	94,666	-	-
Van expense-other	89,330	89,330	-	-
Advertising / marketing	6,222	5,911	-	311
Drug testing and TB testing	1,464	1,464	-	-
Building and computer repairs	10,358	5,673	-	4,685
Dues and subscriptions	1,748	1,661	-	87
Employee / board training	1,775	1,686	-	89
Liability insurance	4,058	-	-	4,058
Workers compensation insurance	6,987	6,638	-	349
Loan interest	13,216	-	-	13,216
Finance charges	197	-	-	197
Meetings and meals	3,473	3,300	-	173
Miscellaneous	2,318	862	-	1,456
Newsletter printing	92	-	-	92
Office furniture and equipment	184	-	-	184
Postage and delivery	2,001	1,901	-	100
Professional fees	27,953	27,701	250	2
Investment fees	599	-	-	599
Computer and website repairs	408	408	-	-
Office supplies	1,707	1,622	-	85
Telephone and internet	6,749	6,412	-	337
Trash removal	1,478	-	-	1,478
Utilities	6,017	-	-	6,017
Routematch	24,997	24,997	-	-
Depreciation expense	98,448	91,928	-	6,520
	<u>\$ 923,991</u>	<u>\$ 866,266</u>	<u>\$ 11,387</u>	<u>\$ 46,338</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>Total</u>	<u>Program Services</u>		<u>Supporting Services</u>
	<u>2016</u>	<u>Transport</u>	<u>Homemaker</u>	<u>General and Administrative</u>
Salaries	\$ 454,968	\$ 441,243	\$ 11,136	\$ 2,589
Payroll taxes	35,327	32,830	865	1,632
Employee benefits and unemployment	7,377	7,008	-	369
Travel expense	3,356	-	3,175	181
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	112,965	112,965	-	-
Advertising / marketing	6,508	6,183	-	325
Drug testing and TB testing	911	911	-	-
Building and computer repairs	10,372	5,104	-	5,268
Dues and subscriptions	2,623	2,492	-	131
Employee / board training	2,087	1,983	-	104
Liability insurance	3,539	-	-	3,539
Workers compensation insurance	7,622	7,241	-	381
Loan interest	12,220	-	-	12,220
Finance charges	265	-	-	265
Meetings and meals	4,580	4,351	-	229
Miscellaneous	3,870	1,208	-	2,662
Newsletter printing	1,875	-	-	1,875
Office furniture and equipment	945	-	-	945
Postage and delivery	2,088	1,984	-	104
Professional fees	92,467	19,660	250	72,557
Investment fees	305	-	-	305
Computer and website repairs	1,556	1,556	-	-
Office supplies	3,354	3,189	-	165
Telephone and internet	5,792	5,502	-	290
Trash removal	1,526	-	-	1,526
Utilities	6,990	-	-	6,990
Routematch	23,373	23,373	-	-
Depreciation expense	92,844	86,878	-	5,966
	<u>\$ 981,765</u>	<u>\$ 845,721</u>	<u>\$ 15,426</u>	<u>\$ 120,618</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, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (19,223)	\$ (91,042)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	98,448	92,844
Non-cash grant received	(27,989)	(29,239)
(Gain)/loss on sale of assets	(1,500)	-
Realized (gain) loss on investments	(371)	(10,506)
Unrealized (gain) loss on investments	(6,145)	5,989
(Increase) decrease in assets		
Grants and contributions receivable	(3,808)	37,891
Prepaid expenses	(728)	(1,179)
Increase (decrease) in liabilities		
Accounts payable	797	1,292
Accrued expenses	5,561	(948)
Net cash from operating activities	45,042	5,102
Cash flows from investing activities		
Purchase of property and equipment	(68,166)	(56,120)
Proceeds from sale of property and equipment	1,500	-
Proceeds from sale of investments	55,249	-
Reinvestment of investment income	(616)	(1,416)
Net cash from investing activities	(12,033)	(57,536)
Cash flows from financing activities		
Net borrowings (payments) under lines of credit	17,219	-
Proceeds from borrowings on long-term liabilities	-	226,085
Principal payments on long-term liabilities	(14,532)	(235,048)
Net cash from financing activities	2,687	(8,963)
Net change in cash and cash equivalents	35,696	(61,397)
Cash and cash equivalents, beginning of year	18,566	79,963
Cash and cash equivalents, end of year	\$ 54,262	\$ 18,566

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	<u>\$ 13,892</u>	<u>\$ 12,056</u>
Schedule of noncash financing transactions		
Purchase of van	\$ 35,186	\$ 36,649
Portion of purchase price paid directly by grantor	<u>(27,989)</u>	<u>(29,239)</u>
Cash paid for van	<u>\$ 7,197</u>	<u>\$ 7,410</u>

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, 2017 and 2016

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, 2017 and 2016. During 2017, the Organization withdrew \$55,250 from the investment account. It is the Organization's understanding that prior to this payment, all proceeds were used to purchase new investments and pay investment fees. Thus, the payment has been reported as proceeds from sale of investments and the remaining as reinvestment of investment income 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.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 91% and 93% of grants receivable as of December 31, 2017 and 2016, respectively, were due from INDOT.

Inventory

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

Property and Equipment

Property and equipment are carried on the balance sheet at historical cost. Depreciation is calculated over the useful lives of the assets using the modified accelerated cost recovery system over the useful life of the assets. The Organization's capitalization policy is \$1,000. Depreciation expense for the years ended December 31, 2017 and 2016 was \$98,448 and \$92,844, respectively. Capital asset classes are estimated to have the following useful lives:

	<u>Useful Lives</u>
Equipment	3 -5 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.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising expense for the years ended December 31, 2017 and 2016 amounted to approximately \$6,222 and \$6,508, respectively.

Tax Status of the Organization

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

Uncertain Tax Positions

The Organization has adopted the accounting for uncertainty in income tax guidance FASB ASC 740-10, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. LaGrange County Council on Aging, Inc. does not accrue interest or penalties associated with uncertain tax positions as part of the income tax provision. The Organization's U.S. federal income tax returns prior to fiscal year December 31, 2014 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, 2017 and 2016, 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 98% of the assets are invested in mutual and exchange traded funds.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 – FAIR VALUE MEASUREMENT

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

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

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by management. LaGrange County Council on Aging, Inc. considers observable data to be 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.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 – FAIR VALUE MEASUREMENT (CONTINUED)

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

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

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). Within Level 3, the use of market approach generally consists of using comparable market transactions, while 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, 2017 and 2016:

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – FAIR VALUE MEASUREMENT (CONTINUED)

	2017			
	Total	Level 1	Level 2	Level 3
Non-endowed - CF	\$ 7,035	\$ 7,035	\$ -	\$ -
Endowed - CF	10,250	10,250	-	-
	\$ 17,285	\$ 17,285	\$ -	\$ -

	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	\$ -	\$ -

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, 2017 and 2016 is as follows:

	2017	2016
Interest and dividends	\$ 1,216	\$ 1,718
Net realized gains and (losses)	371	10,506
Net unrealized gains and (losses)	6,145	(5,989)
	\$ 7,732	\$ 6,235

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.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 – ENDOWMENT (CONTINUED)

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 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, 2017 and 2016, endowment net assets consisted of:

	2017			
	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated	\$ 10,000	\$ -	\$ -	\$ 10,000
Donor Endowed	250	-	-	250
	\$ 10,250	\$ -	\$ -	\$ 10,250

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 – ENDOWMENT (CONTINUED)

	2016			
	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
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, 2017 and 2016, changes in endowment net assets were:

	2017			
	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Beginning of year	\$ 10,250	\$ -	\$ -	\$ 10,250
Contributions	-	-	-	-
End of year	\$ 10,250	\$ -	\$ -	\$ 10,250

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

NOTE 5 – LINE OF CREDIT

In April 2017, the Organization opened a line of credit with a financial institution with available borrowings of \$30,000, of which \$17,219 was outstanding at December 31, 2017. Borrowings against the line of credit bear interest at 7.79%. The agreement expires April 2018.

NOTE 6 – LONG-TERM LIABILITIES

In March 2016, the Organization signed an agreement with the LaGrange County Community Foundation to pay off a previous bank note on a building 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 was fixed at 5.25% through December 31, 2016 and then became a variable rate equal to the prime rate plus 1.75%. Effective rate at December 31, 2017 was 6.25%.

Total interest expense for the year ended December 31, 2017 and 2016 was \$13,216 and \$12,220, respectively.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Aggregate maturities of long-term liabilities as of the next five years ending December 31 are as follows:

2018	\$ 10,624
2019	12,304
2020	13,095
2021	13,937
2022 and thereafter	153,381
	<u>\$ 203,341</u>

NOTE 7 – RESTRICTIONS OF NET ASSETS

Permanently restricted net assets totaling \$10,250 as of December 31, 2017 and 2016, 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.

NOTE 8 – CONTINGENCIES AND CONCENTRATIONS

The Organization has elected to not pay unemployment insurance to the State of Indiana. Consequently, the Organization is responsible for paying unemployment compensation claims by former employees as they are made. Unemployment benefits paid for the years ending December 31, 2017 and 2016 totaled \$1,414 and \$5,460, 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% of total revenues were received from state and federal governmental sources for the years ended December 31, 2017 and 2016.

NOTE 9 – 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 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 27, 2018, 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, 2017

<u>Grantor/Program</u>	<u>Amount Reported on Form E-1</u>	<u>2017 Expenditures Pending Reimbursement</u>	<u>Audited Amounts Expended in Program Exp.</u>	<u>2017 Amount Awarded</u>
Federal Transportation Administration				
Passed through state or local government or other organization				
Indiana Dept. of Transportation	\$ 381,179	\$ 85,943	\$ 467,122	\$ 467,122
Indiana Dept. of Transportation- Vans	56,239	-	56,239	56,239
Total	<u>437,418</u>	<u>85,943</u>	<u>523,361</u>	<u>523,361</u>
Fee for Service				
Aging & In-Home Services				
SSBG Homemaker	2,313	302	2,615	2,480
Choice Homemaker	3,267	635	3,902	4,037
3B Transportation/Homemaker	28,661	7,553	36,214	36,214
Indiana Medicaid				
Medicaid Transportation/Homemaker	<u>40,577</u>	<u>-</u>	<u>40,577</u>	<u>40,577</u>
Total Fee for Service	<u>74,818</u>	<u>8,490</u>	<u>83,308</u>	<u>83,308</u>
State and Local Grants				
Paid directly				
LaGrange County Commissioners	44,000	-	44,000	44,000
Total Federal, State and Local Funds Expended	<u>\$ 556,236</u>	<u>\$ 94,433</u>	<u>\$ 650,669</u>	<u>\$ 650,669</u>
Total Expenditures for the Organization			<u>\$ 923,991</u>	