National Council on Aging, Inc. & Affiliates

Consolidated Financial Report
June 30, 2015

Contents

Independent Auditor's Report

To the Board of Directors
National Council on Aging, Inc.
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Council on Aging, Inc. and Affiliates (the Organization) which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 financial position of the Organization as of June 30, 2015 and 2014, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As more fully described in Note 2, the consolidated financial statements include investments valued at $2,255,583 (41% of net assets) and $2,195,956 (48% of net assets) at June 30, 2015 and 2014, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the investment fund managers. Our opinion is not modified with respect to this matter.

RSM US LLP

McLean, Virginia
January 15, 2016

National Council on Aging, Inc. & Affiliates

Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Cash and Cash Equivalents	**$ 2,851,376**	$ 701,994
Cash Restricted for Grants and Contracts	**239,433**	589,992
Investments	**2,385,394**	2,414,489
Grants and Contributions Receivable, Net	**4,303,660**	3,471,026
Amounts Due From Subgrantees and Federal Agencies	**1,282,874**	1,779,476
Prepaid Expenses and Other Assets	**347,469**	394,362
Property and Equipment, Net	**1,347,503**	442,722
Total assets	**$ 12,757,709**	$ 9,794,061
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 3,373,630**	$ 2,614,473
Deferred revenue	**51,053**	51,053
Deferred rent	**1,261,474**	393,593
Accrued pension cost	**2,532,056**	2,166,301
Total liabilities	**7,218,213**	5,225,420
Commitments and Contingencies (Notes 7 and 8)		
Net Assets		
Unrestricted	**535,747**	780,544
Temporarily restricted	**5,003,749**	3,788,097
Total net assets	**5,539,496**	4,568,641
Total liabilities and net assets	**$ 12,757,709**	$ 9,794,061

See Notes to Consolidated Financial Statements.

National Council on Aging, Inc. & Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Government grants and contracts	$ 33,609,564	$ -	$ 33,609,564
Corporate grants and contracts	5,016,759	-	5,016,759
Contributions	238,401	6,367,465	6,605,866
Membership services and conferences	182,687	-	182,687
Investment income	33,517	-	33,517
Other income	-	-	-
Net assets released from restrictions	5,151,813	(5,151,813)	-
Total revenue and support	44,232,741	1,215,652	45,448,393
Expenses			
Program services:			
Workforce development	26,619,393	-	26,619,393
Access to benefits	6,675,579	-	6,675,579
Healthy aging social enterprises	1,796,260	-	1,796,260
Medicare education program	2,487,883	-	2,487,883
Healthy aging programs	1,337,228	-	1,337,228
Home equity programs	825,272	-	825,272
Public policy and advocacy	348,145	-	348,145
Economic security initiatives	425,604	-	425,604
New business development	13,658	-	13,658
Membership services and outreach	246,249	-	246,249
Aging mastery program	736,358	-	736,358
Total program services	41,511,629	-	41,511,629
Supporting services:			
Management and general	2,096,964	-	2,096,964
Fundraising	395,900	-	395,900
Total supporting services	2,492,864	-	2,492,864
Total expenses	44,004,493	-	44,004,493
Change in unrestricted net assets before pension related changes other than net periodic cost	228,248	1,215,652	1,443,900
Pension-Related Changes			
Other Than Net Periodic Cost	(473,045)	-	(473,045)
Change in net assets	(244,797)	1,215,652	970,855
Net Assets			
Beginning	780,544	3,788,097	4,568,641
Ending	$ 535,747	$ 5,003,749	$ 5,539,496

See Notes to Consolidated Financial Statements.

National Council on Aging, Inc. & Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Government grants and contracts	$ 31,835,482	$ -	$ 31,835,482
Corporate grants and contracts	3,994,020	-	3,994,020
Contributions	396,836	2,568,948	2,965,784
Membership services and conferences	263,372	-	263,372
Investment income	26,008	-	26,008
Other income	17	-	17
Net assets released from restrictions	4,296,021	(4,296,021)	-
Total revenue and support	40,811,756	(1,727,073)	39,084,683
Expenses			
Program services:			
Workforce development	26,462,224	-	26,462,224
Access to benefits	4,288,999	-	4,288,999
Healthy aging social enterprises	2,170,715	-	2,170,715
Medicare education program	1,644,067	-	1,644,067
Healthy aging programs	1,534,520	-	1,534,520
Home equity programs	708,649	-	708,649
Public policy and advocacy	550,122	-	550,122
Economic security initiatives	400,330	-	400,330
New business development	292,133	-	292,133
Membership services and outreach	190,257	-	190,257
Aging mastery program	124,868	-	124,868
Total program services	38,366,884	-	38,366,884
Supporting services:			
Management and general	2,091,571	-	2,091,571
Fundraising	339,888	-	339,888
Total supporting services	2,431,459	-	2,431,459
Total expenses	40,798,343	-	40,798,343
Change in unrestricted net assets before pension related changes other than net periodic cost	13,413	(1,727,073)	(1,713,660)
Pension-Related Changes Other Than Net Periodic Cost	301,178	-	301,178
Change in net assets	314,591	(1,727,073)	(1,412,482)
Net Assets			
Beginning	465,953	5,515,170	5,981,123
Ending	$ 780,544	$ 3,788,097	$ 4,568,641

See Notes to Consolidated Financial Statements.

National Council on Aging, Inc. & Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

		2015		2014
Cash Flows From Operating Activities				
Change in net assets	$	970,855	$	(1,412,482)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		363,274		138,011
Change in present value discount of receivables		(11,303)		2,956
(Increase) decrease in:				
Cash restricted for grants and contracts		350,559		(329,225)
Grants and contributions receivable		(821,331)		2,030,182
Amounts due from subgrantees and federal agencies		496,602		1,360,306
Prepaid expenses and other assets		46,893		26,331
(Decrease) increase in:				
Accounts payable and accrued expenses		759,157		(834,294)
Deferred revenue		-		(30,000)
Deferred rent		867,881		(123,644)
Accrued pension cost		365,755		(419,317)
Net cash provided by operating activities		3,388,342		408,824
Cash Flows From Investing Activities				
Purchases of investments		(59,506)		(52,417)
Sale of investments		88,601		-
Purchases of property and equipment		(1,268,055)		(164,647)
Net cash used in investing activities		(1,238,960)		(217,064)
Net increase in cash and cash equivalents		2,149,382		191,760
Cash and Cash Equivalents				
Beginning		701,994		510,234
Ending	$	2,851,376	$	701,994

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The accompanying consolidated financial statements include the accounts of National Council on Aging, Inc. (NCOA), the National Council on Aging Foundation, Inc. (the Foundation), the National Council on Aging Development Corporation (the Corporation) and NCOA Services, LLC (NCOAS), herein referred to collectively as the Organization. NCOA's affiliates are controlled by essentially the same management and Board of Directors (the Board).

NCOA was established in 1950 as a service and advocacy organization. NCOA is a national voice for older adults, especially those who are vulnerable and disadvantaged, and the community organizations that serve them. NCOA brings together non-profit organizations, businesses and government to develop creative solutions that improve the lives of all older adults. NCOA works with thousands of organizations across the country to help seniors live independently, find jobs and benefits, improve their health, and remain active in their communities.

The Foundation is a related nonprofit affiliate formed in 1992 to conduct certain programs of NCOA. Subsequent to year end the Foundation was dissolved.

The Corporation is a taxable subsidiary formed in 1995 to develop commercial computer applications and opportunities consistent with and growing out of the work of NCOA.

In September 2013, NCOA formed a limited liability corporation named NCOA Services, LLC (NCOAS), which was incorporated as a wholly-owned subsidiary of NCOA. The purpose of NCOAS is to create and diffuse sustainable, scalable solutions that improve the lives of older adults and also further the mission of NCOA.

The Organization serves as a national contractor to assist lower-income, older persons secure employment through the Senior Communities Service Employment Program (SCSEP) authorized under Title V of the Older Americans Act. Under the SCSEP, NCOA and its affiliates also train subcontractors to help place older persons in part-time, subsidized jobs. The subcontractors also focus on improving the job skills of senior citizens with the intent of moving the individual to permanent, unsubsidized employment. The Organization operates the SCSEP through agencies in approximately 35 communities, with NCOA-run operations for the year ended June 30, 2015, in New Jersey, North Carolina, Virginia, West Virginia, and Tennessee. For the U.S. Administration on Community Living (under the Department of Health and Human Services) NCOA also serves as both the National Resource Center on Chronic Disease Self-Management Education programs as well as the National Resource Center for Benefits Outreach and Enrollment.

The Organization's largest source of funding is provided through various contracts with the Department of Labor (DOL) under Title V of the Older Americans Act. For the year ended June 30, 2015, funding from the DOL contracts approximated 55% of the Organization's unrestricted revenue. The annual contract's funding normally expires each June 30 but is often extended a few months into the next fiscal year. The annual SCSEP award (approximately $24.5 million for fiscal year 2015) is renewable and expected to continue.

The Organization also receives revenue from other government agencies including, but not limited to, the Environmental Protection Agency, Centers for Disease Control and Prevention, Centers for Medicare and Medicaid Services, Substance Abuse and Mental Health Services Administration, the Department of Housing and Urban Development, and the Veteran's Administration. Funding from these government agencies supports other aging-related programs and initiatives. Other sources of revenue include private and corporate grants, contracts and contributions, non-federal government grants and contracts, membership services, sponsorships, publication sales, and earnings on investments.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: All significant intra-entity accounts and transactions have been eliminated in consolidation.

Basis of presentation: The consolidated financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this ASC topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets at June 30, 2015 or 2014.

Cash and cash equivalents: For consolidated financial statement purposes, the Organization considers all highly liquid, temporary investments purchased with an original maturity of three months or less to be cash and cash equivalents. However, amounts held in the investment portfolio, regardless of maturity, are not considered to be cash equivalents.

Restricted cash for grants and contracts: Cash and cash equivalents required to be held in a separate account are included in cash restricted for grants and contracts on the consolidated statement of financial position. For cash flow purposes, restricted cash for grants and contracts are segregated.

Financial risk: The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

Investments: Investments consist primarily of money market funds and the FJC Agency loan fund. Money market funds are valued at cost which approximates fair value. The FJC Agency Loan Fund is a diversified portfolio of direct loans made to non-profit organizations and investments and is stated at fair value as discussed in Note 2.

Grants and contributions receivable: Grants and contributions receivable include unconditional promises to give that are recorded in the consolidated financial statements at the time the promises are made and exchange transaction grants that are recorded when earned. Grants and contributions receivable are recorded net of an appropriate allowance. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. The provision for an allowance for doubtful accounts as of June 30, 2015 and 2014, was $30,000. Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at rates applicable to the years in which the promises were received. Amortization of the discount is included in contribution revenue.

Amounts due from subgrantees and federal agencies: These receivables consist of billed and unbilled receivables. Certain subgrantees receive cash advances on their contracted services. A receivable is recorded if the total amount of expenses incurred to date is less than the amount paid to the subgrantee. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. All receivables are deemed by management to be fully collectible as of June 30, 2015 and 2014.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment: The Organization capitalizes all acquisitions of property and equipment greater than $5,000. Property and equipment are carried at cost. Depreciation and amortization are computed using the straight-line method over estimated service lives of three to eight years for office furniture, computers, equipment and software. Amortization of leasehold improvements is computed over the shorter of the life of the lease or the useful life of the asset.

Deferred revenue: Deferred revenue consists of cash received in advance of the provision of services for grants and contracts.

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

> *Unrestricted:* Net assets that are not subject to any donor-imposed stipulations or other legal limitations, and are therefore available for use in the Organization’s general operations.
>
> *Temporarily restricted:* Net assets subject to donor-imposed stipulations on the use of the assets that may be met either by actions of the Organization or by the passage of time.

Revenue and support recognition: Revenue and expenses are recognized in the period in which services or benefits are provided or received. NCOA receives grants and enters into contracts with the U.S. Government, state and local governments, and corporations that primarily provide for cost reimbursement to NCOA. Revenue from these grants and contracts is deemed to be exchange transactions recognized as reimbursable expenditures are incurred.

Contributions received by NCOA and the Foundation, which include unconditional promises to give (pledges), are recognized as revenue in the period received at their estimated fair value. Contributions are considered to be unrestricted unless specifically restricted by the donor or are due in future periods.

Contributions receivable are reported net of any estimated uncollectible amounts. Contributions expected to be collected beyond one year are discounted to present value. Conditional contributions are not recorded until material conditions have been met.

Income taxes: NCOA and the Foundation are exempt from the payment of income taxes under Section 501(c)(3) and 501(c)(2), respectively, of the Internal Revenue Code. As such, NCOA and the Foundation are taxed only on their unrelated business income. No provision for income taxes was required for fiscal year 2015. NCOA is classified as other than a private foundation by the Internal Revenue Service. The Corporation is a for-profit entity which had no significant income or loss for the fiscal year ended June 30, 2015.

Management evaluated the Organization’s tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal income tax positions by tax authorities for years before 2012.

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing the various services and other activities have been summarized on a program basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events: The Organization evaluated subsequent events for disclosure through January 15, 2016, which is the date the consolidated financial statements are available to be issued.

Note 2. Investments

Investments are recorded at fair value and money market funds are recorded at cost which approximates fair value. Investments consist of the following at June 30, 2015 and 2014:

	2015	2014
FJC Agency Loan Fund	$ 2,255,583	$ 2,195,956
Fidelity Investments Money Market Funds	129,811	218,533
	$ 2,385,394	$ 2,414,489

Investment income was as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Interest and dividends	$ 59,702	$ 52,980
Less: investment management fees	(26,185)	(26,972)
	$ 33,517	$ 26,008

The Fair Value Measurement Topic of the FASB ASC establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic 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 fair values. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Note 2. Investments (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2015 and 2014:

	2015		
	Total	Level1	Level3
Fidelity Investments Money Market Funds	$ 129,811	$ 129,811	$ -
FJC Agency Loan fund	2,255,583	-	2,255,583
	$ 2,385,394	$ 129,811	$ 2,255,583

	2014		
	Total	Level1	Level3
Fidelity Investments Money Market Funds	$ 218,533	$ 218,533	$ -
FJC Agency Loan fund	2,195,956	-	2,195,956
	$ 2,414,489	$ 218,533	$ 2,195,956

The FJC Agency Loan Fund is an investment fund operated by FJC which is a public charity that provides total management of charitable giving. NCOA has chosen to maintain some of their investment funds with FJC to achieve investment returns and support the nonprofit community. The FJC Agency Loan Fund provides secured loans to credit qualified charitable organizations and also holds their own portfolio of investments. Amounts invested in the FJC Agency Loan Fund are valued based upon the internally calculated net present values of allocated underlying assets (which consist of secured loan balances) proportionately assigned to NCOA by the manager of the fund with such valuations received by NCOA management. As a result, the estimated fair value reported on the accompanying consolidated financial statements might differ from the values that would have been used had a ready market existed and there is at least a reasonable possibility that estimates may change by material amounts in the near term. NCOA does not have unfunded commitments related to this investment and has ability to redeem the investment with a 30-day notice.

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the ASC requires reconciliation of the beginning and ending balances, separately, for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Organization’s assets measured at fair value on a recurring basis using significant unobservable inputs:

	2015	2014
	FJC Agency Loan Fund	FJC Agency Loan Fund
Beginning balance	$ 2,195,956	$ 2,143,081
Reinvestment interest	81,960	90,921
Investment management fees	(22,333)	(38,046)
Ending balance	$ 2,255,583	$ 2,195,956

Note 3. Grants and Contributions Receivable

Grants and contributions receivable including both unconditional promises to give and exchange transaction grants were as follows at June 30, 2015 and 2014:

	2015	2014
Receivable in less than one year	$ 3,648,907	$ 3,501,026
Receivable in one to five years	695,974	-
	4,344,881	3,501,026
Less discount to net present value	(11,221)	-
Less allowance for uncollectible receivables	(30,000)	(30,000)
	$ 4,303,660	$ 3,471,026

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30, 2015 and 2014:

	2015	2014
Leasehold improvements	$ 2,042,470	$ 932,101
Capitalized software	677,542	677,542
Furniture and fixtures	278,316	182,873
Office computers and equipment	158,389	96,145
	3,156,717	1,888,661
Accumulated depreciation and amortization	(1,809,214)	(1,445,939)
	$ 1,347,503	$ 442,722

Depreciation and amortization expense for the years ended June 30, 2015 and 2014, was $363,274 and $138,011, respectively.

Note 5. Employee Benefits

Pension plan: NCOA maintains a non-contributory defined benefit retirement plan covering full-time salaried employees of NCOA hired before June 30, 2006, who were at least 21 years of age, had completed at least one year of employment, and met certain minimum hour requirements. Benefits are based on years of service and final average earnings (highest average earnings during any 36 consecutive months out of the last 120 months of employment with NCOA and its affiliates). Plan participants fully vest at age 55 or after five years of service, whichever occurs first. Effective June 30, 2006, NCOA froze the accrual of additional benefits and no new participants were allowed to enter the plan. A measurement date of June 30 has been used.

Authorized investments under the plan's investment policy consist of mutual funds with registered investment companies; pooled guaranteed investment contracts managed by outside fund managers, commodity linked investments, hedge funds and commingled funds. The plan's target asset allocation is 45% in equities (plus or minus 20%), 35% in fixed income investments (plus or minus 20%), 20% in alternative assets (plus or minus 20%) and 0% (but the maximum is up to 10%) in cash-equivalent or money-market investments. The plan's asset mix is reviewed quarterly and rebalanced as necessary.

Note 5. Employee Benefits (Continued)

The following table sets forth the plan's funded status, the amounts recognized in consolidated statement of financial position and the components of net pension cost at June 30, 2015 and 2014:

	2015	2014
Accumulated benefit obligation	$ 7,995,095	$ 8,254,944
Projected benefit obligation	7,995,095	8,254,944
Fair value of plan assets	5,463,039	6,088,643
Funded status	2,532,056	2,166,301
Accrued pension cost	$ 2,532,056	$ 2,166,301

Assumptions used in the actuarial valuations were as follows for the years ended June 30, 2015 and 2014:

Discount rate	5.50%
Rate of increase in compensation	N/A
Long-term rate of return on plan assets	7.00%

The unrecognized net loss subsequent to transition included in net assets is $1,850,055. The unrecognized net loss will be amortized into net periodic pension cost in future years.

The following table details the net periodic pension cost, employer contributions and benefits paid for the years ended June 30, 2015 and 2014:

Net periodic pension cost	$ 28,210	$ 161,861
Employer contribution	$ 135,500	$ 280,000
Benefits paid	$ 585,161	$ 555,595

NCOA's funding policy is to contribute annually based upon the actuarial cost method. Under the aggregate actuarial cost method, the scheduled contribution consists of the normal cost plus any additional amounts necessary to meet minimum funding requirements.

Expected future plan disbursements for benefit payments are:

Year Ending June 30,	
2016	$ 599,638
2017	653,517
2018	639,270
2019	625,242
2020	643,483
2021 – 2025	3,153,007
Total	$ 6,314,157

Note 5. Employee Benefits (Continued)

The changes in benefit obligations as of for the years ended June 30, 2015 and 2014, are as follows:

	2015	2014
Benefit obligation, beginning of year	$ 8,254,944	$ 8,217,531
Interest cost	416,512	445,570
Actuarial (Gain)	(382,038)	147,438
Benefit payments and settlements	(585,161)	(555,595)
Loss due to discount rate change	290,838	-
Benefit obligation, end of year	$ 7,995,095	$ 8,254,944

The changes in plan assets as of and for the years ended June 30, 2015 and 2014, are as follows:

	2015	2014
Fair value of assets, beginning of year	$ 6,088,643	$ 5,631,913
Actual return on assets	(175,943)	732,325
Actual contributions	135,500	280,000
Benefits paid	(585,161)	(555,595)
Fair value of assets, end of year	$ 5,463,039	$ 6,088,643

The components of net periodic benefit cost (charged to expense) for the years ended June 30, 2015 and 2014, are as follows:

	2015	2014
Interest cost	$ 416,512	$ 445,570
Expected return on plan assets	(409,992)	(387,012)
Amortization of net loss	21,690	103,303
	$ 28,210	$ 161,861

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2015 and 2014, are as follows:

Discount rate	5.50%
Expected long-term return on plan assets	7.00%
Rate of compensation increase	N/A

Plan assets by category as of June 30, 2015:

Cash/short term account	$ 106,285	2.0%
Mutual funds – equities	3,424,297	62.7%
Mutual funds – bonds	1,932,457	35.4%
	$ 5,463,039	100.0%

Note 5. Employee Benefits (Continued)

Plan assets by category as of June 30, 2014:

Cash/short term account	$ 57,125	2.0%
Mutual funds – equities	3,777,942	62.0%
Mutual funds – bonds	2,253,576	37.0%
	$ 6,088,643	101.0%

Plan assets by fair value levels at June 30, 2015:

	Total	Level 1
Mutual funds - equities		
Commodities broad basket	$ 213,421	$ 213,421
Diversified emerging markets	285,909	285,909
Equity energy	220,068	220,068
Equity precious metals	93,912	93,912
Financial	332,541	332,541
Foreign large value	456,249	456,249
Large blend	746,688	746,688
Market neutral	310,725	310,725
Small blend	209,640	209,640
World stock	555,145	555,145
Mutual funds - bonds		
High yield bond	277,563	277,563
Inflation-protected bond	334,325	334,325
Short term bond	352,254	352,254
World bond	968,314	968,314
	$ 5,356,754	$ 5,356,754

Note 5. Employee Benefits (Continued)

Plan assets by fair value levels at June 30, 2014:

	Total	Level 1
Mutual funds - equities		
Large blend	$ 679,296	$ 679,296
World stock	580,169	580,169
Foreign large value	431,459	431,459
Financial	319,842	319,842
Market neutral	306,684	306,684
Equity energy	300,547	300,547
Small blend	295,387	295,387
Commodities broad basket	288,810	288,810
Large growth	277,618	277,618
Diversified emerging markets	160,300	160,300
Equity precious metals	137,830	137,830
Mutual funds - bonds		
World bond	972,465	972,465
Short term bond	614,947	614,947
Inflation-protected bond	341,354	341,354
High yield bond	324,810	324,810
	$ 6,031,518	$ 6,031,518

NCOA's pension plan assets consist of mutual funds which are publicly traded and are therefore considered Level 1 items. Cash totaling $106,285, and $57,125 related to pension plan assets at June 30, 2015 and 2014, respectively, are not included in the above tables, because they are recorded at cost.

403(b) retirement savings plan: The Organization maintains a 403(b) retirement savings plan (the Plan) covering all employees. Assets of the Plan are held in trust by a third party retirement account custodian. Under the plan, employees may make elective salary-deferral contributions on a pre-tax basis. Additionally, the Organization makes discretionary employer contributions to eligible employees' 403(b) accounts. Employer contributions have a required vesting period of two years from date of hire.

The Organization made a discretionary employer contribution of 6% of salary to all eligible participants' 403(b) accounts for the fiscal years ended June 30, 2015 and 2014. The associated retirement plan expense for this plan was $372,478 and $373,199 for the years ended June 30, 2015 and 2014, respectively.

Note 6. Temporarily Restricted Net Assets

As of June 30, 2015 and 2014, temporarily restricted net assets are available for the following purposes:

	2015	2014
Healthy Aging Social Enterprises	$ 387,436	$ 1,635,220
Access to Benefits	2,081,614	1,517,835
Economic Security	503,667	258,902
Public Policy and Advocacy	114,527	155,930
Healthy Aging Programs	37,849	126,721
Aging Mastery Program	1,878,656	93,489
Home Equity	-	-
	$ 5,003,749	$ 3,788,097

For the years ended June 30, 2015 and 2014, temporarily restricted net asset releases by program were as follows:

	2015	2014
Access to Benefits	$ 2,434,364	$ 1,733,350
Healthy Aging Social Enterprises	1,269,130	1,432,805
Economic Security	637,667	507,807
Healthy Aging Programs	123,864	364,112
Public Policy and Advocacy	114,210	225,675
Home Equity	-	25,762
Aging Mastery Program	572,578	6,510
	$ 5,151,813	$ 4,296,021

Note 7. Commitments

NCOA leases office space for its headquarters in Arlington, Virginia under a non-cancelable lease expiring in April 2026. NCOA received rent abatements under the agreement as well as a tenant improvement allowance. A deferred rent amount was recognized to allocate the benefit of this free rent and escalating rent payments throughout the term of the lease. The amounts related to the tenant improvements made are recognized as a reduction in rent expense and an increase in depreciation expense, respectively, over the life of the lease. In conjunction with this office lease, NCOA obtained an irrevocable letter of credit, totaling $191,453, with a financial institution which was automatically renewed through September 22, 2016. The letter of credit was accepted as a security deposit by the landlord.

In addition to the above lease, NCOA maintains office locations in various states. These offices support NCOA's SCSEP contract under the DOL grant. NCOA's lease payments under these leases are fully reimbursed by the DOL. NCOA's leases for these offices are generally cancelable in the event that the SCSEP contract is not renewed.

NCOA also rents equipment under non-cancelable operating leases expiring at different times.

Note 7. Commitments (Continued)

Future minimum rental payments under the operating leases are as follows:

Year Ending June 30,		
2016	$	636,281
2017		653,770
2018		652,584
2019		637,033
2020		656,144
Thereafter		4,239,026
	$	7,474,838

Rent expense for all office leases was $815,239 and $815,452 for the years ended June 30, 2015 and 2014, respectively.

Note 8. Contingency

The Organization participates in a number of federally-assisted grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. Management does not anticipate any significant adverse adjustments as a result of such audits.

RSM

RSM US LLP

Independent Auditor's Report
on the Supplementary Information

To the Board of Directors
National Council on Aging, Inc.
Arlington, Virginia

We have audited the consolidated financial statements of National Council on Aging, Inc. and Affiliates (the Organization) as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. (see pages 1 and 2). Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

RSM US LLP

McLean, Virginia
January 15, 2016

National Council on Aging, Inc. & Affiliates

Consolidated Schedule of Functional Expenses
Year Ended June 30, 2015
With comparative totals for 2014

	Workforce Development	Access To Benefits	Healthy Aging Social Enterprises	Medicare Education Program	Healthy Aging Programs	Home Equity Programs	Public Policy And Advocacy	Economic Security Initiatives	New Business Development	Membership Services And Outreach	Aging Mastery Program	Management And General	Fundraising	2015 Total	2014 Total
Subgrants	$ 16,727,852	$ 3,423,278	$ 255,017	$ -	$ 189,340	$ -	$ -	$ 22,000	$ -	$ -	$ 192,500	$ -	$ -	$ 20,809,987	$ 19,751,549
Wages and Fringe	8,677,411	1,855,695	259,255	742,108	692,603	205,717	282,623	113,198	221	134,970	237,559	1,393,888	259,369	14,854,617	14,209,682
Contracted Services	272,821	775,152	1,191,509	1,316,004	181,694	544,666	3,203	251,169	13,396	26,552	163,244	406,235	34,800	5,180,445	3,956,527
Rent	242,817	167,299	10,779	66,010	80,967	34,615	24,229	10,303	19	8,204	29,577	116,594	23,826	815,239	815,452
Equipment/Computers	165,531	168,413	19,337	74,211	65,734	20,129	22,052	9,477	2	20,214	29,201	14,513	22,521	631,335	600,622
Travel	268,187	76,818	12,421	99,161	41,985	4,663	1,060	8,864	5	26,035	32,572	31,102	10,501	613,374	598,698
Office Operations	122,515	58,622	18,344	33,417	21,717	5,653	6,446	2,596	4	6,369	32,308	21,434	20,145	349,570	238,131
Other Costs	39,491	64,776	393	114,726	83	181	78	1,616	3	5,307	495	22,769	4,213	254,131	97,267
Conferences/Meetings	42,400	31,485	664	7,039	45,953	2,597	1,225	1,600	3	1,574	5,770	16,162	5,300	161,772	128,584
Communications	39,832	42,596	13,716	20,380	10,541	4,170	6,486	2,692	1	6,082	1,783	5,200	2,339	155,818	194,710
Insurance	7,389	1,853	499	12,328	371	229	97	118	4	68	204	67,210	-	90,370	5,442
Printing	6,251	8,514	2,583	1,703	5,470	2,586	643	1,635	-	10,033	9,688	1,116	10,953	61,175	53,939
Postage/Courier	6,354	530	11,743	757	626	66	3	336	-	841	1,349	741	1,668	25,014	40,244
Unallowable	542	548	-	39	144	-	-	-	-	-	108	-	265	1,646	107,496
Total expenses	$ 26,619,393	$ 6,675,579	$ 1,796,260	$ 2,487,883	$ 1,337,228	$ 825,272	$ 348,145	$ 425,604	$ 13,658	$ 246,249	$ 736,358	$ 2,096,964	$ 395,900	$ 44,004,493	$ 40,798,343