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February 15, 2010

Board of Directors
Area IV Agency on Aging and
Community Action Programs, Inc.
P.O. Box 4727
Lafayette, IN 47903-4727

We have reviewed the audit report prepared by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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 Area IV Agency on Aging and Community Action Programs, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report except for the effects of not providing an allowance for uncollectible advances to a related entity.

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 23 contains one current audit finding. Pages 24 through 26 contain the status of seven prior audit findings. Management's response is on page 27.

STATE BOARD OF ACCOUNTS

FINANCIAL AND COMPLIANCE REPORT

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.

December 31, 2008 and 2007

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPORTING SCHEDULE	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows.....	7
Notes to financial statements	8-15
SUPPORTING SCHEDULE	
Schedule of expenditures of federal awards	16
Notes to schedule of expenditures of federal awards	17
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>	18-19
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.....	20-21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	22-23
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	24-26
AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN	27



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

To the Board of Directors
AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
Lafayette, Indiana

We have audited the accompanying statements of financial position AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC. (the "Organization") as of December 31, 2008 and 2007, 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.

The Organization has not provided an allowance for uncollectible advances to a related entity for which it is probable that a loss has occurred prior to 2007. Accounting principles generally accepted in the United States of America require that assets be written-down to estimated realizable value when it is probable that a loss has occurred. As discussed in Note 5 to the financial statements, at December 31, 2008 that entity had substantial net asset and working capital deficits, factors that, in our opinion, indicate a loss has occurred. If the advances were stated at estimated realizable value, assets and net assets at December 31, 2008 and 2007 would be decreased by \$99,900 and \$241,317, respectively, and the change in net assets for the years ended December 31, 2008 and 2007 would be increased by \$141,417 and \$11,835, respectively.

In our opinion, except for the effects of not providing an allowance for uncollectible advances to a related entity, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC. as of December 31, 2008 and 2007, 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 August 10, 2009 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 basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards 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.

August 10, 2009

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

Assets:	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and cash equivalents	\$ 305,364	\$ 214,540
Prepaid expenses	-	58,699
Grants and fees receivable	1,144,003	794,587
Accounts receivable - related entity	31,753	25,379
Advances to related entity - current portion	<u>101,417</u>	<u>-</u>
<i>Total current assets</i>	<u>1,582,537</u>	<u>1,093,205</u>
 Long-Term Assets:		
Advances to related entity - long-term portion	99,900	241,317
Property and equipment	103,610	99,001
Beneficial interest in assets held by others	<u>10,100</u>	<u>-</u>
<i>Total long-term assets</i>	<u>213,610</u>	<u>340,318</u>
 <i>Total assets</i>	 <u><u>\$ 1,796,147</u></u>	 <u><u>\$ 1,433,523</u></u>
 Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,229,519	\$ 817,802
Deferred revenue	<u>216,766</u>	<u>341,050</u>
<i>Total current liabilities</i>	<u>1,446,285</u>	<u>1,158,852</u>
 Net Assets:		
Unrestricted	<u>349,862</u>	<u>274,671</u>
 <i>Total liabilities and net assets</i>	 <u><u>\$ 1,796,147</u></u>	 <u><u>\$ 1,433,523</u></u>

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

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2008 and 2007

	2008			2007		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, Other Support:						
Government grants and fees	\$ 9,218,134	\$ -	\$ 9,218,134	\$ 8,219,328	\$ -	\$ 8,219,328
Program service revenue	96,517	65,680	162,197	83,020	79,746	162,766
Contributions - cash	3,191	7,491	10,682	8,688	9,777	18,465
Contributions - services and facilities	279,430	-	279,430	272,668	-	272,668
Special events	25,779	-	25,779	25,320	-	25,320
Interest income	2,445	-	2,445	7,170	-	7,170
Net assets released from restrictions	73,171	(73,171)	-	96,318	(96,318)	-
<i>Total revenues, gains, and other support</i>	<u>9,698,667</u>	<u>-</u>	<u>9,698,667</u>	<u>8,712,512</u>	<u>(6,795)</u>	<u>8,705,717</u>
Expenses:						
Area Agency on Aging	3,066,915	-	3,066,915	2,784,777	-	2,784,777
Energy Assistance	2,015,116	-	2,015,116	1,655,379	-	1,655,379
Weatherization	622,952	-	622,952	751,008	-	751,008
Housing	974,135	-	974,135	833,487	-	833,487
Case Management	643,248	-	643,248	481,053	-	481,053
Transportation	58,883	-	58,883	86,069	-	86,069
Head Start	1,357,928	-	1,357,928	1,334,859	-	1,334,859
Community Services	302,571	-	302,571	159,500	-	159,500
Management and general	581,728	-	581,728	531,370	-	531,370
<i>Total expenses</i>	<u>9,623,476</u>	<u>-</u>	<u>9,623,476</u>	<u>8,617,502</u>	<u>-</u>	<u>8,617,502</u>
Change in net assets	75,191	-	75,191	95,010	(6,795)	88,215
Net assets, beginning of year	274,671	-	274,671	179,661	6,795	186,456
<i>Net assets, end of year</i>	<u>\$ 349,862</u>	<u>\$ -</u>	<u>\$ 349,862</u>	<u>\$ 274,671</u>	<u>\$ -</u>	<u>\$ 274,671</u>

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

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	<u>Area Agency on Aging</u>	<u>Energy Assistance</u>	<u>Weather- ization</u>	<u>Housing</u>	<u>Case Management</u>	<u>Transpor- tation</u>	<u>Head Start</u>	<u>Community Services</u>	<u>Management and General</u>	<u>Total</u>
Personnel	\$ 485,120	\$ 129,189	\$ 122,654	\$ 132,413	\$ 502,416	\$ 35,133	\$ 839,508	\$ 212,434	\$ 474,475	\$ 2,933,342
Travel	41,646	4,869	393	675	20,795	898	13,486	10,272	1,628	94,662
Occupancy	38,431	17,705	5,999	4,607	27,146	1,884	75,315	12,350	23,588	207,025
Telephone	12,220	7,296	3,354	1,713	17,355	2,355	8,638	7,681	14,649	75,261
Postage	6,464	4,387	656	2,183	3,469	154	2,714	3,173	2,930	26,130
Office supplies	37,541	11,427	3,610	4,130	20,583	472	13,867	12,085	18,583	122,298
Program supplies	9,600	4,966	10,048	58	737	324	14,021	1,532	408	41,694
Food	706,786	-	61	57	-	-	67,901	12	55	774,872
Equipment leasing	5,427	2,631	927	416	5,035	172	4,200	1,676	3,978	24,462
Vehicle expenses	11,287	97	5,615	1,920	389	7,123	43,112	202	339	70,084
Training and education	14,566	981	913	2,179	3,057	339	17,290	2,139	6,018	47,482
Contracted services	36,648	5,296	3,523	52,653	16,800	817	3,287	6,493	14,704	140,221
Insurance	5,990	1,295	6,984	1,252	4,552	473	4,844	1,977	3,796	31,163
Professional fees	7,347	3,023	2,060	951	9,598	395	-	3,438	7,995	34,807
Dues and subscriptions	18,905	216	135	49	3,247	265	1,555	1,181	4,706	30,259
Home energy improvements	-	-	448,887	-	-	-	-	9,121	-	458,008
Home energy assistance	1,079	1,820,005	-	-	-	-	-	57	-	1,821,141
Health care assistance and respite	1,361,149	-	-	-	-	-	-	-	-	1,361,149
Rent assistance	-	-	-	768,345	-	-	-	-	-	768,345
Other assistance	190,344	-	-	-	-	-	5,266	-	-	195,610
Interest	-	-	-	-	-	-	-	-	569	569
Contributed services and facilities	52,262	-	-	-	-	600	212,417	14,151	-	279,430
Depreciation	5,940	-	5,617	-	3,784	6,735	18,006	-	-	40,082
Other	18,163	1,733	1,516	534	4,285	744	12,501	2,597	3,307	45,380
<i>Totals</i>	<u>\$ 3,066,915</u>	<u>\$ 2,015,116</u>	<u>\$ 622,952</u>	<u>\$ 974,135</u>	<u>\$ 643,248</u>	<u>\$ 58,883</u>	<u>\$ 1,357,928</u>	<u>\$ 302,571</u>	<u>\$ 581,728</u>	<u>\$ 9,623,476</u>

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

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2007

	<u>Area Agency on Aging</u>	<u>Energy Assistance</u>	<u>Weather- ization</u>	<u>Housing</u>	<u>Case Management</u>	<u>Transpor- tation</u>	<u>Head Start</u>	<u>Community Services</u>	<u>Management and General</u>	<u>Total</u>
Personnel	\$ 577,755	\$ 115,723	\$ 153,352	\$ 78,693	\$ 372,180	\$ 36,448	\$ 821,489	\$ 109,193	\$ 433,561	\$ 2,698,394
Travel	37,350	2,840	109	1,031	20,032	935	10,299	7,327	1,000	80,923
Occupancy	53,786	17,823	6,075	4,885	25,330	2,015	117,205	5,280	24,210	256,609
Telephone	18,146	6,324	2,834	1,386	14,206	1,958	10,245	1,933	7,848	64,880
Postage	7,569	3,560	1,763	1,880	2,613	83	2,521	1,491	1,769	23,249
Office supplies	65,719	6,593	3,080	3,276	8,626	459	15,389	4,350	12,794	120,286
Program supplies	5,166	235	3,651	137	420	14	12,356	809	382	23,170
Food	590,895	-	(18)	48	-	-	59,731	22	-	650,678
Equipment leasing	7,405	3,054	1,079	377	6,304	156	5,259	671	3,568	27,873
Vehicle expenses	10,676	57	5,421	612	242	8,864	39,830	660	205	66,567
Training and education	13,578	770	761	167	2,208	363	10,641	1,288	1,678	31,454
Contracted services	23,487	5,019	3,043	47,441	12,562	780	4,668	2,659	12,558	112,217
Insurance	7,469	674	8,104	1,675	3,293	1,214	5,524	599	3,591	32,143
Professional fees	9,376	2,115	1,867	2,401	7,595	358	5,160	1,593	7,715	38,180
Dues and subscriptions	7,670	317	389	260	3,430	250	762	582	4,911	18,571
Equipment	-	-	6,000	-	-	-	960	-	-	6,960
Home energy improvements	-	-	549,379	-	-	-	100	11,179	-	560,658
Home energy assistance	-	1,488,441	-	-	-	-	-	1,788	-	1,490,229
Health care assistance and respite	1,048,749	-	-	-	-	-	-	-	-	1,048,749
Rent assistance	-	-	-	687,934	-	-	-	-	-	687,934
Other assistance	194,936	-	-	-	-	-	4,776	-	-	199,712
Interest	-	-	-	-	-	-	-	-	11,348	11,348
Contributed services and facilities	71,201	-	-	-	-	21,846	174,200	5,421	-	272,668
Depreciation	6,480	-	3,578	-	-	9,048	18,337	-	-	37,443
Other	27,364	1,834	541	1,284	2,012	1,278	15,407	2,655	4,232	56,607
<i>Totals</i>	<u>\$ 2,784,777</u>	<u>\$ 1,655,379</u>	<u>\$ 751,008</u>	<u>\$ 833,487</u>	<u>\$ 481,053</u>	<u>\$ 86,069</u>	<u>\$ 1,334,859</u>	<u>\$ 159,500</u>	<u>\$ 531,370</u>	<u>\$ 8,617,502</u>

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

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2008 and 2007

Change in Cash and Cash Equivalents:	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 75,191	\$ 88,215
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,082	37,443
Changes in assets and liabilities:		
Prepaid expenses	58,699	(58,699)
Grants and fees receivable	(349,416)	144,035
Accounts receivable - related entity	(6,374)	(14,366)
Advances to related entity	40,000	11,835
Accounts payable and accrued liabilities	411,717	(68,286)
Deferred revenue	(124,284)	153,853
<i>Net cash provided by operating activities</i>	<u>145,615</u>	<u>294,030</u>
Cash Flows from Investing Activities:		
Transfer to Community Foundation	(10,100)	-
Purchase of property and equipment	(44,691)	(21,314)
<i>Net cash (used in) investing activities</i>	<u>(54,791)</u>	<u>(21,314)</u>
Cash Flows from Financing Activities:		
Net (payments) on note payable, bank	-	(199,842)
Net change in cash and cash equivalents	90,824	72,874
Cash and cash equivalents, beginning of year	<u>214,540</u>	<u>141,666</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 305,364</u>	<u>\$ 214,540</u>
<i>Supplemental Cash Flows Information:</i>		
Interest paid	\$ 569	\$ 11,348
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC. (the "Organization") is an Indiana nonprofit corporation administering programs that assist older adults and low-income persons. Its operations are supported primarily by grants from, and contracts with, government agencies.

Significant Accounting Policies:

Use of estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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 valuation of the advances to the related entity is a material estimate that is particularly susceptible to change in the near term. As discussed in Note 5, the collectibility of those advances is largely dependent upon that entity's ability to complete and obtain investor financing for one or more of its real estate projects in the development stage, or to generate fees from other development projects, or both. While management uses available information to recognize losses on the advances, future write-downs may be necessary based on changes in economic conditions, government funding or tax policies, or other circumstances related to the entity's operations.

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 the 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.

Other significant accounting policies are as follows:

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.

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

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 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 recognized as revenue until the conditions are substantially met. Unearned amounts received on conditional promises are reported as deferred revenue in the statements of financial position.

Fees for services:

Fees for services are recognized as revenue when the services are substantially performed. Fees received in advance of substantial performance are reported as deferred revenue in the statements of financial position.

Contributed services and facilities:

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. The Organization also uses certain facilities for its Head Start program without charge or at reduced charge, and the difference between the fair value for the use of these facilities and the cost is recorded as revenue and expense. Total contributed services and facilities recognized in these financial statements are \$279,430 and \$272,668 for the years ended December 31, 2008 and 2007, respectively. In addition, for the years ended December 31, 2008 and 2007, the Organization received approximately \$154,000 and \$168,000 of contributed services that did not meet the criteria to be recognized in the financial statements.

Property and equipment:

Property and equipment is stated at cost, if acquired or at fair market at the date of receipt, if donated. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets, generally 5 years for program equipment and light vehicles and 7 years for heavy vehicles.

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Beneficial interests in assets held by others:

Beneficial interests in assets held by others are stated at fair value, based on the present value of future distributions expected to be received, and changes in that value are included in investment income in the statements of activities. The Organization recognizes its beneficial rights in assets held by others unless the donor has granted the recipient organization variance power. However, if the Organization is both the donor and the beneficiary of the assets, those rights are recognized even if the recipient organization has been granted variance power.

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 Organization is classified by the Internal Revenue Service as other than a private foundation under Internal Revenue Code Section 509(a)(1).

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, 2008 or 2007 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 2005.

Adoption of new accounting standards:

In 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. generally accepted accounting standards, and expands the disclosure of the methods used and the effect of fair value measurements on changes in net assets. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Accordingly, the Organization adopted applicable portions of this standard for the year ended December 31, 2008.

In 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 provides guidance on recognizing, measuring, presenting, and disclosing in the financial statements uncertain tax positions that an entity has taken or expects to take on a tax return. FIN 48 was effective for fiscal years beginning after December 15, 2007 for non-public entities. Accordingly, the Organization adopted applicable portions of this interpretation for the year ended December 31, 2008. As a result of this adoption, the Organization did not identify any uncertain tax positions taken or expected to be taken in a tax return that would require adjustment to the financial statements.

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 2. GRANTS AND FEES RECEIVABLE

Grants and fees receivable at both December 31, 2008 and 2007 consist primarily of reimbursements due under government contracts and cost-reimbursement grants. All amounts are due within one year, and no allowance for uncollectibles is considered necessary.

At December 31, 2008, the Organization had received approximately \$4,500,000 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, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Vehicles	\$ 493,824	\$ 493,824
Program equipment	<u>53,716</u>	<u>9,025</u>
	547,540	502,849
Less accumulated depreciation	<u>(443,930)</u>	<u>(403,848)</u>
<i>Net property and equipment</i>	<u>\$ 103,610</u>	<u>\$ 99,001</u>

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

NOTE 4. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization is the beneficiary of an endowment fund established by the Organization and held by Greater Lafayette Community Foundation (the "Community Foundation"). The Organization has granted the Community Foundation variance power in the determination of annual distributions and transfer of the accounts to other community organizations in certain circumstances. Total accumulated contributions by the Organization to the fund are \$10,100, all of which were made in 2008. The value of the fund was \$10,100 at December 31, 2008, which is reported in the accompanying statement of financial position as beneficial interest in assets held by others. There was no change in the value of the fund for the year ended December 31, 2008, nor were any distributions received from the fund.

NOTE 5. RELATED ENTITY INFORMATION

The Organization is related through common management and purpose to AREA IV DEVELOPMENT, INC. ("Area IV Development"), an Indiana nonprofit corporation exempt from income tax under Internal Revenue Code Section 501(c)(3). Under Area IV Development's bylaws, the Organization appoints both one-third of Area IV Development's Board of Directors

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

and its President, who must also be the Organization's Executive Director. Area IV Development provides affordable housing projects that benefit low and moderate-income persons, older adults, disabled, and homeless persons.

At December 31, 2008 and 2007, the Organization was owed \$201,317 and \$241,317, respectively, from Area IV Development for advances made to it for real estate development costs and operating expenses, of which \$101,417 was collected subsequent to December 31, 2008. At December 31, 2008, Area IV Development has a net asset deficiency of approximately \$72,000 and a working capital deficiency of approximately \$152,000. In management's opinion, the remaining \$99,900 in advances are ultimately collectible because of ongoing and future expected real estate projects and additional grants; consequently, the accompanying financial statements do not include any allowance for uncollectibles for these advances. However, because management does not expect collection within the next year, the remaining advances are classified as a long-term asset in the accompanying 2008 statement of financial position. Although management believes that the Organization will ultimately be able to collect the advances made to Area IV Development, this will be dependent on the ability of Area IV Development to complete and obtain investor financing for one or more real estate projects currently in the development stage, or to generate fees or other income from other development projects, or both, and there can be no assurance that this will occur.

For the years ended December 31, 2008 and 2007, the Organization subcontracted \$50,675 and \$45,673, respectively, of services with Area IV Development that are included in contracted services expense in the accompanying statements of functional expenses. At December 31, 2008 and 2007, the Organization owed Area IV Development \$32,475 and \$45,885, respectively, for these services, which are included in accounts payable and accrued liabilities in the accompanying statements of financial position. Also, included in revenues for the years ended December 31, 2008 and 2007 are \$70,999 and \$41,889, respectively, for shared personnel and administrative services with Area IV Development. At December 31, 2008 and 2007, the Organization was owed \$31,753 and \$25,379, respectively, for these services, which are reported as accounts receivable of related entity in the accompanying statements of financial position.

NOTE 6. BANK LINE OF CREDIT

The Organization has a \$250,000 bank line of credit facility, bearing interest at bank prime, that is collateralized by deposit accounts. No borrowing was outstanding on the line at either December 31, 2008 or 2007.

NOTE 7. NET ASSETS INFORMATION

Net assets were released from restrictions by incurring expenses satisfying restricted purposes as follows for the years ended December 31, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Energy assistance and weatherization	\$ 45,988	\$ 49,931
Area Agency on Aging	13,756	26,502

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Case management	10,419	9,128
Head Start	2,892	2,549
Housing	116	1,413
Office improvements	-	<u>6,795</u>
<i>Total net assets released</i>	<u>\$ 73,171</u>	<u>\$ 96,318</u>

NOTE 8. LEASE INFORMATION

The Organization leases facilities and equipment under non-cancellable operating leases expiring in various years through 2013. Minimum future rental payments under non-cancelable operating leases as of December 31, 2008 for each of the next five years and in the aggregate are as follows:

2009	\$ 47,021
2010	31,762
2011	28,092
2012	28,092
2013	<u>9,233</u>
<i>Total minimum future rental payments</i>	<u>\$ 144,200</u>

Total rent expense was \$181,714 and \$190,865 for the years ended December 31, 2008 and 2007, respectively.

NOTE 9. PENSION PLAN

The Organization maintains a defined-contribution pension plan covering substantially all its employees after two years of service. For eligible employees enrolled in the plan after June 1999, the Organization contributes 3% of compensation; for eligible employees enrolled in the plan before July 1999, the Organization contributes 3% of compensation for employees earning more than \$26,000 in annual compensation and \$15 per week for employees earning less than \$26,000 in annual compensation. Pension expense was \$47,273 and \$42,781 for the years ending December 31, 2008 and 2007, respectively.

NOTE 10. FAIR VALUE MEASUREMENTS

Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS No. 157), defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of assets measured on a recurring basis at December 31, 2008 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$ <u>10,100</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,100</u>

Fair value for beneficial interest in assets held by others (the Community Foundation discussed in Note 4) is determined by calculating the present value of the future distributions expected to be received, using a 5% discount rate, which is based on the Community Foundation's spending policy.

The following is a reconciliation of beginning and ending balances of the fair value of assets measured by Level 3 inputs:

Beneficial interests in assets held by others:	
Fair value December 31, 2007	\$ -
Transfer to Community Foundation	10,100
Change in value	-
Distributions received	<u>-</u>
<i>Fair value December 31, 2008</i>	\$ <u>10,100</u>

NOTE 11. CONCENTRATIONS

All of the Organization's programs and activities occur in mid-northwestern Indiana. Consequently, its sources of support and revenue may be affected by conditions in that area. Revenues from state and governmental sources were approximately 94% and 87% for the years ended December 31, 2008 and 2007, respectively. In addition, for the years ended December 31, 2008 and 2007, approximately 42% and 36%, respectively, of total revenues were received from Indiana Family and Social Services Administration; approximately 41% and 36%, respectively, of total revenues were received from Indiana Housing and Community Development Authority; and approximately 11% and 12%, respectively, of total revenues were received from U.S. Department of Health and Human Services for the Head Start program.

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and grants and fees receivable. The Organization has cash on deposit with a financial institution that, at times, may exceed the insurance limit of the

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Federal Deposit Insurance Corporation or that is not covered by such insurance. At December 31, 2008, the Organization had approximately \$417,000 cash on deposit with one financial institution that was not covered by federal insurance but that was collateralized by FHLMC securities with an approximate equivalent fair value.

Grants and fees receivable are due primarily from agencies of the State of Indiana, which represents a concentration of credit risk.

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Agreement Numbers</u>	<u>Federal Expenditures</u>
<i>United States Department of Agriculture:</i>			
Passed-Through Indiana Department of Education: Child and Adult Care Food Program	10.558	(08) 1790160 & (07) 1790160	\$ <u>72,479</u>
<i>United States Department of Housing and Urban Development:</i>			
Passed-through Indiana Housing and Community Development Authority: HOME Investment Partnerships Program	14.239	DO-007-003	62,421
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	SH-006-015	<u>858,289</u>
<i>Total United States Department of Housing and Urban Development</i>			<u>920,710</u>
<i>United States Department of Transportation:</i>			
Passed-through Indiana Department of Transportation: Federal Transit - Formula Grants	20.507	18023180	<u>48,831</u>
<i>United States Department of Energy:</i>			
Passed-through Indiana Housing and Community Development Authority: Weatherization Assistance for Low-Income Persons	81.042	WX-007-003	<u>301,375</u>
<i>United States Department of Health and Human Services:</i>			
Head Start	93.600	05CH4045/18	1,049,463
Passed-through Vincennes University from Indiana Department of Health: Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	n/a	4,366
Passed-through Indiana Family and Social Services Administration: Title VII - Long-Term Care Ombudsman Services for Older Individuals	93.042	79-08-OV-1541-04 & 79-08-OV-1541-03	15,627
Title IIID - Disease Prevention and Health Promotion Services	93.043	79-08-OV-1541-10 & 79-08-OV-1541-09	19,553
Aging Cluster: Title IIIA - Administrative	93.044	79-08-OV-1541-02 & 79-08-OV-1541-01	102,924
Title IIIB - Grants for Supportive Services and Senior Centers	93.044	79-06-OV-1541-04 & 79-08-OV-1541-03	283,504
Title IIIC - Nutrition Services	93.045	79-08-OV-1541-08, 79-08-OV-1541-07, 79-08-OV-1541-06 & 79-08-OV-1541-05	<u>535,675</u>
<i>Total aging cluster</i>			<u>922,103</u>
National Family Caregiver Support	93.052	79-06-OV-1541-12 & 79-08-OV-1541-11	187,740
Nutritional Services Incentive Program	93.053	79-08-02-1541-02 & 79-08-02-1541-01	171,045
Social Services Block Grant	93.667	79-06-OG-1541-02 & 79-08-OG-1541-01	416,387
Medical Assistance Program	93.778	79-08-70-1541-02 & 79-08-70-1541-01	182,334
Centers for Medicare and Medicaid Services Research, Demonstrations, and Evaluations	93.779	79-08-3N-1541	70,791
Passed-through Indiana Housing and Community Development Authority: Low-Income Home Energy Assistance	93.568	WL-007-003-02 & WL-007-003-01	216,807
Low-Income Home Energy Assistance	93.568	WL-007-003 & WL-007-003-YR1	38,722
Low-Income Home Energy Assistance	93.568	WL-007-003 & WL-007-003-YR1	2,060,653
Community Services Block Grant	93.569	CS-007-003	<u>403,483</u>
<i>Total United States Department of Health and Human Services</i>			<u>5,759,074</u>
<i>United States Department of Homeland Security:</i>			
Passed-Through Emergency Food and Shelter National Board: Emergency Food and Shelter National Board Program	97.024	n/a	<u>27,625</u>
<i>Total</i>			<u>\$ 7,130,094</u>

The accompanying notes are an integral part of this schedule.

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activities of AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC., 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, 2008:

Title IIIB ó Grants for Supportive Services and Senior Centers, CFDA #93.044	\$ 159,309
Title IIIC ó Nutrition Services, CFDA #93.045	535,675
Community Services Block Grant, CFDA #93.569	<u>50,675</u>
<i>Total</i>	<u>\$ 745,659</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
AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
Lafayette, Indiana

We have audited the financial statements of AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC. (the “Organization”) as of and for the year ended December 31, 2008, and have issued our report thereon dated August 10, 2009. 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 audit 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as findings 08-1 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

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*.

The Organization's response to the findings identified in our audit is described in the accompanying auditee's response and corrective action plan. We did not audit the Organization'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 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.

August 10, 2009



**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
AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
Lafayette, Indiana

Compliance

We have audited the compliance of AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, 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, 2008. 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 on the Organization's compliance with those requirements.

In our opinion, AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, 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, 2008.

Internal Control over Compliance

The management of AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC. is responsible for establishing and maintaining effective internal control over compliance with 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 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the 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 the entity's internal control that might be 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.

August 10, 2009

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

Section 1-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Qualified
Internal control over financial reporting:	
Significant deficiencies identified?	Yes
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
93.600	Head Start
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

Section 2 – Findings in Financial Statements Audit

SIGNIFICANT DEFICIENCY

Finding 08-1

Statement of Condition:

The Organization maintains a separate payroll checking account for direct deposit payroll, and the Fiscal Department did not follow the same control procedures for this account during the year that were exercised over other bank accounts. The Director did not open and review the bank statements for propriety, the Accountant did not reconcile the bank statements, and the Grants Manager did not use a restrictive bank stamp with an account number for deposits to the account.

Criteria:

Statement on Auditing Standards No. 112 defines a significant deficiency as a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented.

Effect:

Management's review of unopened bank statements, monthly bank statement reconciliations, and use of a bank stamp for deposits are important controls preventing fraud and embezzlement. The lack of controls over this account increase the risk that fraud or embezzlements would be undetected.

Recommendations:

We recommend that the Fiscal Department follow the same control procedures over the direct deposit payroll checking account that are exercised over other bank accounts.

Views of Responsible Officials:

Area IV Agency has initiated a control procedure and tracking, where all bank account statements are delivered to, opened and reviewed by the director's designee, the Deputy Director, Resources & Operations prior to the account reconciliation by the Accountant and the reconciliations tracked. Also, Area IV Agency now uses a restrictive bank stamp with the account number for deposits to the payroll account in addition to the previous one used for deposits to the regular checking account.

Section 3 – Findings in Major Federal Awards Program Audit

There were no findings in the major federal awards program audit.

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2008

Findings in Financial Statements Audit

SIGNIFICANT DEFICIENCIES

Finding 07-1

Statement of Condition:

The Finance Department allowed program employees to handle cash receipts prior to the checks being restrictively endorsed and recorded in the daily cash receipts log.

Recommendation:

We recommend that management develop a two-person mail opening system. The two employees should jointly open all mail, restrictively endorse all checks, and log the checks into the daily cash receipts log. They should both sign the log to document the control. One of the employees should take the checks and a copy of the signed log to the employee responsible for deposits. The other employee should take a copy of the signed log to the Accountant who will later verify that the bank deposit receipt agrees to the signed daily cash receipts log.

Current Status:

The recommendation was adopted. No similar finding was noted in the 2008 audit.

Finding 07-2

Statement of Condition:

The Finance Department could not locate the cancelled check bank records for two of the twelve months during the year. As a result, the Finance Department could not document that they reviewed cancelled checks for those months.

Recommendation:

We recommend that management develop and maintain a control procedure checklist that is reviewed periodically to ensure that all key control procedures have been performed on a timely basis.

Current Status:

The recommendation was adopted. No similar finding was noted in the 2008 audit.

Finding 07-3

Statement of Condition:

The Fiscal Department paid invoices that were not approved by a program or department director prior to payment. Due to time constraints, the Accounts Payable Clerk periodically enters invoices into the accounting system without obtaining signed approval by a program or department director. Check signers later signed checks for these unauthorized invoices.

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2008

Recommendations:

We recommend that the program or department directors review and authorize all invoices related to their departments. Management should instruct check signers not to sign checks for unapproved invoices.

Current Status:

The recommendation was adopted. No similar finding was noted in the 2008 audit.

Finding 07-4

Statement of Condition:

The Organization maintains a separate payroll checking account for direct deposit payroll, and the Fiscal Department did not follow control procedures for this account during the year. The Director did not open and review the bank statements for propriety, the Accountant did not reconcile the bank statements, and the Grants Manager did not use a restrictive bank stamp with an account number for deposits to the account.

Recommendations:

We recommend that the Fiscal Department follow the same control procedures over the payroll checking account that they maintain over the general checking account.

Current Status:

The recommendation was not adopted until 2009. See Finding 08-1.

MATERIAL WEAKNESS

Finding 07-5

Statement of 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 is 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). Although this service has historically been part of our audit function, new professional standards require that we now communicate this because, as the independent auditor, we are not considered to be part of the Organization's internal control.

Recommendations:

We recommend that accounting staff take such training courses on nonprofit accounting principles as necessary to develop a sufficient understanding of those principles to either completely comply

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2008

with U.S. generally accepted accounting principles or to be able to request assistance from another accounting firm when circumstances require.

Current Status:

The recommendation was adopted. No similar finding was noted in the 2008 audit.

NONCOMPLIANCE

Finding 07-6

Statement of Condition:

As discussed further in finding 07-7, the Organization cannot document compliance with the quality control requirement of the Low-Income Home Energy Assistance program that 20% of client files be reviewed for proper documentation.

Current Status:

See below under finding 07-7.

Findings in Major Federal Awards Program Audit

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Passed-Through Indiana Family and Social Services Administration
CFDA Number 93.568
Low Income Energy Assistance Program

FINDING 07-7

Statement of Condition:

There are no procedures in place to document compliance with the quality control requirement that 20% of all client files be reviewed for proper documentation, and there is no documentation that this quality review requirement was complied with.

Recommendation:

We recommend that management develop a procedure to document the quality control review of Energy Assistance Program client files.

Current Status:

The recommendation was adopted. No similar finding was noted in the 2008 audit.

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.
AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN
Year Ended December 31, 2008

Area IV Agency on Aging and Community Action Programs, Inc. respectfully submits the following response and corrective action plan to the findings in the accompanying schedule of findings and questioned costs:

Contact Information of Independent Public Accounting Firm

Richard J. Cullar, CPA
Cullar & Associates, PC, Certified Public Accountants
209 North Main Street, Suite 200
South Bend, IN 46601
(574)-288-8320
RCullar@Cullar.com

Contact Information of Auditee

Sharon Wood, Executive Director
Area IV Agency on Aging and Community Action Programs, Inc.
PO Box 4727
Lafayette, IN 47903-4727
(800) 382-7556
SWood@AreaivAgency.org

Section 2 - Findings in Financial Statements Audit

Finding 08-1

Statement of Condition:

The Organization maintains a separate payroll checking account for direct deposit payroll, and the Fiscal Department did not follow the same control procedures for this account during the year that were exercised over other bank accounts. The Director did not open and review the bank statements for propriety, the Accountant did not reconcile the bank statements, and the Grants Manager did not use a restrictive bank stamp with an account number for deposits to the account.

Recommendations:

We recommend that the Fiscal Department follow the same control procedures over the direct deposit payroll checking account that are exercised over other bank accounts.

Auditee's Response and Corrective Action Plan:

Area IV Agency has initiated a control procedure and tracking, where all bank account statements are delivered to, opened and reviewed by the directors designee, the Deputy Director, Resources & Operations prior to the account reconciliation by the Accountant and the reconciliations tracked. Also, Area IV Agency now uses a restrictive bank stamp with the account number for deposits to the payroll account in addition to the previous one used for deposits to the regular checking account.

Section 3 – Findings in Major Federal Award Programs Audit

There were no findings in the major federal awards program audit.