CONSOLIDATED FINANCIAL REPORT

REAL SERVICES, INC. AND AFFILIATES

June 30, 2016 and 2015

CONTENTS

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CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
REAL Services, Inc. and Affiliates
South Bend, Indiana

We have audited the accompanying consolidated financial statements of REAL Services, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of REAL Services, Inc. and Affiliates as of June 30, 2016 and 2015, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cullar & Associates, P.C.

South Bend, Indiana
January 11, 2017

REAL SERVICES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	$ 4,965,301	$ 3,905,659
Grants, contributions, and fees receivable	1,893,264	2,482,459
Prepaid expenses	3,030	2,925
Long-term certificates of deposit	504,174	505,012
Beneficial interests in assets held by others	1,016,641	1,114,037
Property and equipment	2,296,703	2,497,050
Cash held in escrow for employee benefits	106,233	229,595
Cash held for deferred compensation plan benefits	95,500	47,500
Assets held for others under guardianship	192,410	89,321
Total assets	$ 11,073,256	$ 10,873,558
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	$ 1,009,127	$ 922,525
Refundable advances	33,365	32,856
Deferred revenues	80,587	73,210
Accrued employee benefits	106,233	229,595
Accrued deferred compensation plan benefits	119,500	71,500
Liability for assets held under guardianships	192,410	89,321
Total liabilities	1,541,222	1,419,007
Net Assets:		
Unrestricted	7,611,913	7,668,973
Temporarily restricted	1,420,121	1,285,578
Permanently restricted	500,000	500,000
Total net assets	9,532,034	9,454,551
Total liabilities and net assets	$ 11,073,256	$ 10,873,558

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

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, Gains, Other Support:								
Grants and fees	$ 16,458,028	$ 397,881	$ -	$ 16,855,909	$ 15,718,046	$ 490,625	$ -	$ 16,208,671
Program service revenue	1,074,687	81,086	-	1,155,773	1,151,175	96,983	-	1,248,158
Contributions	331,785	278,349	-	610,134	469,999	179,028	-	649,027
Change in value of beneficial interests in assets held by others	(28,015)	(69,381)	-	(97,396)	(15,934)	(20,302)	-	(36,236)
Investment income	29,491	61,407		90,898	29,378	31,211		60,589
Other	276,039	24,040	-	300,079	225,516	23,789	-	249,305
Net assets released from restrictions	638,839	(638,839)	-	-	561,790	(561,790)	-	-
Total revenues, gains, and other support	18,780,854	134,543	-	18,915,397	18,139,970	239,544	-	18,379,514
Expenses:								
Nutrition	2,149,574	-	-	2,149,574	2,504,015	-	-	2,504,015
Foster Grandparents	176,304	-	-	176,304	264,857	-	-	264,857
Area Agency on Aging	1,817,208	-	-	1,817,208	1,745,164	-	-	1,745,164
Crime Victim	34,797	-	-	34,797	23,435	-	-	23,435
Energy Assistance	5,665,318	-	-	5,665,318	5,120,411	-	-	5,120,411
Case Management	3,241,125	-	-	3,241,125	3,691,908	-	-	3,691,908
Transportation	206,524	-	-	206,524	203,920	-	-	203,920
Weatherization	734,465	-	-	734,465	505,090	-	-	505,090
Community Services	713,239	-	-	713,239	779,514	-	-	779,514
Home Health Care	2,167,204	-	-	2,167,204	1,640,013	-	-	1,640,013
Guardianship	193,365	-	-	193,365	155,486	-	-	155,486
Alzheimer's and Dementia Services	803,636	-	-	803,636	638,194	-	-	638,194
Total program service expenses	17,902,759	-	-	17,902,759	17,272,007	-	-	17,272,007
Management and general	837,029	-	-	837,029	801,763	-	-	801,763
Development and fundraising	98,126	-	-	98,126	76,018	-	-	76,018
Total expenses	18,837,914	-	-	18,837,914	18,149,788	-	-	18,149,788
Change in net assets	(57,060)	134,543	-	77,483	(9,818)	239,544	-	229,726
Net assets, beginning of year	7,668,973	1,285,578	500,000	9,454,551	7,678,791	1,046,034	500,000	9,224,825
Net assets, end of year	$ 7,611,913	$ 1,420,121	$ 500,000	$ 9,532,034	$ 7,668,973	$ 1,285,578	$ 500,000	$ 9,454,551

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

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Nutrition	Foster Grandparents	Area Agency on Aging	Crime Victim	Energy Assistance	Case Management	Transportation	Weatherization	Community Services	Home Health Care	Guardianship	Alzheimer's and Dementia Services	Management and General	Development and Fundraising	Totals
Personnel	$ 881,906	$ 38,686	$ 1,180,627	$ 31,462	$ 261,049	$ 2,917,751	$ 165,191	$ 149,334	$ 405,210	$ 18,696	$ 167,590	$ 601,794	$ 678,298	$ 20,969	$ 7,518,563
Contract services	-	-	-	-	-	-	-	-	-	-	-	-	40,852	-	40,852
IT services	5,454	563	8,230	81	10,370	22,073	639	283	2,865	-	964	3,893	3,832	230	59,477
Food	773,011	-	16,151	-	43	373	-	14	52	11,622	63	5,727	(138)	215	807,133
Program supplies	66,778	31	4,404	-	-	221	718	475	72	162	7	11,706	-	261	84,835
Office supplies	5,697	486	5,472	40	9,702	26,475	1,423	2,816	1,957	200	639	4,567	4,433	527	64,434
Duplicating	2,994	504	6,972	18	1,450	9,285	1,202	867	2,675	-	1,912	6,934	2,378	1,637	38,828
Recognition	-	2,000	-	-	-	-	-	-	-	-	-	94	307	50	2,451
Communications	16,903	1,232	7,293	(98)	9,291	23,686	3,798	3,389	3,051	129	1,303	8,693	2,417	146	81,233
Postage	2,896	1,508	7,367	1,347	8,589	11,223	1,004	2,943	1,901	-	1,579	3,492	34,420	2,904	81,173
Occupancy	208,134	2,780	45,600	1,817	53,534	131,970	3,844	16,957	25,542	191	14,549	67,067	29,830	5,667	607,482
Insurance	9,969	617	3,251	7	3,018	13,249	454	6,720	2,551	-	408	6,509	1,563	73	48,389
Printing and advertising	4,966	231	21,526	87	2,652	3,281	404	1,890	709	-	488	16,813	19,493	26,485	99,025
Vehicle expenses	34,147	16,250	-	-	-	-	20,136	6,717	-	-	-	-	-	-	77,250
Travel and conferences	14,902	1,524	18,316	17	2,674	67,455	140	622	7,319	478	3,511	6,027	2,791	1,231	127,007
Dues and subscriptions	630	42	16,353	5	152	10,176	17	-	6,475	-	285	1,305	966	29	36,435
Assistance to individuals	27,605	105,494	454,312	-	5,301,800	4,185	540	488,645	249,856	2,134,616	13	27,458	-	-	8,794,524
Training	1,235	200	372	-	-	155	-	169	1,089	-	-	3,302	330	-	6,852
Equipment expense	7,872	30	135	14	993	1,507	35	(67)	1,849	-	29	14,596	1,800	24	28,817
Equipment depreciation	72,199	3,111	8,068	-	-	9,922	6,784	18,070	-	-	-	6,668	7,020	-	131,842
Other	12,276	1,015	12,759	-	1	(11,862)	195	34,621	66	1,110	25	6,991	6,437	37,678	101,312
Totals	$ 2,149,574	$ 176,304	$ 1,817,208	$ 34,797	$ 5,665,318	$ 3,241,125	$ 206,524	$ 734,465	$ 713,239	$ 2,167,204	$ 193,365	$ 803,636	$ 837,029	$ 98,126	$ 18,837,914

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

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Nutrition	Foster Grandparents	Area Agency on Aging	Crime Victim	Energy Assistance	Case Management	Transportation	Weatherization	Community Services	Home Health Care	Guardianship	Alzheimer's and Dementia Services	Management and General	Development and Fundraising	Totals
Personnel	$ 1,013,489	$ 80,712	$ 1,026,586	$ 19,690	$ 282,898	$ 3,294,094	$ 155,043	$ 138,099	$ 550,128	$ 35,314	$ 129,394	$ 449,445	$ 614,839	$ 20,450	$ 7,810,181
Contract services	-	-	-	-	-	-	-	-	-	-	-	-	39,592	-	39,592
IT services	5,863	934	4,179	74	1,951	27,044	725	635	2,149	-	877	2,854	4,980	258	52,523
Food	864,888	2,322	17,498	-	-	358	-	-	13	4,632	-	6,630	(237)	-	896,104
Program supplies	86,359	7	5,876	(115)	-	91	338	-	154	244	190	10,597	17	94	103,852
Office supplies	5,957	691	6,557	106	7,638	29,647	1,082	2,910	2,784	173	540	3,675	7,019	270	69,049
Duplicating	4,235	441	6,354	(29)	1,116	12,883	1,155	1,111	2,593	-	430	6,883	(697)	46	36,521
Recognition	164	1,577	731	-	415	-	141	-	183	-	-	23	190	-	3,424
Communications	17,127	955	6,387	148	7,702	22,652	3,923	3,432	1,589	-	1,288	9,421	4,807	120	79,551
Postage	2,613	1,404	8,097	1,260	10,430	13,066	514	1,664	1,831	-	938	4,380	39,280	2,337	87,814
Occupancy	197,036	4,451	31,583	2,017	56,060	139,726	2,856	17,750	20,150	275	8,434	62,629	3,652	3,642	550,261
Insurance	10,858	716	3,200	60	2,217	14,245	503	11,344	1,083	-	510	4,943	2,229	104	52,012
Printing and advertising	4,079	409	37,411	42	5,299	2,443	383	1,407	1,296	-	612	4,101	13,592	3,988	75,062
Vehicle expenses	43,311	39,641	-	-	-	-	28,046	6,354	-	-	-	-	-	-	117,352
Travel and conferences	17,840	519	22,215	145	2,022	71,784	756	1,201	7,525	220	6,479	2,934	3,003	708	137,351
Dues and subscriptions	320	100	28,195	-	-	10,701	-	-	5,428	-	260	1,005	435	605	47,049
Assistance to individuals	146,185	124,861	521,756	15	4,732,730	4,232	248	295,924	180,620	1,598,250	231	21,766	-	-	7,626,818
Training	-	-	1,785	12	-	185	-	390	1,598	85	174	2,107	688	150	7,174
Equipment expense	2,857	522	3,684	10	3,498	42,540	1,173	11,134	287	-	5,056	35,871	1,254	215	108,101
Equipment depreciation	72,182	3,111	8,068	-	-	9,922	6,784	18,070	-	-	-	6,668	7,860	-	132,665
Other	8,652	1,484	5,002	-	6,435	(3,705)	250	(6,335)	103	820	73	2,262	59,260	43,031	117,332
Totals	$ 2,504,015	$ 264,857	$ 1,745,164	$ 23,435	$ 5,120,411	$ 3,691,908	$ 203,920	$ 505,090	$ 779,514	$ 1,640,013	$ 155,486	$ 638,194	$ 801,763	$ 76,018	$ 18,149,788

REAL SERVICES, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
Change in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Change in net assets	$ 77,483	$ 229,726
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	200,347	201,170
(Gain) on disposition of property and equipment	(3,534)	-
Changes in assets and liabilities:		
Grants, contributions, and fees receivable	589,195	(616,479)
Prepaid expenses	(105)	(738)
Long-term certificates of deposit	838	(5,012)
Beneficial interests in assets held by others	97,396	36,236
Accounts payable and accrued liabilities	86,602	(49,087)
Accrued unfunded deferred compensation plan benefits	-	24,000
Refundable advances	509	1,628
Deferred revenues	7,377	18,550
Net cash provided by (used in) operating activities	1,056,108	(160,006)
Cash Flows from Investing Activities:		
Proceeds from the sale of property and equipment	3,534	-
Net change in cash and cash equivalents	1,059,642	(160,006)
Cash and cash equivalents, beginning of year	3,905,659	4,065,665
Cash and cash equivalents, end of year	$ 4,965,301	$ 3,905,659
Supplemental Cash Flows Information:		
Interest paid	$ 57	$ 86
Income taxes paid	$ 3,790	$ 3,122

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

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of REAL Services, Inc. and its controlled affiliates, REAL Services Foundation, Inc. and REAL Services Housing, Inc. (collectively the "Organization"). The Organization's operations are supported primarily by grants from governmental agencies.

The affiliates are organized and operated exclusively to carry out the purposes of REAL Services, Inc., and the Board of Directors of REAL Services, Inc. elects all members of the affiliates' Boards. All material transactions and balances between the Organizations have been eliminated in these consolidated financial statements.

REAL Services, Inc. is an Indiana nonprofit corporation formed to assist in establishing a community in which older adults can maintain their independence to the maximum extent possible and find meaning and satisfaction throughout their lives. The Organization also administers programs assisting low-income persons. REAL Services Foundation, Inc. is an Indiana nonprofit corporation formed to solicit and administer contributions received for the benefit of REAL Services, Inc. REAL Services Housing, Inc. is an Indiana nonprofit corporation formed to hold property for, and lease it to, REAL Services, Inc.

Significant Accounting Policies:

Use of estimates:

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Significant estimates used in the accompanying consolidated financial statements include-

- Revenue earned from cost-reimbursement awards. The majority of the Organization's revenue is earned on such awards from governmental agencies that are governed by 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 beneficial interests in assets held by others, which is based on the value of the underlying assets, as provided by the Community Foundation that holds the assets and which approximates the present value of expected future distributions.
- The valuation of contributed facilities, which is based on rents for comparable facilities.
- The allocation of expenses among functions. Expenses that are directly identifiable with functions are charged to those functions. Expenses related to more than one function are allocated to functions based on estimates of employee time spent on functions, space used by function, and other factors driving costs.

Net asset classes:

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

- *Unrestricted net assets* are those currently available for use by the Organization.
- *Temporarily restricted net assets* are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restrictions.
- *Permanently restricted net assets* are those received with permanent donor stipulations. Investment return on permanently restricted net assets that is available for distribution is recorded as unrestricted or temporarily restricted net assets, depending upon whether there are donor restrictions on investment return.

Cash and cash equivalents:

The Organization considers time deposits, certificates of deposit, and other highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. However, cash and cash equivalents held in escrow for employee benefits and held for others under guardianships are not included in cash and cash equivalents but are reported separately.

Beneficial interests in assets held by others:

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

Beneficial interests in assets held by others are stated at fair value, based on the value of the underlying assets, as provided by the Community Foundation that holds the assets, which approximates the present value of expected future distributions. Changes in the value of the beneficial interests are included in revenues in the consolidated statements of activity.

Gifts and grants:

The majority of the Organization's revenue is earned under cost-reimbursement awards from government agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as liabilities.

The Organization reports gifts and grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

Fees for services:

Fees for services are recognized as revenue when the services are substantially performed. Fees received in advance of substantial performance are reported as liabilities.

Contributed energy assistance payments:

Indiana Housing and Community Development Authority ("IHCDA") makes energy assistance payments for participants in the Low Income Home Energy Assistance Program directly to the energy providers on behalf of all entities administering the program. Because the Organization performs all intake functions and is liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers are recorded as both grants revenue and financial assistance expense in the accompanying consolidated financial statements. The Organization recognized $5,124,027 and $4,525,939 of revenue and expense for the years ended June 30, 2016 and 2015, respectively, for such payments made by IHCDA.

Contributed services and facilities:

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value. No contributed services are recognized in the accompanying consolidated financial statements because the criteria for recognition were not met. However, a substantial number of volunteers donate significant amounts of time to the Organization.

The Organization uses certain facilities for its Nutrition program without charge or at reduced charge, and the difference between the fair value for the use of these facilities and the cost is recorded as revenue and expense. For the years ended June 30, 2016 and 2015, the Organization recognized $156,264 and $157,374, respectively, for use of such facilities.

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:

Buildings	40 years
Leasehold improvements	Lesser of lease term or 10 years
Program equipment	10 years
Vehicles	8 years
Office equipment	5 to 8 years

Most of the Organization's program equipment and vehicles have been purchased with governmental grant funds. Disposition of these assets, as well as the ownership of any sale proceeds, is subject to funding source and other regulatory directives. Because management expects such assets to be used in accordance with the funding source directives, the cost of such items has been recorded as assets when they were acquired.

Income taxes:

All three entities are exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for tax on unrelated business income. Consequently, the accompanying financial statements do not include any provision for income taxes except for tax on unrelated business income. The Internal Revenue Service classifies all three entities as other than private foundations under Internal Revenue Code Section 509(a)(1).

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or penalties related to unrecognized tax benefits at either June 30, 2016 or 2015, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. All three entities are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to June 30, 2013.

Reclassifications:

Certain expenses in the 2015 statement of functional expenses have been reclassified from the prior year presentation to conform with the 2016 presentation.

NOTE 2. GRANTS, CONTRIBUTIONS, AND FEES RECEIVABLE

Grants, contributions, and fees receivable consist of reimbursements due under government cost-reimbursement awards, unconditional promises to give to the Organization, and fees earned under government contracts. All are due in the next year, and no allowance for uncollectibles is considered necessary.

At June 30, 2016, the Organization had received approximately $1,373,000 in conditional promises to give in excess of allowable costs incurred under cost-reimbursement grants, which will be recognized as revenue if and when allowable costs are incurred.

NOTE 3. BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

The Organization is the beneficiary of two funds held by Community Foundation of St. Joseph County, Inc. ("Community Foundation"), to which both the Organization and others have contributed. One of the funds was established using funds that were permanently restricted by the donor (see Notes 6 and 7). The Organization and the other donors have granted the Community Foundation variance power in the determination of annual distributions and transfer of the accounts to other community organizations in certain circumstances. Distributions to the Organization are under the control of the Community Foundation's Board of Directors.

The Organization has contributed $851,075 to the funds, all of which were made prior to 2015. The value of the portions of the funds attributable to the Organization's contributions was $1,016,641 and $1,114,037 at June 30, 2016 and 2015, respectively. The change in value of those portions of the funds, net of distributions, for the years ended June 30, 2016 and 2015 was $(97,396) and $(36,236), respectively, which is included in revenue in the accompanying consolidated statements of activities. The Organization received distributions from those portions of the funds of $83,515 and $54,162 during the years ended June 30, 2016 and 2015, respectively, which are included in investment income.

The portions of the funds attributable to contributions by other donors are not recognized as assets since other donors established them and granted variance power to Community Foundation. The Organization periodically receives distributions in the form of grants from those portions of the funds. The total value of those portions of the funds at June 30, 2016 and 2015 was $774,498 and $857,394, respectively. The Organization received distributions from those portions of the funds of $72,308 and $39,067 during the years ended June 30, 2016 and 2015, respectively, which are included in contributions revenue.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016 and 2015, respectively:

	2016	2015
Land	$ 182,930	$ 182,930
Buildings	3,199,658	3,199,658
Leasehold improvements	48,411	48,411
Program equipment	222,827	222,827
Vehicles	580,081	601,354
Office equipment	168,582	168,582
	4,402,489	4,423,762
Less accumulated depreciation	(2,105,786)	(1,926,712)
Net property and equipment	$ 2,296,703	$ 2,497,050

NOTE 5. DEBT INFORMATION

The Organization maintains a $500,000 bank line of credit, bearing interest at bank prime, which is collateralized by a mortgage on the Organization's primary facilities. No borrowings were outstanding on the line at either June 30, 2016 or 2015.

NOTE 6. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following periods or purposes at June 30, 2016 and 2015, respectively:

	2016	2015
For next year:		
Alzheimer's programs	$ -	$ 225,000
Weatherization	-	25,000
Guardianship	20,000	-
Caregiver Connection	62,988	-
Case Management	25,000	-
For the following purposes:		
Meal Program	279,423	222,678
Local Crime Victims	32,999	32,999
Care transitions	17,666	17,666
Caregiver Connection	235,514	301,553
Client self-sufficiency programs	18,860	18,860
Utility assistance programs	18,954	25,195
Guardianship programs	97,021	78,542
Alzheimer's programs	292,833	90,515
Kitchen project	243,682	243,561
Transportation vans	53,000	-
Foster Grandparents	16,682	-
Other	5,499	4,009
Total temporarily restricted net assets	$ 1,420,121	$ 1,285,578

Permanently restricted net assets consist of an endowment to benefit the Organization's Caregiver Connection program (see Note 7).

Net assets were released from restrictions by incurring expenses satisfying restricted purposes specified by donors as follows for the years ended June 30, 2016 and 2015, respectively:

	2016	2015
Care transitions	$ -	$ 68,943
Caregiver Connection	58,660	191,495
Meals on Wheels	7,434	4,871
Utility assistance programs	16,417	14,597
Guardianship programs	163,909	134,207
Foster Grandparents program	-	2,745
Alzheimer's Program	366,418	125,563
Meal Program	491	15,740
Internship program	510	3,629
Weatherization program	25,000	-
Total net assets released from restrictions	$ 638,839	$ 561,790

NOTE 7. ENDOWMENT INFORMATION

As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

The total endowment at June 30, 2016 and 2015 is $934,097 and $962,112, respectively, of which $434,097 and $462,112, respectively, is Board designated and $500,000 for both years is donor-restricted for the Organization's Caregiver Connection program. Changes in the endowment for the years ended June 30, 2016 and 2015, respectively, are as follows:

	2016	2015
Beginning balance	$ 962,112	$ 978,046
Investment earnings	55,500	38,228
Amounts expended	(83,515)	(54,162)
Ending balance	$ 934,097	$ 962,112

NOTE 8. LEASE INFORMATION

The Organization leases certain facilities and equipment under non-cancelable operating leases expiring in various months through January 2020. Minimum future rental payments under these leases as of June 30, 2016 for each of the next four years and in the aggregate are as follows:

2017	$ 19,470
2018	8,720
2019	3,720
2020	1,860
Total minimum future rental payments	$ 33,770

Total rent expense was $106,490 and $106,120 for the years ended June 30, 2016 and 2015, respectively.

NOTE 9. EMPLOYEE BENEFIT PLANS

The Organization maintains a defined-contribution tax-deferred annuity pension plan covering substantially all of its employees. Pension costs are funded in the period that they accrue. Pension expense was $294,849 and $286,825 for the years ended June 30, 2016 and 2015, respectively.

The Organization also maintains a self-funded medical plan for its full-time employees that is managed by a third-party administrator. The Organization has purchased a stop-loss insurance policy for the plan that reimburses the Organization for individual claims in excess of $30,000 annually. The Organization funds a separate bank account that is restricted for payment of claims and insurance. The Organization has recorded accruals for its estimated portion of self-insured claims based on estimated claims incurred through June 30, 2016 and 2015, respectively.

In 2015, the Organization has established an executive retirement plan that is designed in accordance with Section 457(b) of the Internal Revenue Code. Participants are designated by the Board of Directors. The Organization generally makes discretionary annual contributions on a calendar year basis into the plan on behalf of each participant. The funds deposited into this plan remain assets of the Organization until such time that the participant withdraws the funds in accordance with the plan provisions. Assets held in this plan were $95,500 and $47,500 at June 30, 2016 and 2015, respectively, and corresponding liabilities, including unfunded estimated accrued amounts, are reported in the consolidated statements of financial position.

NOTE 10. FAIR VALUE MEASUREMENTS

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

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of assets measured on a recurring basis at June 30, 2016 and 2015, respectively, is as follows:

June 30, 2016:	Fair Value	Level 1	Level 2	Level 3
Beneficial interests in assets held by others	$ 1,016,641	$ -	$ -	$ 1,016,641
June 30, 2015:				
Beneficial interests in assets held by others	$ 1,114,037	$ -	$ -	$ 1,114,037

Fair value for the beneficial interests in assets held by others (the Community Foundation funds discussed in Note 3) is based on the fair value of the underlying assets, as provided by the Community Foundation that holds the assets and which approximates the present value of expected future distributions.

The following is a reconciliation of beginning and ending balances of the fair value of assets measured by Level 3 inputs for the years ended June 30, 2016 and 2015, respectively:

	2016	2015
Beneficial interests in assets held by others:		
Beginning fair value	$ 1,114,037	$ 1,150,273
Distributions	(83,515)	(54,162)
Change in value	(13,881)	17,926
Ending fair value	$ 1,016,641	$ 1,114,037

The changes in value of the beneficial interests in assets held by others is reported as such in revenue in the accompanying consolidated statements of activities. All the above Level 3 changes in value are attributable to changes in the value of assets held by Community Foundation at June 30, 2016 and 2015, respectively.

NOTE 11. CONCENTRATIONS

All of the Organization's programs and activities occur in Northern Indiana; consequently, its sources of support and revenue may be affected by conditions in that area. In addition, for the year ended June 30, 2016, approximately 89% of total revenues were from state and federal government sources, with approximately 39% of total revenues received from Indiana Housing and Community Development Authority and 34% received from Indiana Family and Social Services Administration. For the year ended June 30, 2015, approximately 86% of total revenues were from state and federal government sources, with approximately 36% of total revenues received from Indiana Housing and Community Development Authority and 37% received from Indiana Family and Social Services Administration.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and grants and fees receivable. The Organization has cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation and are not otherwise collateralized. At June 30, 2016 the Organization had approximately $1,288,000 of cash and certificates of deposit with financial institutions that exceeded federal deposit insurance coverage and are not otherwise collateralized. In addition, grants and fees receivable are due primarily from agencies of the State of Indiana under contracts and cost-reimbursement grants, which represents a concentration of credit risk.

NOTE 12. CONTINGENCIES

The Organization is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Organization's financial position or results of operations.

NOTE 13. SUBSEQUENT EVENTS INFORMATION

The date through which events occurring subsequent to June 30, 2016 have been evaluated for possible adjustment to the financial statements or disclosure is January 11, 2017 the date on which the financial statements were available to be issued. Management identified no such events.