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October 24, 2014

Board of Directors  
Aging & Community Services of South Central Indiana, Inc.  
1531 13<sup>th</sup> Street, Suite G900  
Columbus, IN 47201

We have reviewed the audit report prepared by Wipfli LLP, for the period July 1, 2010 to June 30, 2011. 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 Aging & Community Services of South Central Indiana, Inc., as of June 30, 2011, 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 a federal award finding in the report. Please refer to the Schedule of Findings and Questioned Costs for complete details of the finding.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**Aging & Community Services of  
South Central Indiana, Inc.**

Columbus, Indiana

Financial Statements and Additional Information  
Year Ended June 30, 2011

# Aging & Community Services of South Central Indiana, Inc.

Financial Statements and Additional Information  
Year Ended June 30, 2011

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## Table of Contents

Independent Auditor's Report .....	1
Financial Statements	
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements.....	6
Additional Information	
Schedule of Expenditures of Federal Awards .....	13
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 <i>Government Auditing Standards</i> .....	14
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect On Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	16
Schedule of Findings and Questioned Costs .....	18



## Independent Auditor's Report

Board of Directors  
Aging & Community Services of South Central Indiana, Inc.  
Columbus, Indiana

We have audited the accompanying statement of financial position of Aging & Community Services of South Central Indiana, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Aging & Community Services of South Central Indiana, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 audit provides 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 Aging & Community Services of South Central Indiana, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2012, on our consideration of Aging & Community Services of South Central Indiana, Inc.'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 should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Aging & Community Services of South Central Indiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards, Schedule A, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

Wipfli LLP  
Wipfli LLP

February 2, 2012  
Milwaukee, Wisconsin

# Aging & Community Services of South Central Indiana, Inc.

## Statement of Financial Position

June 30, 2011

<i>Assets</i>	
Current assets:	
Cash	\$ 272,842
Grants receivable	978,323
Accounts receivable	216,138
Other assets	3,835
<b>Total current assets</b>	<b>1,471,138</b>
Interest in investment held by a community foundation	14,133
Equipment, net	121,668
<b>TOTAL ASSETS</b>	<b>\$ 1,606,939</b>
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Line of credit	\$ 400,050
Accounts payable	317,255
Accrued payroll and related expenses	128,047
Accrued vacation	86,454
<b>Total liabilities</b>	<b>931,806</b>
Net assets:	
Unrestricted	597,208
Temporarily restricted	77,925
<b>Total net assets</b>	<b>675,133</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,606,939</b>

See accompanying notes to financial statements.

# Aging & Community Services of South Central Indiana, Inc.

## Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
<b>Revenue:</b>			
Federal grant revenue	\$ 2,575,161	\$ 0	\$ 2,575,161
State and local grant revenue	1,413,561	0	1,413,561
Medicaid	1,132,639	0	1,132,639
Client contributions	182,766	100	182,866
Other revenue	483,205	0	483,205
Change in interest in investment held by a community foundation	0	1,888	1,888
Casualty gain	74,158	0	74,158
Local revenue	233,015	0	233,015
In-kind contributions	140,905	0	140,905
Net assets released from restriction	667	( 667)	0
<b>Total revenue</b>	<b>6,236,077</b>	<b>1,321</b>	<b>6,237,398</b>
<b>Expenses:</b>			
Program expenses:			
In-home services	3,338,607	0	3,338,607
Community services	1,483,476	0	1,483,476
Nutrition	545,039	0	545,039
<b>Total program expenses</b>	<b>5,367,122</b>	<b>0</b>	<b>5,367,122</b>
Management and general expense	646,831	0	646,831
<b>Total expenses</b>	<b>6,013,953</b>	<b>0</b>	<b>6,013,953</b>
Change in net assets	222,124	1,321	223,445
Net assets - Beginning of year	375,084	76,604	451,688
<b>Net assets - End of year</b>	<b>\$ 597,208</b>	<b>\$ 77,925</b>	<b>\$ 675,133</b>

See accompanying notes to financial statements.

# Aging & Community Services of South Central Indiana, Inc.

## Statement of Cash Flows

Year Ended June 30, 2011

Increase (decrease) in cash:

Cash flows from operating activities:

Change in net assets \$ 223,445

Adjustments to reconcile change in net assets  
to net cash provided by operating activities:

Depreciation 40,402

Change in interest in investment held by a community foundation ( 1,888)

Changes in operating assets and liabilities:

Grants receivable 530,514

Accounts receivable 127,825

Other assets ( 955)

Accounts payable ( 561,077)

Accrued payroll and related expenses ( 51,818)

Accrued vacation ( 22,967)

Net cash provided by operating activities 283,481

Cash flows from financing activities:

Principal payments on note payable ( 34,767)

Payments on line of credit ( 99,950)

Net cash used in financing activities ( 134,717)

Change in cash 148,764

Cash - Beginning of year 124,078

Cash - End of year \$ 272,842

Schedule of other cash activity:

Interest paid \$ 24,667



# Aging & Community Services of South Central Indiana, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies**

#### **Nature of Operations**

Aging & Community Services of South Central Indiana, Inc. (the "Organization") is a not-for-profit corporation. The Organization was organized in 1981 to provide services to elderly and disabled persons in the Bartholomew, Brown, Decatur, Jackson, and Jennings County areas in the state of Indiana. The Organization is primarily supported through federal and state government grants. Approximately 87% of the grant funding is federal and state pass-through funds received from the Indiana Family and Social Services Administration.

The Organization's direct services include: information and referral, care management, congregate meals, home delivered meals, homemaker, handy chore, outreach, advocacy, Foster Grandparents Program, nursing home pre-admission screening, Medicaid Waiver, Caring Connections (volunteers), Guardianship, health prevention, and First Call for Help/211. The Organization provides grants through Older Americans Act funds for: senior center operations, transportation, legal services, nursing home ombudsman, adult day care, and medication assistance. Through the use of state funds, the organization purchases on behalf of consumers: attendant care, homemaker services, home health aide, respite care, owner occupied rehabilitation, and emergency response systems.

#### **Basis of Presentation**

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

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

#### **Significant Policies**

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

# Aging & Community Services of South Central Indiana, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Use of Estimates**

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

#### **Equipment**

Equipment purchased is capitalized at cost and depreciated over its useful life using the straight-line method. The Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Grant-funded equipment acquired is owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the equipment purchased with grant funds. Their disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of grant funded equipment at June 30, 2011, was \$75,572.

#### **Revenue Recognition**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as contributions released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

#### **A. Grant Awards that are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

#### **B. Grant Awards that are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in excess of fees earned, if any, are reflected as deferred revenue.

# Aging & Community Services of South Central Indiana, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Accounts Receivable**

Accounts receivable consist primarily of amounts billed under performance contracts related to senior programs and receivables expected from insurance proceeds related to the casualty gain (see Note 11). Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed, based on collection history and customer attributes. The Organization considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded. If an account becomes uncollectible, it will be written off at that time.

#### **Fair Value Measurements**

The Organization measures the fair value of its interest in investments held by a community foundation using a three-tier hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Following is a brief description of each level of the fair value hierarchy:

Level 1 - Fair value measurement is based on quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Fair value measurement is based on (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) inputs, other than quoted prices, that are observable for the asset or liability, or (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 - Fair value measurement is based on a valuation methodology that is unobservable and significant to the fair value measurement

Some assets and liabilities are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets and liabilities, such as impaired investments, are measured at fair value on a nonrecurring basis.

#### **Income Taxes**

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and Indiana income taxes.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements.

# Aging & Community Services of South Central Indiana, Inc.

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Income Taxes**

The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the tax years ended 2008, 2009, and 2010, remain subject to examination by the Internal Revenue Service.

#### **In-Kind Contributions**

The Organization has recorded in-kind contributions for space and professional services in the statement of activities in accordance with a financial accounting standard. This standard requires that only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different than the in-kind requirements of several grant awards. The Organization received contributions of nonprofessional volunteers during the year with a value of \$194,500, primarily for its senior programs, which is not recorded in the statement of activities.

#### **Cost Allocation**

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs, which cannot be readily identified with a final cost objective.

#### **Subsequent Events**

Subsequent events have been evaluated through February 2, 2012, which is the date the financial statements were available to be issued.

### Note 2      **Concentration of Credit Risk**

The Organization maintains cash balances at several financial institutions which are insured up to \$250,000. At times, balances exceed FDIC insured levels. Management has assessed the credit worthiness of these institutions and does not feel the deposits are subject to significant risk.

### Note 3      **Grants Receivable**

Grants receivable consist of the following:

Federal	\$ 679,800
State	298,523
<hr/>	
Total	<u>\$ 978,323</u>

# Aging & Community Services of South Central Indiana, Inc.

## Notes to Financial Statements

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### Note 4 Equipment

A summary of equipment is as follows:

Equipment	\$ 265,402
Accumulated depreciation	( 143,734)
<u>Equipment, net</u>	<u>\$ 121,668</u>

### Note 5 Pension Plan

The Organization provides pension benefits for all of its full-time employees through a 403(b) Plan. The Organization matches 1% of the participating employee's annual pay. The Organization's contributions to the plan for the year ended June 30, 2011, were \$5,868.

### Note 6 Operating Leases

The Organization holds various operating leases for their administrative office, outreach offices, and equipment. The terms of the lease agreements require monthly payments for the term of the lease. Total rental expense for the year ended June 30, 2011, was \$101,004. The Organization's obligation for future operating leases is as follows:

2012	\$ 136,200
2013	70,200
2014	7,200
2015	2,400
<u>Total</u>	<u>\$ 216,000</u>

### Note 7 Interest in Investment Held by a Community Foundation

During an earlier period, the Organization transferred \$11,000 to the Community Foundation of Bartholomew County (the "Foundation") based on donor intentions. The Organization's agreement with the Foundation states that the Foundation will hold and invest the funds for the sole benefit of the Organization and may distribute a portion of the fund earnings annually.

The Organization has granted variance power to the Foundation. As such, the Board of Directors of the Foundation have the power to modify any restriction or condition on the distribution of the funds if, in their judgment, such restrictions become inconsistent with the charitable needs of the Organization or inconsistent with the charitable needs served by the Foundation. Therefore, the interest in investment held by a community foundation is shown on the statement of financial position as temporarily restricted net assets. Any changes in the fund are recorded as changes in temporarily restricted net assets on the statement of activities.

# Aging & Community Services of South Central Indiana, Inc.

## Notes to Financial Statements

### Note 7 Interest in Investment Held by a Community Foundation (Continued)

A schedule of activity in the fund for the years ended June 30, 2011, is as follows:

Beginning balance	\$ 12,245
Increase in net asset value at the Foundation	1,888
<u>Ending balance</u>	<u>\$ 14,133</u>

### Note 8 Fair Value Measurements

For the asset measured at fair value on a recurring basis described below, the interest in investment held by a community foundation is valued based on the market value of the underlying assets, consisting mainly of equity securities and fixed income securities which are valued based on quoted market prices based on recent trading activity and other observable market data.

Information regarding the fair value of assets measured at fair value on a recurring basis as of June 30, 2011, is as follows:

	<u>Fair Value Measurements Using</u>			Fair Value
	Level 1	Level 2	Level 3	
Interest in investment held by a community foundation	\$ 0	\$ 14,133	\$ 0	\$ 0

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### Note 9 Line of Credit

The Organization has a line of credit of \$750,000 with Indiana Bank and Trust Company, due April 28, 2011, with a variable interest rate. The interest rate as of June 30, 2011, was 5.50%. The line of credit is collateralized by accounts receivable due to the Organization. At June 30, 2011, the outstanding balance was \$400,050.

### Note 10 Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

Program contributions	\$ 57,772
Interest in investment held by a community foundation (Note 7)	14,133
Emergency fund	5,772
<u>Orville Pitts Scholarship Fund</u>	<u>248</u>
<u>Total temporarily restricted net assets</u>	<u>\$ 77,925</u>

# Aging & Community Services of South Central Indiana, Inc.

## Notes to Financial Statements

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### **Note 10**      **Temporarily Restricted Net Assets (Continued)**

The program contributions are donations, contributions, and other revenue received restricted for specific program purposes. The emergency fund net asset balance is to fund the construction and repair of handicap ramps, and the Orville Pitts Scholarship Fund is to be used to fund scholarships.

### **Note 11**      **Casualty Gain**

The office space leased by the Organization experienced a fire in a prior year, causing significant water damage to furniture, equipment, and documents. Total insurance reimbursements recorded as of June 30, 2010, were approximately \$575,000. The reimbursements, netted with costs incurred by the organization to replace equipment and furniture, were recorded as a casualty gain on the prior year financial statements.

During 2011, the Organization was notified that they would be receiving an additional \$55,000 in insurance reimbursements. In addition, the Organization was notified that a claim filed by the document recovery services agency was going to be settled for \$10,000, rather than an estimated \$133,000. These amounts, netted with 2011 expenses for document restoration and other cleanup, resulted in a casualty gain of \$74,158 as of June 30, 2011.

## **Additional Information**

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# Aging & Community Services of South Central Indiana, Inc.

## Schedule A

### Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Program Title	CFDA Number	Grant Number	Program Period	Current Year Expenditures
<b>FEDERAL GRANTS</b>				
<b>Department of Education Passed-Through Indiana</b>				
<b>Family and Social Services Administration</b>				
Special Education Grants for Infants and Families	84.181	03-09-F9-1163-03	04/01/10 - 06/30/11	\$ 959,168
<b>Department of Health and Human Services Passed-Through</b>				
<b>Indiana Family and Social Services Administration</b>				
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	03-10-0V-1163-10	07/01/10 - 06/30/11	15,325
Special Programs for the Aging, Title III, Part A, Grants for Supportive Services and Senior Centers	93.044	03-10-0V-1163-02	07/01/10 - 06/30/11	88,290
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		03-10-0V-1163-04	07/01/10 - 06/30/11	272,910
<b>Total CFDA #93.044</b>				<b>361,200</b>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	03-10-0V-1163-06	07/01/10 - 06/30/11	294,463
Special Programs for the Aging, Title III, Part C, Nutrition Services		03-10-0V-1163-08	07/01/10 - 06/30/11	149,563
<b>Total CFDA #93.045</b>				<b>444,026</b>
Nutrition Services Incentive Program	93.053	03-10-02-1163-02	07/01/10 - 06/30/11	40,894
<b>Subtotal CFDA #93.044, #93.045, AND #93.053 cluster</b>				<b>846,120</b>
National Family Caregiver Support	93.052	03-10-0V-1163-12	07/01/10 - 06/30/11	99,809
Social Services Block Grant	93.667	03-10-0G-1163-02	07/01/10 - 06/30/11	214,969
Medical Assistance Program	93.778	03-10-70-1163-02	07/01/10 - 06/30/11	110,664
<b>National Corporation for National and Community Service-Direct</b>				
Foster Grandparent Program	94.011	03SFNIN003	07/01/10 - 06/30/11	329,106
<b>TOTAL FEDERAL FUNDS</b>				<b>\$ 2,575,161</b>

#### Note to Schedule of Expenditures of Federal Awards

This schedule includes the federal grant activity of Aging & Community Services of South Central Indiana, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**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***

Board of Directors  
Aging & Community Services of South Central Indiana, Inc.  
Columbus, Indiana

We have audited the financial statements of Aging & Community Services of South Central Indiana, Inc. (a nonprofit organization), as of and for the year ended June 30, 2011, and have issued our report thereon dated February 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Aging & Community Services of South Central Indiana, Inc.'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 Aging & Community Services of South Central Indiana, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Aging & Community Services of South Central Indiana, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

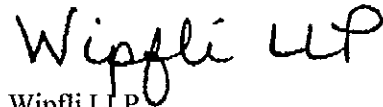
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 Aging & Community Services of South Central Indiana, Inc.'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*.

We noted certain matters that we reported to the management of Aging and Community Services of South Central Indiana, Inc. in a separate letter dated February 2, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within Aging & Community Services of South Central Indiana, Inc., 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.

  
Wipfli LLP

February 2, 2012  
Milwaukee, Wisconsin



## **Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Directors  
Aging & Community Services of South Central Indiana, Inc.  
Columbus, Indiana

### **Compliance**

We have audited Aging & Community Services of South Central Indiana, Inc. (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Aging & Community Services of South Central Indiana, Inc.'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 Aging & Community Services of South Central Indiana, Inc.'s management. Our responsibility is to express an opinion on Aging & Community Services of South Central Indiana, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 Aging & Community Services of South Central Indiana, Inc.'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 on Aging & Community Services of South Central Indiana, Inc.'s compliance with those requirements.

In our opinion, Aging & Community Services of South Central Indiana, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 063011-01.

## Internal Control Over Compliance


The management of Aging & Community Services of South Central Indiana, 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 Aging & Community Services of South Central Indiana, Inc.'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 Aging & Community Services of South Central Indiana, Inc.'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 a 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 063011-01. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Aging & Community Services of South Central Indiana, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Aging & Community Services of South Central Indiana, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within Aging & Community Services of South Central Indiana, Inc., 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.

  
Wipfli LLP

February 2, 2012  
Milwaukee, Wisconsin

# Aging & Community Services of South Central Indiana, Inc.

## Schedule of Findings and Questions Costs

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### A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Aging & Community Services of South Central Indiana, Inc.
2. No deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Aging & Community Services of South Central Indiana, Inc. were disclosed during the audit.
4. One significant deficiency was disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect On Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. This deficiency was not identified to be a material weakness.
5. The auditor's report on compliance for the major federal award programs for Aging & Community Services of South Central Indiana, Inc. expresses an unqualified opinion.
6. There was one audit finding relative to the major federal award programs for Aging & Community Services of South Central Indiana, Inc.
7. The programs tested as major programs were the U.S. Department of Health and Human Services Title III Senior Nutrition Cluster, CFDA #93.044, #93.045, and 93.053, and the U.S. Department of Education Special Education Grants for Infants and Families with Disabilities, CFDA #84.181.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Aging & Community Services of South Central Indiana, Inc. was not determined to be a low-risk auditee.

# Aging & Community Services of South Central Indiana, Inc.

## Schedule of Findings and Questions Costs

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### **B. Current Year Findings – Financial Statements Audit**

#### **Finding:**

None

### **C. Current Year Findings and Questioned Costs – Major Federal Award Programs Audit**

#### **Finding:**

#### **ALLOWABLE COSTS/COST PRINCIPLES (063011-01)**

**Program cluster CFDA #93.044, 93.045, and 93.053 – Special Programs for the Aging Title III**

**Grant period July 1, 2010 through June 30, 2011**

#### **Questioned Costs:**

\$22,680

#### **Condition**

During our audit, Wipfli LLP noted that Aging & Community Services of South Central Indiana, Inc. was incorrectly allocating shared costs intended as contract and service costs for one federal program to multiple other programs. This resulted in overcharging federal, state, and local program funds for approximately \$76,000, of which \$22,680 applied to the major program under audit. Because Aging & Community Services of South Central Indiana, Inc.'s internal controls failed to detect and correct this error, there is a significant deficiency in internal control that resulted in a noncompliance.

#### **Criteria**

OMB Circular A-133 Subpart C, Section 300(b) requires that the auditee shall: "Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

#### **Effect**

As a result of the significant deficiency in internal controls, there is a possibility of program non-compliance to occur and grant funds to be allocated inappropriately.

#### **Recommendation**

We recommend that Aging & Community Services of South Central Indiana, Inc. implement internal control procedures over the program compliance such that all laws, regulations, and provisions of contracts and grant agreements are in compliance.

# Aging & Community Services of South Central Indiana, Inc.

## Schedule of Findings and Questions Costs

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### C. **Current Year Findings and Questioned Costs – Major Federal Award Programs Audit (Continued)**

Finding (Continued):

#### **ALLOWABLE COSTS/COST PRINCIPLES (063011-01)**

##### **Auditee Response**

Due to limitations on allocable costs related to a specific grant, allocations of indirect costs were posted incorrectly for the period April 2010 through June 2011, which resulted in the overcharging of programs. The funding source was notified and steps are being taken to resolve the issue and repay the funding source. The finance department has a full understanding of the grant requirements and is now properly posting the required entries during the fiscal year ending June 30, 2012, under the direction of a new Finance Director that was hired in January of 2011. This corrective action was implemented immediately upon discovery, and is being monitored by the responsible representative of management, Staci Likens, Finance Director.

### D. **Prior Year Findings – Financial Statements Audit**

Finding:

#### **MATERIAL ADJUSTMENTS (063010-01)**

##### **Condition**

During our audit, Wipfli LLP proposed an adjusting journal entry to record the casualty gain from insurance proceeds which we deemed to be material in relation to the financial statements, which was subsequently recorded by management. Since Aging & Community Services of South Central Indiana, Inc.'s internal controls did not detect and correct these adjustments prior to the beginning of our audit fieldwork, a material weakness exists in Aging & Community Services of South Central Indiana, Inc.'s controls.

##### **Criteria**

*Government Auditing Standards* (January 2007 revision) consider the inability to perform necessary internal control operations and accurately adjust account balances to be an internal control weakness.

##### **Effect**

As a result of not performing the necessary calculations and adjustments to account balances, a material weakness exists in internal controls leading to a material misstatement of the financial statements presented for audit.



# Aging & Community Services of South Central Indiana, Inc.

## Schedule of Findings and Questions Costs

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### D. Prior Year Findings – Financial Statements Audit (Continued)

#### Recommendation

We recommend that Aging & Community Services of South Central Indiana, Inc. implement procedures to ensure internal controls are being properly performed in order to identify and correct any misstatements noted during the financial statement preparation.

#### Response to Prior Year Finding

Aging & Community Services of South Central Indiana Inc. experienced a tragic fire on December 24, 2009. As a result of this fire, the agency received insurance proceeds for the assets lost in the fire. At the beginning of the audit fieldwork this entry had not been completed due to the one time occurrence and the lack of knowledge of the amount of casualty gain to book. This material adjustment is unique in nature and is not an ongoing issue.

#### Resolution

As a result of audit procedures for the year ended June 30, 2011, Wipfli considers this finding to be resolved.

#### Finding:

#### SEGREGATION OF DUTIES - PAYROLL (063010-02)

#### Condition

During our audit, Wipfli LLP reviewed and tested the internal controls over payroll processes. It was noted that one person was responsible for much of the payroll process, including the initiation of transactions, the updating of personnel information in the payroll system (including pay rates), the transmittal of payroll information to a third party service provider, and the reconciliation of the general ledger payroll accounts. Since Aging & Community Services of South Central Indiana, Inc.'s internal controls did not provide for a proper segregation of duties, or adequate mitigating controls, a significant deficiency exists in Aging & Community Services of South Central Indiana, Inc.'s controls.

#### Criteria

*OMB Circular A-110, Subpart C - Section 21(b)(3)* requires "Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes."

#### Effect

As a result of not ensuring that there are adequate controls surrounding the accountability of funds, property, and other assets, there is a potential for a misstatement of the financial statements that is significant.

# **Aging & Community Services of South Central Indiana, Inc.**

## Schedule of Findings and Questions Costs

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### **D. Prior Year Findings – Financial Statements Audit (Continued)**

#### **Recommendation**

We recommend that Aging & Community Services of South Central Indiana, Inc. implement procedures to ensure internal controls are operating as designed to adequately safeguard all funds, property, and other assets.

#### **Response to Prior Year Finding**

A full time Finance Director was hired to oversee the day to day operations of the business office. As part of this role this individual will be directly involved in the payroll process. Going forward internal controls are in place to protect all funds, property, and assets.

#### **Resolution**

As a result of audit procedures for the year ended June 30, 2011, Wipfli considers this finding to be resolved.

### **E. Prior Year Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**Questioned Costs:** None

