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January 16, 2020

Board of Directors
Paul Phillippe Resource Center, Inc.
401 West Walnut St.
Frankfort, IN 46041

We have reviewed the audit report of Paul Phillippe Resource Center, Inc., which was opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Paul Phillippe Resource Center, Inc. as of December 31, 2018 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 the audit report in accordance with the 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

PAUL PHILLIPPE RESOURCE CENTER, INC.

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Paul Phillippe Resource Center, Inc.
Frankfort, Indiana

We have audited the accompanying financial statements of Paul Phillippe Resource Center, Inc., which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net assets – modified cash basis, and functional expenses – 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 Paul Phillippe Resource Center, Inc. as of December 31, 2018 and 2017, and its revenues, expenses, and changes in net assets 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 this matter.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 1 to financial statements, in 2018 Paul Phillippe Resource Center, Inc. adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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 federal, state, and local awards on page 14, 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
June 18, 2019

PAUL PHILLIPPE RESOURCE CENTER, INC.
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 81,608	\$ 60,637
Payroll tax refund claim receivable	-	4,128
Property and equipment	510,085	426,711
Beneficial interest in charitable trust held by others	<u>320,330</u>	<u>384,945</u>
<i>Total assets</i>	<u>\$ 912,023</u>	<u>\$ 876,421</u>
Liabilities and Net Assets:		
Liabilities:		
Payroll withholdings	\$ 1,181	\$ 747
Deposits held	<u>500</u>	<u>400</u>
<i>Total liabilities</i>	<u>1,681</u>	<u>1,147</u>
Net Assets:		
Without donor restrictions:		
Undesignated	64,927	63,618
Investment in property and equipment	<u>510,085</u>	<u>426,711</u>
	<u>575,012</u>	<u>490,329</u>
With donor restrictions:		
Time-restricted for future periods	320,330	384,945
Purpose restricted	<u>15,000</u>	<u>-</u>
	<u>335,330</u>	<u>384,945</u>
<i>Total net assets</i>	<u>910,342</u>	<u>875,274</u>
<i>Total liabilities and net assets</i>	<u>\$ 912,023</u>	<u>\$ 876,421</u>

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

PAUL PHILLIPPE RESOURCE CENTER, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Support, Revenues, and Gains:						
Transportation grants	\$ 438,320	\$ 22,400	\$ 460,720	\$ 333,684	\$ 146,868	\$ 480,552
Other grants and contributions	18,710	23,612	42,322	17,156	6,953	24,109
United Way of Clinton County	20,934	-	20,934	20,525	-	20,525
Service fees	116,711	-	116,711	124,974	-	124,974
Special events	7,967	-	7,967	8,073	-	8,073
Trip income	280	-	280	18,981	-	18,981
Advertising	750	-	750	1,550	-	1,550
Rental income	6,580	-	6,580	5,395	-	5,395
Change in value of beneficial interest in charitable trust held by others	30,000	(64,614)	(34,614)	23,000	7,192	30,192
Investment income	6,663	-	6,663	19,196	-	19,196
Gain on sale of equipment	9,105	-	9,105	-	-	-
Other	3,327	-	3,327	3,748	-	3,748
Net assets released from restrictions	<u>31,013</u>	<u>(31,013)</u>	<u>-</u>	<u>153,821</u>	<u>(153,821)</u>	<u>-</u>
<i>Total support, revenues, and gains</i>	<u>690,360</u>	<u>(49,615)</u>	<u>640,745</u>	<u>730,103</u>	<u>7,192</u>	<u>737,295</u>
Expenses:						
Transportation	457,494	-	457,494	437,605	-	437,605
Senior Resource Center	<u>41,258</u>	<u>-</u>	<u>41,258</u>	<u>65,088</u>	<u>-</u>	<u>65,088</u>
<i>Total program services expenses</i>	<u>498,752</u>	<u>-</u>	<u>498,752</u>	<u>502,693</u>	<u>-</u>	<u>502,693</u>
Management and general	70,090	-	70,090	71,885	-	71,885
Fundraising	<u>36,835</u>	<u>-</u>	<u>36,835</u>	<u>38,128</u>	<u>-</u>	<u>38,128</u>
<i>Total supporting service expenses</i>	<u>106,925</u>	<u>-</u>	<u>106,925</u>	<u>110,013</u>	<u>-</u>	<u>110,013</u>
<i>Total expenses</i>	<u>605,677</u>	<u>-</u>	<u>605,677</u>	<u>612,706</u>	<u>-</u>	<u>612,706</u>
Change in net assets	84,683	(49,615)	35,068	117,397	7,192	124,589
Net assets, beginning of year	<u>490,329</u>	<u>384,945</u>	<u>875,274</u>	<u>372,932</u>	<u>377,753</u>	<u>750,685</u>
<i>Net assets, end of year</i>	<u>\$ 575,012</u>	<u>\$ 335,330</u>	<u>\$ 910,342</u>	<u>\$ 490,329</u>	<u>\$ 384,945</u>	<u>\$ 875,274</u>

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

PAUL PHILLIPPE RESOURCE CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Years Ended December 31, 2018 and 2017

	2018					2017				
	Transportation	Senior Resource Center	Management and General	Fundraising	Totals	Transportation	Senior Resource Center	Management and General	Fundraising	Totals
Salaries and wages	\$ 233,904	\$ 25,065	\$ 48,950	\$ 27,126	\$ 335,045	\$ 227,427	\$ 31,841	\$ 50,752	\$ 27,314	\$ 337,334
Payroll taxes	<u>17,644</u>	<u>1,891</u>	<u>3,693</u>	<u>2,046</u>	<u>25,274</u>	<u>16,486</u>	<u>2,308</u>	<u>3,679</u>	<u>1,980</u>	<u>24,453</u>
<i>Total personnel</i>	251,548	26,956	52,643	29,172	360,319	243,913	34,149	54,431	29,294	361,787
Vehicle operating expenses	63,391	3,351	-	-	66,742	60,087	3,038	-	-	63,125
Insurance	35,309	686	1,341	743	38,079	32,090	329	524	281	33,224
Occupancy	20,089	2,153	4,204	2,330	28,776	21,822	3,055	4,870	2,621	32,368
Supplies and activities	6,486	3,336	735	2,530	13,087	4,081	3,032	287	3,546	10,946
Postage	268	29	56	31	384	233	33	52	28	346
Communications	9,888	1,102	463	196	11,649	9,105	720	588	81	10,494
Professional fees	-	-	7,340	-	7,340	-	-	7,200	-	7,200
Advertising	808	1,079	-	-	1,887	611	74	-	-	685
Dues and subscriptions	1,054	269	-	-	1,323	565	170	-	-	735
Conferences and training	2,949	-	-	-	2,949	5,468	-	-	-	5,468
Travel	1,865	114	-	-	1,979	3,371	182	-	-	3,553
Trip expenses	-	-	-	-	-	-	17,476	-	-	17,476
Depreciation	62,355	1,694	3,308	1,833	69,190	53,683	2,448	3,903	2,101	62,135
Other	<u>1,484</u>	<u>489</u>	-	-	<u>1,973</u>	<u>2,576</u>	<u>382</u>	<u>30</u>	<u>176</u>	<u>3,164</u>
<i>Totals</i>	<u>\$ 457,494</u>	<u>\$ 41,258</u>	<u>\$ 70,090</u>	<u>\$ 36,835</u>	<u>\$ 605,677</u>	<u>\$ 437,605</u>	<u>\$ 65,088</u>	<u>\$ 71,885</u>	<u>\$ 38,128</u>	<u>\$ 612,706</u>

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

PAUL PHILLIPPE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Paul Phillippe Resource Center, Inc. (the Organization, we, us, our) is an Indiana nonprofit corporation organized to fulfill the needs of Clinton County, Indiana residents over age 55. We provide public transportation services and we maintain a resource center that serves older adults. Our operations are supported primarily by grants from governmental agencies and other nonprofit organizations and contributions from the public.

Significant Accounting Policies:

Basis of Accounting:

Our 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, and a provision for depreciation 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 earned from cost-reimbursement awards. The majority of our 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 valuation of the beneficial interest in assets held in trust, which is based on the value of the underlying assets in the trust, as provided by the trustee, and which approximates the present value of expected future distributions.
- The allocations of costs among programs and supporting services, which are based on time and facility usage studies and other methods of cost allocation.

Net Asset Classes:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

PAUL PHILLIPPE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents:

We consider all highly liquid financial instruments with an original maturity of three months or less and that are neither held for nor restricted by donors for long-term purposes to be cash and cash equivalents.

Property and Equipment:

Property and equipment is 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:

Building and improvements	10-40 years
Vehicles.....	5-7 years
Office equipment.....	5-7 years
Furniture and fixtures.....	5-12 years

All of our transportation 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 the vehicles 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 we expect 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 Charitable Trust Held by Others:

We have been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. The trust was created independently by a donor and is administered by outside agents designated by the donor; therefore, we have neither possession nor control over the assets of the trust. At the date we receive notice of a beneficial interest, contribution revenue with donor restrictions is recognized, and a beneficial interest in charitable trusts held by others is recorded as an asset, at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, the beneficial interest in the trust is reported at fair value in the statements of assets, liabilities, and net assets – modified cash basis, with changes in fair value recognized in the statements of revenues, expenses and changes in net assets – modified cash basis.

PAUL PHILLIPPE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

Gifts and Grants:

We report gifts and grants of cash and other assets as revenue when received, and consider 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), net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of revenues, expenses, and changes in net assets – modified cash basis as net assets released from restrictions.

Contributions of property and equipment are recorded at fair value at the date of contribution, and are reported as increases in unrestricted net assets unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted contributions. Absent donor stipulations regarding how long such donated assets must be maintained, we report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. We reclassify net assets with restrictions to net assets without restrictions at that time.

Fees for Services:

Fees for services are recognized as revenue when collected.

Advertising Costs:

Advertising costs are expensed when incurred and were \$1,887 and \$685 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes:

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

We recognize 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 our tax-exempt status and positions related to the potential sources of unrelated business taxable income. We have 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. We classify interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any

PAUL PHILLIPPE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

penalties related to unrecognized tax benefits at either December 31, 2018 or 2017, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2015.

Functional Allocation of Expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net assets – modified cash basis and the statements of functional expenses – modified cash basis. The statements of functional expenses – modified cash basis present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and building depreciation, which are allocated on a square footage basis, as well as personnel, insurance, supplies and activities, postage, communications, and other, which are allocated on the basis of estimates of time and effort or other factors driving expenses.

Financial Instruments and Credit Risk:

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts.

Recent Accounting Pronouncements and Accounting Changes:

In 2018, we adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this guidance include presentation of two net asset classes instead of the previous three; recognition of underwater endowment funds as a reduction of net assets with donor restrictions; and enhanced disclosures for board-designated amounts, composition of net assets without donor restrictions, and liquidity. There were no net asset reclassifications made as a result of adopting the new standard. In addition, we have elected to change the reporting of our statements assets, liabilities, and net assets – modified cash basis from a classified to an unclassified presentation.

Reclassifications:

Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation of the 2018 financial statements. These reclassifications had no effect on the 2017 change in net assets.

PAUL PHILLIPPE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Subsequent Events:

The date through which events occurring subsequent to December 31, 2018 have been evaluated for possible adjustment to the financial statements or disclosure is June 18, 2019, the date on which the financial statements were available to be issued.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of December 31, 2018 are as follows:

Cash and cash equivalents	\$ 66,608
Distributions from beneficial interest in charitable trust held by others	<u>6,590</u>
<i>Total financial assets available for general expenditure</i>	<u><u>\$ 73,198</u></u>

As part of our liquidity management plan, we may invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

Distributions from the beneficial interest in charitable trust held by others are estimated investment earnings in a trust for which we are the sole beneficiary (see Note 3) and which are available for distribution. We also may request distributions from principal, but must obtain court approval through the trustee. There are no open petitions at December 31, 2018 and we have not initiated any petitions to date in 2019.

NOTE 3. BENEFICIAL INTEREST IN CHARITABLE TRUST HELD BY OTHERS

The beneficial interest in charitable trust held by others with a value of \$320,330 and \$384,945 at December 31, 2018 and 2017, respectively, consists of an interest in a trust of which we are the sole beneficiary. There are no restrictions on the use of income from the trust. Principal may be distributed to us upon showing of good cause and approval of the court of jurisdiction.

Distributions of \$36,590 and \$42,160 were received from the trust in 2018 and 2017, respectively, of which \$6,590 and \$19,160, respectively, were distributions of income and \$30,000 and \$23,000, respectively, were distributions of principal. Distributions of income are included in investment income, and distributions of principal are included in the change in the value of the trust, in revenues in the accompanying statements of revenues, expenses and changes in net assets – modified cash basis.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 304,593	\$ 304,593
Land	30,410	30,410

PAUL PHILLIPPE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Vehicles	548,456	601,949
Office equipment	158,314	127,253
Furniture and fixtures	<u>31,831</u>	<u>25,137</u>
	1,073,604	1,089,342
Less accumulated depreciation	<u>(563,519)</u>	<u>(662,631)</u>
<i>Net property and equipment</i>	<u>\$ 510,085</u>	<u>\$ 426,711</u>

NOTE 5. NET ASSETS INFORMATION

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Subject to passage of time:		
Beneficial interest in charitable trust	\$ 320,330	\$ -
Subject to expenditure for specified purposes:		
Health and community services	<u>15,000</u>	<u>384,945</u>
<i>Net assets with donor restrictions</i>	<u>\$ 335,330</u>	<u>\$ 384,945</u>

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017, respectively:

Transportation operating expenses	\$ 8,613	\$ 6,953
Vehicle purchases	<u>22,400</u>	<u>146,868</u>
<i>Total net assets released from restrictions</i>	<u>\$ 31,013</u>	<u>\$ 153,821</u>

NOTE 6. INVESTMENT INCOME INFORMATION

Investment income consists of the following for the years ended December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Interest on bank accounts	\$ 73	\$ 36
Distributions from beneficial interest in trust	<u>6,590</u>	<u>19,160</u>
<i>Total investment income</i>	<u>\$ 6,663</u>	<u>\$ 19,196</u>

NOTE 7. FAIR VALUE MEASUREMENTS

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

PAUL PHILLIPPE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- *Level 1:* Quoted prices (unadjusted) for identical assets 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; 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.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

The fair value of assets measured on a recurring basis at December 31, 2018 and 2017, respectively is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Beneficial interest in assets held in trust:</i>				
At December 31, 2018	\$ <u>320,330</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>320,330</u>
At December 31, 2017	\$ <u>384,945</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>384,945</u>

Fair value for the beneficial interest in assets held in trust discussed in Note 3 is based on the fair value of the assets held by the trust, as provided by the trustee, and which approximates the present value of expected future distributions.

The following is a reconciliation of beginning and ending balance of the fair value of assets measured by Level 3 inputs for the years ended December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Beneficial interest in assets held in trust:		
Beginning fair value	\$ 384,945	\$ 377,753
Change in value	(28,025)	49,352
Distributions	<u>(36,590)</u>	<u>(42,160)</u>
<i>Ending fair value</i>	<u>\$ 320,330</u>	<u>\$ 384,945</u>

PAUL PHILLIPPE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8. COMMUNITY FOUNDATION ENDOWMENT

We are the beneficiary of an endowment fund held by Community Foundation of Howard County, Inc. (Community Foundation) to which others have contributed. The amount of income distributed is based upon Community Foundation's current spending policy and the amount of funds designated for the Organization. Because the donations were from third-party donors who granted Community Foundation granted variance power over the assets, such assets are not reported in the accompanying statements of assets, liabilities, and net assets – modified cash basis. The value of the fund at December 31, 2018 and 2017 is \$7,636 and \$8,126, respectively. The Organization received distributions from the fund of \$280 and \$232 for the years ended December 31, 2018 and 2017, respectively, which are included in contributions revenue in accompanying statements of revenues, expenses, and changes in net assets – modified cash basis.

NOTE 9. CONCENTRATIONS

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents. We have cash on deposit with financial institutions that, at times, may exceed the federal insurance limits. At both December, 31, 2018 and 2017, we had no amounts in excess of the insurance limit.

Our activities and contributors are concentrated in Clinton County, Indiana. Accordingly, our gifts, grants, and other sources of support and revenue may be affected by conditions in that area. In addition, for the years ended December 31, 2018 and 2017, approximately 63% and 58%, respectively, of total revenues were from Clinton County for programs funded by the Indiana Department of Transportation.

NOTE 10. CONTINGENCIES

We are involved in disputes or legal actions arising in the ordinary course of business. We do not believe the outcome of such legal actions will have a material adverse effect on our financial position or results of operations.

PAUL PHILLIPPE RESOURCE CENTER, INC.
SCHEDULE OF FEDERAL, STATE, AND LOCAL AWARDS
Year Ended December 31, 2018

<u>Grantor/Pass-Through Grantor/Program/Title</u>	<u>Identifying Number</u>	<u>Beginning Balance</u>	<u>Award Received</u>	<u>Award Expended</u>	<u>Ending Balance</u>
Federal Awards					
<i>United States Department of Transportation:</i>					
Passed Through Indiana Department of Transportation:					
Passed through Clinton County Commissioners:					
Formula Grants for Other Than Urbanized Areas	18035530	\$ 52,722	\$ -	\$ 52,722	\$ -
Formula Grants for Other Than Urbanized Areas	18036530	-	201,540	155,608	45,932
Formula Grants for Other Than Urbanized Areas	1803653D	-	24,000	18,942	5,058
Formula Grants for Other Than Urbanized Areas	1803653C	-	85,058	85,058	-
<i>Total grant project</i>		<u>52,722</u>	<u>310,598</u>	<u>312,330</u>	<u>50,990</u>
<i>United States Department of Health and Human Services:</i>					
Passed Through 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-4-125:18	11,584	-	11,584	-
Grants for Supportive Services and Senior Centers	AAA-4-125:19	-	15,445	3,861	11,584
<i>Total grant project</i>		<u>11,584</u>	<u>15,445</u>	<u>15,445</u>	<u>11,584</u>
Community Services Block Grant	n/a	-	13,215	13,215	-
<i>Total federal awards</i>		<u>64,306</u>	<u>339,258</u>	<u>340,990</u>	<u>62,574</u>
State Awards					
<i>Indiana Department of Transportation:</i>					
Section 5311 PMTF Allocation	18035530	6,000	-	6,000	-
Section 5311 PMTF Allocation	18036530	-	91,974	84,990	6,984
<i>Total state awards</i>		<u>6,000</u>	<u>91,974</u>	<u>90,990</u>	<u>6,984</u>
Local Awards					
Clinton County Commissioners	N/A	-	15,000	15,000	-
City of Frankfort	N/A	-	20,000	20,000	-
Center Township	N/A	-	15,000	-	15,000
<i>Total local awards</i>		<u>-</u>	<u>50,000</u>	<u>35,000</u>	<u>15,000</u>
<i>Total federal, state, and local awards</i>		<u>\$ 70,306</u>	<u>\$ 481,232</u>	<u>\$ 466,980</u>	<u>\$ 84,558</u>