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March 29, 2018


Board of Directors
North Central Community Action Agencies, Inc.
301 East 8th St.
Michigan City, IN 46360

We have reviewed the report prepared by North Central Community Action Agencies, Inc. and opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of North Central Community Action Agencies, Inc. as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on pages 20 through 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

In our opinion, Cullar & Associates, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

FINANCIAL AND COMPLIANCE REPORT

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

December 31, 2015 and 2014

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

To the Board of Directors
North Central Community Action Agencies, Inc.
Michigan City, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of North Central Community Action Agencies, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Central Community Action Agencies, Inc. as of December 31, 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 – Supporting Schedule

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and nonfederal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2016, on our consideration of North Central Community Action Agencies, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Community Action Agencies, Inc.'s internal control over financial reporting and compliance.

Cullen & Associates, P.C.

South Bend, Indiana

August 15, 2016

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

Assets:	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 288,423	\$ 144,311
Grants and contributions receivable	213,017	281,893
Prepaid expenses	<u>9,254</u>	<u>9,238</u>
<i>Total current assets</i>	<u>510,694</u>	<u>435,442</u>
 Property and Equipment	 <u>307,056</u>	 <u>246,267</u>
 <i>Total assets</i>	 <u>\$ 817,750</u>	 <u>\$ 681,709</u>
 Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 99,824	\$ 102,650
Deferred revenue	<u>19,428</u>	<u>23,662</u>
<i>Total current liabilities</i>	<u>119,252</u>	<u>126,312</u>
 Net Assets:		
Unrestricted	652,463	551,327
Temporarily restricted	<u>46,035</u>	<u>4,070</u>
<i>Total net assets</i>	<u>698,498</u>	<u>555,397</u>
 <i>Total liabilities and net assets</i>	 <u>\$ 817,750</u>	 <u>\$ 681,709</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Revenues and Gains:						
Grants and contracts	\$ 4,002,312	\$ -	\$ 4,002,312	\$ 3,822,027	\$ -	\$ 3,822,027
Contributions	1,350	60,378	61,728	7,280	13,742	21,022
Other income	26,918	-	26,918	12,402	-	12,402
Interest income	112	-	112	81	-	81
Loss on disposition of equipment	565	-	565	-	-	-
Net assets released from restrictions	18,413	(18,413)	-	10,686	(10,686)	-
<i>Total revenues and gains</i>	<u>4,049,670</u>	<u>41,965</u>	<u>4,091,635</u>	<u>3,852,476</u>	<u>3,056</u>	<u>3,855,532</u>
Expenses:						
Energy assistance	2,029,099	-	2,029,099	1,943,647	-	1,943,647
Weatherization	1,082,861	-	1,082,861	991,154	-	991,154
Women, infants, and children	308,417	-	308,417	418,463	-	418,463
Housing	18,010	-	18,010	25,601	-	25,601
Youth programs	18,255	-	18,255	8,987	-	8,987
Community agencies support	57,546	-	57,546	58,428	-	58,428
<i>Total program service expenses</i>	<u>3,514,188</u>	<u>-</u>	<u>3,514,188</u>	<u>3,446,280</u>	<u>-</u>	<u>3,446,280</u>
Administrative and general	433,615	-	433,615	402,392	-	402,392
Fund raising	731	-	731	593	-	593
<i>Total expenses</i>	<u>3,948,534</u>	<u>-</u>	<u>3,948,534</u>	<u>3,849,265</u>	<u>-</u>	<u>3,849,265</u>
Change in net assets	101,136	41,965	143,101	3,211	3,056	6,267
Net assets, beginning of year	551,327	4,070	555,397	548,116	1,014	549,130
<i>Net assets, end of year</i>	<u>\$ 652,463</u>	<u>\$ 46,035</u>	<u>\$ 698,498</u>	<u>\$ 551,327</u>	<u>\$ 4,070</u>	<u>\$ 555,397</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	<u>Energy Assistance</u>	<u>Weatherization</u>	<u>Women, Infants, and Children</u>	<u>Housing</u>	<u>Youth Programs</u>	<u>Community Agencies Support</u>	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>Totals</u>
Salaries and wages	\$ 91,735	\$ 194,091	\$ 214,479	\$ 903	\$ 4,773	\$ -	\$ 263,781	\$ 670	\$ 770,432
Employee benefits	13,230	50,747	18,128	69	-	-	40,705	-	122,879
Payroll taxes	9,453	16,777	21,567	60	604	-	23,799	61	72,321
Training	643	2,279	-	-	-	-	320	-	3,242
Contracts	30,104	43	-	-	-	57,546	-	-	87,693
Occupancy	13,320	10,835	31,232	2,628	-	-	15,369	-	73,384
Telephone	2,483	6,879	5,329	7	-	-	3,195	-	17,893
Postage	5,893	23	163	-	-	-	903	-	6,982
Equipment and supplies	22,027	49,041	5,531	74	11,878	-	13,995	-	102,546
Professional fees	366	459	-	-	-	-	13,346	-	14,171
Conferences and travel	9,250	19,223	2,860	-	-	-	9,115	-	40,448
Insurance	4,538	13,720	7,171	543	-	-	4,990	-	30,962
Financial assistance	1,815,611	694,915	-	13,726	-	-	69	-	2,524,321
Dues and subscriptions	1,131	2,596	28	-	-	-	1,375	-	5,130
Depreciation	-	-	-	-	-	-	29,402	-	29,402
Interest expense	-	-	-	-	-	-	8	-	8
Other	9,315	21,233	1,929	-	1,000	-	13,243	-	46,720
<i>Totals</i>	<u>\$ 2,029,099</u>	<u>\$ 1,082,861</u>	<u>\$ 308,417</u>	<u>\$ 18,010</u>	<u>\$ 18,255</u>	<u>\$ 57,546</u>	<u>\$ 433,615</u>	<u>\$ 731</u>	<u>\$ 3,948,534</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Energy Assistance	Weatherization	Women, Infants, and Children	Housing	Youth Programs	Community Agencies Support	Administrative and General	Fund Raising	Totals
Salaries and wages	\$ 95,761	\$ 166,979	\$ 263,287	\$ 1,227	\$ 3,840	\$ -	\$ 271,664	\$ 575	\$ 803,333
Employee benefits	18,983	23,966	35,854	154	-	-	34,882	-	113,839
Payroll taxes	9,672	14,777	25,694	368	488	-	24,390	52	75,441
Training	-	2,568	-	-	-	-	-	-	2,568
Contracts	57,004	-	-	-	-	57,340	-	-	114,344
Occupancy	12,288	7,102	40,026	1,662	-	-	12,690	-	73,768
Telephone	2,861	5,835	6,447	7	-	-	3,304	-	18,454
Postage	4,954	307	4,929	-	-	-	992	-	11,182
Equipment and supplies	16,570	51,349	25,425	1,183	1,846	1,088	7,482	(34)	104,909
Professional fees	50	3,810	150	-	-	-	10,400	-	14,410
Conferences and travel	3,562	16,676	3,067	-	-	-	8,735	-	32,040
Insurance	3,637	9,061	9,111	467	-	-	4,523	-	26,799
Financial assistance	1,715,497	673,237	-	20,533	-	-	15	-	2,409,282
Dues and subscriptions	624	2,494	28	-	-	-	701	-	3,847
Depreciation	-	10,886	-	-	-	-	14,135	-	25,021
Interest expense	-	-	-	-	-	-	38	-	38
Other	2,184	2,107	4,445	-	2,813	-	8,441	-	19,990
<i>Totals</i>	<u>\$ 1,943,647</u>	<u>\$ 991,154</u>	<u>\$ 418,463</u>	<u>\$ 25,601</u>	<u>\$ 8,987</u>	<u>\$ 58,428</u>	<u>\$ 402,392</u>	<u>\$ 593</u>	<u>\$ 3,849,265</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

Change in Cash and Cash Equivalents:	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 143,101	\$ 6,267
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on disposition of equipment	565	-
Depreciation	29,402	25,021
Change in assets and liabilities:		
Grants and contributions receivable	68,876	(54,863)
Prepaid expenses	(16)	(29)
Accounts payable and accrued liabilities	(2,826)	(3,047)
Deferred revenue	(4,234)	-
<i>Net cash provided by (used in) operating activities</i>	<u>234,868</u>	<u>(26,651)</u>
Cash Flows from Investing Activities:		
Purchase of equipment	<u>(90,756)</u>	<u>-</u>
Net change in cash and cash equivalents	144,112	(26,651)
Cash and cash equivalents, beginning of year	144,311	170,962
<i>Cash and cash equivalents, end of year</i>	<u>\$ 288,423</u>	<u>\$ 144,311</u>
 <i>Supplemental Cash Flows Information:</i>		
Interest paid	<u>\$ 8</u>	<u>\$ 38</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Equipment acquired by trade-in	<u>\$ 33,000</u>	<u>\$ -</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

North Central Community Action Agencies, Inc. (the "Organization") is an Indiana nonprofit corporation that administers programs providing financial and other assistance to low-income persons in North Central Indiana. Its operations are supported primarily by grants from governmental agencies.

Significant Accounting Policies:

Use of estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

An estimate that is particularly susceptible to change in the near-term is revenue earned from cost-reimbursement awards. The majority of the Organization's revenue is earned on such awards from governmental agencies that are governed by federal and State cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.

The costs of providing the programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited based on time and facility usage studies and other management estimates.

Net asset classes:

The Organization reports its financial position and activities by the following classes of net assets:

- *Unrestricted net assets* are those currently available for use by the Organization.
- *Temporarily restricted net assets* are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Cash and cash equivalents:

The Organization considers all time deposits, certificates of deposit, and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Grants and contributions:

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

The Organization reports gifts and grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in revenues. Conditional promises to give are not recognized as revenues until the conditions are substantially met.

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value. No contributed services were recognized as revenue in either 2015 or 2014.

Beginning in October 2010, Indiana Housing and Community Development Authority ("IHCDA") began making energy assistance payments for participants in the Low Income Home Energy Assistance Program directly to the energy providers on behalf of all entities administering the program. Previously, such payments were made by the Organization to the providers and the Organization was reimbursed by IHCDA. Because the Organization performs all intake functions and is liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers are recorded as both grants revenue and financial assistance expense in the accompanying financial statements. The Organization recognized \$1,815,611 and \$1,712,048 of revenue and expense in 2015 and 2014, respectively, for such payments made by IHCDA.

Property and equipment:

Property and equipment is stated at cost, if acquired, or at fair value at the date of receipt, if donated, less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Rental properties.....	15-20 years
Neighborhood centers.....	20 years
Vehicles	7-10 years
Playground equipment.....	7 years
Office furniture and equipment.....	5-7 years

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Income taxes:

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code. Consequently, the accompanying financial statements do not include any provision for income taxes. The Internal Revenue Service classifies the Organization as other than a private foundation under Internal Revenue Code Section 509(a)(1).

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at either December 31, 2015 or 2014, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. The Organization is no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2012.

NOTE 2. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consist primarily of reimbursements due under government grants and contracts. All amounts are due within one year, and no allowance for uncollectible amounts is considered necessary.

In addition, at December 31, 2015, the Organization had received approximately \$2,407,000 of conditional promises to give in excess of allowable costs incurred under cost-reimbursement grants. Such promises will be recognized as revenue if and when allowable costs are incurred.

NOTE 3. PROPERTY AND EQUIPMENT

The cost of property and equipment and the related accumulated depreciation are as follows at December 31, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Land	\$ 6,500	\$ 6,500
Rental properties	95,835	95,835
Neighborhood centers	242,747	242,747
Vehicles	137,399	129,545
Office furniture and equipment	<u>68,962</u>	<u>43,462</u>
	<u>551,443</u>	<u>518,089</u>

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Less accumulated depreciation	(244,387)	(271,822)
<i>Net property and equipment</i>	<u>\$ 307,056</u>	<u>\$ 246,267</u>

In 2008, management decided to discontinue its rental programs because they are outside the Organization's core mission and to transfer the properties to another nonprofit organization whose mission involves low-income and transitional housing. Because of the change in the expected useful life of the properties, the depreciable lives were changed in 2008 such that the properties would be fully depreciated by the expected date of the transfer.

In August 2011, three of the four rental properties were transferred to another nonprofit organization. In 2012, management decided to retain the remaining property, which has a net book value of \$6,500. This property was improved with a grant from the Indiana Housing Finance Authority, which is tied to a mortgage on the property. The mortgage is not payable as long as the Organization uses the property for low-income housing for fifteen years, or until 2017. If the property is converted to another use during this period, all or a portion of the grant must be returned to the funding source.

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

NOTE 4. DEBT

The Organization maintains an unsecured \$20,000 line of credit facility with a local bank, bearing interest at bank prime. There were no outstanding borrowings on the line at either December 31, 2015 or 2014.

NOTE 5. NET ASSETS INFORMATION

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Community Centers	\$ 21,035	\$ 3,912
Soup Kitchen	-	158
Refrigerators, blower motors installation	<u>25,000</u>	<u>-</u>
<i>Total temporarily restricted net assets</i>	<u>\$ 46,035</u>	<u>\$ 4,070</u>

Net assets were released from restrictions by satisfying purpose restrictions as follows for the years ended December 31, 2015 and 2014, respectively:

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Youth education and recreation programs	\$ 9,588	\$ 8,951
Soup Kitchen	158	-
Community Centers	8,667	1,088
Refrigerator purchases and insulation	-	647
<i>Total net assets released from restrictions</i>	<u>\$ 18,413</u>	<u>\$ 10,686</u>

NOTE 6. LEASE INFORMATION

The Organization leases facilities under non-cancelable operating leases expiring in various months through October 2016. Minimum future rental payments under these leases as of December 31, 2015 are \$20,805, all of which are due in 2016. Total rent expense for all leases was \$43,854 and \$49,731 for the years ended December 31, 2015 and 2014, respectively.

NOTE 7. CONCENTRATIONS

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and grants and contributions receivable. At December 31, 2015, the Organization had cash on deposit with a financial institution that exceeded the federal deposit insurance limit by approximately \$62,000. Also, at December 31, 2015, approximately 95% of grants and contributions receivable are due from agencies of the State of Indiana.

All of the Organization's programs and activities occur in Jasper, LaPorte, Newton, Starke, Porter, and Pulaski counties, Indiana. Consequently, its sources of support and revenue may be affected by conditions in that area. In addition, approximately 96% and 99% of total revenues for the years ended December 31, 2015 and 2014, respectively, were earned from governmental grants and contracts, with approximately 87% and 86%, respectively, earned from grants and contracts with Indiana Housing and Community Development Authority and approximately 8% and 12% of total revenues earned from grants and contracts with Indiana Department of Health. Effective October 1, 2015, the award from the Indiana Department of Health was not renewed.

NOTE 8. SUBSEQUENT EVENTS INFORMATION

The date through which events occurring subsequent to December 31, 2015 have been evaluated for possible adjustment to the financial statements or disclosure is August 15, 2016, the date on which the financial statements were available to be issued. Management identified no such events.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended December 31, 2015

<u>Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
Federal Expenditures:				
<u>United States Department of Agriculture:</u>				
Passed-Through Indiana State Department of Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	A70-5-070656 Attachment C	\$ 341,849	\$ -
<u>United States Department of Housing and Urban Development:</u>				
Passed-through City of Michigan City:				
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-18-0022 A-1 & B-13-mc-18-0022	12,750	-
<u>United States Department of Energy:</u>				
Passed-through Indiana Housing and Community Development Authority:				
Weatherization Assistance for Low-Income Persons	81.042	WX-014-017-A WX-015-017-A	315,976	
Weatherization Assistance for Low-Income Persons	81.042	WX-014-017-B & WX-015-017-B	121,192	
<i>Total United States Department of Energy</i>			437,168	-
<u>United States Department of Health and Human Services:</u>				
Passed-through Indiana Housing and Community Development Authority:				
Low-Income Home Energy Assistance	93.568	LI-015-017 & LI-016-017	2,009,619	
Low-Income Home Energy Assistance	93.568	WL-015-017-A & WL 016-017-A	453,448	
Low-Income Home Energy Assistance	93.568	WL-015-017-B & WL 016-017-B	202,853	
<i>Total Low-Income Home Energy Assistance</i>			2,665,920	30,104
Community Services Block Grant	93.569	CS-015-017	248,436	57,546
<i>Total United States Department of Health and Human Services</i>			2,914,356	87,650
<u>United States Department of Homeland Security:</u>				
Passed-Through Emergency Food and Shelter National Board:				
Emergency Food and Shelter National Board Program	97.024	LRO-009-E9	4,026	-
<i>Total federal expenditures</i>			3,710,149	\$ 87,650
Nonfederal Expenditures:				
Indiana Housing and Community Development Authority:				
Indiana Home Energy Assistance Program	n/a	IR-015-017 & IR-016-017 WS-015-017-A, WS-015- 017-B, WS-016-017-A, WS- 016-017-B	112,627	
Indiana Home Energy Assistance Program	n/a		112,555	
<i>Total nonfederal expenditures</i>			225,182	
Total expenditures of federal and nonfederal awards			\$ 3,935,331	

The accompanying notes are an integral part of this schedule.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended December 31, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and nonfederal awards (the "Schedule") includes the federal and nonfederal award activities of North Central Community Action Agencies, Inc. under programs of the federal and Indiana government for the year ended December 31, 2015. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because this Schedule presents only a selected portion of the operations of North Central Community Action Agencies, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of North Central Community Action Agencies, Inc.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

North Central Community Action Agencies, Inc. has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Beginning in October 2010, Indiana Housing and Community Development Authority ("IHCDA") began making energy assistance payments for participants in the Low Income Home Energy Assistance Program directly to the energy providers on behalf of all entities administering the program. Previously, such payments were made by the Organization to the providers and the Organization was reimbursed by IHCDA. Because the Organization performs all intake functions and is liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers, totaling \$1,709,046, are included in federal expenditures in the accompanying Schedule. IHCDA also makes such payments under the Indiana Home Energy Assistance Program, a nonfederal award. Such payments made by IHCDA to providers, totaling \$106,565, are included in nonfederal expenditures in the accompanying Schedule.



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

To the Board of Directors
North Central Community Action Agencies, Inc.
Michigan City, 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 North Central Community Action Agencies, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated August 15, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported

under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questions costs as finding 2015-001.

The Organization's Response to the Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Cullen & Associates, P.C.

South Bend, Indiana
August 15, 2016



CULLAR & ASSOCIATES, PC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
North Central Community Action Agencies, Inc.
Michigan City, Indiana

Report on Compliance for Each Major Federal Program

We have audited North Central Community Action Agencies, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North Central Community Action Agencies, Inc.'s major federal programs for the year ended December 31, 2015. North Central Community Action Agencies, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Central Community Action Agencies, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 North Central Community Action Agencies, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Central Community Action Agencies, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, North Central Community Action Agencies, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of North Central Community Action Agencies, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Central Community Action Agencies, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 North Central Community Action Agencies, Inc. 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2015-001, that we consider to be a significant deficiency.

North Central Community Action Agencies, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. That response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cullen & Associates, P.C.

South Bend, Indiana
August 15, 2016

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of North Central Community Action Agencies, Inc. were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.
3. One instance of noncompliance that was not material to the financial statements of North Central Community Action Agencies, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*. There were no material weaknesses in internal control over major federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for North Central Community Action Agencies, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was the Low-Income Home Energy Assistance, CFDA number 93.568.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. North Central Community Action Agencies, Inc. was determined to be a low-risk auditee.

Findings - Financial Statement Audit

There were no findings in the financial statement audit.

Findings and Questioned Costs – Major Federal Award Programs Audit

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
PASSED-THROUGH INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
LOW-INCOME HOME ENERGY ASSISTANCE, CFDA NUMBER 93.568
AWARD NUMBER LI-015-017 & LI-016-017**

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

NONCOMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

FINDING 2015-001

Condition: One application for assistance did not contain the approval signature of the Organization's representative.

Criteria: Indiana Low Income Home Energy Assistance Program Operations Manual Section 103 states: "The LSP must ensure that applications are complete and that all applications are signed by the applicant or household representative and the intake worker or authorized signatory of the LSP and placed in the applicant file."

Cause: The cause is unknown. It appears to simply be an oversight.

Effect: The Organization did not comply with a contract provision and with a required internal control procedure that ensures completeness of applications.

Context: One application out of sixty sampled did not contain the approval signature of the Organization's representative.

Recommendations: We recommend that all applications be reviewed for signature before filing in client files.

Questioned Costs: None.

Views of Responsible Officials and Planned and Corrective Actions: Agencies are required by IHADA to audit 30% of the Energy Assistance Applications the agency processes. We are assuming the unsigned application was an apparent oversight by the Intake Specialist that was employed in 2015. We cannot be certain as the previous EAP manager and the seasonal employees are no longer employed by the agency. In 2015-2016 the EAP Program now requires every application to be scanned into the computer system which means all information must be accurate at the time of scanning which is during the intake process. The new EAP Manager is developing a checklist for Intake Specialists to utilize when conducting the EAP application process for program year 2016-2017 and requiring the Intake Specialist to initial the checklist to hold them accountable and to ensure completeness of the EAP applications.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2015

There were no findings regarding federal awards in the December 31, 2014 audit.