National Council on Aging, Inc. and Affiliates

Consolidated Financial Report
June 30, 2017

Contents

RSM US LLP

Independent Auditor's Report

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

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, 2017 and 2016, 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 consolidated financial position of the Organization as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As more fully described in Note 2, the consolidated financial statements include investments valued at $2,378,820 (59% of net assets) and $2,316,910 (34% of net assets) at June 30, 2017 and 2016, 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
February 21, 2018

National Council on Aging, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	**$ 3,039,359**	$ 2,307,861
Cash restricted for grants and contracts	**145,617**	132,394
Investments	**2,509,119**	2,446,923
Grants and contributions receivable, net	**4,013,351**	6,852,759
Amounts due from subgrantees and federal agencies	**1,224,235**	2,039,454
Prepaid expenses and other assets	**226,722**	335,773
Property and equipment, net	**1,008,567**	1,148,984
Total assets	**$ 12,166,970**	$ 15,264,148
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 2,744,762**	$ 2,956,484
Deferred revenue	**51,053**	51,053
Deferred rent	**1,199,138**	1,239,051
Accrued pension cost	**4,146,877**	4,130,850
Total liabilities	**8,141,830**	8,377,438
Commitments and contingencies (Notes 7 and 8)		
Net assets:		
Unrestricted	**636,968**	69,476
Temporarily restricted	**3,388,172**	6,817,234
Total net assets	**4,025,140**	6,886,710
Total liabilities and net assets	**$ 12,166,970**	$ 15,264,148

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Government grants and contracts	$ 41,234,938	$ -	$ 41,234,938
Corporate grants and contracts	6,307,914	-	6,307,914
Contributions	165,778	1,422,265	1,588,043
Membership services and conferences	170,025	-	170,025
Investment income	35,007	-	35,007
Net assets released from restrictions	4,851,327	(4,851,327)	-
Total revenue and support	52,764,989	(3,429,062)	49,335,927
Expenses:			
Program services:			
Workforce development	30,256,111	-	30,256,111
Access to benefits	10,130,824	-	10,130,824
Retirement education programs	3,362,239	-	3,362,239
Healthy aging programs	2,079,104	-	2,079,104
Aging mastery program	1,567,114	-	1,567,114
Healthy aging social enterprises	480,644	-	480,644
Home equity programs	417,336	-	417,336
Public policy and advocacy	393,771	-	393,771
Membership services and outreach	333,759	-	333,759
Economic security issues	284,948	-	284,948
New business development	7,699	-	7,699
Total program services	49,313,549	-	49,313,549
Supporting services:			
Management and general	2,327,601	-	2,327,601
Fundraising	385,317	-	385,317
Total supporting services	2,712,918	-	2,712,918
Total expenses	52,026,467	-	52,026,467
Change in unrestricted net assets before pension-related changes other than net periodic cost	738,522	(3,429,062)	(2,690,540)
Pension-related changes:			
Other than net periodic cost	(171,030)	-	(171,030)
Change in net assets	567,492	(3,429,062)	(2,861,570)
Net assets:			
Beginning	69,476	6,817,234	6,886,710
Ending	$ 636,968	$ 3,388,172	$ 4,025,140

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Government grants and contracts	$ 35,676,497	$ -	$ 35,676,497
Corporate grants and contracts	6,487,844	-	6,487,844
Contributions	180,371	6,118,099	6,298,470
Membership services and conferences	171,559	-	171,559
Investment income	34,257	-	34,257
Net assets released from restrictions	4,304,614	(4,304,614)	-
Total revenue and support	46,855,142	1,813,485	48,668,627
Expenses:			
Program services:			
Workforce development	26,769,747	-	26,769,747
Access to benefits	6,939,335	-	6,939,335
Retirement education programs	3,418,608	-	3,418,608
Healthy aging programs	1,717,706	-	1,717,706
Aging mastery program	1,681,120	-	1,681,120
Healthy aging social enterprises	993,746	-	993,746
Home equity programs	869,955	-	869,955
Economic security issues	361,929	-	361,929
Public policy and advocacy	348,479	-	348,479
Membership services and outreach	226,344	-	226,344
New business development	17,860	-	17,860
Total program services	43,344,829	-	43,344,829
Supporting services:			
Management and general	2,117,756	-	2,117,756
Fundraising	199,170	-	199,170
Total supporting services	2,316,926	-	2,316,926
Total expenses	45,661,755	-	45,661,755
Change in unrestricted net assets before pension-related changes other than net periodic cost	1,193,387	1,813,485	3,006,872
Pension-related changes:			
Other than net periodic cost	(1,659,658)	-	(1,659,658)
Change in net assets	(466,271)	1,813,485	1,347,214
Net assets:			
Beginning	535,747	5,003,749	5,539,496
Ending	$ 69,476	$ 6,817,234	$ 6,886,710

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ (2,861,570)**	$ 1,347,214
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**179,972**	204,137
Change in present value discount of receivables	**(5,146)**	(6,971)
Decrease (increase) in:		
Cash restricted for grants and contracts	**(13,223)**	107,039
Grants and contributions receivable	**2,844,554**	(2,542,128)
Amounts due from subgrantees and federal agencies	**815,219**	(756,580)
Prepaid expenses and other assets	**109,051**	11,696
(Decrease) increase in:		
Accounts payable and accrued expenses	**(211,722)**	(417,146)
Deferred rent	**(39,913)**	(22,423)
Accrued pension cost	**16,027**	1,598,794
Net cash provided by (used in) operating activities	**833,249**	(476,368)
Cash flows from investing activities:		
Purchases of investments	**(62,196)**	(61,529)
Purchases of property and equipment	**(39,555)**	(5,618)
Net cash used in investing activities	**(101,751)**	(67,147)
Net increase (decrease) in cash and cash equivalents	**731,498**	(543,515)
Cash and cash equivalents:		
Beginning	**2,307,861**	2,851,376
Ending	**$ 3,039,359**	$ 2,307,861

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 NCOA 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 nonprofit 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 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. This subsidiary was essentially inactive, other than the annual corporate registrations, for the years ended June 30, 2017 and 2016.

In September 2013, NCOA formed a limited liability company named NCOA Services, LLC (NCOAS), which was established as a single-member LLC in accordance with the statutes of the State of Delaware. With NCOA as the sole member and for federal and state tax and reporting purposes, NCOAS is treated as a disregarded entity, like an internal division 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 Community Service Employment Program (SCSEP) authorized under Title V of the Older Americans Act. Under the SCSEP, NCOA and its subcontractors match eligible older adults with host community service agencies, effectively subsidizing their part-time jobs at these sites. Participants build skills and self-confidence while earning a modest income. For most, their SCSEP experience leads to opportunities for full-time employment as they exit the program. The Organization operates the SCSEP through agencies in approximately 35 communities, with NCOA self-run operations for the year ended June 30, 2017, in California, New Jersey, North Carolina, Virginia, West Virginia and Tennessee. The other communities are handled through subcontractor organizations, still under the guidance and oversight of NCOA. 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, 2017 and 2016, funding from the DOL contracts approximated 61% and 52% of the Organization's unrestricted revenue, respectively. 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 $28.4 million and $24.8 million for fiscal year 2017 and 2016, respectively) 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 and the Department of Housing and Urban Development. 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, 2017 or 2016.

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 reported with investments.

Cash restricted 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 statements 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 reported at fair value, which approximates cost. The FJC Agency Loan Fund is a diversified portfolio of direct loans made to nonprofit organizations and investments, and is stated at fair value. Fair value is 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, 2017 and 2016, 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 contributions 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, 2017 and 2016.

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 ten 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. These grants and contracts are deemed to be exchange transactions, and revenue is recognized as reimbursable expenditures, including subgrant expenses, are incurred.

Unconditional contributions received by NCOA, 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 is exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, NCOA is taxed only on its unrelated business income. No provision for income taxes was required for fiscal years 2017 and 2016. 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 years ended June 30, 2017 and 2016.

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 2014.

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.

Upcoming accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this new standard will have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, along with the various updates in 2016 and 2015, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect the new standard will have on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. For nonpublic entities, ASU 2016-18 is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.

Subsequent events: The Organization evaluated subsequent events for disclosure through February 21, 2018, which is the date the consolidated financial statements were available to be issued.

Note 2. Investments

Investments are recorded at fair value. Investments consist of the following at June 30, 2017 and 2016:

	2017	2016
FJC Agency Loan Fund	$ 2,378,820	$ 2,316,910
Fidelity Investments Money Market Funds	130,299	130,013
	$ 2,509,119	$ 2,446,923

Investment income was as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividends	$ 85,562	$ 84,694
Less investment management fees	(50,555)	(50,437)
	$ 35,007	$ 34,257

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, 2017 and 2016:

	2017		
	Total	Level1	Level3
Fidelity Investments Money Market Funds	$ 130,299	$ 130,299	$ -
FJC Agency Loan Fund	2,378,820	-	2,378,820
	$ 2,509,119	$ 130,299	$ 2,378,820

	2016		
	Total	Level1	Level3
Fidelity Investments Money Market Funds	$ 130,013	$ 130,013	$ -
FJC Agency Loan Fund	2,316,910	-	2,316,910
	$ 2,446,923	$ 130,013	$ 2,316,910

The FJC Agency Loan Fund is an investment fund operated by FJC, which is a foundation managing donor advised funds as well as offering programs for philanthropic giving and assistance to nonprofit organizations. 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 the 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:

	2017	2016
	FJC Agency Loan Fund	FJC Agency Loan Fund
Beginning balance	$ 2,316,910	$ 2,255,583
Reinvestment interest	85,196	84,194
Investment management fees	(23,286)	(22,867)
Ending balance	$ 2,378,820	$ 2,316,910

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, 2017 and 2016:

	2017	2016
Receivable in less than one year	$ 3,950,894	$ 6,115,521
Receivable in one to five years	97,603	769,433
	4,048,497	6,884,954
Less discount to net present value	(5,146)	(2,195)
Less allowance for uncollectible receivables	(30,000)	(30,000)
	$ 4,013,351	$ 6,852,759

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30, 2017 and 2016:

	2017	2016
Leasehold improvements	$ 2,050,449	$ 2,042,468
Capitalized software	687,942	677,542
Furniture and fixtures	303,833	282,658
Office computers and equipment	159,665	159,665
	3,201,889	3,162,333
Accumulated depreciation and amortization	(2,193,322)	(2,013,349)
	$ 1,008,567	$ 1,148,984

Depreciation and amortization expense for the years ended June 30, 2017 and 2016, was $179,972 and $204,137, 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 the consolidated statements of financial position and the components of net periodic pension cost at June 30, 2017 and 2016:

	2017	2016
Accumulated benefit obligation	$ 9,525,935	$ 9,289,153
Projected benefit obligation	$ 9,525,935	$ 9,289,153
Fair value of plan assets	5,379,058	5,158,303
Funded status	4,146,877	4,130,850
Accrued pension cost	$ 4,146,877	$ 4,130,850

Assumptions used in the actuarial valuations were as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Discount rate	4.00%	4.50%
Rate of increase in compensation	N/A	N/A
Long-term rate of return on plan assets	7.00%	7.00%

The unrecognized net actuarial loss subsequent to transition included in net assets is $3,680,743. The unrecognized net loss will be amortized into net periodic pension cost in future years. The amount expected to be recognized into net periodic cost in the coming year is $160,376.

The following table details the net periodic pension cost, employer contributions and benefits paid for the years ended June 30, 2017 and 2016:

	2017	2016
Net periodic pension cost	$ 207,497	$ 160,711
Employer contribution	362,500	220,000
Benefits paid	603,951	599,798

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. The estimated contribution for 2018 fiscal year is $390,000.

Note 5. Employee Benefits (Continued)

Expected future plan disbursements for benefit payments are:

Years ending June 30:		
2018	$	677,955
2019		661,992
2020		660,091
2021		657,253
2022		639,164
2023-2027		3,192,105
Total	$	6,488,560

The changes in benefit obligations as of and for the years ended June 30, 2017 and 2016, are as follows:

		2017		2016
Benefit obligation, beginning of year	$	9,289,153	$	7,995,095
Interest cost		408,624		448,161
Actuarial loss		432,109		1,445,695
Benefit payments and settlements		(603,951)		(599,798)
Benefit obligation, end of year	$	9,525,935	$	9,289,153

The changes in plan assets as of and for the years ended June 30, 2017 and 2016, are as follows:

		2017		2016
Fair value of assets, beginning of year	$	5,158,303	$	5,463,039
Actual return on assets		462,206		75,062
Actual contributions		362,500		220,000
Benefits paid		(603,951)		(599,798)
Fair value of assets, end of year	$	5,379,058	$	5,158,303

The components of net periodic benefit cost (charged to expense) for the years ended June 30, 2017 and 2016, are as follows:

		2017		2016
Interest cost	$	408,624	$	448,161
Expected return on plan assets		(351,145)		(369,516)
Amortization of net loss		150,018		82,066
	$	207,497	$	160,711

Note 5. Employee Benefits (Continued)

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Discount rate	4.00%	4.50%
Expected long-term return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

Plan assets by category as of June 30, 2017:

Cash/short term account	$ 77,867	1.5%
Mutual funds – equities	3,436,718	63.9%
Mutual funds – bonds	1,864,473	34.6%
	$ 5,379,058	100.0%

Plan assets by category as of June 30, 2016:

Cash/short-term account	$ 300,769	5.9%
Mutual funds – equities	3,046,755	59.1%
Mutual funds – bonds	1,810,779	35.0%
	$ 5,158,303	100.0%

Plan assets by fair value levels at June 30, 2017:

	Total	Level 1
Mutual funds – equities:		
Commodities broad basket	$ 172,569	$ 172,569
Diversified emerging markets	318,712	318,712
Equity energy	212,856	212,856
Financial	183,118	183,118
Foreign large value	513,526	513,526
Large blend	903,511	903,511
Market neutral	330,664	330,664
World stock	479,112	479,112
European small cap dividend	322,650	322,650
Mutual funds – bonds:		
High yield bond	314,915	314,915
Inflation-protected bond	346,616	346,616
Intermediate-term bond	355,026	355,026
World bond	847,916	847,916
	$ 5,301,191	$ 5,301,191

Note 5. Employee Benefits (Continued)

Plan assets by fair value levels at June 30, 2016:

	Total	Level 1
Mutual funds – equities:		
Commodities broad basket	$ 184,342	$ 184,342
Diversified emerging markets	260,270	260,270
Equity energy	215,016	215,016
Financial	169,200	169,200
Foreign large value	418,425	418,425
Large blend	781,548	781,548
Market neutral	318,396	318,396
World stock	444,408	444,408
European small cap dividend	255,150	255,150
Mutual funds – bonds:		
High yield bond	282,879	282,879
Inflation-protected bond	349,382	349,382
Short-term bond	369,894	369,894
World bond	808,624	808,624
	$ 4,857,534	$ 4,857,534

NCOA's pension plan assets consist of mutual funds, which are publicly traded and are therefore considered Level 1 items. Cash totaling $77,867 and $300,769 related to pension plan assets at June 30, 2017 and 2016, respectively, is not included in the above tables, because it is 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, 2017 and 2016. The associated retirement plan expense for this plan was $430,738 and $336,486 for the years ended June 30, 2017 and 2016, respectively.

Note 6. Temporarily Restricted Net Assets

As of June 30, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

	2017	2016
Access to Benefits	$ 2,004,084	$ 4,536,525
Economic Security	630,723	707,338
Healthy Aging Programs	275,957	180,000
Aging Mastery Program	188,901	1,188,067
Home Equity	152,220	-
Public Policy and Advocacy	124,574	121,943
Healthy Aging Social Enterprises	11,713	80,050
Membership Services and Outreach	-	3,311
	$ 3,388,172	$ 6,817,234

For the years ended June 30, 2017 and 2016, temporarily restricted net asset releases by program were as follows:

	2017	2016
Access to Benefits	$ 2,532,443	$ 1,546,875
Aging Mastery Program	1,201,958	1,613,081
Healthy Aging Programs	562,383	212,070
Economic Security	327,323	444,134
Public Policy and Advocacy	145,794	123,458
Healthy Aging Social Enterprises	68,335	363,307
Home Equity	9,780	-
Membership Services and Outreach	3,311	1,689
	$ 4,851,327	$ 4,304,614

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 January 1, 2019. 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:

Years ending June 30:		
2018	$	708,759
2019		757,277
2020		777,708
2021		762,948
2022		728,503
Thereafter		2,867,095
	$	6,602,290

Rent expense for all office leases was $945,594 and $865,041 for the years ended June 30, 2017 and 2016, 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.

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, 2017 and 2016, 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
February 21, 2018

National Council on Aging, Inc. and Affiliates

Consolidated Schedule of Functional Expenses
Year Ended June 30, 2017
(With Comparative Totals for 2016)

	Workforce Development	Access to Benefits	Retirement Education Programs	Healthy Aging Programs	Aging Mastery Program	Healthy Aging Social Enterprises	Home Equity Programs	Public Policy and Advocacy	Membership Services and Outreach	Economic Security Initiatives	New Business Development	Management and General	Fundraising	2017 Total	2016 Total
Subgrants	$ **19,567,652**	$ **3,581,036**	$ **-**	$ **145,500**	$ **382,787**	$ **-**	$ **-**	$ **-**	$ **-**	$ **80,000**	$ **-**	$ **-**	$ **-**	$ **23,756,975**	$ 20,750,741
Wages and fringe	9,344,278	2,459,788	1,520,712	1,026,420	705,849	87,587	148,761	318,044	174,058	100,947	116	1,597,933	298,266	**17,782,759**	15,867,930
Contracted services	257,780	2,894,662	884,148	471,722	106,511	375,314	224,443	7,494	80,086	72,677	7,324	374,222	4,459	**5,760,842**	4,264,149
Outreach advertising and other costs	147,308	285,071	576,627	14,954	2,925	64	851	12,048	6,432	4,245	1	22,759	3,582	**1,076,867**	1,568,943
Rent	256,125	201,365	106,933	124,737	49,983	4,738	11,182	23,936	8,231	10,031	9	121,203	27,121	**945,594**	865,041
Equipment/computers	192,336	203,209	98,893	82,507	59,315	3,206	15,312	15,760	18,998	9,596	2	24,007	17,734	**740,875**	679,553
Travel	286,401	160,786	81,456	92,351	31,510	8,555	702	5,746	25,580	2,839	239	32,448	7,635	**736,248**	616,168
Conferences/meetings	40,392	203,953	27,090	85,771	5,118	303	360	2,865	9,253	544	2	29,077	8,008	**412,736**	238,142
Office operations	74,195	28,378	15,245	8,836	201,971	368	1,283	1,765	6,441	737	3	33,630	15,165	**388,017**	400,633
Communications	50,283	91,448	40,109	20,886	3,518	282	13,946	5,609	841	2,998	1	10,090	2,597	**242,608**	203,992
Insurance	9,121	3,054	8,801	627	472	145	126	119	101	86	2	80,528	-	**103,182**	95,387
Printing	12,007	16,702	2,073	2,339	16,090	75	364	374	2,758	232	-	203	422	**53,639**	86,243
Postage/courier	17,989	600	191	1,745	1,019	7	6	11	965	16	-	1,501	256	**24,306**	21,817
Unallowable	244	772	(39)	709	46	-	-	-	15	-	-	-	72	**1,819**	3,016
Total expenses	$ **30,256,111**	$ **10,130,824**	$ **3,362,239**	$ **2,079,104**	$ **1,567,114**	$ **480,644**	$ **417,336**	$ **393,771**	$ **333,759**	$ **284,948**	$ **7,699**	$ **2,327,601**	$ **385,317**	$ **52,026,467**	$ 45,661,755