



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B39690

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 9, 2011

Board of Directors
PACE Community Action Agency,
Inc. and Subsidiary
525 N. 4th St., P.O. Box 687
Vincennes, IN 47591

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

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

STATE BOARD OF ACCOUNTS

**PACE
Community
Action Agency, Inc.
And Subsidiary**

**Consolidated Financial
Statements
For The Years Ended
December 31, 2009 and 2008
(With Single Audit Section)**



Certified Public Accountants

PACE COMMUNITY ACTION AGENCY, INC.
(Vincennes, Indiana)
FINANCIAL STATEMENTS

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	3
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS.....	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.....	20
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION.....	21
CONSOLIDATING STATEMENTS OF ACTIVITIES.....	23
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	25
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	27
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>	28
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>OMB CIRCULAR A-133</i>	30
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32



BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

Independent Auditor's Report

Board of Directors
PACE Community Action Agency, Inc. and Subsidiary
Vincennes, Indiana

We have audited the accompanying consolidated statements of financial position of PACE Community Action Agency, Inc. and Subsidiary as of December 31, 2009 and 2008 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PACE Community Action Agency, Inc. and Subsidiary as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2010 on our consideration of PACE Community Action Agency, Inc.'s internal control over financial reporting and 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 or on 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated 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 aspects, in relation to the basic financial statements taken as a whole.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

July 9, 2010

PACE COMMUNITY ACTION AGENCY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	ASSETS	
	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	\$ 361,677	\$ 154,242
Certificates of deposit	63,082	74,520
Grants receivable	415,385	451,193
Other receivables	189,409	172,979
Inventory	11,478	2,603
Prepaid expenses	71,073	73,563
Total current assets	1,112,104	929,100
PROPERTY AND EQUIPMENT:		
Property and equipment, net of accumulated depreciation and amortization	3,339,521	913,559
OTHER ASSETS:		
Due from PACE Adventures Childcare	81,593	90,854
Investment in subsidiaries	(101,278)	(112,192)
Total other assets	(19,685)	(21,338)
Total assets	\$ 4,431,940	\$ 1,821,321
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 594,491	\$ 454,332
Advance funds	6,891	6,089
Accrued payroll and payroll liabilities	151,033	93,430
Accrued paid time off	34,898	36,796
Due to other funds	110,849	95,876
EFTCU line of credit	59,572	58,949
Current portion of long-term debt	13,612	10,871
Total current liabilities	971,346	756,343
LONG-TERM DEBT, NET OF CURRENT PORTION:	236,721	227,215
UNRESTRICTED NET ASSETS	3,223,873	837,763
Total liabilities and net assets	\$ 4,431,940	\$ 1,821,321

See accompanying notes to financial statements.

PACE COMMUNITY ACTION AGENCY, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Revenues and Other Support		
Federal government revenue	\$ 8,720,670	\$ 7,398,614
State and local government revenue	123,519	166,094
Other grant income	53,740	27,278
Fees and program income	203,062	173,023
Contributions	2,365,007	54,198
Gain on disposal of equipment	8,116	-
Interest income	11,960	13,791
Rental income	-	20,400
Investment income (loss) - subsidiaries	10,914	(79,390)
Inkind contributions	330,834	229,206
	<u>11,827,822</u>	<u>8,003,214</u>
 Operating Expenses:		
Community Services Block Grant	288,489	256,525
Energy assistance	2,936,163	2,620,992
Leveraging incentive	7,207	12,583
Weatherization assistance program	1,250,695	385,447
Healthy families	211,963	213,488
Head Start	3,533,409	3,347,119
Family planning	593,998	628,168
Women, infants and children	280,947	241,514
Home investment partnership	-	81,048
McKinney project	-	120,621
Development Projects	58,018	-
Other programs	112,913	107,877
Management and general	115,836	21,119
Fundraising	1,238	2,717
Subsidiary	50,836	32,654
	<u>9,441,712</u>	<u>8,071,872</u>
Increase (decrease) in unrestricted net assets	2,386,110	(68,658)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>837,763</u>	<u>906,421</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 3,223,873</u>	<u>\$ 837,763</u>

See accompanying notes to financial statements.

PACE COMMUNITY ACTION AGENCY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Community Services <u>Block Grant</u>	Energy Assistance	Leveraging Incentives Program	Weatherization Assistance Program	Healthy Families	Head Start
OPERATING EXPENSES						
Personnel	\$ 74,009	\$ 240,467	\$ -	\$ 307,444	\$ 143,618	\$ 1,798,237
Employee benefits	12,086	21,212	-	25,506	9,493	213,547
Payroll taxes	6,292	21,274	-	27,252	12,273	156,600
Accounting fees	1,144	5,992	-	857	484	6,616
Legal fees	-	-	-	1,486	-	3,608
Supplies	45,788	47,352	-	86,779	11,168	213,841
Telephone	5,993	14,274	-	6,571	3,739	49,098
Postage	555	7,436	-	648	178	3,759
Occupancy	22,860	55,474	-	24,860	9,367	345,977
Equipment maintenance	-	-	-	1,821	-	11,403
Printing and publications	6,889	10,047	-	2,806	1,286	35,766
Dues and filing fees	3,548	-	-	-	-	-
Contract labor	5,153	-	-	-	6,929	8,250
Training and education	18,110	254	-	-	225	17,562
Travel	13,141	4,106	-	7,471	8,121	58,060
Depreciation	16,808	1,183	-	9,271	-	18,984
Insurance	1,081	2,552	-	11,844	1,930	31,749
Data processing	6,170	-	-	1,512	752	10,659
Direct assistance	48,862	2,504,540	7,207	734,567	-	221,259
Interest expense	-	-	-	-	-	-
In-kind expenses	-	-	-	-	2,400	328,434
Other expenses	-	-	-	-	-	-
Total Expenses Reported by Function	<u>\$ 288,489</u>	<u>\$ 2,936,163</u>	<u>\$ 7,207</u>	<u>\$ 1,250,695</u>	<u>\$ 211,963</u>	<u>\$ 3,533,409</u>

See accompanying notes to financial statements.

<u>Family Planning</u>	<u>Women, Infants and Children</u>	<u>Development Projects</u>	<u>Other Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subsidiary</u>	<u>2009 Totals</u>
\$ 320,576	\$ 165,089	\$ 32,587	\$ -	\$ 370	\$ 94	\$ 1,344	\$ 3,083,835
4,240	7,194	3,879	-	30	3	160	297,350
28,715	13,512	2,714	-	34	8	110	268,784
1,215	527	-	-	-	-	-	16,835
-	-	-	-	-	-	-	5,094
15,770	28,326	426	5,583	270	5	858	456,166
9,041	8,970	1,828	-	8	2	60	99,584
2,236	1,053	298	-	-	19	83	16,265
74,950	38,434	5,376	126	4,372	8	1,222	583,026
-	-	-	-	-	-	-	13,224
5,199	936	1,172	-	39	-	177	64,317
-	-	40	-	200	-	-	3,788
3,000	489	6,205	9,960	-	-	2,150	42,136
373	-	245	-	-	-	-	36,769
4,404	688	1,667	-	-	-	563	98,221
932	-	-	245	92,988	-	27,192	167,603
3,513	2,248	199	-	3	1	26	55,146
8,930	999	95	-	22	2	169	29,310
110,904	12,482	-	95,350	1,695	-	-	3,736,866
-	-	1,287	-	9,599	-	11,369	22,255
-	-	-	-	-	-	-	330,834
-	-	-	1,649	6,206	1,096	5,353	14,304
<u>\$ 593,998</u>	<u>\$ 280,947</u>	<u>\$ 58,018</u>	<u>\$ 112,913</u>	<u>\$ 115,836</u>	<u>\$ 1,238</u>	<u>\$ 50,836</u>	<u>\$ 9,441,712</u>

PACE COMMUNITY ACTION AGENCY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Community Services <u>Block Grant</u>	Energy Assistance	Leveraging Incentives Program	Weatherization Assistance Program	Healthy Families	Head Start
OPERATING EXPENSES						
Personnel	\$ 105,336	\$ 189,649	\$ -	\$ 147,552	\$ 147,293	\$ 1,753,377
Employee benefits	13,396	19,122	-	18,499	15,757	213,007
Payroll taxes	8,032	13,957	-	10,855	9,804	128,462
Accounting fees	1,031	4,906	-	1,023	507	7,034
Legal fees	625	-	-	-	-	222
Supplies	12,807	29,856	-	(9,588)	3,192	405,187
Telephone	8,587	19,806	-	3,827	3,351	71,090
Postage	361	9,269	-	297	233	3,261
Occupancy	16,905	41,570	-	12,417	9,837	332,710
Equipment maintenance	-	-	-	562	-	17,877
Printing and publications	2,968	9,984	-	1,190	2,180	30,465
Dues and filing fees	3,601	-	-	-	-	-
Contract labor	30,415	-	-	(33,385)	7,903	4,800
Training and education	14,366	10	-	-	335	26,413
Travel	17,730	3,214	-	5,701	10,844	70,207
Depreciation	8,638	-	-	5,843	-	22,499
Insurance	1,312	1,980	-	6,526	1,190	31,474
Data processing	3,378	3,455	-	189	550	6,844
Direct assistance	195	2,274,214	12,583	213,939	512	222,330
Interest expense	-	-	-	-	-	-
Other expenses	6,842	-	-	-	-	(140)
Total Expenses Reported by Function	<u>\$ 256,525</u>	<u>\$ 2,620,992</u>	<u>\$ 12,583</u>	<u>\$ 385,447</u>	<u>\$ 213,488</u>	<u>\$ 3,347,119</u>

See accompanying notes to financial statements.

<u>Family Planning</u>	<u>Women, Infants and Children</u>	<u>Home Investment Partnership</u>	<u>McKinney Project</u>	<u>Other Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subsidiary</u>	<u>2008 Totals</u>
\$ 364,081	\$ 143,993	\$ 10,857	\$ 19,811	\$ -	\$ -	\$ 969	\$ 6,853	\$ 2,889,771
15,022	8,064	1,444	2,671	-	-	19	349	307,350
24,860	10,219	874	1,313	-	-	73	523	208,972
1,456	483	-	-	-	-	-	-	16,440
-	-	-	4,503	-	-	-	-	5,350
10,628	26,100	495	1,368	7,051	-	52	1,422	488,570
11,530	7,794	178	581	-	-	15	218	126,977
2,329	1,359	93	127	-	-	690	63	18,082
74,890	27,852	658	1,045	-	-	69	411	518,364
-	-	-	-	-	-	-	-	18,439
6,183	1,035	57	289	-	-	-	631	54,982
-	-	-	28	-	-	-	-	3,629
3,000	371	-	81,589	35,764	-	-	723	131,180
120	-	-	2,305	-	-	-	-	43,549
5,905	347	-	4,376	-	-	-	3,048	121,372
650	-	-	-	-	14,500	-	4,147	56,277
3,470	1,871	58	112	-	-	5	25	48,023
8,219	872	152	146	(4)	-	-	122	23,923
95,825	11,154	66,128	-	53,494	-	-	408	2,950,782
-	-	-	-	-	7,800	-	10,923	18,723
-	-	54	357	11,572	(1,181)	825	2,788	21,117
<u>\$ 628,168</u>	<u>\$ 241,514</u>	<u>\$ 81,048</u>	<u>\$ 120,621</u>	<u>\$ 107,877</u>	<u>\$ 21,119</u>	<u>\$ 2,717</u>	<u>\$ 32,654</u>	<u>\$ 8,071,872</u>

(Page intentionally left blank)

PACE COMMUNITY ACTION AGENCY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 2,386,110	\$ (68,658)
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	167,603	56,277
Gain on donation of facility	(2,365,007)	-
Increase (decrease) in cash from changes in:		
Grants receivable	35,808	(57,893)
Other receivables	(16,430)	(69,772)
Inventory	(8,875)	1,541
Prepaid expenses	2,490	(12,290)
Accounts payable	149,923	104,860
Advance Funds	802	-
Accrued payroll and payroll expenses	57,603	2,909
Accrued paid time off	(1,898)	(10,222)
Other accrued expenses	(9,764)	-
Due to other funds	14,973	3,136
Net cash provided by (used in) operating activities	413,338	(50,112)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from certificates of deposit	11,438	626
Acquisition of property and equipment	(230,617)	(136,953)
Net cash used in investing activities	(219,179)	(136,327)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in line of credit	623	(12,536)
Proceeds from notes payable	24,900	144,500
Principal payments against notes payable	(12,247)	(4,029)
Net cash provided by financing activities	13,276	127,935
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	207,435	(58,504)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	154,242	212,746
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 361,677	\$ 154,242
Supplemental disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 22,255	\$ 17,739

See accompanying notes to financial statements.

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of PACE Community Action Agency, Inc. (the "Organization"), and its wholly-owned subsidiary, PACE Ventures Holding, Inc. All material inter-company transactions have been eliminated in consolidation.

NATURE OF OPERATIONS

PACE Community Action Agency, Inc. (the "Organization") was incorporated as Wabash Valley Human Services, Inc. and commenced operations as a not-for-profit corporation in 1965, under the laws of the State of Indiana. Effective January 1, 2007, the Organization changed its name to PACE Community Action Agency, Inc. The Organization currently serves the counties of Daviess, Greene, Knox and Sullivan with limited services provided in Vigo County. In addition, the Organization is governed by a volunteer Board of Directors with advisory and policy councils serving to guide the various programs administered. The primary goal of the Organization is to enable economically and socially disadvantaged people to achieve self-sufficiency and become less dependent on public assistance. Programs and services offered provide opportunities for all age groups, particularly those who are low-income and meet program guidelines.

On January 3, 2007, the Organization formed PACE Ventures Holding, Inc., a C corporation (the "Subsidiary") as a wholly owned subsidiary under the laws of the State of Indiana. Currently, the Subsidiary provides computer training for community residents and non-profit financial, human resource and consulting services for non-profit organizations. In addition, the Subsidiary has two (2) wholly owned subsidiaries. PACE Ventures, LLC was formed on December 28, 2006, to provide janitorial and cleaning services to business and residential customers in southern Indiana and Illinois. PACE Adventures Childcare, LLC was formed on August 8, 2007, to purchase an existing daycare business and facility in the Vincennes, Indiana area. Income or losses from business activity performed by PACE Ventures, LLC and PACE Adventures Childcare, LLC are reflected as increases and decreases in the investment in subsidiaries balance in the statement of consolidated financial position. In addition, income or losses from LLC activity is presented in the investment in subsidiary income balance in the consolidated statement of activities.

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

INVENTORY

Materials and supplies purchased throughout the year are charged to expense as the cost is incurred. Any items remaining on hand at year end are recognized as inventory in the financial statements at their actual cost.

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

The Organization receives grants from the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the State appropriate records of services provided to eligible individuals. Revenues under the contracts are recognized as the services are provided.

The Subsidiary recognizes revenue as it is earned and billed.

PROPERTY AND EQUIPMENT

The Organization's property and equipment are stated at cost and depreciated over estimated useful lives of five to forty years using the straight-line method. The following is a summary of the lives for each class of asset:

Buildings	40 years
Equipment	5-10 years
Vehicles	5-10 years

Expenditures for improvements and major renewals are capitalized. When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred. Depreciation expense incurred for the years ended December 31, 2009 and 2008 was \$140,411 and \$52,130, respectively.

The Subsidiary's property is stated at cost and depreciated over an estimated useful life of thirty years. The Subsidiary provides for depreciation in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method. It is the Subsidiary's general practice to charge maintenance and repairs to expense in the current period. Depreciation expense incurred by the Subsidiary for the years ended December 31, 2009 and 2008 was \$27,192 and \$4,147, respectively.

CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in several banks. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, the Organization's uninsured cash balances totaled \$188,980 and \$139,125, respectively.

Revenues from federal and state government agencies that provide grant and contract funding to the Organization as of December 31, 2009 and 2008, represented 75% and 95% of the Organization's total revenue and support for the years then ended.

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Income tax expense for the Subsidiary will include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 2009 and 2008. There was no provision for income tax since the Subsidiary incurred losses for these years.

CONTRIBUTIONS

The Organization reports gifts 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. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments. No amounts have been recorded in the financial statements for non-professional volunteer time.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) for *Financial Statements of Not-for-Profit Organizations*. Per these standards the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization did not have temporarily or permanently restricted net assets as of December 31, 2009 and 2008.

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADOPTION OF NEW ACCOUNTING STANDARDS

Upon adoption of the FASB standard for *Accounting for Uncertainty in Income Taxes*, PACE Community Action Agency, Inc. will recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Currently, PACE Community Action Agency, Inc. accounts for contingencies associated with certain tax positions in accordance with the FASB standard for *Accounting for Contingencies*.

Accounting for Contingencies, which provides the recording of a contingency based on the probability of certain events to transpire that range from probable to remote as opposed to applying a more likely than not recognition threshold. PACE Community Action Agency, Inc. has examined this issue and has determined there are no material contingent tax liabilities.

In 2006, the Financial Accounting Standards Board (FASB) issued a standard addressing *Fair Value Measurements*, which defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. GAAP standards and expands the disclosure of the methods used and the effect of fair value measurements on earnings. The Organization adopted applicable portions of this standard for the year ended December 31, 2009. Additional disclosure is provided in Note 11.

IN-KIND CONTRIBUTIONS

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by the same amount. For the years ended December 31, 2009 and 2008, this adjustment amounted to approximately \$330,833 and \$229,206, respectively and is included in other revenue and support on the Consolidated Statements of Activities.

The Organization has recorded in-kind contributions for professional services on the Consolidated Statement of Activities in accordance with the FASB standard for *Accounting for Contributions Received and Contributions Made*. This standard requires that only contributions of services received that create or enhance a non-financial assets 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 from the in-kind requirements of the Organization's grant funding sources.

Of the \$330,833 and \$229,206 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the years ended December 31, 2009 and

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IN-KIND CONTRIBUTIONS (continued)

2008, contributed services meeting the requirements of FASB standards are \$49,749 and \$13,546, respectively. During 2009 and 2008, the Organization also received other in-kind contributions totaling \$358,969 and \$597,509, respectively, from non-professional volunteers, primarily for its Head Start program which are not recorded in the Consolidated Statement of Activities.

GOVERNMENT GRANTS

Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Amounts required prior to expenditures being incurred are reflected as advance funds on the Statement of Financial Position.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

GRANTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The grants receivable represent amounts the Organization has filed claims for the year ended and were awaiting payment. A substantial majority of receivables are due from government sources. The amount deemed uncollectible is zero. Therefore, no bad debt allowance is considered necessary.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2 – PROPERTY AND EQUIPMENT

The Organization's property and equipment are as follows at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Buildings	\$ 3,114,326	\$ 680,000
Vehicles	292,785	448,387
Equipment	<u>279,948</u>	<u>170,978</u>
	3,687,059	1,299,365
Accumulated depreciation	<u>(621,715)</u>	<u>(619,868)</u>
	3,065,344	679,497
Land	<u>92,376</u>	<u>26,576</u>
	<u>\$ 3,157,720</u>	<u>\$ 706,073</u>

The Subsidiary's property and equipment are as follows at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Building	\$ 134,900	\$ 134,900
Building improvements	73,075	73,075
Equipment	<u>1,507</u>	<u>-0-</u>
	209,482	207,975
Accumulated depreciation	<u>(32,781)</u>	<u>(5,589)</u>
	176,701	202,386
Land	<u>5,100</u>	<u>5,100</u>
	<u>\$ 181,801</u>	<u>\$ 207,486</u>

NOTE 3 – EMPLOYEE BENEFITS

The Organization switched from a 403(b) defined contribution plan to 401(k) plan in May 2008. The Agency matches employee contributions dollar for dollar up to \$200. For the years ended December 31, 2009 and 2008, the employer contributions amounted to \$9,000 and \$9,764, respectively.

NOTE 4 – OPERATING LEASES

The Organization leases multiple operating facilities under cancelable operating lease arrangements which expire at various times through February 2014. The arrangements are only cancelable should Federal funding for the program using the facility cease or become unavailable. In addition, the Organization leases office equipment under a non-cancelable lease which expires in July of 2013. Rental expense for these leases included in the statements of

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 4 – OPERATING LEASES (continued)

activities for the years ended December 31, 2009 and 2008, was approximately \$229,567 and \$330,234.

Future minimum lease payments for long-term leases are as follows for the years ended December 31,:

2010	\$ 180,318
2011	130,321
2012	118,602
2013	58,243
2014	6,583
Thereafter	<u>-0-</u>
	<u>\$ 494,067</u>

NOTE 5 – GRANTS RECEIVABLE

Grants receivable consisted of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
U.S Department of Health and Human Services	\$ 23,810	\$ 69,388
U.S. Department of Agriculture	14,643	11,387
Indiana Family and Social Service Administration	15,681	42,262
Indiana Family Health Council	32,056	31,179
Indiana State Department of Health	31,139	17,009
Indiana Housing and Community Development	297,893	279,968
Other	163	-0-
	<u>\$ 415,385</u>	<u>\$ 451,193</u>

NOTE 6 – LINE OF CREDIT – BANK

The Organization has a \$60,000 unsecured line of credit with Evansville Teachers Federal Credit Union (ETFCU). Interest is payable at a fixed rate of 4.5%. The line of credit was renewed in March 2009 and matures in March 2010. At December 31, 2009 and 2008, the balance was \$59,572 and \$58,949, respectively.

NOTE 7 - ALLOCATION OF COSTS

The Organization allocates joint costs to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 7 - ALLOCATION OF COSTS (continued)

common benefit of all agency programs, which cannot be readily identified with a final cost objective. The Organization's cost allocation methods are as follows:

Personnel. Agency personnel with multiple program duties (Executive Director, Chief Operating Officer, accounting personnel, etc.) record the time they spend working on specific programs on their time sheets. The time specifically identifiable to a particular program is charged to that program.

Occupancy Costs. Occupancy costs (maintenance costs, utilities, insurance, rent, repair costs, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by staff with multiple program duties is allocated based upon time worked in each program.

Copy Costs. A record is maintained of copies made for each program. Copy costs are charged monthly to programs based upon the number of copies made.

Insurance. Insurance is allocated to benefiting programs depending on the equipment, space or number of employees covered by the insurance.

Other Joint Costs. Other joint costs (telephone, computer usage, etc.) are allocated to agency programs based upon usage by each program.

NOTE 8 – LONG-TERM DEBT

Long-term debt of the Organization consists of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Note payable – 5.80% note payable to First Financial Bank dated April 25, 2008 payable in monthly installments of \$916.42 with interest maturing in April 2013, secured by a building.	\$ 123,980	\$ 127,670
Note payable – 5.80% note payable to First Financial Bank dated April 28, 2008 payable in monthly installments of \$278.98 with interest maturing in April 2013, unsecured.	<u>10,126</u>	<u>12,801</u>
	<u>\$ 134,106</u>	<u>\$ 140,471</u>

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 8 – LONG-TERM DEBT (continued)

Long-term debt of the Subsidiary consists of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Note payable – 6.75% note payable to Evansville Teachers Federal Credit Union dated August 22, 2007 payable in monthly installments of \$913 with interest maturing in August 2022, secured by a building.	\$ 92,998	\$ 97,615
Note payable – 4.95% note payable to Evansville Teachers Federal Credit Union dated March 24, 2009 payable in monthly installments of \$263.54 with interest maturing in March August 2019, secured by assets of the organization.	<u>23,229</u>	<u>-0-</u>
	<u>\$ 116,227</u>	<u>\$ 97,615</u>

The future maturities of long-term debt are as follows for the years ended December 31,

2010	\$	13,612
2011		14,452
2012		15,345
2013		120,913
2014		8,803
Thereafter		<u>77,208</u>
		<u>\$ 250,333</u>

NOTE 10 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Statement of Financial Accounting Standard for *Fair Value Measurements* 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.

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

This standard 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:

Level 1: Quoted prices 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.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The Organization holds a Certificate of deposit which is classified as a Level 1 investment and an investment in subsidiaries which is classified as a Level 3 investment.

NOTE 12 – SUBSEQUENT EVENTS

The Organization did not have any other subsequent events through July 9, 2010, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the period ended December 31, 2009.



BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

Independent Auditor's Report on Supplementary Information

Board of Directors
PACE Community Action Agency, Inc. and Subsidiary
Vincennes, Indiana

Our report on our audit of the consolidated financial statements of PACE Community Action Agency, Inc. and Subsidiary as of December 31, 2009 and 2008 appears on page one. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information (shown on pages 21, 22, 23 and 24) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the statements of financial position and results of activities of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole for the years ended December 31, 2009 and 2008.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
July 9, 2010

PACE COMMUNITY ACTION AGENCY, INC.
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS	2009			
	Parent	Subsidiary	Eliminations	Consolidated Total
CURRENT ASSETS:				
Cash and cash equivalents	360,963	\$ 714	\$ -	\$ 361,677
Certificates of deposit	63,082	-	-	63,082
Grants receivable	415,385	-	-	415,385
Other receivables	183,496	5,913	-	189,409
Inventory	11,478	-	-	11,478
Prepaid expenses	71,073	-	-	71,073
Total current assets	<u>1,105,477</u>	<u>6,627</u>	<u>-</u>	<u>1,112,104</u>
PROPERTY AND EQUIPMENT:				
Land	92,376	5,100	-	97,476
Property and equipment, net of accumulated depreciation and amortization	<u>3,065,344</u>	<u>176,701</u>	<u>-</u>	<u>3,242,045</u>
Total Property and Equipment	<u>3,157,720</u>	<u>181,801</u>	<u>-</u>	<u>3,339,521</u>
OTHER ASSETS:				
Due from PACE Adventures Childcare	64,133	17,460	-	81,593
Due from PACE Ventures Holding	80,673	-	(80,673)	-
Investment in subsidiaries	<u>5,438</u>	<u>(101,278)</u>	<u>(5,438)</u>	<u>(101,278)</u>
Total other assets	<u>150,244</u>	<u>(83,818)</u>	<u>(86,111)</u>	<u>(19,685)</u>
Total assets	<u>\$ 4,413,441</u>	<u>\$ 104,610</u>	<u>\$ (86,111)</u>	<u>\$ 4,431,940</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 594,491	\$ -	\$ -	\$ 594,491
Advance funds	6,089	802	-	6,891
Accrued payroll and payroll liabilities	151,033	-	-	151,033
Accrued paid time off	34,898	-	-	34,898
Other accrued expenses	-	-	-	-
Due to other funds	110,849	-	-	110,849
EFTCU line of credit	59,572	-	-	59,572
Due to PACE Community Action Agency	-	80,673	(80,673)	-
Current portion of long-term debt	<u>6,745</u>	<u>6,867</u>	<u>-</u>	<u>13,612</u>
Total current liabilities	<u>963,677</u>	<u>88,342</u>	<u>(80,673)</u>	<u>971,346</u>
LONG-TERM DEBT, NET OF CURRENT PORTION:	127,361	109,360	-	236,721
UNRESTRICTED NET ASSETS	<u>3,322,403</u>	<u>(93,092)</u>	<u>(5,438)</u>	<u>3,223,873</u>
Total liabilities and net assets	<u>\$ 4,413,441</u>	<u>\$ 104,610</u>	<u>\$ (86,111)</u>	<u>\$ 4,431,940</u>

See Independent Auditor's Report on Supplementary Information on page 20.

2008

Parent	Subsidiary	Eliminations	Consolidated Total
174,007	\$ (19,765)	\$ -	\$ 154,242
74,520	-	-	74,520
451,193	-	-	451,193
166,179	6,800	-	172,979
2,603	-	-	2,603
73,295	268	-	73,563
941,797	(12,697)	-	929,100
26,576	-	-	26,576
679,497	207,486	-	886,983
706,073	207,486	-	913,559
73,141	17,713	-	90,854
91,030	-	(91,030)	-
5,438	(112,192)	(5,438)	(112,192)
169,609	(94,479)	(96,468)	(21,338)
\$ 1,817,479	\$ 100,310	\$ (96,468)	\$ 1,821,321
\$ 444,501	\$ 67	\$ -	\$ 444,568
6,089	-	-	6,089
93,430	-	-	93,430
36,796	-	-	36,796
9,764	-	-	9,764
95,362	514	-	95,876
58,949	-	-	58,949
-	91,030	(91,030)	-
6,366	4,505	-	10,871
751,257	96,116	(91,030)	756,343
134,105	93,110	-	227,215
932,117	(88,916)	(5,438)	837,763
\$ 1,817,479	\$ 100,310	\$ (96,468)	\$ 1,821,321

PACE COMMUNITY ACTION AGENCY, INC.
CONSOLIDATING STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009			Consolidated Total
	Parent	Subsidiary	Eliminations	
Revenues and Other Support				
Federal government revenue	\$ 8,720,670	\$ -	\$ -	\$ 8,720,670
State and local government revenue	123,519	-	-	123,519
Other grant income	53,740	-	-	53,740
Fees and program income	167,316	35,746	-	203,062
Contributions	2,365,007	-	-	2,365,007
Gain on disposal of equipment	8,116	-	-	8,116
Interest income	11,960	-	-	11,960
Rental income	-	-	-	-
Investment income (loss) - subsidiaries	-	10,914	-	10,914
Inkind contributions	330,834	-	-	330,834
Total revenues and other support	<u>11,781,162</u>	<u>46,660</u>	<u>-</u>	<u>11,827,822</u>
Operating Expenses:				
Community Services Block Grant	288,489	-	-	288,489
Energy assistance	2,936,163	-	-	2,936,163
Leveraging incentive	7,207	-	-	7,207
Weatherization assistance program	1,250,695	-	-	1,250,695
Healthy families	211,963	-	-	211,963
Head Start	3,533,409	-	-	3,533,409
Family planning	593,998	-	-	593,998
Women, infants and children	280,947	-	-	280,947
Home investment partnership	-	-	-	-
McKinney project	-	-	-	-
Development projects	58,018	-	-	58,018
Other programs	112,913	-	-	112,913
Management and general	115,836	-	-	115,836
Fundraising	1,238	-	-	1,238
Subsidiary	-	50,836	-	50,836
Total operating expenses	<u>9,390,876</u>	<u>50,836</u>	<u>-</u>	<u>9,441,712</u>
Increase (decrease) in unrestricted net assets	2,390,286	(4,176)	-	2,386,110
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	932,117	(88,916)	(5,438)	837,763
CONTRIBUTED CAPITAL	-	-	-	-
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 3,322,403</u>	<u>\$ (93,092)</u>	<u>\$ (5,438)</u>	<u>\$ 3,223,873</u>

See Independent Auditor's Report on Supplementary Information on page 20.

2008

<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
7,398,614	\$ -	\$ -	\$ 7,398,614
166,094	-	-	166,094
27,278	-	-	27,278
148,352	24,671	-	173,023
54,198	-	-	54,198
-	-	-	-
13,791	-	-	13,791
-	20,400	-	20,400
-	(79,390)	-	(79,390)
229,206	-	-	229,206
8,037,533	(34,319)	-	8,003,214
256,525	-	-	256,525
2,620,992	-	-	2,620,992
12,583	-	-	12,583
385,447	-	-	385,447
213,488	-	-	213,488
3,347,119	-	-	3,347,119
628,168	-	-	628,168
241,514	-	-	241,514
81,048	-	-	81,048
120,621	-	-	120,621
-	-	-	-
107,877	-	-	107,877
21,119	-	-	21,119
2,717	-	-	2,717
-	32,654	-	32,654
8,039,218	32,654	-	8,071,872
(1,685)	(66,973)	-	(68,658)
933,802	(24,943)	(2,438)	906,421
-	3,000	(3,000)	-
\$ 932,117	\$ (88,916)	\$ (5,438)	\$ 837,763

(Page intentionally left blank)

SINGLE AUDIT SECTION

PACE COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Passed through the Indiana State Department of Health:			
Women Infants and Children	10.557	MCH 552-2	\$ 257,146
Child and Adult Care Food Program - Head Start	10.558		150,929
Child and Adult Care Food Program - Early Head Start	10.558		10,850
			<u>418,925</u>
U.S. Department of Housing and Urban Development			
Passed through the Indiana Housing & Community Development Authority:			
CHDO Works	14.239	CW-007-006	24,912
Passed through Indiana Housing & Community Development Authority and City of Bicknell:			
Neighborhood Stabilization	14.256	NSP1-009-004	19,060
			<u>43,972</u>
U.S. Department of Energy			
Passed through the Indiana Housing & Community Development Authority:			
Weatherization - DOE	81.042	WX-007-023/WX-009-023	361,690
Weatherization - ARRA HEC	81.042	HEC-009-023	326,042
			<u>687,732</u>
Federal Emergency Management Agency			
Emergency Food & Shelter Program-Daviess	97.024	21-2648-00	13,251
Emergency Food & Shelter Program-Daviess - ARRA	97.114	21-2648-00	6,400
Emergency Food & Shelter Program-Knox	97.024	21-2708-00	8,567
Emergency Food & Shelter Program-Knox - ARRA	97.114	21-2708-00	5,000
Emergency Food & Shelter Program-Greene	97.024	21-2680-00	6,063
Emergency Food & Shelter Program-Sullivan	97.024	21-2790-00	7,185
Emergency Food & Shelter Program-Sullivan - ARRA	97.114	21-2790-00	2,291
			<u>48,757</u>
U.S. Department of Health and Human Services			
Direct Program:			
Early Head Start and Head Start Program	93.600	05CH4082/44-45	2,993,967
Head Start and Early Head Start - ARRA	93.708	05SE4082	82,053
EHS Expansion - ARRA	93.709	05SA4082/01	3,734
Passed through the Indiana Family and Social Services Administration (IFSSA):			
Healthy Families Indiana	93.558	42-09-60-1675	208,995
Passed through the Indiana Housing & Community Development Authority:			
Weatherization/ Energy Assistance for			
Low-Income Families	93.568	LI-009-023/WL-008-023/WL-010-023	3,477,736
Community Services Block Grant	93.569	CS-009-023	291,419
Community Services Block Grant - ARRA	93.710	CS-ARRRA-023	39,630
Passed through the Indiana Family Health Council:			
Family Planning Title V	93.994		96,031
Family Planning Title X	93.217		251,493
Family Planning TXX/TANF	93.667		70,939
			<u>7,515,997</u>
Total Expenditures of Federal Awards			<u>\$ 8,715,383</u>

See accompanying note to Schedule of Expenditures of Federal Awards.

PACE COMMUNITY ACTION AGENCY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Client Name and 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.

**PACE COMMUNITY ACTION AGENCY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2009**

No matters were reported for the year ended December 31, 2008.



BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

**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
PACE Community Action Agency, Inc.
Vincennes, Indiana

We have audited the financial statements of PACE Community Action Agency, Inc. (a nonprofit organization), as of and for the year ended December 31, 2009, and have issued our report thereon dated . 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 PACE Community Action Agency, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 PACE Community Action Agency, 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

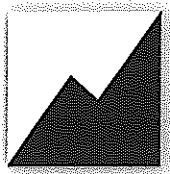
not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the organization, 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.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

July 9, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
PACE Community Action Agency, Inc.
Vincennes, Indiana

Compliance

We have audited the compliance of PACE Community Action Agency, Inc. (a nonprofit 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 its major federal programs for the year ended December 31, 2009. PACE Community Action Agency, 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 its major federal program is the responsibility of PACE Community Action Agency, Inc.'s management. Our responsibility is to express an opinion on PACE Community Action Agency, Inc.'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 PACE Community Action Agency, 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 of PACE Community Action Agency, Inc.'s compliance with those requirements.

In our opinion, PACE Community Action Agency, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of PACE Community Action Agency, 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 PACE Community Action Agency, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal

control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PACE Community Action Agency, 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 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 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, others within the organization, 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.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

July 9, 2010

**PACE COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Type of auditor’s report issued: Unqualified

Any audit findings disclosed required to be reported in
Accordance with Section 510(a) of Circular A-133 Yes No

Program tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600*	U.S. Dept. of HHS – Head Start and Early Head Start
93.708*	U.S. Dept. of HHS – Head Start ARRA
93.709*	U.S. Dept of HHS – Early Head Start Expansion ARRA
93.569*	U.S. Dept. of HHS – Community Services Block Grant
93.710*	U.S. Dept. of HHS—Community Services Block Grant ARRA
81.042	U.S. Dept of Energy – Weatherization and ARRA
97.114*	U.S. FEMA – ARRA Emergency Food and Shelter
97.024*	U.S. FEMA – Emergency Food and Shelter

* Denotes a program cluster. A cluster of programs is treated as a single program for the purpose of meeting the audit requirements of OMB Circular A-133.

