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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, 2016 to December 31, 2016. 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, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

FINANCIAL AND COMPLIANCE REPORT

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

December 31, 2016 and 2015

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

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, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal 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* and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources*, issued by the Indiana State Board of Accounts, 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 21, 2017, 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 21, 2017

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

Assets:	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 355,231	\$ 288,423
Grants and contributions receivable	125,450	213,017
Prepaid expenses	<u>-</u>	<u>9,254</u>
<i>Total current assets</i>	<u>480,681</u>	<u>510,694</u>
Property and Equipment	<u>278,835</u>	<u>307,056</u>
<i>Total assets</i>	<u>\$ 759,516</u>	<u>\$ 817,750</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 105,757	\$ 99,824
Deferred revenue	<u>19,428</u>	<u>19,428</u>
<i>Total current liabilities</i>	<u>125,185</u>	<u>119,252</u>
Net Assets:		
Unrestricted	597,573	652,463
Temporarily restricted	<u>36,758</u>	<u>46,035</u>
<i>Total net assets</i>	<u>634,331</u>	<u>698,498</u>
<i>Total liabilities and net assets</i>	<u>\$ 759,516</u>	<u>\$ 817,750</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, 2016 and 2015

	2016			2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Revenues and Gains:						
Grants and contracts	\$ 3,777,071	\$ 10,000	\$ 3,787,071	\$ 4,002,312	\$ -	\$ 4,002,312
Contributions	4,130	-	4,130	1,350	60,378	61,728
Other income	6,200	-	6,200	26,918	-	26,918
Interest income	135	-	135	112	-	112
Loss on disposition of equipment	-	-	-	565	-	565
Net assets released from restrictions	19,277	(19,277)	-	18,413	(18,413)	-
<i>Total revenues and gains</i>	<u>3,806,813</u>	<u>(9,277)</u>	<u>3,797,536</u>	<u>4,049,670</u>	<u>41,965</u>	<u>4,091,635</u>
Expenses:						
Energy assistance	2,121,127	-	2,121,127	2,029,099	-	2,029,099
Weatherization	1,195,607	-	1,195,607	1,082,861	-	1,082,861
Women, infants, and children	-	-	-	308,417	-	308,417
Housing	12,332	-	12,332	18,010	-	18,010
Youth programs	14,199	-	14,199	18,255	-	18,255
Community agencies support	57,450	-	57,450	57,546	-	57,546
<i>Total program service expenses</i>	3,400,715	-	3,400,715	3,514,188	-	3,514,188
Administrative and general	460,224	-	460,224	433,615	-	433,615
Fundraising	764	-	764	731	-	731
<i>Total expenses</i>	<u>3,861,703</u>	<u>-</u>	<u>3,861,703</u>	<u>3,948,534</u>	<u>-</u>	<u>3,948,534</u>
Change in net assets	(54,890)	(9,277)	(64,167)	101,136	41,965	143,101
Net assets, beginning of year	652,463	46,035	698,498	551,327	4,070	555,397
<i>Net assets, end of year</i>	<u>\$ 597,573</u>	<u>\$ 36,758</u>	<u>\$ 634,331</u>	<u>\$ 652,463</u>	<u>\$ 46,035</u>	<u>\$ 698,498</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, 2016

	Energy <u>Assistance</u>	<u>Weatherization</u>	<u>Housing</u>	Youth <u>Programs</u>	Community Agencies <u>Support</u>	Administrative and General	Fund- raising	<u>Totals</u>
Salaries and wages	\$ 93,561	\$ 275,262	\$ 2,153	\$ 4,880	\$ -	\$ 302,275	\$ 700	\$ 678,831
Employee benefits	559	41,674	178	-	-	39,504	-	81,915
Payroll taxes	10,043	21,815	193	615	-	27,696	64	60,426
Direct benefits	1,932,157	674,960	6,559	6,485	-	1,725	-	2,621,886
Training	154	4,260	-	-	-	154	-	4,568
Contracts	26,000	-	-	-	57,450	-	-	83,450
Occupancy	14,228	13,698	2,311	-	-	15,156	-	45,393
Telephone	4,053	8,621	-	-	-	4,608	-	17,282
Postage	2,825	23	6	-	-	632	-	3,486
Equipment and supplies	12,051	95,566	209	1,219	-	10,435	-	119,480
Professional fees	113	163	-	-	-	14,113	-	14,389
Conferences and travel	4,208	17,863	-	-	-	4,590	-	26,661
Insurance	6,851	16,462	723	-	-	15,296	-	39,332
Dues and subscriptions	1,555	3,262	-	-	-	1,432	-	6,249
Depreciation	-	9,826	-	-	-	18,395	-	28,221
Other	12,769	12,152	-	1,000	-	4,213	-	30,134
<i>Totals</i>	<u>\$ 2,121,127</u>	<u>\$ 1,195,607</u>	<u>\$ 12,332</u>	<u>\$ 14,199</u>	<u>\$ 57,450</u>	<u>\$ 460,224</u>	<u>\$ 764</u>	<u>\$ 3,861,703</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>	Women, Infants, and <u>Children</u>	<u>Housing</u>	Youth <u>Programs</u>	Community Agencies <u>Support</u>	Administrative and General	Fund- raising	<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
Direct benefits	1,815,611	694,915	-	13,726	-	-	69	-	2,524,321
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
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.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

Change in Cash and Cash Equivalents:	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (64,167)	\$ 143,101
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposition of equipment	-	565
Depreciation	28,221	29,402
Change in assets and liabilities:		
Grants and contributions receivable	87,567	68,876
Prepaid expenses	9,254	(16)
Accounts payable and accrued liabilities	5,933	(2,826)
Deferred revenue	-	(4,234)
<i>Net cash provided by operating activities</i>	<u>66,808</u>	<u>234,868</u>
Cash Flows from Investing Activities:		
Purchase of equipment	<u>-</u>	<u>(90,756)</u>
Net change in cash and cash equivalents	66,808	144,112
Cash and cash equivalents, beginning of year	<u>288,423</u>	<u>144,311</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 355,231</u>	<u>\$ 288,423</u>
<i>Supplemental Cash Flows Information:</i>		
Interest paid	<u>\$ -</u>	<u>\$ 8</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Equipment acquired by trade-in	<u>\$ -</u>	<u>\$ 33,000</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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 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. Expenses that are directly identifiable with functions are charged to those functions. Expenses related to more than one function are allocated to functions based on estimates of employee time spent on functions, space used by function, and other factors driving costs.

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, 2016 and 2015

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 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 2016 or 2015.

The Indiana Housing and Community Development Authority ("IHCDA") makes energy assistance payments for participants in the Low Income Home Energy Assistance Program directly to the energy providers on behalf of entities administering the program. 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 \$1,925,243 and \$1,815,611 of revenue and expense in 2016 and 2015, 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, 2016 and 2015

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, 2016 or 2015, 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 2013.

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, 2016, the Organization had received approximately \$2,249,000 of conditional promises to give in excess of allowable costs incurred under cost-reimbursement awards. 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, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Land	\$ 6,500	\$ 6,500
Rental properties	95,835	95,835
Neighborhood centers	242,747	242,747
Vehicles	137,399	137,399
Office furniture and equipment	<u>68,962</u>	<u>68,962</u>
	551,443	551,443
	<u>2016</u>	<u>2015</u>

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Less accumulated depreciation	<u>(272,608)</u>	<u>(244,387)</u>
<i>Net property and equipment</i>	<u>\$ 278,835</u>	<u>\$ 307,056</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.

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 maintained an unsecured \$20,000 line of credit facility with a local bank, bearing interest at bank prime, which expired in March 2017. There were no outstanding borrowings on the line at either December 31, 2016 or 2015.

NOTE 5. NET ASSETS INFORMATION

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Community Centers	\$ 16,836	\$ 21,035
Refrigerators, blower motors, installation	<u>19,922</u>	<u>25,000</u>
<i>Total temporarily restricted net assets</i>	<u>\$ 36,758</u>	<u>\$ 46,035</u>

Net assets were released from restrictions by satisfying purpose restrictions as follows for the years ended December 31, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Youth education and recreation programs	10,000	\$ 9,588
Soup Kitchen	-	158
Community Centers	4,198	8,667
Refrigerator purchases and blower motor installs	<u>5,079</u>	-
<i>Total net assets released from restrictions</i>	<u>\$ 19,277</u>	<u>\$ 18,413</u>

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 6. LEASE INFORMATION

The Organization leases facilities under a non-cancelable operating lease expiring in October 2017. Minimum future rental payments under this lease as of December 31, 2016 is \$22,172, all of which are due in 2017. Total rent expense for all leases was \$36,911 and \$43,854 for the years ended December 31, 2016 and 2015, 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, 2016, the Organization had cash on deposit with a financial institution that exceeded the federal deposit insurance limit by approximately \$113,000. Also, at December 31, 2016, all grants and contributions receivable are due from Indiana Housing and Community Development Authority.

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 99% and 96% of total revenues for the years ended December 31, 2016 and 2015, respectively, were earned from governmental grants and contracts, with approximately 99% and 87%, respectively, earned on awards from Indiana Housing and Community Development Authority.

NOTE 8. SUBSEQUENT EVENTS INFORMATION

The date through which events occurring subsequent to December 31, 2016 have been evaluated for possible adjustment to the financial statements or disclosure is August 21, 2017, the date on which the financial statements were available to be issued.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended December 31, 2016

<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 Assistance:				
<i>United States Department of Housing and Urban Development:</i>				
Passed-through City of Michigan City:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-18-0022 A-1 & B-13-MC-18-0022	\$ 4,923	\$ -
<i>United States Department of Energy:</i>				
Passed-through Indiana Housing and Community Development Authority:				
Weatherization Assistance for Low-Income Persons	81.042	WX-015-017-A	67,804	-
Weatherization Assistance for Low-Income Persons	81.042	WX-015-017-B	99,341	-
Weatherization Assistance for Low-Income Persons	81.042	WX-016-017	151,448	-
<i>Total United States Department of Energy</i>			<u>318,593</u>	<u>-</u>
<i>United States Department of Health and Human Services:</i>				
Passed-through Indiana Housing and Community Development Authority:				
Low-Income Home Energy Assistance	93.568	LI-016-017 & LI-017-017	2,131,633	26,000
Low-Income Home Energy Assistance	93.568	WL 016-017-A	368,145	-
Low-Income Home Energy Assistance	93.568	WL 016-017-B	374,177	-
Low-Income Home Energy Assistance	93.568	WL 017-017	124,093	-
<i>Total Low-Income Home Energy Assistance</i>			<u>2,998,048</u>	<u>26,000</u>
Community Services Block Grant	93.569	CS-016-017	261,761	57,450
<i>Total United States Department of Health and Human Services</i>			<u>3,259,809</u>	<u>83,450</u>
<i>United States Department of Homeland Security:</i>				
Passed-Through Emergency Food and Shelter National Board:				
Emergency Food and Shelter National Board Program	97.024	LRO-009-E9	3,372	-
<i>Total expenditures of federal awards</i>			<u>3,586,697</u>	<u>\$ 83,450</u>
Nonfederal Assistance:				
<i>Indiana Housing and Community Development Authority:</i>				
Indiana Home Energy Assistance Program	n/a	IR-016-017 & IR-017-017 WS-016-017-A & WS-	86,329	
Indiana Home Energy Assistance Program	n/a	016-017-B	98,608	
Indiana Home Energy Assistance Program	n/a	WS-017-017	7,389	
<i>Total expenditures of nonfederal awards</i>			<u>192,326</u>	
<i>Total expenditures of federal and nonfederal awards</i>			<u>\$ 3,779,023</u>	

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, 2016

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, 2016. 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.

The Indiana Housing and Community Development Authority ("IHCDA") makes energy assistance payments for participants in the Low Income Home Energy Assistance Program directly to the energy providers on behalf of entities administering the program. 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 \$1,846,681, 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 \$78,562, 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, 2016, 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 21, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Cullen & Associates, P.C.

South Bend, Indiana
August 21, 2017



**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, 2016. 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; and 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, 2016.

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

Cullen & Associates, P.C.

South Bend, Indiana
August 21, 2017

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

Section I - 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. No instances of noncompliance 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*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were 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. No 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 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.

Section II - Financial Statement Findings

There were no findings in the financial statements audit.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs in the major federal award programs audit.



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Michigan City, IN 46360
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2016**

**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**

FINDING 2015-001 – LACK OF APPROVAL SIGNATURE

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

Recommendations: The auditor recommended that all applications be reviewed for signature before filing in client files.

Current status: The recommendation was implemented. No similar finding was noted in the 2016 audit.

