National Council on Aging, Inc. and Affiliates

Consolidated Financial Report
June 30, 2018

Contents

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, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As more fully described in Note 2, the financial statements include investments valued at $2,454,914 (25% of net assets) and $2,378,820 (59% of net assets) at June 30, 2018 and 2017, 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 9, 2019

National Council on Aging, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 4,568,124	$ 3,039,359
Cash restricted for grants and contracts	36,301	145,617
Investments	2,586,422	2,509,119
Grants and contributions receivable, net	7,671,264	4,013,351
Amounts due from subgrantees and federal agencies	2,894,132	1,224,235
Prepaid expenses and other assets	409,002	226,722
Property and equipment, net	874,605	1,008,567
Total assets	$ 19,039,850	$ 12,166,970
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 4,009,742	$ 2,744,762
Deferred revenue	-	51,053
Deferred rent	1,141,202	1,199,138
Accrued pension cost	3,940,953	4,146,877
Total liabilities	9,091,897	8,141,830
Commitments and contingencies (Notes 7 and 8)		
Net assets:		
Unrestricted	879,790	636,968
Temporarily restricted	9,068,163	3,388,172
Total net assets	9,947,953	4,025,140
Total liabilities and net assets	$ 19,039,850	$ 12,166,970

See notes to consolidated financial statements.

National Council on Aging, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Government grants and contracts	$ 49,942,171	$ -	$ 49,942,171
Contributions	257,792	10,400,496	10,658,288
Corporate grants and contracts	3,568,006	-	3,568,006
License/Sponsorship fee	457,620	-	457,620
Membership services and conferences	179,374	-	179,374
Investment income	49,241	-	49,241
Net assets released from restrictions	4,720,505	(4,720,505)	-
Total revenue and support	59,174,709	5,679,991	64,854,700
Expenses:			
Program services:			
Workforce development	37,299,508	-	37,299,508
Access to benefits	11,154,917	-	11,154,917
Healthy aging programs	2,247,719	-	2,247,719
Retirement education programs	1,599,935	-	1,599,935
Aging mastery program	1,531,565	-	1,531,565
Public policy and advocacy	657,976	-	657,976
Membership services and outreach	499,040	-	499,040
Economic security issues	427,663	-	427,663
Home equity programs	374,377	-	374,377
Healthy aging social enterprises	6,721	-	6,721
New business development	3,278	-	3,278
Total program services	55,802,699	-	55,802,699
Supporting services:			
Management and general	2,715,367	-	2,715,367
Fundraising	452,370	-	452,370
Total supporting services	3,167,737	-	3,167,737
Total expenses	58,970,436	-	58,970,436
Change in unrestricted net assets before pension-related changes other than net periodic cost	204,273	5,679,991	5,884,264
Pension-related changes:			
Other than net periodic cost	38,549	-	38,549
Change in net assets	242,822	5,679,991	5,922,813
Net assets:			
Beginning	636,968	3,388,172	4,025,140
Ending	$ 879,790	$ 9,068,163	$ 9,947,953

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 Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ 5,922,813**	$ (2,861,570)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**133,962**	179,972
Change in present value discount of receivables	**13,506**	(5,146)
Deferred rent	**(57,936)**	(39,913)
Decrease (increase) in:		
Cash restricted for grants and contracts	**109,316**	(13,223)
Grants and contributions receivable	**(3,671,419)**	2,844,554
Amounts due from subgrantees and federal agencies	**(1,669,897)**	815,219
Prepaid expenses and other assets	**(182,280)**	109,051
(Decrease) increase in:		
Accounts payable and accrued expenses	**1,264,980**	(211,722)
Deferred revenue	**(51,053)**	-
Accrued pension cost	**(205,924)**	16,027
Net cash provided by operating activities	**1,606,068**	833,249
Cash flows from investing activities:		
Purchases of investments	**(101,418)**	(62,196)
Sale of investments	**24,115**	-
Purchases of property and equipment	**-**	(39,555)
Net cash used in investing activities	**(77,303)**	(101,751)
Net increase in cash and cash equivalents	**1,528,765**	731,498
Cash and cash equivalents:		
Beginning	**3,039,359**	2,307,861
Ending	**$ 4,568,124**	$ 3,039,359

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 inactive for the year ended June 30, 2018 and essentially inactive, other than the annual corporate registrations, for the year ended June 30, 2017.

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. On May 15, 2018, the board of directors of NCOA approved to dissolve NCOAS as of December 31, 2018. Programs of NCOAS will be transferred and conducted through NCOA with no significant changes to revenues and expenses on a consolidated level to NCOA for the fiscal year ending June 30, 2019.

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, 2018, 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, 2018 and 2017, funding from the DOL contracts approximated 60% and 61% of the Organization's unrestricted support and 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 $35.7 million and $28.4 million for fiscal year 2018 and 2017, respectively) is renewable and expected to continue.

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

he Organization also receives revenue from other government agencies including, but not limited to, the Environmental Protection Agency and the Department of Health and Human Services. 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.

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 unconditional support is recognized when received, 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, 2018 or 2017.

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, 2018 and 2017, 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.

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

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, 2018 and 2017.

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 support 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 2018 and 2017. 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, 2018 and 2017.

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 2015.

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

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.

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 August 2016, the FASB issued Accounting Standards Update (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. The Organization is currently evaluating the impact the adoption of this new standard will have on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit costs are required to be presented in the statement of activities separately from the service component and outside a subtotal of revenue from operations, if one is presented. The amendment further allows only the service cost component of net periodic pension and postretirement costs to be eligible for capitalization. ASU 2017-07 is effective for annual beginning after December 15, 2017, and the interim periods included within those annual periods. ASU 2017-07 will be effective for the Organization beginning on July 1, 2018. ASU 2017-07 must be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement, and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The Organization is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In February 2016, the FASB issued 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.

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

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.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for resource recipients for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the effect on its consolidated financial statements.

Subsequent events: The Organization evaluated subsequent events for disclosure through January 9, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2. Investments and Fair Value Measurements

Investments are recorded at fair value. Investments consist of the following at June 30, 2018 and 2017:

	2018	2017
FJC Agency Loan Fund	$ 2,454,914	$ 2,378,820
Fidelity Investments Money Market Funds	131,508	130,299
	$ 2,586,422	$ 2,509,119

Investment income was as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividends	$ 101,796	$ 85,562
Less investment management fees	(52,555)	(50,555)
	$ 49,241	$ 35,007

Note 2. Investments and Fair Market Value Measurements (Continued)

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.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2018 and 2017:

	2018		
	Total	Level 1	Level 3
Fidelity Investments Money Market Funds	$ 131,508	$ 131,508	$ -
FJC Agency Loan Fund	2,454,914	-	2,454,914
	$ 2,586,422	$ 131,508	$ 2,454,914

	2017		
	Total	Level 1	Level 3
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

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.

Note 2. Investments and Fair Market Value Measurements (Continued)

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:

	2018 FJC Agency Loan Fund	2017 FJC Agency Loan Fund
Beginning balance	$ 2,378,820	$ 2,316,910
Reinvestment interest	100,176	85,196
Investment management fees	(24,082)	(23,286)
Ending balance	$ 2,454,914	$ 2,378,820

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, 2018 and 2017:

	2018	2017
Receivable in less than one year	$ 5,817,049	$ 3,950,894
Receivable in one to five years	1,898,453	93,189
	7,715,502	4,044,083
Less discount to net present value	(14,238)	(732)
Less allowance for uncollectible receivables	(30,000)	(30,000)
	$ 7,671,264	$ 4,013,351

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017
Leasehold improvements	$ 2,050,448	$ 2,050,449
Capitalized software	687,942	687,942
Furniture and fixtures	303,833	303,833
Office computers and equipment	159,665	159,665
	3,201,888	3,201,889
Accumulated depreciation and amortization	(2,327,283)	(2,193,322)
	$ 874,605	$ 1,008,567

Depreciation and amortization expense for the years ended June 30, 2018 and 2017, was $133,962 and $179,972, 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.

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, 2018 and 2017:

	2018	2017
Accumulated benefit obligation	$ 9,344,983	$ 9,525,935
Projected benefit obligation	$ 9,344,983	$ 9,525,935
Fair value of plan assets	5,404,030	5,379,058
Funded status	3,940,953	4,146,877
Accrued pension cost	$ 3,940,953	$ 4,146,877

Assumptions used in the actuarial valuations were as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Discount rate	4.00%	4.00%
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 $3,642,194. 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 $167,452.

Note 5. Employee Benefits (Continued)

The following table details the net periodic pension cost, employer contributions and benefits paid for the years ended June 30, 2018 and 2017:

	2018	2017
Net periodic pension cost	$ 171,378	$ 207,497
Employer contribution	340,328	362,500
Benefits paid	599,160	603,951

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 2019 fiscal year is $375,900.

Expected future plan disbursements for benefit payments are:

Years ending June 30:	
2019	$ 678,790
2020	676,392
2021	672,956
2022	654,150
2023	659,329
2024-2028	3,200,023
Total	$ 6,541,640

The changes in benefit obligations as of and for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Benefit obligation, beginning of year	$ 9,525,935	$ 9,289,153
Interest cost	372,325	408,624
Actuarial loss	45,883	432,109
Benefit payments and settlements	(599,160)	(603,951)
Benefit obligation, end of year	$ 9,344,983	$ 9,525,935

The changes in plan assets as of and for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Fair value of assets, beginning of year	$ 5,379,058	$ 5,158,303
Actual return on assets	283,804	462,206
Actual contributions	340,328	362,500
Benefits paid	(599,160)	(603,951)
Fair value of assets, end of year	$ 5,404,030	$ 5,379,058

Note 5. Employee Benefits (Continued)

The components of net periodic benefit cost (charged to expense) for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Interest cost	$ 372,325	$ 408,624
Expected return on plan assets	(366,336)	(351,145)
Amortization of net loss	165,389	150,018
	$ 171,378	$ 207,497

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Discount rate	4.00%	4.00%
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, 2018:

Cash/short term account	$ 262,219
Mutual funds – equities	4,121,848
Mutual funds – bonds	1,019,963
	$ 5,404,030

Plan assets by category as of June 30, 2017:

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

Note 5. Employee Benefits (Continued)

Plan assets by fair value levels at June 30, 2018:

	Total	Level 1
Mutual funds – equities:		
Commodities broad basket	$ 188,178	$ 188,178
Diversified emerging markets	336,141	336,141
Equity energy	259,441	259,441
Financial	199,146	199,146
Foreign large value	557,977	557,977
Large blend	1,015,589	1,015,589
Market neutral	332,348	332,348
World stock	389,181	389,181
Mutual funds – bonds:		
Europe Stock	326,308	326,308
Inflation-protected bond	353,589	353,589
Intermediate-term bond	340,074	340,074
World bond	843,839	843,839
	$ 5,141,811	$ 5,141,811

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
Short-term bond	355,026	355,026
World bond	847,916	847,916
	$ 5,301,191	$ 5,301,191

NCOA's pension plan assets consist of mutual funds, which are publicly traded and are therefore considered Level 1 items. Cash totaling $262,219 and $77,867 related to pension plan assets at June 30, 2018 and 2017, respectively, is not included in the above tables, because it is recorded at cost.

Note 5. Employee Benefits (Continued)

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, 2018 and 2017. The associated retirement plan expense for this plan was $421,408 and $430,738 for the years ended June 30, 2018 and 2017, respectively.

Note 6. Temporarily Restricted Net Assets

As of June 30, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

	2018	2017
Access to Benefits	$ 4,077,082	$ 2,004,084
Aging Mastery Program	4,226,711	188,901
Economic Security	499,328	630,723
Home Equity	123,391	152,220
Healthy Aging Programs	78,902	275,957
Public Policy and Advocacy	62,749	124,574
Healthy Aging Social Enterprises	-	11,713
	$ 9,068,163	$ 3,388,172

For the years ended June 30, 2018 and 2017, temporarily restricted net asset releases by program were as follows:

	2018	2017
Access to Benefits	$ 2,127,003	$ 2,532,443
Aging Mastery Program	1,110,015	1,201,958
Healthy Aging Programs	609,555	562,383
Economic Security	481,829	327,323
Public Policy and Advocacy	197,854	145,794
Home Equity	181,829	9,780
Healthy Aging Social Enterprises	7,420	68,335
Training - NISC	5,000	-
Membership Services and Outreach	-	3,311
	$ 4,720,505	$ 4,851,327

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 tenant improvement allowance along with 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 is being renewed as of report date for $95,727, which is reduced 50% per the NCOA headquarters office lease agreement. 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.

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

Years ending June 30:		
2019	$	807,557
2020		763,244
2021		732,228
2022		728,503
2023		716,986
Thereafter		2,150,109
	$	5,898,627

Rent expense for all office leases was $971,823 and $945,594 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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 9, 2019

National Council on Aging, Inc. and Affiliates

Consolidated Schedule of Functional Expenses
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Workforce Development	Access to Benefits	Healthy Aging Programs	Retirement Education Programs	Aging Mastery Program	Public Policy and Advocacy	Membership Services and Outreach	Economic Security Initiatives	Home Equity Programs	Healthy Aging Social Enterprises	New Business Development	Management and General	Fundraising	**2018 Total**	2017 Total
Subgrants	$ 26,143,434	$ 4,848,065	$ 32,000	$ -	$ 196,980	$ -	$ -	$ 105,000	$ -	$ -	$ -	$ -	$ -	**$ 31,325,479**	$ 23,756,975
Wages and fringe	9,641,092	2,413,427	879,768	1,142,067	770,503	552,478	230,091	205,484	213,172	4,588	49	1,806,291	346,757	**18,205,767**	17,782,759
Contracted services	385,871	2,481,553	863,202	175,430	175,619	37,150	189,152	43,017	100,808	32	3,219	534,326	6,264	**4,995,643**	5,760,842
Outreach advertising and other costs	63,466	587,887	31,575	408	4,221	(14,979)	3,258	16,661	116	1	-	15,252	1,315	**709,181**	1,076,867
Rent	276,735	198,084	90,475	93,368	61,096	39,380	9,553	18,476	16,814	201	4	139,036	28,602	**971,824**	945,594
Equipment/computers	244,823	257,035	96,644	72,172	83,523	36,625	31,927	23,217	24,591	172	1	23,675	27,325	**921,730**	740,875
Travel	266,429	94,876	100,337	32,964	40,288	6,485	25,401	7,578	423	1,707	2	75,831	12,804	**665,125**	736,248
Conferences/meetings	118,823	24,574	111,505	9,149	7,700	4,677	2,439	696	412	4	2	63,410	3,369	**346,760**	412,736
Office operations	73,973	108,885	7,264	23,407	180,603	(9,933)	914	699	640	6	-	15,130	22,319	**423,907**	388,017
Communications	45,115	129,848	22,992	36,393	3,639	5,232	683	5,514	16,915	5	-	10,902	2,584	**279,822**	242,608
Insurance	10,278	3,074	619	13,194	422	181	138	118	103	2	1	30,754	-	**58,884**	103,182
Printing	10,695	6,868	8,698	1,329	6,523	648	3,528	1,028	380	3	-	-	473	**40,173**	53,639
Postage/courier	18,217	551	1,843	54	448	32	1,956	175	3	-	-	760	293	**24,332**	24,306
Unallowable	557	190	797	-	-	-	-	-	-	-	-	-	265	**1,809**	1,819
Total expenses	**$ 37,299,508**	**$ 11,154,917**	**$ 2,247,719**	**$ 1,599,935**	**$ 1,531,565**	**$ 657,976**	**$ 499,040**	**$ 427,663**	**$ 374,377**	**$ 6,721**	**$ 3,278**	**$ 2,715,367**	**$ 452,370**	**$ 58,970,436**	$ 52,026,467