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June 5, 2014

Board of Directors  
Area IV Agency on Aging Community  
Action Programs, Inc.  
660 North 36<sup>th</sup> Street  
Lafayette, IN 47905

We have reviewed the audit report prepared by Cullar & Associates, P.C., for the period January 1, 2012 to December 31, 2012. 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 Area IV Agency on Aging Community Action Programs, Inc., as of December 31, 2012, 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.

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

*FINANCIAL AND COMPLIANCE REPORT*

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

December 31, 2012 and 2011

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**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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Area IV Agency on Aging and Community Action Programs, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Area IV Agency on Aging and Community Action Programs, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2013 on our consideration of Area IV Agency on Aging and Community Action Programs, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Area IV Agency on Aging and Community Action Programs, Inc.'s internal control over financial reporting and compliance.

*Cullen & Associates, P.C.*

South Bend, Indiana  
August 29, 2013

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2012 and 2011

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<b>Assets:</b>	<u>2012</u>	<u>2011</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 259,579	\$ 176,548
Grants and fees receivable	980,758	1,351,973
Accounts receivable - related entity	8,587	13,435
Loans receivable - current portion	6,303	-
Prepaid expenses	4,689	-
Advances to related entity, net of allowance for uncollectibles of \$69,990 and \$79,990	-	-
<i>Total current assets</i>	<u>1,259,916</u>	<u>1,541,956</u>
 <b>Long-Term Assets:</b>		
Loans receivable - long-term portion	24,721	-
Property and equipment	119,747	174,135
Beneficial interest in assets held by others	<u>26,039</u>	<u>24,378</u>
<i>Total long-term assets</i>	<u>170,507</u>	<u>198,513</u>
<i>Total assets</i>	<u>\$ 1,430,423</u>	<u>\$ 1,740,469</u>
 <b>Liabilities and Net Assets:</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 650,240	\$ 774,836
Note payable, funding source	-	100,000
Deferred revenue	<u>257,875</u>	<u>321,263</u>
<i>Total current liabilities</i>	<u>908,115</u>	<u>1,196,099</u>
 <b>Net Assets:</b>		
Unrestricted	496,269	519,992
Permanently restricted	<u>26,039</u>	<u>24,378</u>
<i>Total net assets</i>	<u>522,308</u>	<u>544,370</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,430,423</u>	<u>\$ 1,740,469</u>

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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, 2012 and 2011**

	2012			2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<b>Revenues, Gains, Other Support:</b>								
Grants and fees	\$ 8,974,157	\$ -	\$ -	\$ 8,974,157	\$ 9,860,391	\$ -	\$ -	\$ 9,860,391
Program service fees	402,306	35,263	-	437,569	463,982	66,868	-	530,850
Contributions - cash	3,560	18,849	1,225	23,634	3,908	24,978	2,250	31,136
Contributions - services and facilities	215,711	-	-	215,711	213,240	-	-	213,240
Special events	38,708	-	-	38,708	39,884	-	-	39,884
Interest income	1,905	-	-	1,905	135	-	-	135
Change in value of beneficial interest in assets held by others	-	-	436	436	-	-	3,498	3,498
Net assets released from restrictions	54,112	(54,112)	-	-	91,846	(91,846)	-	-
<i>Total revenues, gains, and other support</i>	<u>9,690,459</u>	<u>-</u>	<u>1,661</u>	<u>9,692,120</u>	<u>10,673,386</u>	<u>-</u>	<u>5,748</u>	<u>10,679,134</u>
<b>Expenses:</b>								
Area Agency on Aging	2,227,455	-	-	2,227,455	2,298,534	-	-	2,298,534
Energy Assistance	1,785,967	-	-	1,785,967	1,872,531	-	-	1,872,531
Weatherization	1,045,150	-	-	1,045,150	1,630,516	-	-	1,630,516
Housing	1,085,332	-	-	1,085,332	1,171,973	-	-	1,171,973
Case Management	1,064,705	-	-	1,064,705	1,006,904	-	-	1,006,904
Transportation	77,355	-	-	77,355	80,686	-	-	80,686
Head Start	1,363,104	-	-	1,363,104	1,420,924	-	-	1,420,924
Community Services	338,299	-	-	338,299	504,090	-	-	504,090
<i>Total program service expenses</i>	<u>8,987,367</u>	<u>-</u>	<u>-</u>	<u>8,987,367</u>	<u>9,986,158</u>	<u>-</u>	<u>-</u>	<u>9,986,158</u>
Management and general	726,815	-	-	726,815	709,921	-	-	709,921
<i>Total expenses</i>	<u>9,714,182</u>	<u>-</u>	<u>-</u>	<u>9,714,182</u>	<u>10,696,079</u>	<u>-</u>	<u>-</u>	<u>10,696,079</u>
<b>Change in net assets</b>	(23,723)	-	1,661	(22,062)	(22,693)	-	5,748	(16,945)
Net assets, beginning of year	519,992	-	24,378	544,370	542,685	-	18,630	561,315
<i>Net assets, end of year</i>	<u>\$ 496,269</u>	<u>\$ -</u>	<u>\$ 26,039</u>	<u>\$ 522,308</u>	<u>\$ 519,992</u>	<u>\$ -</u>	<u>\$ 24,378</u>	<u>\$ 544,370</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, 2012

	Area Agency on Aging	Energy Assistance	Weather- ization	Housing Management	Case Management	Transport- ation	Head Start	Community Services	Management and General	Totals
Personnel	\$ 268,507	\$ 129,940	\$ 243,464	\$ 159,856	\$ 862,220	\$ 38,059	\$ 869,173	\$ 224,209	\$ 538,736	\$ 3,334,164
Travel	30,989	3,355	614	4,769	30,232	1,505	12,152	8,173	1,097	92,886
Occupancy	13,805	18,749	13,767	7,572	58,090	1,780	76,179	21,429	27,026	238,397
Communications	6,363	8,404	5,118	3,017	20,083	1,128	8,927	8,454	9,712	71,206
Postage	2,426	3,897	653	3,236	5,212	65	2,210	3,405	2,232	23,336
Office supplies	15,043	11,416	8,143	2,423	38,521	431	25,789	7,334	20,092	129,192
Program supplies	22,233	5,431	6,894	45	2,614	12	22,547	1,715	1,321	62,812
Food	616,103	1	1	1	28	-	74,718	2	72	690,926
Equipment leasing	784	2,424	523	395	4,033	88	4,242	1,232	1,658	15,379
Vehicle expenses	13,270	180	8,658	336	250	8,165	47,544	193	1,013	79,609
Training and education	5,473	543	6,085	1,109	2,611	318	13,880	1,263	2,800	34,082
Contracted services	9,270	8,369	5,438	73,844	16,775	870	3,257	21,250	12,990	152,063
Insurance	2,320	1,447	8,729	1,155	5,904	503	6,424	2,013	3,312	31,807
Professional fees	-	-	-	-	-	-	-	-	37,204	37,204
Dues and subscriptions	3,007	3,254	2,763	1,272	12,981	536	1,654	2,266	7,673	35,406
Home energy improvements	-	-	719,646	-	-	-	-	988	-	720,634
Home energy assistance	-	1,588,065	-	-	-	-	-	698	-	1,588,763
Health care assistance	1,000,415	-	-	825,741	2,712	-	-	-	322	1,003,449
Rent assistance	-	-	-	-	-	-	-	-	-	825,741
Other assistance	195,053	-	-	-	-	-	6,524	31,989	-	233,566
Interest	-	-	-	-	-	-	-	-	88	88
Use of contributed services and facilities	20,554	-	-	-	-	-	164,542	267	30,348	215,711
Depreciation	-	-	14,316	-	-	23,794	4,800	-	11,478	54,388
Other	1,840	492	338	561	2,439	101	18,542	1,419	17,641	43,373
<b>Totals</b>	<b>\$ 2,227,455</b>	<b>\$ 1,785,967</b>	<b>\$ 1,045,150</b>	<b>\$ 1,085,332</b>	<b>\$ 1,064,705</b>	<b>\$ 77,355</b>	<b>\$ 1,363,104</b>	<b>\$ 338,299</b>	<b>\$ 726,815</b>	<b>\$ 9,714,182</b>

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, 2011

	Area Agency on Aging	Energy Assistance	Weather- ization	Housing	Case Management	Transpor- tation	Head Start	Community Services	Management and General	Totals
Personnel	\$ 341,647	\$ 179,120	\$ 276,050	\$ 147,190	\$ 839,870	\$ 39,336	\$ 924,682	\$ 259,689	\$ 559,973	\$ 3,567,557
Travel	27,791	3,472	381	3,495	30,821	1,718	14,157	9,413	2,615	93,863
Occupancy	17,834	28,467	12,167	8,518	54,426	1,908	78,392	22,732	26,846	251,290
Communications	8,603	11,091	6,106	3,433	22,573	2,000	8,560	8,654	10,701	81,721
Postage	2,927	3,531	1,382	3,168	4,686	110	2,405	4,048	1,749	24,006
Office supplies	8,242	8,493	4,021	3,276	12,376	625	13,661	7,174	10,668	68,536
Program supplies	16,384	3,989	5,323	16	2,176	809	13,912	2,206	195	45,010
Food	713,582	121	-	159	109	9	75,460	239	171	789,850
Equipment leasing	859	2,551	469	359	3,790	80	3,992	978	1,477	14,555
Vehicle expenses	17,119	285	6,942	108	594	6,915	43,710	364	823	76,860
Training and education	6,304	1,574	4,733	971	3,831	527	16,700	3,376	2,443	40,459
Contracted services	8,477	9,465	4,723	54,807	13,976	775	3,789	18,653	10,955	125,620
Insurance	3,262	1,431	9,640	764	7,028	522	4,433	1,396	3,132	31,608
Professional fees	-	-	-	-	-	-	-	-	48,748	48,748
Dues and subscriptions	3,288	365	219	92	6,671	266	1,504	881	4,398	17,684
Home energy improvements	-	-	1,282,370	-	-	-	-	159,381	603	1,442,354
Home energy assistance	-	1,618,084	-	-	-	-	-	1,880	-	1,619,964
Health care assistance	901,448	-	-	-	1,957	-	-	-	-	903,405
Rent assistance	-	-	-	773,279	-	-	-	-	-	773,279
Other assistance	194,358	-	-	169,631	-	-	6,958	-	-	370,947
Interest	-	-	-	-	-	-	-	-	752	752
Use of contributed services and facilities	25,787	-	-	-	-	420	184,112	1,821	1,100	213,240
Depreciation	-	-	15,736	-	-	24,331	9,610	-	11,478	61,355
Other	622	492	254	2,707	2,020	135	14,887	1,205	11,094	33,416
<b>Totals</b>	<b>\$2,298,534</b>	<b>\$1,872,531</b>	<b>\$1,630,516</b>	<b>\$1,171,973</b>	<b>\$1,006,904</b>	<b>\$ 80,686</b>	<b>\$1,420,924</b>	<b>\$ 504,090</b>	<b>\$ 709,921</b>	<b>\$10,696,079</b>

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, 2012 and 2011

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<b>Change in Cash and Cash Equivalents:</b>	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (22,062)	\$ (16,945)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of beneficial interest in assets held by others	(436)	(3,498)
Depreciation	54,388	61,355
Changes in assets and liabilities:		
Grants and fees receivable	371,215	118,149
Accounts receivable - related entity	4,848	(9,600)
Prepaid expenses	(4,689)	-
Accounts payable and accrued liabilities	(124,596)	(197,194)
Deferred revenue	(63,388)	79,494
<i>Net cash provided by operating activities</i>	<u>215,280</u>	<u>31,761</u>
 <b>Cash Flows from Investing Activities:</b>		
Loans made	(35,000)	-
Collection of loans	3,976	-
Transfers to Community Foundation	(1,225)	(2,250)
<i>Net cash (used in) investing activities</i>	<u>(32,249)</u>	<u>(2,250)</u>
 <b>Cash Flows from Financing Activities:</b>		
Payments on note payable, funding source	(100,000)	-
 <b>Net change in cash and cash equivalents</b>	<b>83,031</b>	<b>29,511</b>
Cash and cash equivalents, beginning of year	<u>176,548</u>	<u>147,037</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 259,579</u>	<u>\$ 176,548</u>
 <i>Supplemental Cash Flows Information:</i>		
Interest paid	\$ 88	\$ 752
Income taxes paid	\$ -	\$ -

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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, 2012 and 2011

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**NOTE 1. NATURE OF ORGANIZATION 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 in mid-northwest Indiana. 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.

**Significant estimates used in the accompanying financial statements include:**

- Revenue earned from cost-reimbursement awards. The majority of the Organization's revenue is earned on such awards from governmental agencies that are governed by federal and State cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.
- The valuation of advances to the related entity, the collectibility of which is largely dependent upon that entity's ability to generate fees from development projects. Such advances have been fully reserved.
- The allowance for loan losses, which is based on factors discussed later in this note. It is at least reasonably possible that the net realizable value of the loans will be less than their carrying value.
- The valuation of the beneficial interest in assets held by others, which is based on the value of the underlying assets, as provided by the Community Foundation that holds the assets, and which approximates the present value of expected future distributions
- The valuation of donated services and facilities, which is based on estimated fair values.
- The allocations of costs among programs and the supporting service, which are based on time and facility usage studies and other methods of cost allocation. 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.

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2012 and 2011

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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.
- *Permanently restricted net assets* are those received with permanent donor stipulations. Investment income from permanently restricted net assets that is available for distribution is recorded as an increase in temporarily restricted net assets.

*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.

The grantor for one program requires the Organization to hold cash in a separate account that program. The amounts held in a separate account were none and \$37,491 at December 31, 2012 and 2011, respectively.

*Loans receivable:*

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances, adjusted for any charge-offs and the allowance for loan losses.

Interest income is not reported when full loan repayment is in doubt, typically when payments are past due over ninety days, unless the loan is well secured and in the process of collection. Payments received on such loans are reported as principal reductions. Loans are returned to accrual status when all principal and interest payments are brought current and future payments are reasonably assured.

Loan impairment is reported when full repayment under the original loan terms is no longer expected. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Loans are evaluated for impairment when payments are delayed, typically ninety days or more, or when it is probable that all principal and interest amounts will not be collected according to the original terms of the loan.

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2012 and 2011

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*Allowance for loan losses:*

Management realizes that certain of its loans may ultimately become uncollectible. Management periodically reviews the financial condition of its borrowers and the relative worth of the collateral securing the loans, taking into account the fact that many of the loans are to new companies with no previous financial history. The allowance for loan losses is determined based on historical experience by type of loan, regional and local economic conditions, and estimated future undiscounted cash flows.

The provision for loan losses charged to income is based upon the actual net loan losses anticipated, plus an amount for such other factors that, in management's judgment, deserve recognition in estimating possible loan losses. Loans are charged-off to the allowance for loan losses when deemed uncollectible.

*Gifts and grants:*

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

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. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

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.

*Contributed energy assistance payments:*

Beginning in October 2010, Indiana Housing and Community Development Authority ("IHCDA") began making energy assistance payments for participants in the Low Income Home Energy Assistance Program directly to the energy providers on behalf of all entities administering the program. Previously, such payments were made by the Organization to the providers and the Organization was reimbursed by IHCDA. Because the Organization performs all intake functions and is liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers are recorded as both grants revenue and financial assistance expense in the accompanying financial statements. The Organization recognized \$1,587,158 and \$1,612,906 of revenue and expense in 2012 and 2011, respectively for such payments by made IHCDA.

*Contributed services and facilities:*

Contributed services are recognized as revenue if the services create or enhance

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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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 \$215,711 and \$213,240 for the years ended December 31, 2012 and 2011, respectively. In addition, for the years ended December 31, 2012 and 2011, the Organization received approximately \$225,000 and \$202,000 of contributed services that did not meet the criteria to be recognized in the financial statements.

*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.

*Property and equipment:*

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

Substantially 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.

*Beneficial interest in assets held by others:*

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.

The beneficial interest in assets held by others is stated at fair value, based on the value of the underlying assets, as provided by the Community Foundation that holds the assets, which approximates the present value of expected future distributions. Changes in the value of the beneficial interest are included in revenues in the statements of activity.

*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).

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2012 and 2011

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The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at either December 31, 2012 or 2011, 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 2009.

**NOTE 2. GRANTS AND FEES RECEIVABLE**

Grants and fees receivable at both December 31, 2012 and 2011 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, 2012, the Organization had received approximately \$4,200,000 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. LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES**

In 2012 the Organization entered into loan agreements with certain businesses under various terms and conditions. All the Organization's loans receivable are to businesses located in mid-northwestern Indiana. The Organization generally has security interests in the assets financed by the loans, which are primarily real estate and operating equipment.

Loans receivable consist of the following at December 31, 2012:

Current portion	\$ 6,303
Long-term portion	<u>24,721</u>
<i>Total loans receivable</i>	<u>\$ 31,024</u>

There were no loans that were non-performing and on non-accrual status at December 31, 2012, and there were no loans for which payments were past-due at December 31, 2012.

All loans are commercial loans to customers in west-central Indiana and are classified in one portfolio segment for purposes of determining the allowance for loan losses. The risk characteristics of the portfolio are the industry and region in which the borrower operates and the borrowers' credit standing. No allowance for loan losses was deemed necessary at December 31, 2012.

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2012 and 2011, respectively:

	<u>2012</u>	<u>2011</u>
Vehicles	\$ 715,007	\$ 715,007
Program equipment	<u>67,375</u>	<u>67,375</u>
	782,382	782,382
Less accumulated depreciation	<u>(662,635)</u>	<u>(608,247)</u>
<i>Net property and equipment</i>	<u>\$ 119,747</u>	<u>\$ 174,135</u>

**NOTE 5. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

The Organization is the beneficiary of an endowment fund held by Greater Lafayette Community Foundation (the "Community Foundation"), to which both the Organization and others have donated. The Organization and the other donors have granted the Community Foundation variance power in the determination of annual distributions and transfer of the accounts to other community organizations in certain circumstances. The Organization has made total contributions to the fund of \$22,105, of which \$1,225 was made in 2012, \$2,250 was made in 2011, and \$18,630 was made prior to 2011. The value of the portion of the fund attributable to contributions by the Organization at December 31, 2012 and 2011 is \$26,039 and \$24,378, respectively, which is reported as beneficial interest in assets held by others in the accompanying statements of financial position. The change in the value of the fund was \$436 and \$3,498, respectively, for the years ended December 31, 2012 and 2011, and is reported as such in the accompanying statements of activities. There were no distributions received from the fund in either year.

The value of the portion of the fund attributable to contributions by others at December 31, 2012 and 2011 was \$32 and \$28, respectively, which is not reported an asset in the accompanying financial statements. There were no grants from the portion of the fund attributable to contributions by others during either 2012 or 2011.

**NOTE 6. 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 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, 2012 and 2011 the Organization was owed \$69,990 and \$79,990, respectively, by Area IV Development for advances made to it for real estate development costs and operating expenses. At December 31, 2012, Area IV Development has net assets of approximately \$261,000 and working capital of approximately \$9,900. Although management believes that the Organization may be able to ultimately collect the advances

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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made to Area IV Development, this will be dependent on the ability of Area IV Development to generate fees or other income from future development projects, and there can be no assurance that this will occur. Consequently, management has provided an allowance for the entire balance of the advances.

For the years ended December 31, 2012 and 2011, the Organization subcontracted \$70,000 and \$51,347, respectively, of services to Area IV Development that are included in contracted services expense in the accompanying statements of functional expenses. At December 31, 2012 and 2011, the Organization owed Area IV Development \$5,430 and \$37,671, 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, 2012 and 2011 are \$66,627 and \$43,301, respectively, for shared personnel and administrative services with Area IV Development. At December 31, 2012 and 2011, the Organization was owed \$8,587 and \$13,435, respectively, for these services, which are reported as accounts receivable – related entity in the accompanying statements of financial position.

**NOTE 7. DEBT INFORMATION**

The Organization has a \$250,000 bank line of credit facility, bearing interest at bank prime and that is collateralized by deposit accounts. No borrowings were outstanding on the line at either December 31, 2012 or 2011.

The note payable, funding source with a balance of \$100,000 at December 31, 2011 consisted of a promissory note due to Indiana Housing and Economic Development Authority. The note was unsecured and carried no interest. The loan was repaid in 2012.

**NOTE 8. NET ASSET INFORMATION**

Permanently restricted net assets represent the beneficial interest in assets held by the Community Foundation discussed in Note 5.

Net assets were released from restrictions by incurring expenses satisfying restricted purposes as follows for the years ended December 31, 2012 and 2011, respectively:

	<u>2012</u>	<u>2011</u>
Energy assistance and weatherization	\$ 1,120	\$ 13,276
Aging programs	33,290	48,003
Case management	3,641	5,161
Head Start	6,861	11,372
Housing	9,200	9,562
Transportation	-	4,472
<i>Total net assets released from restrictions</i>	<u>\$ 54,112</u>	<u>\$ 91,846</u>

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9. ENDOWMENT INFORMATION**

As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Indiana enacted the *Uniform Prudent Management of Institutional Funds Act of 2006* ("UPMIFA") effective July 1, 2007, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors and management have determined that certain net assets meet the definition of endowment funds under UPMIFA. These consist of the beneficial interest in assets held by the Community Foundation discussed in Note 5, which was funded by donor-restricted net assets intended to establish an endowment fund for the Organization. The investment and spending policies for this fund are established by the Community Foundation's governing body and are not under the control of the Organization.

Changes in the endowment for the years ended December 31, 2012 and 2011, respectively, are as follows:

	<u>2012</u>	<u>2011</u>
Balance beginning of year	\$ 24,378	\$ 18,630
Contributions	1,225	2,250
Change in value	<u>436</u>	<u>3,498</u>
<i>Balance end of year</i>	<u>\$ 26,039</u>	<u>\$ 24,378</u>

**NOTE 10. FAIR VALUE MEASUREMENTS**

U.S. generally accepted accounting principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an entity's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such principles establish 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. There are three levels of inputs that may be used to measure fair value:

- 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, 2012 and 2011, respectively, is as follows:

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
For 2012:				
Beneficial interest in assets held by others	\$ <u>26,039</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>26,039</u>
For 2011:				
Beneficial interest in assets held by others	\$ <u>24,378</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>24,378</u>

Fair value for the beneficial interest in assets held by others (the Community Foundation fund discussed in Note 5) is based on the fair value of the underlying assets, as provided by the Community Foundation that holds the assets, which approximates the present value of expected future distributions.

The following is a reconciliation of beginning and ending balances of the fair value of assets measured by Level 3 inputs for the years ended December 31, 2012 and 2011, respectively:

	<u>2012</u>	<u>2011</u>
Beneficial interest in assets held by others:		
Fair value beginning of year	\$ 24,378	\$ 18,630
Transfers to Community Foundation	1,225	2,250
Change in value	<u>436</u>	<u>3,498</u>
<i>Fair value end of year</i>	<u>\$ 26,039</u>	<u>\$ 24,378</u>

**NOTE 11. LEASE INFORMATION**

The Organization leases facilities and equipment under non-cancellable operating leases expiring in various years through 2016. Minimum future rental payments under these leases as of December 31, 2012 for each of the next four years and in the aggregate are as follows:

2013	\$ 151,384
2014	108,571
2015	41,483
2016	<u>20,742</u>
<i>Total minimum future rental payments</i>	<u>\$ 322,180</u>

Total rent expense was \$200,002 and \$201,650 for the years ended December 31, 2012 and 2011, respectively.

**NOTE 12. PENSION PLAN**

The Organization maintains a defined-contribution pension plan covering substantially all its employees after two years of service. Pension expense was \$66,644 and \$66,187 for the years ending December 31, 2012 and 2011, respectively.

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2012 and 2011

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**NOTE 13. 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 governmental sources were approximately 92% and 92% of total revenues for the years ended December 31, 2012 and 2011, respectively. In addition, for the years ended December 31, 2012 and 2011, approximately 45% and 50%, respectively, of total revenues were received from Indiana Housing and Community Development Authority; approximately 34% and 31%, respectively, of total revenues were received from Indiana Family and Social Services Administration; and approximately 11% and 10%, 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 Federal Deposit Insurance Corporation or that is not covered by such insurance. At December 31, 2012, the Organization had approximately \$334,000 cash on deposit with one financial institution that was not covered by federal insurance but that was collateralized by marketable securities with an estimated fair value in excess of the uninsured amount.

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

**NOTE 14. SUBSEQUENT EVENTS INFORMATION**

The date through which events occurring subsequent to December 31, 2012 have been evaluated for possible adjustment to the financial statements or disclosure is August 29, 2013, the date on which the financial statements were available to be issued. Management identified no such events.

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS**  
Year Ended December 31, 2012

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Agreement Numbers</u>	<u>Total Expenditures</u>	<u>American Recovery and Reinvestment Act Expenditures</u>
<b><u>Federal Assistance</u></b>				
<i>United States Department of Agriculture:</i>				
<i>Passed-Through Indiana Department of Education:</i>				
Child and Adult Care Food Program	10.558	1790160	\$ 91,364	\$ -
<i>United States Department of Housing and Urban Development:</i>				
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
<i>CDBG-State Administered CDBG Cluster:</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	DR2OR-011-011	4,629	-
ARRA-Homelessness Prevention and Rapid Rehousing Program	14.257	HPRP-09-02	56,553	56,553
<i>Housing Voucher Cluster:</i>				
Section 8 Housing Choice Vouchers	14.871	SH-006-015	933,547	-
<i>Total United States Department of Housing and Urban Development</i>			<u>994,729</u>	<u>56,553</u>
<i>United States Department of Transportation:</i>				
<i>Passed-through Indiana Department of Transportation:</i>				
<i>Federal Transit Cluster:</i>				
Federal Transit - Formula Grants	20.507	A249-10-320384A	45,897	-
<i>United States Department of Energy:</i>				
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
Weatherization Assistance for Low-Income Persons	81.042	WX-011-003	203,746	-
ARRA-Weatherization Assistance for Low-Income Persons	81.042	HEC-012-003	100,000	100,000
<i>Total United States Department of Energy</i>			<u>303,746</u>	<u>100,000</u>
<i>United States Department of Health and Human Services:</i>				
<i>Passed-through Indiana Family and Social Services Administration:</i>				
<i>Special Programs for the Aging-Title VII-Long Term Care Ombudsman Services for Older Individuals</i>				
	93.042	79-12-2V-1541-03	8,984	-
<i>Special Programs for the Aging-Title IIID - Disease Prevention and Health Promotion Services</i>				
	93.043	79-12-OV-1541-05/11	11,588	-
<i>Aging Cluster:</i>				
<i>Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers</i>				
	93.044	79-12-OV-1541-01/09	96,022	-
<i>Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers</i>				
	93.044	79-12/10-OV-1541-02/10	333,447	-
<i>Special Programs for the Aging-Title III, Part C-Nutrition Services</i>				
	93.045	79-12/10-OV-1541-03/04/07/08	512,172	-
Nutritional Services Incentive Program	93.053	79-12-02-1541-01/02	103,930	-
<i>Total aging cluster</i>			<u>1,045,571</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS**  
Year Ended December 31, 2012

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Agreement Numbers</u>	<u>Total Expenditures</u>	<u>American Recovery and Reinvestment Act Expenditures</u>
Special Programs for the Aging-Title IV and Title II- Discretionary Projects	93.048	A345-2-79-12-CA-1541	24,115	-
National Family Caregiver Support, Title III, Part E	93.052	79-12-OV-1541-06/12	121,542	-
Social Services Block Grant	93.667	79-12-OG-1541-01/02/03	338,967	-
Medical Assistance Program	93.778	79-12/10-70-1541-01/02	290,823	-
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
Low-Income Home Energy Assistance	93.568	LI-009-003-3 & LI-013-03	1,850,675	-
Low-Income Home Energy Assistance	93.568	WL-012-003 & WL-013-003	811,657	-
<i>Total Low-Income Home Energy Assistance</i>			<u>2,662,332</u>	<u>-</u>
<i>CSBG Cluster:</i>				
Community Services Block Grant	93.569	CS-010-003	426,076	-
Community Services Block Grant (BEED Program)	93.569	DFG-012-139	10,000	-
Community Services Block Grant (BEED Loan Balances)	93.569	CS-10-021CSBG	31,024	-
<i>Total CSBG Cluster</i>			<u>467,100</u>	<u>-</u>
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	99-10-SM-1541-02/03	6,928	6,928
<i>Passed-through Indiana Department of Insurance</i>				
Medicare Enrollment Assistance Program	93.071	A43-10-IDOI-A4AACAP	24,379	-
<i>Head Start Cluster:</i>				
Head Start	93.600	05CH4045/20	1,112,879	-
<i>Total United States Department of Health and Human Services</i>			<u>6,115,208</u>	<u>6,928</u>
<i>United States Department of Homeland Security:</i>				
<i>Passed-through Emergency Food and Shelter National Board:</i>				
<i>Emergency Food and Shelter Program Cluster:</i>				
Emergency Food and Shelter National Board Program	97.024	n/a	5,610	-
<i>Total federal expenditures</i>			<u>\$ 7,556,554</u>	<u>\$ 163,481</u>
<b><u>Nonfederal Assistance</u></b>				
Medicaid Waiver Administration and Medicaid Reimbursements			<u>\$ 297,532</u>	<u>\$ -</u>
<i>Indiana Family and Social Services Administration:</i>				
Older Hoosier Act		79-12/10-OM-1541-01/02	65,324	-
CHOICE		79-12-10-1541-01/02	1,246,658	-
Aging and Disability Resource Center		79-12/10-5K-1541-01/02	57,450	-
<i>Total Family and Social Services Administration</i>			<u>1,369,432</u>	<u>-</u>
<i>Indiana Department of Transportation:</i>				
Section 5311 Grant - State Portion			7,981	-
<i>Total nonfederal expenditures</i>			<u>\$ 1,674,945</u>	<u>\$ -</u>
<b>Total expenditures of federal and nonfederal awards</b>			<u>\$ 9,231,499</u>	<u>\$ 163,481</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 AND NONFEDERAL AWARDS**  
**Year Ended December 31, 2012**

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**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and nonfederal awards (the "Schedule") includes the federal and nonfederal grant activities of Area IV Agency and Community Action Programs, Inc. (the "Organization"), and is presented in conformity with accounting principles generally accepted in the United States of America. The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the Organization's operations, it is not intended to and does not present the Organization's financial position, changes in net assets, or cash flows.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Beginning in October 2010, Indiana Housing and Community Development Authority ("IHCDA") began making energy assistance payments for participants in the Low Income Home Energy Assistance Program directly to the energy providers on behalf of all entities administering the program. Previously, such payments were made by the Organization to the providers and the Organization was reimbursed by IHCDA. Because the Organization performs all intake functions and is liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers, totaling \$1,587,158, are included in federal expenditures in the accompanying Schedule.

**NOTE 3. SUBRECIPIENTS**

The Organization provided federal awards to subrecipients under the following programs during the year ended December 31, 2012:

Title VII – Long-Term Care Ombudsman Services for Older Individuals, CFDA #93.042	\$ 8,984
Title IIIB – Grants for Supportive Services and Senior Centers, CFDA #93.044	169,999
Title IIIC – Nutrition Services, CFDA #93.045	512,172
Community Services Block Grant, CFDA #93.569	<u>70,000</u>
<i>Total</i>	<u>\$ 761,155</u>



# CULLAR & ASSOCIATES, PC

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**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, in accordance with the 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, the financial statements of Area IV Agency on Aging and Community Action Programs, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements, and have issued our report thereon dated August 29, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cullen & Associates, P.C.*

South Bend, Indiana  
August 29, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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

**Report on Compliance for Each Major Federal Program**

We have audited Area IV Agency on Aging and Community Action Programs, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Area IV Agency on Aging and Community Action Programs, Inc.'s major federal programs for the year ended December 31, 2012. Area IV Agency on Aging and Community Action Programs, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Area IV Agency on Aging and Community Action Programs, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Area IV Agency on Aging and Community Action Programs, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Area IV Agency on Aging and Community Action Programs, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Area IV Agency on Aging and Community Action Programs, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## Report on Internal Control Over Compliance

Management of Area IV Agency on Aging and Community Action Programs, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Area IV Agency on Aging and Community Action Programs, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Area IV Agency on Aging and Community Action Programs, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *Purpose of This Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Cullen & Associates, P.C.*

South Bend, Indiana  
August 29, 2013

**AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended December 31, 2012

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**Section 1-Summary of Auditor's Results**

Financial Statements

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

Federal Awards

Internal control over major programs-	
Material weaknesses identified?	No
Significant deficiencies 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>
14.871	Housing Voucher Cluster (Section 8 Housing Choice Vouchers)
81.042	Weatherization Assistance for Low-Income Persons; ARRA-Weatherization Assistance for Low-Income Persons
93.044, 93.045, 93.053	Aging Cluster
93.667	Social Services Block Grant
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2012

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**Section 2 – Findings in Financial Statements Audit**

There were no findings in the financial statements audit.

**Section 3 – Findings in Major Federal Award Programs Audit**

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

AREA IV AGENCY ON AGING AND COMMUNITY ACTION PROGRAMS, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2012

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There were no findings in the 2011 audit.

