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October 28, 2014

Board of Directors
Area Five Agency on Aging & Community Services, Inc.
1801 Smith Street
Logansport, IN 46947

We have reviewed the audit report prepared by Crowe Horwath LLP, for the period January 1, 2013 to December 31, 2013. 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 Five Agency on Aging & Community Services, Inc., as of December 31, 2013, 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

AREA FIVE AGENCY ON AGING
AND COMMUNITY SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

AREA FIVE AGENCY ON AGING AND COMMUNITY SERVICES, INC.
Logansport, Indiana

FINANCIAL STATEMENTS
December 31, 2013 and 2012

CONTENTS

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Area Five Agency on Aging and Community Services, Inc.
Logansport, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Area Five Agency on Aging and Community Services, Inc. and subsidiaries (Area Five), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Area Five Agency on Aging and Community Services, Inc. as of December 31, 2013 and 2012, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated August 15, 2014 on our consideration of Area Five'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 Five's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
August 15, 2014

AREA FIVE AGENCY ON AGING AND COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash	$ 448,800	$ 107,063
Grants receivable	1,051,987	1,124,675
Accounts receivable	100,901	64,548
Other assets	8,660	-
Total current assets	1,610,348	1,296,286
Non-current assets		
Investments (Note 4)	1,000	1,000
Development fees receivable, net (Note 3)	-	-
Loans receivable, net (Note 3)	1,843,201	2,203,376
Property and equipment, net (Note 5)	3,513,269	2,951,034
Total non-current assets	5,357,470	5,155,410
	$ 6,967,818	$ 6,451,696
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 456,985	$ 413,864
Accrued payroll, vacation and withholdings	303,045	468,542
Other liabilities	86,641	93,461
Bonds payable – current portion (Note 6)	64,509	60,711
Notes payable and lines of credit – current portion (Note 7)	61,471	728,225
Total current liabilities	972,651	1,764,803
Non-current liabilities		
Other liabilities	24,000	36,000
Bonds payable (Note 6)	252,390	316,898
Notes payable (Note 7)	3,155,964	2,051,549
Total non-current liabilities	3,432,354	2,404,447
Total liabilities	4,405,005	4,169,250
Net assets		
Unrestricted	2,562,813	10,440
Unrestricted - board designated (Note 9)	-	2,272,006
Total net assets	2,562,813	2,282,446
	$ 6,967,818	$ 6,451,696

See accompanying notes to consolidated financial statements.

AREA FIVE AGENCY ON AGING AND COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2013 and 2012

	2013	2012
REVENUE		
Grant assistance	$ 7,037,513	$ 7,358,767
Program income	71,780	81,983
Local grant assistance and program support	414,941	170,736
Service fee income	57,807	23,580
Investment income	117,753	127,322
Rental income	208,870	223,145
Other income	36,252	58,328
Total revenue	7,944,916	8,043,861
EXPENSES		
Program services:		
In-home services	2,922,948	3,084,097
Community services	1,640,234	1,638,378
Energy assistance	246,816	296,658
HeadStart	1,516,413	1,548,800
Weatherization	714,438	1,006,765
Housing	277,882	125,206
Total program service expenses	7,318,731	7,699,904
Management and general	332,909	453,258
Total expenses	7,651,640	8,153,162
Change in net assets before recovery (loss) on impairment and gain on sale of property and equipment	293,276	(109,301)
Recovery (loss) on impairment of loans and development fees receivable (Note 3)	(114,977)	76,983
Gain on sale of property and equipment	102,068	-
Change in net assets	280,367	(32,318)
Net assets at beginning of year	2,282,446	2,314,764
Net assets at end of year	$ 2,562,813	$ 2,282,446

See accompanying notes to consolidated financial statements.

AREA FIVE AGENCY ON AGING AND COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2013

	Program Services								
	In-Home Services	Community Services	Energy Assistance	HeadStart	Weather-ization	Housing	Total Program Services	Management & General	Total Expenses
Salaries and benefits	$ 1,371,790	$ 1,376,405	$ 194,205	$ 1,081,678	$ 263,704	$ 53,318	$ 4,341,100	$ (916)	$ 4,340,184
Occupancy	31,912	42,233	5,856	33,057	1,411	14,975	129,444	20,414	149,858
Depreciation	23,145	22,365	2,852	25,178	1,389	17,546	92,475	99,957	192,432
Interest expense	10,715	8,502	635	16,241	378	19,932	56,403	133,121	189,524
Telephone/postage	14,146	11,925	10,361	5,423	4,565	654	47,074	3,038	50,112
Contracted services	1,114,667	59,658	5,785	18,340	330,738	130,048	1,659,236	26,071	1,685,307
Food costs	203,158	-	-	99,186	-	-	302,344	1,696	304,040
Materials/supplies	43,379	30,445	9,034	92,721	88,908	7,070	271,557	11,470	283,027
Equipment	805	-	-	300	-	-	1,105	-	1,105
Travel	44,647	47,748	2,913	56,029	7,235	789	159,361	(11,280)	148,081
Miscellaneous	49,464	32,674	10,579	67,365	9,737	19,669	189,488	32,680	222,168
Legal	656	267	103	286	225	3,454	4,991	3,348	8,339
Maintenance	4,764	1,986	495	9,469	137	4,888	21,739	2,842	24,581
Insurance	9,700	6,026	1,383	11,140	5,226	5,539	39,014	10,468	49,482
Specific assistance	-	-	2,615	-	785	-	3,400	-	3,400
	$ 2,922,948	$ 1,640,234	$ 246,816	$ 1,516,413	$ 714,438	$ 277,882	$ 7,318,731	$ 332,909	$ 7,651,640

See accompanying notes to consolidated financial statements.

AREA FIVE AGENCY ON AGING AND COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2012

	Program Services								
	In-Home Services	Community Services	Energy Assistance	HeadStart	Weather-ization	Housing	Total Program Services	Management & General	Total Expenses
Salaries and benefits	$ 1,529,348	$ 1,393,706	$ 238,595	$ 1,100,149	$ 297,483	$ 39,995	$ 4,599,276	$ 125,922	$ 4,725,198
Occupancy	28,943	42,531	4,022	32,281	2,768	2,907	113,452	21,806	135,258
Depreciation	25,857	22,558	3,824	27,362	2,154	9,752	91,507	106,237	197,744
Interest expense	13,718	10,665	841	19,103	342	14,362	59,031	133,452	192,483
Telephone/postage	13,595	17,996	11,259	6,404	5,059	588	54,901	2,734	57,635
Contracted services	1,023,857	12,840	3,796	18,260	548,517	25,171	1,632,441	5,392	1,637,833
Food costs	263,921	-	-	103,524	-	-	367,445	93	367,538
Materials/supplies	58,158	30,529	9,374	87,601	119,325	4,499	309,486	15,190	324,676
Travel	51,945	55,140	2,455	56,786	11,568	778	178,672	(10,890)	167,782
Miscellaneous	59,455	44,234	14,169	66,948	11,151	17,633	213,590	38,006	251,596
Legal	1,532	1,003	156	618	313	148	3,770	2,563	6,333
Maintenance	4,221	2,996	892	18,730	276	7,215	34,330	3,698	38,028
Insurance	9,547	4,180	1,340	11,034	6,854	2,158	35,113	9,055	44,168
Specific assistance	-	-	5,935	-	955	-	6,890	-	6,890
	$ 3,084,097	$ 1,638,378	$ 296,658	$ 1,548,800	$ 1,006,765	$ 125,206	$ 7,699,904	$ 453,258	$ 8,153,162

See accompanying notes to consolidated financial statements.

AREA FIVE AGENCY ON AGING AND COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 280,367	$ (32,318)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	192,432	197,744
(Recovery) loss on impairment of loan and development fees receivable	114,977	(76,983)
Gain on sale of property and equipment	(102,068)	-
Changes in assets and liabilities:		
Grants receivable	72,688	(49,830)
Accounts receivable	(36,353)	43,844
Accrued interest receivable	-	(123,306)
Other assets	(8,660)	-
Accounts payable	43,121	(86,824)
Accrued payroll, vacation and withholdings	(165,497)	1,085
Other liabilities	(18,820)	36,199
Net cash from operating activities	372,187	(90,389)
Cash flows from investing activities		
Purchase of property and equipment	(102,599)	-
Proceeds from sale of property and equipment	285,000	-
Principal payments received on loans receivable	26,608	46,260
New loans made	(112,920)	(27,000)
Net cash from investing activities	96,089	19,260
Cash flows from financing activities		
Proceeds from draws on line of credit	80,419	2,260,018
Principal payments on notes payable and line of credit	(146,248)	(2,107,022)
Principal payments on bonds payable	(60,710)	(57,067)
Net cash from financing activities	(126,539)	95,929
Net change in cash	341,737	24,800
Cash, beginning of year	107,063	82,263
Cash, end of year	$ 448,800	$ 107,063
Supplemental disclosures of cash flow information		
Interest paid	$ 189,524	$ 192,483
Non-cash transactions:		
Property and equipment received from LHA acquisition (Note 1)	$ 835,000	$ -
Loans receivable relieved from LHA acquisition (Note 1)	336,986	-
Notes payable assumed from LHA acquisition (Note 1)	503,490	-

See accompanying notes to consolidated financial statements.

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

Organization: The consolidated financial statements include the accounts of Area Five Agency on Aging and Community Services, Inc. (Area Five) and its wholly owned subsidiaries, Dependable Dental Solutions, LLC (DDS) and Construction Management Associates, LLC (CMA). The mission of Area Five is to meet the needs of the elderly, disabled, and disadvantaged members of the communities served. Area Five provides services to eligible residents of Cass, Fulton, Howard, Miami, Tipton, and Wabash counties in the State of Indiana. Area Five administers various programs funded by the Federal government and the State of Indiana that are used to provide for planning and development of programs that intervene at critical points in poverty and the aging process and that will enable families and individuals to become more self-sufficient. CMA is a construction management company, and DDS is a dental practice that was formed to serve Area Five clients.

Area Five, DDS, and CMA have been consolidated for this financial statement presentation. The consolidated financial statements have been prepared on the accrual basis of accounting wherein revenues and expenses are recognized in the period earned and incurred, respectively. In 2006, DDS ceased operations and in 2007, DDS liquidated its remaining assets and paid off its capital lease liability. In 2008, CMA ceased operations and had liquidated most of its assets as of December 31, 2009. Both entities legally exist with minimal assets and liabilities at both December 31, 2013 and 2012.

Acquisition of Logansport Housing Associates, LP: On October 1, 2013, Area Five acquired the assets and assumed liabilities, as defined in the purchase agreement of Logansport Housing Associates, LP (LHA), from Indiana Equity Fund. The purchase consideration consisted of $1 and the forgiveness of loans and accounts receivables outstanding from LHA to Area Five in the amount of $346,545. Indiana Equity Fund was the limited partner of LHA. LHA owned and operated a 48 unit apartment project for low income families known as Bend in the Wood Estates (Project), located in Logansport, Indiana. Area Five acquired the assets and liabilities because the tax credit period had ended and it was an opportunity to continue their mission in an economically feasible manner.

Area Five accounted for this transaction under the purchase method of accounting. Also, as a result of this transaction, Area Five received property and equipment with a value of $835,000, and assumed $503,490 of notes payable. Area Five also received other operating assets and assumed other operating liabilities with immaterial balances. Property and equipment was recorded at estimated fair value at the time of the acquisition and the results of operations of the Project from October 1, 2013 (acquisition date) through December 31, 2013 have been included in the consolidated financial statements. A summary of the purchase accounting is provided below:

Fair value of the net tangible assets acquired and liabilities assumed:	
Cash	$ 54,300
Other assets	3,214
Land	60,200
Building	774,800
Accounts payable and other liabilities	(50,665)
Note payable	(503,490)
Net tangible assets acquired and liabilities assumed	338,359
Fair value of intangible assets acquired:	
In-place leases	8,187
Less: purchase consideration – forgiveness of loans and accounts receivable	(346,545)
Net cash purchase consideration	$ 1

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Areas where significant estimates are used in the accompanying financial statements include the allowance for uncollectible loans and development fees receivable, allocation of expenses, and the self-insurance reserve liability. Actual results could differ from those estimates.

Income Taxes: Area Five is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not considered to be a private foundation. However, Area Five may be subject to income taxes on certain types of unrelated business income. CMA and DDS, Area Five's wholly-owned subsidiaries, are single member limited liability companies that have elected to be taxed as corporations. The amount of taxes paid by Area Five, CMA and DDS is not material to the financial statements.

Current accounting standards require Area Five to disclose the amount of potential benefit or obligation to be realized as a result of an examination performed by a taxing authority. For the years ended December 31, 2013 and 2012, management has determined that Area Five does not have any tax positions that result in any uncertainties regarding the possible impact on Area Five's financial statements. Area Five does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. Area Five is generally no longer subject to examination by taxing authorities for years before 2010.

Area Five recognizes interest and/or penalties related to income tax matters in income tax expense. Area Five did not have any amounts accrued for interest and penalties at December 31, 2013 and 2012.

Cash: Cash consists of bank deposits in accounts that are federally insured up to $250,000 per financial institution. At times throughout the year, Area Five held cash in excess of the federally insured limit.

Grants, Accounts and Development Fees Receivable: Area Five's grants receivable, accounts receivable and development fees receivable balances consist of amounts billed or billable for services provided, net of an allowance for doubtful accounts. Interest is not charged on accounts receivable, grants receivable or development fees receivable.

Allowance for Doubtful Accounts: The allowance for uncollectible accounts is determined by management based upon each entity's historical losses, specific circumstances and general economic conditions. Periodically, management reviews accounts, grants and development fees receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with their collection policy. At December 31, 2013 and 2012, management estimated the allowance as $339,360 and $507,286, respectively, in relation to the development fees receivable.

Investments: Investments include shares of partnership interests in various limited partnerships. Area Five wholly owns the corporations that are the general partners of the limited partnerships, but do not have a controlling interest in the partnership. Area Five reports these investments at cost.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable: Loans receivable include loan agreements on qualifying tax credit projects, which are owned by a partnership, with Area Five as the general partner. The tax credit projects support the development of low-income and elderly housing. Terms and interest rates of the loans vary, but the principal and accrued interest is due at the end of the tax credit project with planned payment in the form of a property transfer.

An allowance for loan impairment is considered by management by examining the underlying tax credit project fair value using property appraisals. Management's policy is that all loans, including impaired loans, shall accrue interest. Each year management will estimate whether that interest is collectible.

Property and Equipment: Property and equipment purchased at $5,000 and greater are capitalized at cost, except for donated items, which are recorded at fair value at its donation date. Depreciation is computed using the straight-line method over the estimated useful lives, which may range from three to thirty years. Buildings and equipment acquired with government grants have been expensed as purchased, due to the reversionary interest that is maintained by the grantor. If applicable, upon expiration of the grantor's reversionary interest period, property and equipment are recorded at fair value as of the expiration date and then depreciated over the remaining useful life.

Impairment of Long-Lived Assets: In accordance with GAAP, Area Five reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended December 31, 2013 and 2012.

Accounts Payable: Area Five's accounts payable balance includes amounts due to various vendors for the provision of grant funded services to clients. The payables may exist due to time lags between the dates of service and reimbursement of grant funds to Area Five by the grantor. Amounts due for non-grant funded goods and services purchased by Area Five are also included in accounts payable.

Net Asset Classifications: The consolidated financial statements have been prepared in accordance with GAAP, which requires, among other things, that the consolidated financial statements report the changes in and total of each of the net asset classes based upon the donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted.

The following classes of net assets are maintained:

Unrestricted Net Assets - The unrestricted net asset class includes general and board designated assets. See detail of board designations at Note 9. The unrestricted, undesignated net assets may be used at the discretion of management to support Area Five's purposes and operations.

Temporarily Restricted Net Assets - The temporarily restricted net asset class includes assets of Area Five related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. There were no temporarily restricted net assets reported by management at December 31, 2013 and 2012.

Permanently Restricted Net Assets - The permanently restricted net asset class includes assets of Area Five for which the donor has stipulated that the contribution be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. There were no permanently restricted net assets reported by management at December 31, 2013 and 2012.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses: Expenses are allocated directly or indirectly to various program and supporting services in the consolidated statement of functional expenses. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. All remaining costs are allocated using both statistical and non-statistical allocation methodologies.

Government Grants: Support funded by grants is recognized as Area Five performs the contracted services under grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of Area Five's grant agreements are fee-for-service in nature, and support is recognized when earned. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions: Contributions are recorded when an unconditional promise to give is made. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of donors' restrictions. Temporarily restricted contributions whose restriction is fulfilled in the same year as the contribution are reported as unrestricted. There were no outstanding unconditional promises reported by management as of December 31, 2013 and 2012.

Donated Services and In-Kind Contributions: Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time in relation to Area Five's program services; however, these services did not meet the above criteria for reporting in the accompanying financial statements. For purposes of applicable grant matching requirements, Area Five has valued these contributed services at $545,456 and $493,474 for the years ended December 31, 2013 and 2012, respectively.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2013, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2013. Management has performed their analysis through August 15, 2014, the date the financial statements were available to be issued.

NOTE 2 - GOVERNMENT GRANT ACTIVITIES

Area Five receives a majority of its federal and state grant funds through three third parties, the Indiana Family and Social Services Administration (FSSA), the Indiana Housing and Community Development Authority and the United States Department of Health and Human Services, by submitting claims to the third parties for approval and payment. Area Five depends significantly on these third parties for funding to carry out its program activities.

The grant amounts are appropriated each year by federal and state agencies. If significant budget cuts are made at the federal and state level, the amount of funds that Area Five receives could be reduced significantly and have an impact on its operations.

In 2013 and 2012, Area Five used certain FSSA funds received under Title III-B to issue its own contracts to sub-grantees and service providers. Although the expenditures made and units of service performed by these sub-grantees and service providers are certified as bona fide, documentation of the purpose of such expenditures and units of service performed are subject to audit and review by funding sources. Some of the contracts include a local cost sharing provision similar to those which apply to contracts awarded to Area Five.

(Continued)

NOTE 2 - GOVERNMENT GRANT ACTIVITIES (Continued)

Area Five could become liable for any funds required to be returned to the federal or state agency issuing the contract if a sub-grantee or service provider is unable to adequately document expenditures, substantiate its local cost sharing requirement, document the units of services performed, or if they are unable to refund any unearned federal funds. As of December 31, 2013 and 2012, the amounts payable to state agencies was $36,000 and $48,000, respectively.

NOTE 3 - LOANS AND DEVELOPMENT FEES RECEIVABLE

Area Five has received grant funds for the following loan programs:

- Home Investment Partnerships Program
- Affordable Housing Program (AHP)
- Small Business Incubator (SBI)

The loan programs support the development of low-income and elderly housing, as well as the development of small businesses in the community. Loans receivable, including accrued interest at December 31, 2013 and 2012, are due from the following:

	2013	2012
Logansport Housing Associates LP	$ -	$ 1,449,250
Chase Crossing LP	1,696,998	1,642,758
Hilltop Farms LP (Phase 2)	1,063,680	1,029,380
Various SBI and other loans	58,181	81,371
	2,818,859	4,202,759
Allowance for impaired loans	(975,658)	(1,999,383)
	$ 1,843,201	$ 2,203,376

The loans earn interest at annual rates that range between 4.0% and 6.8% and all loans are accruing interest for the years ended December 31, 2013 and 2012. As of December 31, 2013, two of these loans receivable are related to tax credit housing projects, and the amounts are payable to Area Five at the end of the tax credit project periods, with original terms up to 15 years and maturity dates through 2017. Payments may be in the form of cash payments or a transfer of assets at the end of the tax credit project.

Area Five also has development fees receivable from the limited partnerships. As of December 31, 2013 and 2012, Area Five had net development fee receivables of $0. The allowance for the estimated uncollectible portion of these receivables was $339,360 and $507,286 as of December 31, 2013 and 2012, respectively. Development fees do not earn interest.

Development fees and loans receivable related to Logansport Housing Associates LP were forgiven in 2013 as part of the acquisition disclosed in Note 1.

Information on impaired loans and development fees is summarized below:

	2013	2012
Impaired loans and development fees with an allowance	$ 3,100,039	$ 4,628,674
Allowance for impaired loans and development fees	$ 1,315,018	$ 2,707,442
Average impaired loans	$ 1,550,020	$ 2,314,337
Interest income on impaired loans, fully reserved as part of allowance for impaired loans	114,977	123,790
Recovery on impaired loans	-	200,773
Impaired loans written off as part of acquisition, net	336,985	-

(Continued)

NOTE 4 - INVESTMENTS

Investments consist of the following at December 31, 2013 and 2012:

	2013	2012
Area Five owns 75 $10 par value shares (75%) of Community Investments, Inc. Community Investments, Inc. was a 1% general partner in Logansport Housing Associates Limited Partnership (Bend in the Woods Estates) before Area Five acquired Logansport Housing Associates Limited Partnership on October 1, 2013. Community Investments, Inc. is also a 1% general partner in Chase Crossing Limited Partnership.	$ 750	$ 750
Area Five owns 25 $10 par value shares (25%) of Manchester Development Corporation. Manchester Development Corporation is a 1% general partner in Fellowship Apartments Limited Partnership.	250	250
Area Five owns 100 $0 par value shares (100%) of Miami Development Corporation. Miami Development Corporation is a 1% general partner in Hilltop Farms Phase Two Limited Partnership.	-	-
	$ 1,000	$ 1,000

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment of Area Five consists of the following at December 31, 2013 and 2012:

	2013	2012
Land	$ 237,228	$ 177,028
Building	4,978,389	4,503,589
Building improvements	592,025	490,843
Rental buildings	345,496	345,496
Modular classroom	44,647	44,647
Equipment	185,668	185,669
	6,383,453	5,747,272
Accumulated depreciation	(2,870,184)	(2,796,238)
	$ 3,513,269	$ 2,951,034

(Continued)

NOTE 5 - PROPERTY AND EQUIPMENT (Continued)

Area Five owns facilities and equipment that were purchased or built using federal grant funds. For financial statement purposes, the grant-funded portion of the facility's or equipment's cost is not capitalized until any reversionary interest of the grantor has expired. Facilities and equipment with reversionary interest remaining at December 31, 2013 and 2012 include:

	2013		2012	
	Cost	Grant-funded Portion	Cost	Grant-funded Portion
Headstart School (indefinite)	$ 184,077	$ 100,000	$ 184,077	$ 100,000
Vehicles (indefinite)	311,656	311,656	311,656	311,656
Equipment	55,310	55,310	55,310	55,310
Total	$ 551,043	$ 466,966	$ 551,043	$ 466,966

NOTE 6 - BONDS PAYABLE

Area Five constructed their own Human Services Building in 1993. Area Five issued two series of bonds totaling $1,100,000 (Series 1993 A and 1993 B) to pay for the majority of the construction costs. The Series 1993 B bonds were retired in 2002. Series 1993 A bonds are described below:

- $850,000 of Series 1993 A City of Logansport, Indiana Economic Development Revenue Bonds with a maturity date of May 1, 2018 and an annual interest rate equal to 80% of the one year Treasury Bill plus a margin of 250 basis points rounded to the nearest .0125%. For 2013 and 2012, the interest expense paid on Series 1993 A Bonds was $9,424 and $11,017. The balance of the Series 1993 A bonds payable as of December 31, 2013 and 2012 is as follows:

	2013	2012
Original bonds issued	$ 850,000	$ 850,000
Principal payments	(533,101)	(472,391)
	316,899	377,609
Less: Current portion	(64,509)	(60,711)
	$ 252,390	$ 316,898

The future maturities of bonds payable are as follows:

2014	$ 64,509
2015	68,544
2016	72,802
2017	77,386
2018	33,658
	$ 316,899

(Continued)

NOTE 7 - NOTES PAYABLE AND LINES OF CREDIT

Area Five has the following notes payable as of December 31:

	2013	2012
Five year note payable with Security Federal Savings Bank in the amount of $550,000 with an interest rate of 7.53% per annum. Monthly interest-only payments were required until December 20, 2008, when monthly principal and interest payments of $5,108 began. A balloon payment of approximately $430,000 is due in January 2024. The note is secured by properties at Kokomo, Wabash and Logansport, Indiana as well as all other Area Five assets.	$ 429,161	$ 458,795
Fifteen year mortgage with First National Bank of Monterey in the amount of $766,581 with an interest rate of 7.00% per annum. Monthly principal and interest payments vary according to the interest rate and the maturity of the loan is July 2018. The mortgage is secured by property located at 661 East Main Street in Peru, Indiana.	339,860	394,401
Twenty five year mortgage refinanced in September 2010 with Security Federal Savings Bank in the amount of $908,000 with a variable interest rate of 6.50% per annum. The refinancing included the outstanding balance, payoff of a line of credit with a balance of $246,110 and additional borrowings of $307,155. Monthly principal and interest payments are $6,137, and the maturity of the loan is October 2035. The mortgage is secured by a facility located at 105 Olive Street in Wabash, Indiana.	857,593	873,979
Thirty year mortgage with Security Federal Savings Bank in the amount of $75,000 with an interest rate of 7.50% per annum. Monthly principal and interest payments are $524, and the maturity of the loan is September 2025. The mortgage is secured by a single family home located at 92 Central Avenue in Logansport, Indiana.	48,839	51,365
Thirty year mortgage with Security Federal Savings Bank in the amount of $60,000 with an interest rate of 6.75% per annum. Monthly principal and interest payments are $433, and the maturity of the loan is July 2023. The mortgage is secured by a duplex located at 91/95 Central Avenue in Logansport, Indiana.	36,390	39,028
Twenty year mortgage with Security Federal Savings Bank in the amount of $72,300 with an interest rate of 7.125% per annum. Monthly principal and interest payments are $563, and the maturity of the loan is July 2021. The mortgage is secured by the duplex located at 70/72 Central Avenue in Logansport, Indiana.	39,505	43,300

(Continued)

NOTE 7 - NOTES PAYABLE AND LINES OF CREDIT (Continued)

	2013	2012
Fifteen year mortgage with Security Federal Savings Bank in the amount of $280,000 with an interest rate of 6.75% per annum. Monthly principal and interest payments are $2,478, and the maturity of the loan is March 2017. The mortgage is secured by the building located at 111 East Sycamore Street in Kokomo, Indiana.	$ 86,592	$ 109,589
Thirty year mortgage with Security Federal Savings Bank in the amount of $70,734 with an interest rate of 7.00% per annum. Monthly principal and interest payments are $469, and the maturity of the loan is November 2032. The mortgage is secured by the duplex located at 71/73 Central Avenue in Logansport, Indiana.	58,973	60,423
Twenty-year term loan with Security Federal Savings Bank in the amount of $65,550. The note is due March 2031 with an interest rate floor of 6.50%. Scheduled rate changes will occur every 60 months based on the 5-year T-Bill rate plus 450 basis points. The note is secured by the property at 1106 West Mulberry Street in Kokomo, Indiana.	60,949	62,723
Construction loan that was converted in 2009 to a fifteen year mortgage with First National Bank of Monterey in the amount of $120,000 with an interest rate of 8.00% per annum. Monthly principal and interest payments are $1,068, and the maturity of the loan is February 2022. The note is secured by the property at 661 East Main Street in Peru, Indiana.	84,993	91,590
Line of credit agreement with Security Federal Savings Bank with a $500,000 credit limit. The interest rate is variable and was 5.25% at December 31, 2013 and 2012, and accrues monthly. The line matures on April 5, 2014 and is secured by the assets of Area Five.	500,000	500,000
Line of credit agreement with Security Federal Savings Bank with a $175,000 credit limit. The interest rate is variable and was 5.25% at December 31, 2013 and 2012, and accrues monthly. The line matures on April 5, 2014 and is secured by the assets of Area Five.	175,000	94,581
Mortgage with Security Federal Savings Bank in the amount of $541,845 with an interest rate of 7% per annum assumed during the acquisition of Bend in the Woods. Monthly principal and interest payments are $4,886 with a balloon payment in 2014. The mortgage is secured by the assets of Bend in the Woods Estates.	499,580	-
	3,217,435	2,779,774
Less: Current portion	(61,471)	(728,225)
	$ 3,155,964	$ 2,051,549

(Continued)

NOTE 7 - NOTES PAYABLE AND LINES OF CREDIT (Continued)

The total interest expense paid on all notes payable for the years 2013 and 2012 was $180,100 and $181,466, respectively. The future maturities of notes payable as of December 31, 2013 are as follows:

2014	$ 1,323,198
2015	160,320
2016	172,731
2017	163,842
2018	169,112
Thereafter	1,228,232
	$ 3,217,435

As of December 31, 2013, Area Five had the intent and ability to refinance all notes payable and lines of credit on a long-term basis and therefore the amount shown as current and non-current on the statement of financial position reflects the amounts due after they were refinanced in March 2014. The terms of the refinanced loans are described below:

- The two loans previously outstanding with First National Bank of Monterey were refinanced into one fifteen-year note. The note is due March 2029, with an interest rate floor of 4.0%. Scheduled rate changes will occur every 60 months based on the weekly average yield of U.S. Treasury securities adjusted to a constant maturity of one year. The interest rate is 5.5% until the first scheduled rate change in March 2019. The note is secured by property in Peru, Indiana.

- The notes payable, mortgages, and lines of credit with Security Federal Savings Bank were refinanced into ten, twenty-year notes. The notes are due April 2034, with an interest rate floor of 5.5%. Scheduled rate changes will occur every 84 months based on the weekly average yield of U.S. Treasury securities adjusted to a constant maturity of 7 years. The interest rate is 5.5% until the first scheduled rate change in April 2021. The notes are secured by various property in Wabash, Kokomo, and Logansport, Indiana, as well as the Bend in the Woods Estates apartment complex.

The refinanced future maturities of notes payable are as follows:

2014	$ 61,471
2015	101,271
2016	106,507
2017	112,992
2018	119,365
Thereafter	2,715,829
	$ 3,217,435

As a part of the refinancing noted above, Area Five also borrowed an additional $91,417 in March 2014.

(Continued)

NOTE 8 - OPERATING LEASES

Area Five is the lessee in operating lease agreements for office space in North Manchester, Akron, Wabash, and Rochester, Indiana. The leases expire at various dates through May 2015. Area Five also leases various office equipment. These leases expire from at various dates through January 2016. Lease expense for the years ended December 31, 2013 and 2012 was $33,366 and $31,816, respectively. As of December 31, 2013, future minimum rental payments required under the operating leases are as follows:

2014	25,187
2015	5,962
2016	270
	$ 31,419

Area Five is the lessor in operating lease agreements for office space located in Kokomo, Logansport, Rochester, Akron, and Peru and of housing duplexes located in Logansport. The carrying value of these properties at December 31, 2013 and 2012 was $3,477,360 and $3,676,179, respectively, with related accumulated depreciation of $2,070,273 and $2,056,786, respectively. The leases expire at various dates through 2019. The future minimum rental receipts required under the leases are as follows:

2014	$ 140,350
2015	136,325
2016	128,100
2017	126,600
2018	124,800
Thereafter	124,800
	$ 780,975

NOTE 9 - BOARD DESIGNATED NET ASSETS

During 2012, Area Five's Board of Directors designated a portion of Area Five's unrestricted net assets for net loans receivable, development fee receivable, and future improvements. In 2013, the Board of Directors voted to release the designations and as such, there were no Board designated net assets as of December 31, 2013.

	2013	2012
Net loans receivable under the Home Investment Partnerships and Affordable Housing Programs, and development fee receivable from Logansport Housing Associates	$ -	$ 2,122,006
Future improvements to the Logansport, Peru and Wabash facilities	-	150,000
	$ -	$ 2,272,006

(Continued)

NOTE 10 - RETIREMENT PLAN

Area Five has a defined contribution plan where all employees are eligible once they have at least two years of service of 1,000 hours each year. For 2012, Area Five contributed 4% of the employees' gross earnings. In February 2013, Area Five reduced the contribution rate to 2% of the employee's gross earnings. For the year ended December 31, 2013 and 2012, Area Five contributed $77,121 and $117,560 to the plan, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

All related party transactions between Area Five, CMA and DDS have been eliminated in consolidation. Related party transactions include CMA and DDS liabilities payable to Area Five.

In addition, Area Five has gross development fees receivable and loans receivable from the following related parties at December 31, 2013 and 2012:

	2013	2012
Logansport Housing Associates LP	$ -	$ 1,617,176
Chase Crossing LP	1,696,998	1,642,758
Hilltop Farms LP (Phase 2)	1,403,041	1,368,740
	$ 3,100,039	$ 4,628,674

Interest earned on these related party receivables totaled approximately $114,600 and $124,000 for the years ended December 31, 2013 and 2012. However, management has estimated that these receivables are not fully collectible, and allowances have been recorded as disclosed in Note 3.

Development fees and loans receivable related to Logansport Housing Associates LP were forgiven in 2013 as part of the acquisition disclosed in Note 1.

NOTE 12 - GUARANTEES

Area Five was the operating deficit guarantor in one housing partnership agreement for the years ended December 31, 2013 and 2012. To provide assurance to the limited partners in this housing partnership, Area Five agreed to guarantee the operating obligations of the housing entity up to a certain threshold specified in the partnership agreement. In total, the guarantee amounts to $52,000 at December 31, 2013 and 2012.

NOTE 13 - CONTINGENCIES

Area Five has been notified by the Indiana Housing and Community Development Authority that Area Five has potentially not met the requirements set forth in their grant agreement, and that Area Five is responsible for repaying $270,000. While results of this claim and any possible future litigation cannot be predicted with certainty, management and their attorney believe that resolution of this matter will not have a material adverse effect on the financial statements of Area Five.

SUPPLEMENTARY INFORMATION

AREA FIVE AGENCY ON AGING AND COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2013

Federal Grantor/ Program Title	Federal CFDA Number	Expenditures	Amounts awarded to subrecipients
U.S. Department of Agriculture			
Pass-through program: Indiana State Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	$ 302,499	$ -
Pass-through program: Indiana Department of Education			
Child and Adult Care Food Program	10.558	110,140	-
Total U.S. Department of Agriculture		412,639	-
U.S. Department of Housing and Urban Development			
Pass-through program: Indiana Housing and Community Development Authority			
Community Development Block Grant	14.228	161,438	-
Total U.S. Department of Housing and Urban Development		161,438	-
U.S. Department of Energy			
Pass-through program: Indiana Housing and Community Development Authority			
Weatherization Assistance for Low-Income Persons	81.042	69,010	-
Total U.S. Department of Energy		69,010	
U.S. Department of Health and Human Services			
Head Start	93.600	1,402,393	-
Pass-through program: Indiana Family and Social Services Administration			
Aging Cluster:			
Title III-A Administration	93.044	100,031	-
Title III-B Supportive Services	93.044	190,352	70,923
Title III-C Nutrition Services	93.045	475,869	-
Nutrition Services Incentive Program	93.053	52,661	-
Total Aging Cluster		818,913	70,923
Title VII Ombudsman	93.042	15,602	-
Title III-D Preventative Health	93.043	6,786	-
Special Programs for the Aging Title IV and II Discretionary Projects	93.048	7,086	-
Title III-E National Family Caregiver Support	93.052	91,083	-
Social Services Block Grant	93.667	364,533	-
Medical Assistance Program	93.778	238,060	-
Pass-through program: Indiana Department of Child Services			
Temporary Assistance for Needy Families	93.558	780,255	-
Pass-through program: Indiana Housing and Community Development Authority			
Energy Assistance Program:			
Low-Income Home Energy Assistance Program	93.568	589,814	-
Energy Assistance	93.568	246,799	-
Total Low-Income Home Energy Assistance Program		836,613	
Community Service Block Grant	93.569	334,786	-
Assets for Independence Demonstration Program (IDA)	93.602	49,719	-
Total U.S. Department of Health and Human Services		4,945,829	70,923
Grand Total		$ 5,588,916	$ 70,923

See accompanying notes to the schedule of expenditures of federal awards.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Area Five Agency on Aging and Community Services, Inc., for the year ended December 31, 2013, and is presented on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

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

Board of Directors
Area Five Agency on Aging and Community Services, Inc.
Logansport, 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 Five Agency on Aging and Community Services, Inc. (Area Five), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Area Five'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 Area Five's internal control. Accordingly, we do not express an opinion on the effectiveness of Area Five'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.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
August 15, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Area Five Agency on Aging and Community Services, Inc.
Logansport, Indiana

Report on Compliance for Each Major Federal Program

We have audited Area Five Agency on Aging and Community Services, Inc.'s (Area Five) 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 Five's major federal programs for the year ended December 31, 2013. Area Five'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 Five'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 Five'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 Five's compliance.

Opinion on Each Major Federal Program

In our opinion, Area Five 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, 2013.

(Continued)

Report on Internal Control Over Compliance

Management of Area Five 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 Five'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 Five'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.

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.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
August 15, 2014

AREA FIVE AGENCY ON AGING AND COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2013

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ______ Yes __X__ No

Significant deficiencies identified not considered to be material weaknesses? ______ Yes __X__ None Reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? ______ Yes __X__ No

Significant deficiencies identified not considered to be material weaknesses? ______ Yes __X__ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? ______ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
93.568	Low-Income Home Energy Assistance Program
93.569	Community Services Block Grant
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? __X__ Yes ______ No

SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS.

None

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(a).

None

There were no audit findings or questioned costs in the prior year.