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January 16, 2020

Board of Directors
LaGrange County Council on Aging, Inc.
410 E Central Avenue, PO Box 107
LaGrange, IN 46761

We have reviewed the audit report of LaGrange County Council on Aging, Inc., which was opined upon by Insight Accounting Group, 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 LaGrange County Council on Aging, 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, Insight Accounting Group, 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

December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 23 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 24, 2019

LAGRANGE COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 30,283	\$ 54,262
Non-endowed funds held by the Community		
Foundation of LaGrange County	5,798	7,035
Grants receivable	60,542	94,433
Inventory	469	469
Prepaid expenses	20,899	5,950
Total current assets	117,991	162,149
Property and equipment		
Land	14,500	14,500
Buildings and improvements	271,160	266,079
Furniture and fixtures	87,993	85,993
Vehicles	635,242	603,348
Equipment	13,097	13,097
	1,021,992	983,017
Less accumulated depreciation	(513,522)	(481,000)
Net property and equipment	508,470	502,017
Other assets		
Endowed funds held by the Community		
Foundation of LaGrange County	10,250	10,250
TOTAL ASSETS	\$ 636,711	\$ 674,416

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, 2018 and 2017

	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities		
Lines of credit	\$ 14,114	\$ 17,219
Current portion of long-term liabilities	9,481	10,624
Accounts payable	11,475	13,173
Accrued expenses	34,295	14,976
Total current liabilities	69,365	55,992
Long-term liabilities		
Note payable	192,637	203,341
Less current portion of long-term liabilities	(9,481)	(10,624)
Total long-term liabilities	183,156	192,717
Total liabilities	252,521	248,709
Net assets		
Without donor restrictions	329,630	425,457
With donor restrictions	54,560	250
Total net assets	384,190	425,707
TOTAL LIABILITIES AND NET ASSETS	\$ 636,711	\$ 674,416

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

LAGRANGE COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u> <u>Total</u>	<u>Without donor</u> <u>restrictions</u>	<u>With donor</u> <u>restrictions</u>
Revenues and support			
Public rural transportation fees	\$ 179,178	\$ 179,178	\$ -
INDOT public rural transportation grant	547,799	529,707	18,092
INDOT 5310 grant	42,442	31,224	11,218
Title IIIB transportation grants	33,871	33,871	-
SSBG homemaker grant	1,875	1,875	-
CHOICE home assistance grants	2,767	2,767	-
Medicaid transportation/homemaker	36,392	36,392	-
County Commissioners	46,000	46,000	-
United Way grant	5,065	5,065	-
Grant revenue	53,333	28,333	25,000
Homemaker donations and private pay	4,857	4,857	-
Senior income	5,465	5,465	-
Transportation donations	19,176	19,176	-
Contributions	2,729	2,729	-
Fundraising income, net of fundraising expenses of \$6,327	6,528	6,528	-
Other income	3,072	3,072	-
Interest and dividends on investments	375	375	-
Gain (loss) on sale of asset	1,000	1,000	-
Total revenues and support	<u>991,924</u>	<u>937,614</u>	<u>54,310</u>
Expenses			
Program services			
Transportation	919,663	919,663	-
Homemaker	10,077	10,077	-
Supporting services			
General and administrative	102,089	102,089	-
Total expenses	<u>1,031,829</u>	<u>1,031,829</u>	<u>-</u>
Change in net assets from operations	(39,905)	(94,215)	54,310
Nonoperating activities			
Investment return, net	(1,612)	(1,612)	-
Total nonoperating activities	<u>(1,612)</u>	<u>(1,612)</u>	<u>-</u>
CHANGE IN NET ASSETS	(41,517)	(95,827)	54,310
Net assets, beginning of year	<u>425,707</u>	<u>425,457</u>	<u>250</u>
Net assets, end of year	<u>\$ 384,190</u>	<u>\$ 329,630</u>	<u>\$ 54,560</u>

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

LAGRANGE COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2018 and 2017

	<u>2017</u> <u>Total</u>	<u>Without donor</u> <u>restrictions</u>	<u>With donor</u> <u>restrictions</u>
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 homemaker grant	4,037	4,037	-
Medicaid transportation/homemaker	41,648	41,648	-
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	12,057	12,057	-
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	-
Gain (loss) on sale of asset	1,500	1,500	-
Total revenues and support	<u>898,252</u>	<u>898,252</u>	<u>-</u>
Expenses			
Program services			
Transportation	866,266	866,266	-
Homemaker	11,387	11,387	-
Supporting services			
General and administrative	45,739	45,739	-
Total expenses	<u>923,392</u>	<u>923,392</u>	<u>-</u>
Change in net assets from operations	(25,140)	(25,140)	-
Nonoperating activities			
Investment return, net	5,917	5,917	-
Total nonoperating activities	<u>(19,223)</u>	<u>5,917</u>	<u>-</u>
CHANGE IN NET ASSETS	(19,223)	(19,223)	-
Net assets, beginning of year	<u>444,930</u>	<u>444,680</u>	<u>250</u>
Net assets, end of year	<u>\$ 425,707</u>	<u>\$ 425,457</u>	<u>\$ 250</u>

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

LAGRANGE COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2018 and 2017

	<u>Total</u>	<u>Program Services</u>		<u>Supporting Services</u>
	<u>2018</u>	<u>Transport</u>	<u>Homemaker</u>	<u>General and Administrative</u>
Salaries	\$ 505,074	\$ 489,773	\$ 7,350	\$ 7,951
Payroll taxes	37,569	36,489	562	518
Employee benefits and unemployment	5,072	3,565	-	1,507
Travel expense	1,915	-	1,915	-
Rural transportation expenses	600	600	-	-
Cell phones	2,568	2,568	-	-
Driver physicals	2,167	2,167	-	-
Van gas	110,261	110,261	-	-
Van expense-other	135,612	135,612	-	-
Advertising / marketing	6,845	2,945	-	3,900
Drug testing and TB testing	1,311	1,311	-	-
Preventative health	375	-	-	375
Building and computer repairs	12,593	-	-	12,593
Dues and subscriptions	1,349	100	-	1,249
Employee / board training	563	-	-	563
Liability insurance	4,861	-	-	4,861
Workers compensation insurance	5,820	5,567	-	253
Loan interest	14,886	-	-	14,886
Meetings and meals	1,737	698	-	1,039
Miscellaneous	1,989	-	-	1,989
Newsletter printing	22	-	-	22
Postage and delivery	1,917	-	-	1,917
Professional fees	23,431	-	250	23,181
Computer and website repairs	2,627	-	-	2,627
Office supplies	3,529	91	-	3,438
Telephone and internet	6,874	5,653	-	1,221
Trash removal	1,155	-	-	1,155
Utilities	9,972	-	-	9,972
Routematch	23,455	23,455	-	-
Depreciation expense	105,680	98,808	-	6,872
Total expenses	<u>\$ 1,031,829</u>	<u>\$ 919,663</u>	<u>\$ 10,077</u>	<u>\$ 102,089</u>

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

LAGRANGE COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2018 and 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
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
Total expenses	<u>\$ 923,392</u>	<u>\$ 866,266</u>	<u>\$ 11,387</u>	<u>\$ 45,739</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, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (41,517)	\$ (19,223)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	105,680	98,448
Non-cash grant received	(42,442)	(27,989)
(Gain)/loss on sale of assets	(1,000)	(1,500)
Realized (gain) loss on investments	(128)	(371)
Unrealized (gain) loss on investments	1,532	(6,145)
(Increase) decrease in assets		
Grants and contributions receivable	33,891	(3,808)
Prepaid expenses	(14,949)	(728)
Increase (decrease) in liabilities		
Accounts payable	(1,698)	797
Accrued expenses	19,319	5,561
Net cash from operating activities	58,688	45,042
Cash flows from investing activities		
Purchase of property and equipment	(69,691)	(68,166)
Proceeds from sale of property and equipment	1,000	1,500
Proceeds from sale of investments	-	55,249
Reinvestment of investment income	(167)	(616)
Net cash from investing activities	(68,858)	(12,033)
Cash flows from financing activities		
Net borrowings (payments) under lines of credit	(3,105)	17,219
Principal payments on long-term liabilities	(10,704)	(14,532)
Net cash from financing activities	(13,809)	2,687
Net change in cash and cash equivalents	(23,979)	35,696
Cash and cash equivalents, beginning of year	54,262	18,566
Cash and cash equivalents, end of year	\$ 30,283	\$ 54,262

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	<u>\$ 14,886</u>	<u>\$ 13,892</u>
Schedule of noncash financing transactions		
Purchase of van	\$ 105,052	\$ 35,186
Portion of purchase price paid directly by grantor	<u>(42,442)</u>	<u>(27,989)</u>
Cash paid for van	<u>\$ 62,610</u>	<u>\$ 7,197</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, 2018 and 2017

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 statements of the Organization have been prepared in accordance with the accounting principles generally accepted in the United States of America, which under ASU 2016-14 requires the Organization to report information regarding its financial position and activities according to the following net asset classification:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributed to transportation activities and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and include realized and unrealized gains and losses on those investments.

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.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

Cash and cash equivalents (continued)

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, 2018 and 2017. 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.

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 90% and 91% of grants receivable as of December 31, 2018 and 2017, 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 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, 2018 and 2017 was \$105,680 and \$98,448, 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.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

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. Such allocations are determined by management on an equitable basis.

The expenses that are allocated included the following:

<u>Expense</u>	<u>Method of allocation</u>
Salaries	Time study/function
Payroll taxes	Salaries
Employee benefits and unemployment	Salaries
Advertising / marketing	Function
Dues and subscriptions	Function
Workers compensation insurance	Number of employees
Meetings and meals	Function
Professional fees	Function
Office supplies	Function
Telephone and internet	Function
Depreciation expense	Function

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising expense for the years ended December 31, 2018 and 2017 amounted to approximately \$6,845 and \$6,222, respectively.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

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, 2015 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.

Recent accounting pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The significant changes include requiring the presentation of only two classes of net assets titled “net assets without donor restrictions” and “net assets with donor restrictions”, modifying the presentation of underwater endowment funds and related disclosures, requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations, requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes with a summary of the allocation method used to allocate costs, requires the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, presenting investment return net of external and direct internal investment expenses, and modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for fiscal years beginning after December 2017. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 – ASSET HELD BY THE COMMUNITY FOUNDATION OF LAGRANGE COUNTY

As of December 31, 2018 and 2017, 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.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 – ASSET HELD BY THE COMMUNITY FOUNDATION OF LAGRANGE COUNTY (CONTINUED)

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.

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:

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3 – FAIR VALUE MEASUREMENT (CONTINUED)

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.

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.

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.

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

ASC 820, *Fair Value*, includes a “practical expedient” that permits the use of net asset value (“NAV”) in place of fair value. In accordance with ASU 2015-07, investments carried at NAV are no longer assigned a hierarchy level.

The endowed and non-endowed funds held by the Community Foundation are valued at NAV based upon the Organization’s proportionate share of the Foundation’s pooled’ investment portfolio, as reported by the Foundation at year-end.

The following table sets forth the Organization’s investments as of December 31, 2018 and 2017, by major classification measured at fair value by level, except those measured by using NAV as a practical expedient:

	2018				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Non-endowed - CF	\$ 5,798	\$ -	\$ -	\$ -	\$ 5,798
Endowed - CF	10,250	-	-	-	10,250
	<u>\$ 16,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,048</u>
	2017				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Non-endowed - CF	\$ 7,035	\$ -	\$ -	\$ -	\$ 7,035
Endowed - CF	10,250	-	-	-	10,250
	<u>\$ 17,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,285</u>

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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 375	\$ 1,216
Net realized gains and (losses)	128	371
Net unrealized gains and (losses)	(1,532)	6,145
	<u>\$ (1,029)</u>	<u>\$ 7,732</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.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – ENDOWMENT (CONTINUED)

Interpretation of relevant law

The Board interpreted Indiana’s version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2018 and 2017, there were no such donor stipulations.

In addition, the Board has interpreted Indiana’s version of UPMIFA as requiring realized and unrealized gains of net assets with donor-restrictions to be retained in a restricted net asset classification until appropriated by the Board for expenditure unless explicitly stated otherwise. The Board has further interpreted that board designated endowment funds, while considered to be perpetual funds, are not subject to UPMIFA, and therefore, realized and unrealized gains are not required to be retained as restricted net assets until appropriated. The balance of the donor-restricted endowment fund totaled \$250 as of December 31, 2018 and 2017, respectively, and no realized or unrealized gains have been allocated to this balance.

Funds with deficiencies

The fund follows the 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 (underwater). In accordance with GAAP, underwater endowment funds will reclassify the underwater portion of the endowment fund from “without donor restrictions” to “with donor restrictions.” As of December 31, 2018 and 2017, there were no underwater endowment funds.

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, 2018 and 2017, endowment net assets consisted of:

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4 – ENDOWMENT (CONTINUED)

	2018		
	Total	Without donor restrictions	With donor restrictions
Board designated	\$ 10,000	\$ 10,000	\$ -
Donor endowed	250	-	250
	\$ 10,250	\$ 10,000	\$ 250

	2017		
	Total	Without donor restrictions	With donor restrictions
Board designated	\$ 10,000	\$ 10,000	-
Donor endowed	250	-	250
	\$ 10,250	\$ 10,000	\$ 250

Changes in endowment net assets

For the years ending December 31, 2018 and 2017, changes in endowment net assets were:

	2018		
	Total	Without donor restrictions	With donor restrictions
Beginning of year	\$ 10,250	\$ 10,000	\$ 250
Activity	-	-	-
End of year	\$ 10,250	\$ 10,000	\$ 250

	2017		
	Total	Without donor restrictions	With donor restrictions
Beginning of year	\$ 10,250	\$ 10,000	\$ 250
Activity	-	-	-
End of year	\$ 10,250	\$ 10,000	\$ 250

NOTE 5 – RESTRICTIONS OF NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31:

	2018	2017
Endowment	\$ 250	\$ 250
Property and equipment	43,092	-
Software support	11,218	-
Total net assets with donor restrictions	\$ 54,560	\$ 250

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2018	2017
Cash and cash equivalents	\$ 30,283	\$ 54,262
Non-endowed funds held by the Community Foundation of LaGrange County	5,798	7,035
Grants receivable	60,542	94,433
Total financial assets available within one year	96,623	155,730
Less amounts unavailable for general expenditures due to:		
Cash restricted for property and equipment	(25,000)	-
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 71,623</u>	<u>\$ 155,730</u>

The Organizations goal is generally to maintain financial assets to meet 30 days of operating expenses (approximately \$77,000). The Organization has a \$30,000 line of credit of which \$15,886 is available to meet cash flow needs.

NOTE 7 – LINE OF CREDIT

The Organization has an annually renewable line of credit with a financial institution. The total amount available under this line is \$30,000, of which \$14,114 and \$17,219 was outstanding for the years ended December 31, 2018 and 2017, respectively. Borrowings against the line of credit bear interest at 7.99%. The agreement expires April 2019 and has been renewed.

NOTE 8 – 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 and is secured by the building. 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, 2018 and 2017 was 7.25% and 6.25%, respectively.

The loan balance at December 31, 2018 and 2017 was \$192,637 and \$203,341, respectively. Total interest expense for the year ended December 31, 2018 and 2017 was \$14,886 and \$13,216, respectively.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

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

2019	\$ 9,481
2020	11,085
2021	11,915
2022	12,809
2023 and thereafter	<u>147,347</u>
	<u>\$ 192,637</u>

NOTE 9 – 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, 2018 and 2017 totaled \$3,564 and \$1,414, 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 64% and 63% of total revenues were received from state and federal governmental sources for the years ended December 31, 2018 and 2017, respectively.

NOTE 10 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principal of ASU 2014-09 is that an entity should recognize revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services. In accordance with this principle, a five-step approach was established for determining the amount of revenue to be recognized and when it should be recognized. The five-step approach includes identifying the contract(s) with a customer, identifying each performance obligation in the contract, determining the transaction price, allocating the transaction price to each performance obligation, and recognizing revenue when, or as, each performance obligation is satisfied.

LAGRANGE COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The new guidance also requires enhanced disclosures and may require entities to make greater use of judgements and estimates than previously required under accounting principles generally accepted in the United States of America (U.S. GAAP). The Company is currently evaluating how the adoption of ASU 2014-09 and its five-step approach will impact its financial position and results of operations, but material changes are not anticipated under the modified retrospective method. The guidance will be effective for the Company's reporting period beginning January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance on the recognition, measurement, presentation, and disclosure of leases. This new accounting standard requires that an entity recognizes the right to use the leased assets and a liability for the corresponding lease obligation on its balance sheet for leases in excess of one year that were previously classified as operating leases under U.S. GAAP. The standard also requires entities to disclose information about the amount, timing, and uncertainty for the payments made for the lease agreements in the footnotes to the financial statements. The Company is currently evaluating how the adoption of ASU 2016-02 will impact its financial position and results of operations. The guidance will be effective for the Company's reporting period beginning January 1, 2020.

NOTE 11 – 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 12 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 24, 2019, 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, 2018

<u>Grantor/Program</u>	<u>Amount Reported on Form E-1</u>	<u>Less 2017 Expenditures Reimbursed in 2018</u>	<u>2018 Expenditures Pending Reimbursement</u>	<u>2018 Additional Amounts Received</u>	<u>Audited Amounts Expended in Program Exp.</u>	<u>2018 Amount Awarded</u>
Federal Transportation Administration						
Passed through state or local government or other organization						
Indiana Dept. of Transportation	\$ 525,062	\$ (85,943)	\$ 36,362	\$ -	\$ 475,481	\$ 475,481
Indiana Dept. of Transportation- Other	39,058	-	18,092	57,610	114,760	114,760
Total	<u>564,120</u>	<u>(85,943)</u>	<u>54,454</u>	<u>57,610</u>	<u>590,241</u>	<u>590,241</u>
Fee for Service						
Aging & In-Home Services						
SSBG Homemaker	1,935	(302)	242	-	1,875	1,875
Choice Homemaker	2,948	(635)	454	-	2,767	2,767
3B Transportation/Homemaker	36,031	(7,554)	5,394	-	33,871	33,871
Indiana Medicaid						
Medicaid Transportation/Homemaker	<u>36,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,392</u>	<u>36,392</u>
Total Fee for Service	<u>77,306</u>	<u>(8,491)</u>	<u>6,090</u>	<u>-</u>	<u>74,905</u>	<u>74,905</u>
State and Local Grants						
Paid directly						
LaGrange County Commissioners	46,000	-	-	-	46,000	46,000
Total Federal, State and Local Funds Expended	<u>\$ 687,426</u>	<u>\$ (94,434)</u>	<u>\$ 60,544</u>	<u>\$ 57,610</u>	<u>\$ 711,146</u>	<u>\$ 711,146</u>
Total Expenditures for the Organization					<u>\$ 1,031,829</u>	