



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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November 14, 2011

Board of Directors
North Central Community
Action Agencies, Inc.
301 E. 8th St.
Michigan City, IN 46360

We have reviewed the audit report prepared by Cullar & Associates, PC, CPA's, Independent Public Accountants, for the period January 1, 2009 to December 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the North Central Community Action Agencies, Inc., as of December 31, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. Page 21 contains the status of two prior audit findings.

STATE BOARD OF ACCOUNTS

FINANCIAL AND COMPLIANCE REPORT

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

December 31, 2009 and 2008

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULE**

To the Board of Directors
NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
Michigan City, Indiana

We have audited the accompanying statements of financial position of NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC. (the "Organization") as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2010 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 13 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cullen & Associates, P.C.

July 8, 2010

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

Assets:	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and cash equivalents	\$ 868,548	\$ 434,603
Grants and contributions receivable	990,688	923,212
Prepaid expenses	<u>17,460</u>	<u>12,372</u>
<i>Total current assets</i>	<u>1,876,696</u>	<u>1,370,187</u>
 Property and Equipment	 <u>191,396</u>	 <u>89,015</u>
 <i>Total assets</i>	 <u>\$ 2,068,092</u>	 <u>\$ 1,459,202</u>
 Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,709,182	\$ 1,164,706
Deferred revenue	<u>118,228</u>	<u>159,845</u>
<i>Total current liabilities</i>	<u>1,827,410</u>	<u>1,324,551</u>
 Net Assets:		
Unrestricted	232,833	124,355
Temporarily restricted	<u>7,849</u>	<u>10,296</u>
<i>Total net assets</i>	<u>240,682</u>	<u>134,651</u>
 <i>Total liabilities and net assets</i>	 <u>\$ 2,068,092</u>	 <u>\$ 1,459,202</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	Energy Assistance	Weatherization	Women, Infants, and Children	Housing	Community Agencies Support	Administrative and General	Total
Salaries and wages	\$ 110,747	\$ 78,497	\$ 264,901	\$ -	\$ -	\$ 165,199	\$ 619,344
Employee benefits	15,648	15,383	35,163	-	-	22,310	88,504
Payroll taxes	8,838	6,388	21,964	-	-	16,839	54,029
Training	348	3,017	10	-	-	463	3,838
Contracts	93,537	-	-	-	64,107	-	157,644
Occupancy	10,831	6,138	35,682	24,573	-	27,736	104,960
Telephone	11,173	6,517	4,734	639	-	3,320	26,383
Postage	7,248	87	2,650	-	-	355	10,340
Equipment and supplies	41,496	122,282	14,522	627	-	25,750	204,677
Professional fees	-	-	89	-	-	11,822	11,911
Conferences and travel	4,154	7,483	4,928	13	-	5,827	22,405
Insurance	3,227	7,433	9,294	2,514	-	4,832	27,300
Financial assistance	2,770,066	343,766	-	51,485	-	-	3,165,317
Dues and subscriptions	643	621	674	-	-	1,283	3,221
Depreciation	-	5,563	-	12,927	-	6,903	25,393
Other	-	438	333	-	-	841	1,612
Totals	\$ 3,077,956	\$ 603,613	\$ 394,944	\$ 92,778	\$ 64,107	\$ 293,480	\$ 4,526,878

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

	Energy Assistance	Women, Infants, and Children			Housing	Arts and Recreation	Community Agencies Support	Administrative and General	Total
		Weatherization	Children	Infants, and Children					
Salaries and wages	\$ 102,740	\$ 48,243	\$ 225,247	\$ 29,392	\$ 2,560	\$ -	\$ 157,653	\$ 565,835	
Employee benefits	7,021	5,518	43,454	9,351	-	-	36,023	101,367	
Payroll taxes	8,752	4,162	19,197	2,486	197	-	2,597	37,391	
Training	285	171	550	-	-	-	411	1,417	
Contracts	68,247	3,834	499	347	-	66,871	-	139,798	
Occupancy	9,775	6,007	34,718	25,156	615	-	20,250	96,521	
Telephone	4,314	3,250	7,634	1,137	-	-	7,509	23,844	
Postage	5,359	14	2,136	116	-	-	1,021	8,646	
Equipment and supplies	18,366	13,559	28,594	2,125	1,951	-	8,633	73,228	
Professional fees	77	804	1,188	-	-	-	11,167	13,236	
Conferences and travel	2,208	5,590	7,486	3,523	362	-	9,326	28,495	
Insurance	1,020	6,054	5,814	397	-	-	17,007	30,292	
Financial assistance	2,048,721	151,627	-	429,321	-	-	-	2,629,669	
Dues and subscriptions	108	108	996	-	-	-	2,929	4,141	
Depreciation	-	1,465	-	141,504	851	-	6,230	150,050	
Other	38	110	591	163	-	-	1,203	2,105	
Totals	\$ 2,277,031	\$ 250,516	\$ 378,104	\$ 645,018	\$ 6,536	\$ 66,871	\$ 281,959	\$ 3,906,035	

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

Change in Cash and Cash Equivalents:	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 106,031	\$ (183,059)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,393	150,050
Change in assets and liabilities:		
Grants and contributions receivable	(67,476)	(531,549)
Prepaid expenses	(5,088)	46,557
Accounts payable and accrued liabilities	544,476	459,959
Deferred revenue	(41,617)	(67,479)
<i>Net cash provided by (used in) operating activities</i>	<u>561,719</u>	<u>(125,521)</u>
Cash Flows from Financing Activities:		
Payments for purchase of property and equipment	<u>(127,774)</u>	<u>(18,559)</u>
Net change in cash and cash equivalents	433,945	(144,080)
Cash and cash equivalents, beginning of year	<u>434,603</u>	<u>578,683</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 868,548</u>	<u>\$ 434,603</u>
<i>Supplemental cash flows information:</i>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC. (the "Organization") is an Indiana nonprofit corporation that administers programs providing financial and other assistance to low-income persons. Its operations are supported primarily by grants from governmental agencies.

Significant Accounting Policies:

Use of estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The costs of providing the programs and supporting service have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting service benefited based on management's best estimates.

Because the Organization receives the majority of its support from grants and contracts awarded through competitive bidding, fund raising costs are not material and are not separately presented in the accompanying financial statements.

Net asset classes:

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

Unrestricted net assets are those currently available for use by the Organization.

Temporarily restricted net assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Cash and cash equivalents:

The Organization considers all time deposits, certificates of deposit, and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Gifts and grants:

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Contributed services:

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value. No contributed services were recognized as revenue in either year ended December 31, 2009 or 2008.

Property and equipment:

Property and equipment is stated at cost, if acquired, or at fair value at the date of receipt, if donated, less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Rental properties.....	20 years ¹
Neighborhood centers.....	20 years
Vehicles	10 years
Playground equipment.....	7 years
Office furniture and equipment	7 years

¹-As discussed in Note 3, in 2008 the Organization decided to discontinue its rental programs and to transfer all rental properties to another nonprofit organization. Consequently, depreciation was accelerated on all rental properties in 2008 so that they will be fully depreciated by the expected date of the transfer.

Income taxes:

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code. Consequently, the accompanying financial statements do not include any provision for income taxes. The Internal Revenue Service classifies the Organization as other than a private foundation under Internal Revenue Code Section 509(a)(1).

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return. In addition, there were no accrued interest or penalties related to unrecognized tax benefits at either December 31, 2009 or 2008 or any interest or penalties expense related to unrecognized tax benefits for the years then ended. The Organization is no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2006.

Adoption of new accounting standard:

In June 2009, the Financial Accounting Standards Board issued SFAS No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 establishes general standards of accounting for disclosure of events that occur after the financial position date but before financial statements are issued. In particular, SFAS No. 165 sets forth the period after the financial position date during which management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize events or transactions occurring after the financial position date in its financial statements; and the disclosures that an entity should make about events or transactions that occurred after the financial position date. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009. Accordingly, the Organization adopted applicable portions of this standard for the year ended December 31, 2009.

NOTE 2. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consist primarily of reimbursements due under government grants and contracts. All amounts are due within one year, and no allowance for uncollectible amounts is considered necessary.

At December 31, 2009, the Organization had received approximately \$2,581,000 of conditional promises to give in excess of allowable costs incurred under cost-reimbursement grants. Such promises will be recognized as revenue if and when allowable costs are incurred.

NOTE 3. PROPERTY AND EQUIPMENT

The cost of property and equipment and the related accumulated depreciation are as follows at December 31, 2009 and 2008, respectively:

	<u>2009</u>	<u>2008</u>
Land	\$ 16,200	\$ 16,200
Rental properties	235,265	235,265
Neighborhood centers	84,385	64,200
Vehicles	110,388	52,107
Playground equipment	5,955	5,955
Office furniture and equipment	<u>18,558</u>	<u>18,558</u>
	470,751	392,285
	<u>2009</u>	<u>2008</u>

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

Less accumulated depreciation	<u>(291,307)</u>	<u>(303,270)</u>
	179,444	89,015
Software not yet placed in service	<u>11,952</u>	<u>-</u>
<i>Net property and equipment</i>	<u>\$ 191,396</u>	<u>\$ 89,015</u>

Two rental properties with a net book value of \$7,589 and \$10,296 at December 31, 2009 and 2008, respectively, were acquired with grants, and their use is restricted for housing for low-income individuals until approximately 2022. If the properties are converted to another use during this period, all or a portion of the grants must be returned to the funding sources. In addition, two other rental properties with a net book value of \$26,771 and \$36,991 at December 31, 2009 and 2008, respectively, have been improved with grants from the Indiana Housing Finance Authority, which are tied to a mortgage on the properties. The mortgage is not payable as long as the Organization uses the properties for low-income housing for fifteen-years, or until approximately 2017. If the properties are converted to another use during this period, all or a portion of the grants must be returned to the funding source.

In 2008, management decided to discontinue its rental programs because they are outside the Organization's core mission and to transfer the properties to another nonprofit organization whose mission involves low-income and transitional housing. Terms are still being negotiated, but the transfer is expected to occur in 2010. The only consideration expected to be received for the properties is for any transfer costs. The net book value of these properties at December 31, 2009 is \$34,360, and gross rent revenue earned was \$23,218 for the year ending December 31, 2009. Because of the change in the expected useful life of the properties, the depreciable lives were changed in 2008 such that the properties would be fully depreciated by the expected date of the transfer.

All of the Organization's vehicles have been purchased with governmental grant funds. Disposition of these vehicles, as well as the ownership of any sales proceeds is subject to funding source and other regulatory directives. Because management expects such vehicles to be used in accordance with the funding sources directives, the cost of the vehicles is recorded as an asset when they are acquired.

NOTE 4. BANK LINE OF CREDIT

The Organization maintains an unsecured \$20,000 line of credit facility with a local bank, bearing interest at bank prime. There were no outstanding borrowings on the line at either December 31, 2009 or 2008.

NOTE 5. NET ASSETS INFORMATION

Temporarily restricted net assets are available for the following purposes or periods at December 31, 2009 and 2008, respectively:

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Time restricted for future periods:		
Property restricted for low-income housing	\$ 7,589	\$ 10,296
Purpose restrictions:		
Rehabilitation of neighborhood centers	<u>260</u>	<u>-</u>
<i>Total temporarily restricted net assets</i>	<u>\$ 7,849</u>	<u>\$ 10,296</u>

Net assets were released from restrictions for the years ended December 31, 2009 and 2008, respectively as follows:

	<u>2009</u>	<u>2008</u>
Depreciation on low-income housing property	\$ 2,707	\$ 31,602
Rehabilitation of neighborhood centers	8,990	-
Summer recreation	-	4,613
Transitional housing	<u>-</u>	<u>2,225</u>
<i>Total net assets released</i>	<u>\$ 11,697</u>	<u>\$ 38,440</u>

NOTE 6. LEASE INFORMATION

The Organization leases facilities and equipment under non-cancelable operating leases expiring in various months through September 2010. Minimum future rental payments under these leases as of December 31, 2009 are \$27,701 all of which are due in 2010. Total rent expense was \$51,954 and \$48,812 for the years ended December 31, 2009 and 2008, respectively.

NOTE 7. CONCENTRATIONS

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of grants and contributions receivable. All the Organization's grants and contributions receivable are due from agencies of the State of Indiana, which represents a concentration of credit risk.

All of the Organization's programs and activities occur in LaPorte, Starke, and Pulaski counties, Indiana. Consequently, its sources of support and revenue may be affected by conditions in that area. Approximately 99% of total revenues for both 2009 and 2008 were received from governmental sources. In addition, of total 2009 revenues, approximately 88% was received from Indiana Housing and Community Development Authority, and of total 2008 revenues, approximately 85%, and 11% were received from Indiana Housing and Community Development Authority and Indiana Department of Health, respectively.

NOTE 8. SUBSEQUENT EVENTS INFORMATION

Management has evaluated the period subsequent to December 31, 2009 through July 8, 2010, the date the financial statements were available to be issued, for events that did not exist at December 31, 2009 but arose after that date.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Agreement Number</u>	<u>Federal Expenditures</u>	<u>American Recovery and Reinvestment Act Expenditures</u>
<u>United States Department of Agriculture:</u>				
Passed-Through Indiana State Department of Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	A70-9-070158	\$ 426,472	\$ -
<u>United States Department of Housing and Urban Development:</u>				
Passed-through City of Michigan City:				
Community Development Block Grants/Entitlement Grants (ARRA)	14.218	n/a	20,185	20,185
Community Development Block Grants/State's Program	14.228	n/a	44,257	-
<i>Total United States Department of Housing and Urban Development</i>			<u>64,442</u>	<u>20,185</u>
<u>United States Department of Energy:</u>				
Passed-through Indiana Housing and Community Development Authority:				
Weatherization Assistance for Low-Income Persons- Remediation Agreement	81.042	AC-008-027	46,351	-
Weatherization Assistance for Low-Income Persons	81.042	WX-009-017	162,635	-
Weatherization Assistance for Low-Income Persons	81.042	HEC-009-020	83,926	83,926
<i>Total United States Department of Energy</i>			<u>292,912</u>	<u>83,926</u>
<u>United States Department of Health and Human Services:</u>				
Passed-through Indiana Housing and Community Development Authority:				
Temporary Assistance for Needy Families	93.558	WL-008-017	25,273	-
Low-Income Home Energy Assistance	93.568	LI-009-017	3,112,233	-
Low-Income Home Energy Assistance	93.568	WL-010-017 & WL-008-017	390,001	-
Community Services Block Grant	93.569	CS-009-017	240,005	-
ARRA - Community Services Block Grant	93.710	CS-ARRA-017	11,952	11,952
<i>Total United States Department of Health and Human Services</i>			<u>3,779,464</u>	<u>11,952</u>
<u>United States Department of Homeland Security:</u>				
Passed-Through Emergency Food and Shelter National Board:				
Emergency Food and Shelter National Board Program	97.024	LRO-009-E9	10,211	-
Emergency Food and Shelter National Board Program (ARRA)	97.114	LRO-009-E1	3,667	3,667
<i>Total United States Department of Homeland Security</i>			<u>13,878</u>	<u>3,667</u>
<i>Total federal assistance</i>			<u>\$ 4,577,168</u>	<u>\$ 119,730</u>

The accompanying notes are an integral part of this schedule.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activities of NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC., (the "Organization") and is presented in conformity with accounting principles generally accepted in the United States of America. The information in the schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

The Organization provided federal awards to subrecipients under the following programs during the year ended December 31, 2009:

Low-Income Home Energy Assistance, CFDA #93.568	\$ 93,537
Community Services Block Grant, CFDA #93.569	<u>64,107</u>
<i>Total</i>	<u>\$ 157,644</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
Michigan City, Indiana

We have audited the financial statements of NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC. (the "Organization") as of and for the year ended December 31, 2009, and have issued our report thereon dated July 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, the Indiana State Board of Accounts, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Associates, P.C.

July 8, 2010



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

To the Board of Directors
NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
Michigan City, Indiana

Compliance

We have audited the compliance of NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC. (the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, the Indiana State Board of Accounts, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Associates, P.C.

July 8, 2010

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended December 31, 2009

Section 1-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Significant deficiencies identified?	No
Material weaknesses identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiencies identified?	No
Material weaknesses identified?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
81.042	Weatherization Assistance for Low-Income Persons
93.568	Low-Income Home Energy Assistance
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009

Section 2 – Findings in Financial Statements Audit

None

Section 3 – Findings in Major Federal Award Programs Audit

None

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2009

Findings in Financial Statements Audit

Finding 08-1

Condition:

As part of our audit, we proposed adjustments relating to complex accounting standards and drafted the Organization's financial statements and related notes, which were reviewed and approved by management. This service was necessary, in our opinion, because management would be unable to completely comply with such standards or to prepare financial statements and related disclosures in accordance with U.S. generally accepted accounting principles because of limited resources (i.e., time and accounting reporting services).

Recommendations:

We did not make any recommendations regarding this matter.

Current status:

No similar finding was noted in the 2009 audit. The Organization engaged an outside accountant to assist with the year-end closing and financial statement preparation and prepared its own financial statements that were in substantial compliance with U.S. generally accepted accounting principles.

Findings in Major Federal Award Programs Audit

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Passed-Through Indiana Housing and Community Development Authority
CFDA Number 14.856
Lower Income Housing Assistance-Section 8 Moderate Rehabilitation

Finding 08-2

Condition:

During 2008, this program was reassigned to another entity by state officials and all participant records were transferred to that entity, which revised or destroyed such records. Consequently, we were unable to audit any evidence regarding the Organization's compliance with eligibility requirements of this program.

Recommendations:

No recommendations were given on this matter as the program was transferred to another entity.

Current status:

The Organization no longer has this program.