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April 7, 2016

Board of Directors
Southwestern Indiana Regional Council on Aging, Inc.
d/b/a SWIRCA & More
P.O. Box 3938
Evansville, IN 47737

We have reviewed the audit report prepared by Harding, Shymanski & Company, PSC, for the period July 1, 2014 to June 30, 2015. 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 Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More, as of June 30, 2015, 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

***SOUTHWESTERN INDIANA REGIONAL
COUNCIL ON AGING, INC.
d/b/a SWIRCA & MORE
A Not-for-Profit Corporation***

Financial Report

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwestern Indiana Regional Council on Aging, Inc.
d/b/a SWIRCA & More
P.O. Box 3938
Evansville, Indiana 47737-3938

Report on the Financial Statements

We have audited the accompanying financial statements of Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More, a Not-for-Profit Corporation, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

HARDING, SHYMANSKI
& COMPANY, P.S.C.

Certified Public Accountants
and Consultants

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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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More, a Not-for-Profit Corporation, as of June 30, 2015 and 2014, 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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as whole. The accompanying schedule of expenditures of federal and state 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 also 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 January 19, 2016, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Corporation's internal control over financial reporting and compliance.

Harding, Szymanski & Company, P.S.C.

Evansville, Indiana
January 19, 2016

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2015 with 2014

	2015	2014
Changes in unrestricted net assets		
Unrestricted support and revenue		
Federal grants	1,841,649	1,780,814
State grants	2,058,553	2,164,512
City grants	50,000	50,000
Medicaid revenue	986,182	988,194
Program revenue	278,551	271,590
Sponsorships and contributions	106,498	149,111
In-kind revenue	108,377	93,096
Fundraising	191,185	163,626
Other	85,105	76,842
Net unrestricted support and revenue	<u>5,706,100</u>	<u>5,737,785</u>
Other revenue (expense)		
Net assets released from restrictions	13,547	36,807
Dividends and interest	17,151	14,565
Investment gains (losses)	(20,403)	22,062
Gain on sale of property and equipment	0	6,025
	<u>10,295</u>	<u>79,459</u>
Total unrestricted support and revenue	<u>5,716,395</u>	<u>5,817,244</u>
Functional expenses		
Nutrition	1,270,466	1,430,055
Case management	2,143,328	2,031,699
Independence services	1,503,681	1,514,224
Wellness and community programs	183,215	177,902
Total program expenses	<u>5,100,690</u>	<u>5,153,880</u>
Fundraising	214,125	163,186
General and administrative	456,107	338,935
Total fundraising, general, and administrative expenses	<u>670,232</u>	<u>502,121</u>
Total functional expenses	<u>5,770,922</u>	<u>5,656,001</u>
Change in unrestricted net assets	<u>(54,527)</u>	<u>161,243</u>
Changes in temporarily restricted net assets		
Contributions	12,499	12,047
Net assets released from restrictions	(13,547)	(36,807)
Decrease in temporarily restricted assets	<u>(1,048)</u>	<u>(24,760)</u>
Increase (decrease) in net assets from operations	<u>(55,575)</u>	136,483
Gain on interest rate swap	8,403	9,614
Increase (decrease) in net assets	<u>(47,172)</u>	146,097
Net assets at beginning of year	<u>1,345,889</u>	<u>1,199,792</u>
Net assets at end of year	<u>1,298,717</u>	<u>1,345,889</u>
See notes to financial statements.		

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

STATEMENTS OF FINANCIAL POSITION
 June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash	0	17,531
Accounts receivable		
Trade	100,830	110,500
Grants	949,263	1,067,167
Prepaid expenses and other current assets	24,776	35,635
Total current assets	<u>1,074,869</u>	<u>1,230,833</u>
Investments	<u>269,019</u>	<u>285,273</u>
Property and Equipment	2,551,663	2,619,455
Less accumulated depreciation	<u>(1,199,002)</u>	<u>(1,161,965)</u>
	<u>1,352,661</u>	<u>1,457,490</u>
	<u>2,696,549</u>	<u>2,973,596</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Checks written against future deposits	77,431	0
Accounts payable	320,430	379,529
Note payable	339,934	403,313
Current maturities of long-term debt	156,978	105,118
Accrued expenses and taxes	76,230	161,839
Deferred revenue	24,854	17,186
Total current liabilities	<u>995,857</u>	<u>1,066,985</u>
Long-Term Debt	390,331	540,675
Interest Rate Swap Agreement	11,644	20,047
	<u>401,975</u>	<u>560,722</u>
Net Assets		
Unrestricted	1,261,565	1,307,689
Temporarily restricted	37,152	38,200
	<u>1,298,717</u>	<u>1,345,889</u>
	<u>2,696,549</u>	<u>2,973,596</u>

See notes to financial statements.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	(47,172)	146,097
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	115,507	127,401
Investment (gains) losses	20,403	(22,062)
Gain on interest rate swap	(8,403)	(9,614)
Gain on sale of property and equipment	0	(6,025)
Changes in assets and liabilities:		
Decrease (increase)		
Accounts receivable		
Trade	9,670	(25,599)
Grants	117,904	(64,171)
Prepaid expenses and other current assets	10,859	(3,529)
Increase (decrease)		
Accounts payable	(69,777)	(92,825)
Accrued expenses and taxes	(85,609)	5,561
Deferred revenue	7,668	(20,064)
Net cash provided by operating activities	71,050	35,170
Cash Flows from Investing Activities		
Proceeds from sale of assets	0	6,025
Purchase of investments	(4,149)	(14,562)
Purchase of property and equipment	0	(66,875)
Net cash used in investing activities	(4,149)	(75,412)
Cash Flows from Financing Activities		
Net increase in checks written against future deposits	77,431	0
Net borrowings (repayments) on short-term debt	(63,379)	122,555
Principal payments on long-term borrowings	(98,484)	(93,079)
Net cash provided by (used in) financing activities	(84,432)	29,476
Net decrease in cash	(17,531)	(10,766)
Cash at beginning of year	17,531	28,297
Cash at end of year	0	17,531
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	44,711	48,901
Supplemental Schedule of Noncash Investing Activities		
Property and equipment included in accounts payable	10,678	26,165

See notes to financial statements.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Programs				Supporting Services			Total Program and Supporting Services
	Nutrition	Case Management	Independent Services	Wellness and Community	Total Program Services	Fundraising	General and Administrative	
Salaries and benefits	514,925	1,916,631	94,895	105,958	2,632,409	103,895	223,704	2,960,008
Occupancy, rent, utilities, and depreciation	104,280	32,471	90,767	11,185	238,703	13,357	8,944	261,004
Telephone and postage	2,682	31,703	1,450	5,073	40,908	2,486	5,864	49,258
Contracted services	456,299	1,292	35,029	1,177	493,797	35,300	65,514	594,611
Supplies	97,843	29,299	7,666	781	135,589	27,231	21,413	184,233
Equipment	8,089	10,814	4,980	6,765	30,648	0	241	30,889
Mileage reimbursement and travel	64,562	63,816	2,227	4,128	134,733	2,590	1,711	139,034
Other	15,468	57,293	36,203	0	108,964	27,447	101,201	237,612
Repair and maintenance	6,318	9	18	0	6,345	1,754	27,515	35,614
Provider services	0	0	1,230,446	48,148	1,278,594	65	0	1,278,659
Total functional expenses	1,270,466	2,143,328	1,503,681	183,215	5,100,690	214,125	456,107	5,770,922

See notes to financial statements.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
Year Ended June 30, 2014

	Programs				Supporting Services			Total Program and Supporting Services
	Nutrition	Case Management	Independent Services	Wellness and Community	Total Program Services	Fundraising	General and Administrative	
Salaries and benefits	635,831	1,796,926	141,311	99,236	2,673,304	69,720	155,173	2,898,197
Occupancy, rent, utilities, and depreciation	106,354	29,743	118,594	14,628	269,319	4,093	5,391	278,803
Telephone and postage	3,288	37,945	1,790	6,894	49,917	3,629	7,330	60,876
Contracted services	468,036	859	38,927	730	508,552	18,850	63,847	591,249
Supplies	102,372	21,294	3,408	2,382	129,456	25,049	18,716	173,221
Equipment	16,453	49,504	773	3,971	70,701	954	13,946	85,601
Mileage reimbursement and travel	72,665	61,318	1,922	5,404	141,309	1,882	3,421	146,612
Other	18,255	34,093	2,072	1,926	56,346	38,275	52,042	146,663
Repair and maintenance	6,801	0	58	0	6,859	734	19,069	26,662
Provider services	0	17	1,205,369	42,731	1,248,117	0	0	1,248,117
Total functional expenses	1,430,055	2,031,699	1,514,224	177,902	5,153,880	163,186	338,935	5,656,001

See notes to financial statements.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

The Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More (SWIRCA or Corporation) was designated as an Area Agency on Aging in July 1974, to serve Gibson, Perry, Posey, Spencer, Vanderburgh, and Warrick Counties, now known as Area 16. Area Agencies are designated by the Indiana Division of Aging as focal points responsible for planning and coordinating a system of services for the elderly and disabled of all ages in each of the 16 regions of Indiana.

SWIRCA's network was built by establishing County Councils on Aging in each county of its area. The Councils serve as assessors of the elderly and disabled needs, clearing houses for proposed projects in that county, and deliverers of odd services when necessary. SWIRCA's mission is to develop a comprehensive array of services which will prevent inappropriate institutionalization and encourage self-sufficiency among senior citizens and disabled individuals. Establishing this network and building bridges between it and other agencies with already existing services has been the primary goal of the Area Agency on Aging.

Federal funding sources for these services are through the Older Americans Act, the Social Services Block Grant, Medicaid, and the USDA. The state funding sources include CHOICE and the Older Hoosier Fund. In addition to these federal and state dollars, funds are raised locally to further develop the network of services.

All services provided are non-sectarian in nature and are provided without regard to race, religion, or ethnic origin. To be eligible for some services, persons must be 60 years of age or older. Eligibility for others does not include a minimum age, but is based on a need for assistance due to health impairments and risk of institutionalization. Some funding sources have income eligibility requirements. All services are targeted to those with the greatest social and economic needs, especially minorities.

Financial Statement Presentation

SWIRCA presents its financial statements in conformance with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in "Financial Statements of Not-for-Profit Organizations." This guidance establishes standards for external financial reporting by not-for-profit organizations. It requires that information regarding financial position and activities be reported into three classes of net assets based on the existence or absence of externally donor-imposed restrictions: unrestricted, temporarily restricted, and permanently restricted. These classes of net assets are based on the existence or absence of externally donor-imposed restrictions on contributions. The following class of net assets is maintained:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by SWIRCA's Board of Directors.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Temporarily Restricted Net Assets

Net assets subject to 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.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that are maintained permanently by SWIRCA. Earnings from contributions and investments can be used for operating or for specific purposes if permitted by the donor. SWIRCA has no permanently restricted net assets.

Support and Expenses

SWIRCA reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. SWIRCA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 revenues, expenses, and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Revenue from grants is recognized in the period which the grants specify and related expenses are incurred. Income earned from investments is accounted for in the fund owning the assets under the accrual basis.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services

A number of volunteers have donated time to the Corporation's program services during the period; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable represent obligations due from various granting agencies and individual clients. The direct charge-off method is used to account for losses in collection of accounts receivable. An allowance for uncollectible accounts receivable is considered unnecessary by management because all significant accounts expected to be uncollectible have been written-off. Bad debt expense consists of accounts written-off, net of recoveries.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist principally of cash and accounts receivable. At times, such cash in banks may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Investments and Risks and Uncertainties

SWIRCA carries various investments at the stated estimated fair values based on quoted market prices. Gains or losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales of securities are calculated on an adjusted cost basis. Adjusted cost for this purpose is the market value of the security at the beginning of the year or the cost if purchased during the year. Dividend and interest income are accrued when earned. Gains, losses, dividends, and interest are all recorded as unrestricted in the statements of activities and changes in net assets unless donor specifications indicate a different method.

SWIRCA holds its investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near-term and that such changes could materially affect SWIRCA's investment holdings and the amounts reported on the statements of financial position.

Property, Equipment, and Depreciation

Property and equipment are stated at cost, with the exception of donations to SWIRCA which are stated at fair market value at the date of the gift if a value can be measured on an objective basis. Provisions for depreciation of property and equipment have been computed on the straight-line method over the estimated useful life.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Long-Lived Assets

Long-lived assets are reviewed for impairment in accordance with guidance issued by FASB. The Corporation records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Impairment losses are measured by comparing the estimated fair value of the assets to their carrying amount. There were no impairment losses for the years ended June 30, 2015 and 2014.

Interest Rate Swap Contracts

SWIRCA uses interest rate swaps to reduce its exposure to interest rate risks on certain long-term debt. These derivative instruments are recognized as either assets or liabilities and are measured at fair value, as determined by a third party.

For the years ended June 30, 2015 and 2014, the change in fair value of these instruments was a gain of \$8,403 and \$9,614, respectively, which has been included in the statements of activities and changes in net assets.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program services and management and general categories based on the actual direct expenditures and other methods.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2015 and 2014 was \$14,028 and \$10,629, respectively.

Use of Estimates

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

Subsequent Events Evaluation

The Corporation has evaluated subsequent events through January 19, 2016, the date on which the financial statements were available to be issued.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Reclassification

Certain items in the June 30, 2014 financial statements have been reclassified to conform to the June 30, 2015 classifications.

Note 2 – Investments

Investment securities are recorded at fair market value. Investments consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Money market funds	1,484	2,446
Bond funds	107,638	88,437
Equity securities	<u>159,897</u>	<u>194,390</u>
	<u>269,019</u>	<u>285,273</u>

The net investment loss for the year ended June 30, 2015 was \$20,403. The net investment gain for the year ended June 30, 2014 was \$22,062.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 3 – Property and Equipment

Property and equipment at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	106,348	0	106,348	0
Buildings	1,761,104	631,970	1,750,426	575,850
Computers	273,947	241,898	273,947	221,352
Equipment	<u>410,264</u>	<u>325,134</u>	<u>488,734</u>	<u>364,763</u>
	<u>2,551,663</u>	<u>1,199,002</u>	<u>2,619,455</u>	<u>1,161,965</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$115,507 and \$127,401, respectively.

Note 4 – Note Payable

The Corporation has an operating line of credit with maximum borrowings of \$700,000. The note provides for interest that is subject to change based on changes in an independent index which is the prime rate as published in the Wall Street Journal, is secured by all personal property, and is due June 2015. It was renewed in June 2015 through June 2016. The outstanding borrowings on this line of credit at June 30, 2015 and 2014 were \$339,934 and \$403,313, respectively.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 June 30, 2015 and 2014

Note 5 – Long-Term Debt

Long-term debt at June 30, 2015 and 2014 consisted of the following:

	2015		2014	
	<u>Current</u>	<u>Long-Term</u>	<u>Current</u>	<u>Long-Term</u>
Bond payable to bank, 2.7%, \$8,591 monthly including interest, secured by certain property, due February 2020	(A) 97,718	390,331	95,112	481,300
Note payable to bank, 5.8%, \$1,160 monthly including interest, secured by certain property, with a balloon payment of \$55,190, due March 2016	<u>59,260</u>	<u>0</u>	<u>10,006</u>	<u>59,375</u>
	<u>156,978</u>	<u>390,331</u>	<u>105,118</u>	<u>540,675</u>

(A) As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, SWIRCA entered into an interest rate swap agreement for a portion of its floating rate debt. The agreement provides for SWIRCA to receive interest from the counterparty at a floating rate as determined weekly by the USD-LIBOR-BBA, which was approximately 2.7 percent at June 30, 2015 and to pay interest to the counterparty at a fixed rate of 5.5 percent thereafter on a notional amount of \$490,000. Under the agreement, SWIRCA pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement, which has a termination date of June 1, 2018, is recorded at its fair value, with subsequent changes in fair value included in the statements of activities and changes in net assets.

Long-term debt maturities are as follows:

2016	156,978
2017	100,750
2018	103,147
2019	105,973
2020	<u>80,461</u>
	<u>547,309</u>

Total interest expense for the years ended June 30, 2015 and 2014 was \$44,711 and \$48,901, respectively.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 6 – Fair Value Measurements

Under FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses various methods including market, income, and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While SWIRCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended June 30, 2015 and 2014, there were no changes to SWIRCA's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 June 30, 2015 and 2014

Note 6 – Fair Value Measurements (Continued)

The following are descriptions of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Interest Rate Swap Contract Liability

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data.

At June 30, 2015 and 2014, the balances of assets and liabilities measured at fair value on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2015</u>				
Money market accounts	1,484	1,484	0	0
Investment in available-for-sale securities				
Bond funds	107,638	107,638	0	0
Equity securities	159,897	159,897	0	0
Interest rate swap contract liability	11,644	0	11,644	0
<u>June 30, 2014</u>				
Money market accounts	2,446	2,446	0	0
Investment in available-for-sale securities				
Bond funds	88,437	88,437	0	0
Equity securities	194,390	194,390	0	0
Interest rate swap contract liability	20,047	0	20,047	0

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 7 – Tax Status

The Internal Revenue Service has ruled that SWIRCA is exempt from the payment of federal income tax under the provisions of Section 501(c) (3) of the Internal Revenue Code. SWIRCA has been classified as an organization that is not a private foundation and has been designated as a “publicly-supported” organization.

Management evaluated SWIRCA's uncertain tax positions and concluded that the Corporation had taken no uncertain tax positions that require adjustment to the financial statements.

SWIRCA is subject to income tax examinations for its U.S. federal income taxes and state jurisdictions. The statute of limitations for assessment of federal and state income taxes expired with respect to tax returns through 2011.

Note 8 – Leases

SWIRCA is obligated under operating leases for offices throughout the counties it serves. At June 30, 2015, aggregate future minimum rental payments required under these leases, which expire at various dates through June 2017, are as follows:

<u>Years Ending June 30,</u>	<u>Other</u>
2016	7,863
2017	<u>1,749</u>
	<u><u>9,612</u></u>

SWIRCA also leases certain property under short-term operating lease agreements. Total rental expense under all operating leases for the years ended June 30, 2015 and 2014 was \$17,478 and \$17,809, respectively.

Note 9 – Concentration of Revenue

SWIRCA participates in Federal grants, State grants, and the Medicaid program. Revenue derived from these programs as a percentage of unrestricted support and revenue for the year ended June 30, 2015 was 32, 36, and 17 percent, respectively. Revenue derived from these programs as a percentage of unrestricted support and revenue for the year ended June 30, 2014 was 31, 37, and 17 percent, respectively.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 10 – Indiana Aging Alliance

Effective September 1, 2014, SWIRCA entered into a participation agreement with the Indiana Aging Alliance, LLC (Alliance) for the purpose of working with other Area Agencies on Aging for the improvement of health and medical care of the communities served by the Area Agencies. SWIRCA and the Area Agencies agreed to enter into and participate in contracts between the Alliance and the Indiana Family and Social Services Administration and other similar programs. The participation agreement required an initial deposit of \$1,500 and an initial membership fee of \$500. Additionally, participation fees may be charged with respect to specific contracts. The Alliance will deduct its operating costs from revenue that is received prior to making any payments to the Area Agencies for services provided under the contracts. The agreement will expire annually on December 31 but will be automatically renewed for consecutive renewal terms of one year.

--- SUPPLEMENTARY INFORMATION ---

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Health and Human Services			
Pass-through programs from Indiana Family and Social Services Administration:			
Aging Cluster			
Nutrition Services Incentive Program	93.053	82-14-02-2326-02	<u>136,826</u>
Title III-B Administration	93.044	82-14-0V-2326-07	119,763
Title III-B Social Services	93.044	82-14-0V-2326-08	<u>323,580</u>
Total Title III-B			<u>443,343</u>
Title III-C Nutrition - Congregate Meals	93.045	82-14-0V-2326-09	424,328
Title III-C Nutrition - Home Delivered Meals	93.045	82-14-0V-2326-10	<u>168,675</u>
Total Title III-C			<u>593,003</u>
Total Aging Cluster			<u>1,173,172</u>
Title III-D Preventative Health	93.043	82-14-0V-2326-11	22,692
Title III-E Family Caregivers	93.052	82-14-0V-2326-12	132,814
Title VII Ombudsman	93.042	82-14-2V-2326-04	14,246
Enhanced ADRC Sustainability Program Funds	93.048	82-15-SP-2326-03	13,934
Social Services Block Grant	93.667	82-14-0G-2326-02	<u>484,791</u>
			<u>668,477</u>
Total Department of Health and Human Services			<u><u>1,841,649</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation.

Note 2 – Summary of 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. Pass-through entity identifying numbers are presented where available.

Note 3 – Subrecipients

Of the federal expenditures presented in the Schedule, the Corporation provided federal award to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Title III-B Social Services	93.044	17,768
Title VII Ombudsman	93.042	15,888

**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
Southwestern Indiana Regional Council on Aging, Inc.
d/b/a SWIRCA & More
P.O. Box 3938
Evansville, Indiana 47737-3938

**HARDING, SHYMANSKI
& COMPANY, P.S.C.**

Certified Public Accountants
and Consultants

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We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More, a Not-for-Profit Corporation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2016.

Internal Control Over Financial Reporting

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

**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
(CONTINUED)**

Internal Control Over Financial Reporting (Continued)

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 Corporation'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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wardrig, Skymanski & Company, P. S. C.

Evansville, Indiana
January 19, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Southwestern Indiana Regional Council on Aging, Inc.
d/b/a SWIRCA & More
P.O. Box 3938
Evansville, Indiana 47737-3938

HARDING, SHYMANSKI & COMPANY, P.S.C.

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Report on Compliance for Each Major Federal Program

We have audited Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement and Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources Issued by the Indiana State Board of Accounts* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2015. The Corporation'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 the Corporation'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*, and *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources Issued by the Indiana State Board of Accounts*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

Auditor's Responsibility (Continued)

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 the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit, we considered the Corporation's internal control over compliance with the type of requirements that could have a direct and material effect on a major federal program in order 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 the Corporation's internal control over compliance.

A deficiency in internal control compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be 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.

Wardig, Szymanski & Company, P.S.C.

Evansville, Indiana
January 19, 2016

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

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

Any findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 No

Major programs:

CFDA Number	Name of Federal Award
93.053	Nutrition Services Incentive Program (Aging Cluster)
93.044	Title III-B Administration and Social Services (Aging Cluster)
93.045	Title III-C Nutrition - Congregate and Home Delivered Meals (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? No

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

Findings – Financial Statement Audit

No matters were reported.

Findings and Questioned Costs – Major Federal Award Programs Audit

No matters were reported.

SOUTHWESTERN INDIANA REGIONAL COUNCIL ON AGING, INC. d/b/a SWIRCA & MORE
A Not-for-Profit Corporation

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

Finding 2014-001 General Ledger Account Reconciliations

Condition: SWIRCA did not have sufficient standardized processes and controls surrounding the reconciliation of certain general ledger accounts which was a significant deficiency. Various audit adjustments were required for reliable financial reporting in accordance with GAAP. These areas included but were not limited to cash, investments, property and equipment, and net assets.

Recommendation: The auditor recommended that procedures should be implemented that require all balance sheet general ledger accounts to be reconciled quarterly or at least annually as of their fiscal year-end.

Current Status: The recommendation was adopted in fiscal year 2015. No similar findings were noted in the 2015 audit.

Finding 2014-002 Late Submission of Fiscal Year 2013 Single Audit

Condition: Single audits should be submitted to the Federal Clearinghouse (FAC) within the earlier of 30 days of SWIRCA's receipt of the audit report or nine months after fiscal year-end. SWIRCA did not comply with this requirement. The single audit for fiscal year ended June 30, 2013 was submitted after the March 31, 2014 deadline line.

Recommendation: The auditor recommended SWIRCA to establish an effective timeline and sufficient monitoring procedures to help ensure the submission of the single audit to the FAC is performed within the earlier of 30 days of SWIRCA's receipt of the audit report or nine months after fiscal year-end.

Current Status: The recommendation was adopted in fiscal year 2015. No similar findings were noted in the 2015 audit.