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April 2, 2018

Board of Directors
PACE Community Action Agency, Inc.
525 North 4th St.
Vincennes, IN 47591

We have reviewed the report prepared by PACE Community Action Agency, Inc. and opined upon by Comer, Nowling And 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 PACE Community Action Agency, 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.

In our opinion, Comer, Nowling And 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

**PACE
Community
Action Agency, Inc.
and Subsidiaries**

**Consolidated Financial
Statements**

**For the Years Ended
December 31, 2015 and 2014
(With Single Audit Section)**

COMER  NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
FINANCIAL STATEMENTS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PACE Community Action Agency, Inc. and Subsidiaries
Vincennes, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of PACE Community Action Agency, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Ivy Lane, LP, which statements reflect total assets of \$3,899,909 and \$4,034,822 as of December 31, 2015 and 2014 and total support and revenues of \$234,917 and \$227,698 for the years then ended, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ivy Lane, LP is based solely on the report of the other auditor. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PACE Community Action Agency, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of PACE Community Action Agency, Inc. and Subsidiaries as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, 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 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated on June 28, 2016 our consideration of PACE Community Action Agency, Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

June 28, 2016

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	2015		
	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS:			
Cash and cash equivalents	\$ 445,536	\$ 103,361	\$ 548,897
Certificates of deposit	65,106	-	65,106
Grants receivable	421,344	-	421,344
Other receivables	35,431	-	35,431
Inventory	616	-	616
Prepaid expenses and deposits	205,450	-	205,450
Total current assets	1,173,483	103,361	1,276,844
PROPERTY AND EQUIPMENT:			
Land	173,065	-	173,065
Property and equipment, net of accumulated depreciation and amortization	6,567,594	-	6,567,594
Total property and equipment	6,740,659	-	6,740,659
OTHER ASSETS:			
Restricted deposits and funded reserves	253,348	-	253,348
Tenant security deposits held in trust	10,857	-	10,857
Total other assets	264,205	-	264,205
Total assets	\$ 8,178,347	\$ 103,361	\$ 8,281,708

See accompanying notes to consolidated financial statements.

2014

Unrestricted	Temporarily Restricted	Total
\$ 687,333	\$ 120,588	\$ 807,921
64,449	-	64,449
416,717	-	416,717
44,411	-	44,411
911	-	911
208,022	-	208,022
1,421,843	120,588	1,542,431
185,171	-	185,171
6,587,807	-	6,587,807
6,772,978	-	6,772,978
230,425	-	230,425
10,851	-	10,851
241,276	-	241,276
\$ 8,436,097	\$ 120,588	\$ 8,556,685

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2015 AND 2014

LIABILITIES AND NET ASSETS

	2015		
	Unrestricted	Temporarily Restricted	Total
CURRENT LIABILITIES:			
Accounts payable	\$ 111,099	\$ -	\$ 111,099
Accrued expenses and fees	28,884	-	28,884
Advance funds	6,488	-	6,488
Accrued payroll and payroll liabilities	120,627	-	120,627
Accrued paid time off	53,759	-	53,759
Development consultant fees payable	113,362	-	113,362
Current portion of long-term debt	22,503	-	22,503
Total current liabilities	<u>456,722</u>	<u>-</u>	<u>456,722</u>
LONG-TERM LIABILITIES			
Tenants' security deposit liability	10,855	-	10,855
Long-term development debt and interest	1,058,258	-	1,058,258
Development consultant fees net of current portion	24,000	-	24,000
Long-term debt net of current portion	9,863	-	9,863
Total long-term liabilities	<u>1,102,976</u>	<u>-</u>	<u>1,102,976</u>
NON-CONTROLLING INTEREST IN NET ASSETS	<u>2,525,006</u>	<u>-</u>	<u>2,525,006</u>
NET ASSETS:	<u>4,093,643</u>	<u>103,361</u>	<u>4,197,004</u>
Total liabilities and net assets	<u>\$ 8,178,347</u>	<u>\$ 103,361</u>	<u>\$ 8,281,708</u>

See accompanying notes to consolidated financial statements.

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 137,063	\$ -	\$ 137,063
31,971	-	31,971
7,483	-	7,483
211,326	-	211,326
50,764	-	50,764
136,589	-	136,589
12,310	-	12,310
<u>587,506</u>	<u>-</u>	<u>587,506</u>
10,850	-	10,850
1,127,818	-	1,127,818
24,000	-	24,000
8,697	-	8,697
<u>1,171,365</u>	<u>-</u>	<u>1,171,365</u>
<u>2,587,033</u>	<u>-</u>	<u>2,587,033</u>
<u>4,090,193</u>	<u>120,588</u>	<u>4,210,781</u>
<u>\$ 8,436,097</u>	<u>\$ 120,588</u>	<u>\$ 8,556,685</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT:			
Federal government revenue	\$ 6,830,312	\$ -	\$ 6,830,312
State and local government revenue	75,303	-	75,303
Other grant income	135,982	-	135,982
Fees and program income	516,994	-	516,994
Net rental income	171,211	-	171,211
Contributions	83,269	-	83,269
Gain (loss) on disposal of equipment	(126,239)	-	(126,239)
Interest income	12,026	-	12,026
Inkind contributions	393,179	-	393,179
Total revenues and other support before net assets released from restrictions	8,092,037	-	8,092,037
Net assets released from restrictions	17,227	(17,227)	-
Total revenue and other support	8,109,264	(17,227)	8,092,037
OPERATING EXPENSES:			
Community Services Block Grant	323,321	-	323,321
Energy assistance	1,594,446	-	1,594,446
Weatherization assistance program	584,888	-	584,888
Head Start	3,770,484	-	3,770,484
Family planning	853,489	-	853,489
Women, infants and children	255,819	-	255,819
Other programs	17,320	-	17,320
Management and general	30,681	-	30,681
Fundraising	7,701	-	7,701
Subsidiaries	729,692	-	729,692
Total operating expenses	8,167,841	-	8,167,841
Increase (decrease) in net assets before non-controlling interest	(58,577)	(17,227)	(75,804)
Non-controlling interest in subsidiary	62,027	-	62,027
Increase (decrease) in net assets	3,450	(17,227)	(13,777)
NET ASSETS AT BEGINNING OF YEAR	4,090,193	120,588	4,210,781
NET ASSETS AT END OF YEAR	\$ 4,093,643	\$ 103,361	\$ 4,197,004

See accompanying notes to consolidated financial statements.

2014

Unrestricted	Temporarily Restricted	Total
\$ 6,779,066	\$ -	\$ 6,779,066
35,195	-	35,195
164,691	-	164,691
503,685	-	503,685
165,480	-	165,480
38,802	-	38,802
(2,000)	-	(2,000)
16,460	-	16,460
490,089	-	490,089
8,191,468	-	8,191,468
17,227	(17,227)	-
8,208,695	(17,227)	8,191,468
291,454	-	291,454
1,755,048	-	1,755,048
548,006	-	548,006
3,822,900	-	3,822,900
702,652	-	702,652
254,115	-	254,115
12,592	-	12,592
80,904	-	80,904
7,709	-	7,709
729,362	-	729,362
8,204,742	-	8,204,742
3,953	(17,227)	(13,274)
99,598	-	99,598
103,551	(17,227)	86,324
3,986,642	137,815	4,124,457
<u>\$ 4,090,193</u>	<u>\$ 120,588</u>	<u>\$ 4,210,781</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Community Services <u>Block Grant</u>	Energy Assistance <u>Assistance</u>	Weatherization Assistance <u>Program</u>	<u>Head Start</u>	Family Planning <u>Planning</u>
OPERATING EXPENSES					
Personnel	\$ 167,954	\$ 141,443	\$ 122,542	\$ 1,854,997	\$ 478,431
Employee benefits	18,779	14,778	18,965	200,259	26,270
Payroll taxes	10,240	10,792	10,769	138,000	37,038
Accounting fees	5,428	6,656	670	19,228	4,291
Supplies	20,283	42,784	12,737	360,626	38,651
Telephone	4,154	8,158	3,495	41,714	12,868
Postage	225	7,593	225	2,293	2,097
Occupancy	26,258	26,963	13,757	527,779	121,201
Equipment and maintenance	-	-	35	12,647	-
Printing and publications	6,560	14,009	2,736	62,367	4,759
Dues and filing fees	3,430	-	-	-	-
Contract labor	226	264	113	3,297	3,537
Training and education	4,797	1,396	804	49,755	4,730
Travel	7,597	5,776	3,894	108,769	15,031
Depreciation	9,076	79	5,418	78,981	439
Insurance	4,268	1,861	5,006	44,672	6,577
Data processing	3,724	1,074	1,773	14,963	11,224
Direct assistance	30,322	1,310,820	381,949	250,137	86,345
Interest expense	-	-	-	-	-
Other expenses	-	-	-	-	-
Total Expenses	\$ 323,321	\$ 1,594,446	\$ 584,888	\$ 3,770,484	\$ 853,489

See accompanying notes to consolidated financial statements.

<u>Women, Infants and Children</u>	<u>Other Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subsidiaries</u>	<u>2015 Totals</u>
\$ 162,056	\$ 1,863	\$ 7,191	\$ 554	\$ 265,969	\$ 3,203,000
8,879	56	(427)	-	37,973	325,532
12,632	141	(5,655)	42	22,951	236,950
1,247	-	-	-	3,274	40,794
5,773	804	4,047	173	30,778	516,656
5,409	18	-	-	2,855	78,671
1,300	10	74	-	111	13,928
41,880	187	(151,747)	-	29,937	636,215
-	-	-	-	37,439	50,121
2,609	70	-	-	2,175	95,285
-	4	-	-	-	3,434
8,313	-	-	-	6,576	22,326
-	-	-	-	3,683	65,165
1,682	-	-	16	15,333	158,098
-	49	172,887	-	168,375	435,304
2,536	18	272	-	37,823	103,033
1,503	379	-	-	3,920	38,560
-	12,751	3,922	1,500	-	2,077,746
-	-	-	-	12,675	12,675
-	970	117	5,416	47,845	54,348
<u>\$ 255,819</u>	<u>\$ 17,320</u>	<u>\$ 30,681</u>	<u>\$ 7,701</u>	<u>\$ 729,692</u>	<u>\$ 8,167,841</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Community Services <u>Block Grant</u>	Energy <u>Assistance</u>	Weatherization Assistance <u>Program</u>	<u>Head Start</u>	Family <u>Planning</u>
OPERATING EXPENSES					
Personnel	\$ 130,933	\$ 129,241	\$ 107,824	\$ 1,849,448	\$ 390,474
Employee benefits	13,347	12,064	12,761	186,627	19,490
Payroll taxes	9,312	10,049	8,270	135,727	30,299
Accounting fees	4,647	6,744	180	15,961	3,625
Legal fees	-	-	60	4,986	-
Supplies	27,495	12,644	14,072	489,221	41,145
Telephone	4,037	7,287	1,863	39,990	9,558
Postage	521	6,023	105	2,309	2,037
Occupancy	25,174	29,698	16,044	555,341	100,252
Equipment and maintenance	-	-	-	13,660	-
Printing and publications	4,162	11,463	1,598	50,241	4,610
Dues and filing fees	2,576	10	4	135	17
Contract labor	-	-	-	-	3,000
Training and education	7,663	603	609	41,500	2,658
Travel	11,803	2,411	6,505	64,443	10,373
Depreciation	12,201	628	6,254	58,242	731
Insurance	1,946	2,121	4,378	38,547	6,090
Data processing	11,015	1,933	2,235	26,219	12,795
Direct assistance	24,622	1,522,129	365,244	250,303	65,498
Interest expense	-	-	-	-	-
Other expenses	-	-	-	-	-
Total Expenses	<u>\$ 291,454</u>	<u>\$ 1,755,048</u>	<u>\$ 548,006</u>	<u>\$ 3,822,900</u>	<u>\$ 702,652</u>

See accompanying notes to consolidated financial statements.

<u>Women, Infants and Children</u>	<u>Other Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subsidiaries</u>	<u>2014 Totals</u>
\$ 159,027	\$ 813	\$ 57,506	\$ 787	\$ 246,854	\$ 3,072,907
8,373	38	2,923	63	27,552	283,238
11,859	91	(1,300)	58	25,285	229,650
1,535	-	-	-	4,019	36,711
-	-	181	-	-	5,227
7,700	-	(1,098)	295	55,969	647,443
5,249	10	60	16	1,509	69,579
2,344	-	-	4	114	13,457
42,006	36	(185,391)	117	32,296	615,573
-	-	-	-	37,786	51,446
2,857	19	75	11	1,746	76,782
-	-	-	-	-	2,742
7,779	-	-	-	7,050	17,829
-	-	80	-	1,992	55,105
1,071	-	-	-	14,682	111,288
-	588	205,769	-	175,005	459,418
2,340	2	(1,198)	33	47,657	101,916
1,975	-	128	306	6,335	62,941
-	10,995	2,561	-	-	2,241,352
-	-	-	-	19,093	19,093
-	-	608	6,019	24,418	31,045
<u>\$ 254,115</u>	<u>\$ 12,592</u>	<u>\$ 80,904</u>	<u>\$ 7,709</u>	<u>\$ 729,362</u>	<u>\$ 8,204,742</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (75,804)	\$ (13,274)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	435,304	459,418
(Gain) loss on disposal of equipment	126,239	2,000
Increase (decrease) in cash from changes in:		
Grants receivable	(4,627)	(32,390)
Other receivables	8,980	27,244
Inventory	295	(150)
Prepaid expenses and deposits	2,572	(22,297)
Accounts payable and accrued expenses	(84,249)	(88,880)
Advance funds	(995)	1,394
Accrued payroll and payroll expenses	(90,699)	22,749
Accrued paid time off	2,995	8,183
Net cash provided by (used in) operating activities	320,011	363,997
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(657)	(497)
Acquisition of property and equipment	(577,673)	(290,452)
Proceeds from sale of property and equipment	50,650	25,482
Contributions to operating reserve	(22,929)	(15,831)
Net cash provided by (used in) investing activities	(550,609)	(281,298)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	11,112	8,697
Principal payments against notes payable	(39,538)	(35,296)
Net cash provided by (used in) financing activities	(28,426)	(26,599)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(259,024)	56,100
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	807,921	751,821
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 548,897	\$ 807,921
Supplemental disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 9,530	\$ 9,882

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of PACE Community Action Agency, Inc. (the “Organization”), and its wholly-owned subsidiaries, PACE Ventures Holding, Inc. and PACE Development Corporation. The statements also include the for-profit limited liability company, PACE Ventures, LLC, which is wholly-owned by PACE Ventures Holding, Inc. and the for-profit limited liability company PACE Ivy Lane LLC, which is wholly-owned by PACE Development Corporation. PACE Ivy Lane LLC serves as the general partner for Ivy Lane L.P. In accordance with FASB ASC 958-810-15-4, consolidation is required for each of the previously mentioned entities and all material intercompany transactions have been eliminated in the consolidation.

NATURE OF OPERATIONS

PACE Community Action Agency, Inc. (the “Organization”) was incorporated as Wabash Valley Human Services, Inc. and commenced operations as a not-for-profit corporation in 1965, under the laws of the State of Indiana. Effective January 1, 2007, the Organization changed its name to PACE Community Action Agency, Inc. The Organization currently serves the counties of Daviess, Greene, Knox and Sullivan with limited services provided in Vigo County. In addition, the Organization is governed by a volunteer Board of Directors with advisory and policy councils serving to guide the various programs administered. The primary goal of the Organization is to enable economically and socially disadvantaged people to achieve self-sufficiency and become less dependent on public assistance. Programs and services offered provide opportunities for all age groups, particularly those who are low-income and meet program guidelines.

On January 3, 2007, the Organization formed PACE Ventures Holding, Inc., a C corporation (the “Subsidiary”) as a wholly owned subsidiary under the laws of the State of Indiana. Currently, the Subsidiary provides computer training for community residents and non-profit financial, human resource and consulting services for non-profit organizations. In addition, the Subsidiary has two (2) wholly owned subsidiaries. PACE Ventures, LLC was formed on December 28, 2006, to provide janitorial and cleaning services to business and residential customers in southern Indiana and Illinois. PACE Development Corporation, PACE Ivy Lane, LLC and PACE Ivy Lane L.P. were formed on September 9, 2010, to acquire, construct, own and lease a 31 unit apartment project known as Ivy Lane Apartments in Vincennes, Indiana. Income or losses from business activity performed by PACE Ventures, LLC and PACE Ivy Lane, LLC are reflected as increases and decreases in the investment in subsidiaries balance in the statement of consolidated financial position. In addition, income or losses from LLC activity is presented in the investment in subsidiary income balance in the consolidated statement of activities.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

NATURE OF OPERATIONS – (continued)

In September 2010, the Organization formed PACE Development Corporation which is the sole member of PACE-Ivy Lane, LLC, a single member LLC and wholly owned subsidiary of the Organization, for the purpose of developing low-income housing units in Knox County. PACE-Ivy Lane, LLC serves as the general partner for Ivy Lane, L.P. (the Partnership) and holds a .009% interest. In 2011 Ivy Lane, L.P. completed construction of 31 units in Knox County (Ivy Lane Apartments) which will be rented to low-income individuals and, as a result, low interest and state loans and forgivable federal loans are available to the Partnership. For the years ended December 31, 2015 and 2014, Section 1602 forgivable loans of \$627,026 and \$684,029 were outstanding, respectively.

BASIS OF ACCOUNTING

The financial statements of the Organization and Subsidiaries have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) for *Financial Statements of Not-for-Profit Organizations*. Per these Standards the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

Permanently restricted net assets represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

FINANCIAL STATEMENT PRESENTATION – (continued)

The Organization’s temporarily restricted net assets for the years ended December 31, 2015 and 2014 consist of \$103,361 and \$120,588, respectively, in developer fees earned from the Ivy Lane low income housing project which were earned and collected but per the developer agreement could not be expended until additional contract requirements were met. The Organization did not have permanently restricted net assets as of December 31, 2015 and 2014.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

GRANTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The grants receivable represent amounts the Organization has filed claims for the year ended and were awaiting payment. A substantial majority of receivables are due from government sources. The amount deemed uncollectible is zero. Therefore, no bad debt allowance is considered necessary.

INVENTORY

Materials and supplies purchased throughout the year are charged to expense as the cost is incurred. Any items remaining on hand at year end are recognized as inventory in the financial statements at their actual cost.

REVENUE RECOGNITION

The Organization receives grants from the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the State appropriate records of services provided to eligible individuals. Revenues under the contracts are recognized as the services are provided.

The Subsidiaries recognize revenue as it is earned and billed.

PROPERTY AND EQUIPMENT

The Organization’s property and equipment are stated at cost and depreciated over estimated useful lives of five to forty years using the straight-line method. The following is a summary of the lives for each class of asset:

Buildings	40 years
Equipment	5-10 years
Vehicles	5-10 years

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

PROPERTY AND EQUIPMENT – (continued)

Expenditures for improvements and major renewals are capitalized. When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred. Depreciation expense incurred for the years ended December 31, 2015 and 2014 were \$266,930 and 284,413, respectively

The Subsidiaries' property is stated at cost and depreciated over an estimated useful life of thirty years. The Subsidiaries provide for depreciation in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method. It is the Subsidiaries' general practice to charge maintenance and repairs to expense in the current period. Depreciation expense incurred by the Subsidiaries for the years ended December 31, 2015 and 2014 were \$168,374 and \$175,005, respectively.

CONTRIBUTIONS

The Organization 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. 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. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments. No amounts have been recorded in the financial statements for non-professional volunteer time.

IN-KIND CONTRIBUTIONS

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by the same amount. For the year ended December 31, 2015 and 2014, this adjustment amounted to approximately \$393,179 and \$490,089, respectively, and is included in other revenue and support on the Consolidated Statements of Activities.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

IN-KIND CONTRIBUTIONS – (continued)

The Organization has recorded in-kind contributions for professional services on the Consolidated Statement of Activities in accordance with the FASB standard for *Accounting for Contributions Received and Contributions Made*. This standard requires that only contributions of services received that create or enhance a non-financial assets or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different from the in-kind requirements of the Organization's grant funding sources.

Of the \$393,179 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the year ended December 31, 2015, contributed services meeting the requirements of FASB standards are \$38,908.

During 2015, the Organization also received other in-kind contributions totaling \$612,090 from non-professional volunteers, primarily for its Head Start program which are not recorded in the Consolidated Statement of Activities.

Of the \$490,089 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the year ended December 31, 2014, contributed services meeting the requirements of FASB standards are \$94,077.

During 2014, the Organization also received other in-kind contributions totaling \$431,483 from non-professional volunteers, primarily for its Head Start program which are not recorded in the Consolidated Statement of Activities.

GOVERNMENT GRANTS

Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Amounts required prior to expenditures being incurred are reflected as advance funds on the Statement of Financial Position.

EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES – (continued)**

CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. Effective December 31, 2010, all non-interest bearing transaction accounts are fully guaranteed by FDIC temporary unlimited coverage for the entire amount in the account. This coverage is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. The interest bearing accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2015 and 2014. For both years, bank balances were not in excess of FDIC coverage in place for that year.

Revenues from federal and state government agencies that provide grant and contract funding to the Organization as of December 31, 2015 and 2014 represented 92% and 91% of the Organization's total revenue and support for the year, respectively.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Income tax expense for the Subsidiaries will include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 2015 and 2014. There was no provision for income tax since the Subsidiaries either had no taxable income or have adequate loss carry forwards available to offset any potential taxable income.

In addition, since the two subsidiary LLCs are wholly owned by PACE Ventures Holding, Inc., and PACE Development Corporation, there is only a single member (owner) for both. Per Internal Revenue Service Code these LLCs are considered to be "disregarded entities" for tax purposes, meaning that all revenues and expenses of the LLCs are reported as part of the PACE Ventures Holding, Inc. and PACE Development Corporation corporate tax return. No income tax returns are required to be prepared for the sole-member LLCs.

TAX BENEFITS

The Organization and Subsidiaries recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. With few exceptions, the Organization and Subsidiaries are no longer subject to examination by taxing authorities for the years before 2012.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

NOTE 2 – PROPERTY AND EQUIPMENT

The Organization’s property and equipment are as follows at December 31:

	<u>2015</u>	<u>2014</u>
Buildings	\$ 4,274,060	\$ 3,912,334
Vehicles	178,794	189,019
Equipment	537,284	450,178
	<u>4,990,138</u>	<u>4,551,531</u>
Accumulated depreciation	<u>(1,980,789)</u>	<u>(1,769,114)</u>
	3,009,349	2,782,417
Land	85,370	92,376
	<u>\$ 3,094,719</u>	<u>\$ 2,874,793</u>

The Subsidiaries’ property and equipment are as follows at December 31:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 3,671,081	\$ 3,879,056
Furniture and equipment	596,439	567,757
	<u>4,267,520</u>	<u>4,446,813</u>
Accumulated depreciation	<u>(709,275)</u>	<u>(641,423)</u>
	3,558,245	3,805,390
Land	87,695	92,795
	<u>\$ 3,645,940</u>	<u>\$ 3,898,185</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 – GRANTS RECEIVABLE

Grants receivable consisted of the following as of December 31, 2015:

U.S. Department of Health and Human Services	\$ 150,946
Indiana State Department of Health	66,494
Indiana Family Health Council	120,261
Indiana Housing and Community Development	83,643
	<u>\$ 421,344</u>

Grants receivable consisted of the following as of December 31, 2014:

U.S. Department of Health and Human Services	\$ 125,103
Indiana State Board of Health	66,055
Indiana Family Health Council	91,398
Indiana Housing and Community Development	134,161
	<u>\$ 416,717</u>

NOTE 4 – OPERATING LEASES

The Organization leases multiple operating facilities under cancelable operating lease arrangements which expire at various times through October 2018. The arrangements are only cancelable should Federal funding for the program using the facility cease or become unavailable. In addition, the Organization leases office equipment under a non-cancelable lease which expires in June of 2016. Rental expense for these leases included in the statements of activities for the year ended December 31, 2015 and 2014 were \$135,142 and \$143,191, respectively.

Future minimum lease payments for long-term leases are as follows for the years ended December 31,:

<u>Year</u>	<u>Amount</u>
2016	\$ 34,301
2017	11,401
2018	11,401
2019	11,401
2020	7,650
Thereafter	-
	<u>\$ 76,154</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 5 – EMPLOYEE BENEFITS

The Organization switched from a 403(b) defined contribution plan to 401(k) plan in May 2008. The Agency matches employee contributions dollar for dollar up to \$1,000. For the years ended December 31, 2015 and 2014, the employer contributions amounted to \$27,344 and \$25,704, respectively.

NOTE 6 - ALLOCATION OF COSTS

The Organization allocates joint costs to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective. The Organization's cost allocation methods are as follows:

Personnel. Agency personnel with multiple program duties (Executive Director, Associate Directors, accounting personnel, etc.) record the time they spend working on specific programs on their time sheets. The time specifically identifiable to a particular program is charged to that program.

Occupancy Costs. Occupancy costs (maintenance costs, utilities, insurance, rent, repair costs, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by staff with multiple program duties is allocated based upon time worked in each program.

Copy Costs. A record is maintained of copies made for each program. Copy costs are charged monthly to programs based upon the number of copies made.

Insurance. Insurance is allocated to benefiting programs depending on the equipment, space or number of employees covered by the insurance.

Other Joint Costs. Other joint costs (telephone, computer usage, etc.) are allocated to agency programs based upon usage by each program.

NOTE 7 – LINE OF CREDIT – BANK

In March 2011 the Organization signed a \$75,000 unsecured line of credit with First Financial Bank with interest payable at a variable interest rate of 4.0% at the time of signing. The line of credit was renewed April 19, 2013 matured in 2015 and a new line of credit for \$75,000 was established July 1, 2015. The line of credit now matures in July 2017 and bears a variable interest rate based on the Wall Street Journal's published Prime Rate. At December 31, 2015 and 2014 there was no outstanding balance on the line.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 – LONG-TERM DEBT

The Organization entered into an agreement with a consultant on November 23, 2010, for consulting services with respect to the low-income multi-family housing project with which the Organization is involved as a sponsor and developer in Vincennes, Indiana (the “Project”). The original payable was in the amount of \$244,900 and the term of the agreement continues through December 31, 2021. The total payable is \$137,362 and \$160,589 for the years ended December 31, 2015 and 2014.

Per the agreement, the Organization shall pay the consulting fee in installments within five (5) business days after receipt by the Organization of installments of the development fee receivable from the Project, in amounts equal to sixty percent (60%) of the amount of each installment of such development fee received by the Organization. The development fee receivable from the Project amounted to \$34,000 and \$40,000 as of December 31, 2015 and 2014. The long-term portion of the liability is \$24,000 and \$24,000 for the years ended December 31, 2014 and 2013.

PACE Ventures Holding, Inc. did not have long-term debt as of December 31, 2015 and 2014.

Long-term debt of Ivy Lane, L.P. consists of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Section 1602 Tax Credit Exchange Funds - Zero interest, forgivable note payable to the Indiana Housing and Community Development Authority. Loan is forgiven at a rate of 1/15th per year for each year of the compliance period beginning on the first anniversary date of the commencement of the	\$ 627,026	\$ 684,029
Development Fund Loan - 2% note payable to the Indiana Housing and Community Development Authority. The loan matures one year after the compliance period of the Section 1602 Tax Credit Exchange loan described above.	<u>443,789</u>	<u>456,099</u>
	<u>\$ 1,070,815</u>	<u>\$ 1,140,128</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 – LONG-TERM DEBT – (continued)

Long-term debt of Pace Ventures, LLC consists of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Note payable to First Financial Bank, payable in monthly installments of \$347, including interest at 3.25%, maturing February 14, 2017.	\$ 4,762	\$ 8,697
Note payable to First Financial Bank, payable in monthly installments of \$493, including interest 3.45%, maturing August 30, 2018.	<u>15,049</u>	<u>-</u>
	<u>\$ 19,811</u>	<u>\$ 8,697</u>

The future maturities of long-term debt are as follows for the years ended December 31,

	<u>Parent</u>	<u>Ivy Lane, L.P.</u>	<u>Pace Ventures, LLC.</u>	<u>Total</u>
2016	\$ 137,362	\$ 12,556	\$ 9,947	\$ 159,865
2017	-	12,807	6,594	19,401
2018	-	13,063	3,270	16,333
2019	-	13,325	-	13,325
2020	-	13,591	-	13,591
Thereafter	<u>24,000</u>	<u>378,447</u>	<u>-</u>	<u>402,447</u>
	<u>\$ 161,362</u>	<u>\$ 443,789</u>	<u>\$ 19,811</u>	<u>\$ 624,962</u>

NOTE 9 – GUARANTEES

The Organization, along with other interested parties have agreed to guarantee the performance of Ivy Lane, L.P. in its obligations under the various partnership and loan agreements associated with the operation and construction of Ivy Lane Apartments including those relating to payment and performance by the General Partner, performance by the Developer, and prompt and complete payment of all costs and expenses incurred by the partnership.

NOTE 10 – SUBSEQUENT EVENTS

The Organization did not have any other subsequent events through June 28, 2016, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the period ended December 31, 2015.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
PACE Community Action Agency, Inc. and Subsidiaries
Vincennes, Indiana

Our report on our audits of the consolidated financial statements of PACE Community Action Agency, Inc. and Subsidiaries, as of December 31, 2015 and 2014, appears on page one. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information (shown on pages 26 through 31) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the statements of financial position, results of activities and cash flows of the individual organizations. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We did not audit the financial statements of Ivy Lane, LP, which statements reflect total assets of \$3,899,909 and \$4,304,822 as of December 31, 2015 and 2014 and total support and revenues of \$234,917 and \$227,698 for the years then ended, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned organization, is based solely on the report of the other auditors. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole for the years ended December 31, 2015 and 2014.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
June 28, 2016

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

	Parent		Subsidiaries (Unrestricted)				Eliminations	2015 Consolidated Total
	Unrestricted	Temporarily Restricted	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane, L.P.		
CURRENT ASSETS:								
Cash and cash equivalents	\$ 345,136	\$ 103,361	\$ 38,467	\$ 55,431	\$ -	\$ 6,502	\$ -	\$ 548,897
Certificates of deposit	65,106	-	-	-	-	-	-	65,106
Grants receivable	421,344	-	-	-	-	-	-	421,344
Other receivables	138,693	-	-	20,220	-	40	(123,522)	35,431
Inventory	616	-	-	-	-	-	-	616
Prepaid expenses and deposits	154,447	-	950	5,473	-	44,580	-	205,450
Total current assets	<u>1,125,342</u>	<u>103,361</u>	<u>39,417</u>	<u>81,124</u>	<u>-</u>	<u>51,122</u>	<u>(123,522)</u>	<u>1,276,844</u>
PROPERTY AND EQUIPMENT:								
Land	85,370	-	-	-	-	87,695	-	173,065
Property and equipment, net of accumulated depreciation and amortization	3,009,349	-	-	61,358	-	3,496,887	-	6,567,594
Total property and equipment	<u>3,094,719</u>	<u>-</u>	<u>-</u>	<u>61,358</u>	<u>-</u>	<u>3,584,582</u>	<u>-</u>	<u>6,740,659</u>
OTHER ASSETS:								
Due from PACE Ventures Holding	225,311	-	-	-	-	-	(225,311)	-
Due from Ivy Lane	263,887	-	-	-	-	-	(263,887)	-
Restricted deposits and funded reserves	-	-	-	-	-	253,348	-	253,348
Tenant security deposits held in trust	-	-	-	-	-	10,857	-	10,857
Investment in subsidiaries	250,438	-	107,810	-	60	-	(358,308)	-
Total other assets	<u>739,636</u>	<u>-</u>	<u>107,810</u>	<u>-</u>	<u>60</u>	<u>264,205</u>	<u>(847,506)</u>	<u>264,205</u>
Total assets	<u>\$ 4,959,697</u>	<u>\$ 103,361</u>	<u>\$ 147,227</u>	<u>\$ 142,482</u>	<u>\$ 60</u>	<u>\$ 3,899,909</u>	<u>\$ (971,028)</u>	<u>\$ 8,281,708</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable	\$ 110,516	\$ -	\$ -	\$ 180	\$ -	\$ 403	\$ -	\$ 111,099
Accrued expenses and fees	-	-	-	-	-	28,884	-	28,884
Advance funds	6,488	-	-	-	-	-	-	6,488
Accrued payroll and payroll liabilities	114,690	-	-	5,937	-	-	-	120,627
Accrued paid time off	53,759	-	-	-	-	-	-	53,759
Due to other funds	107,879	-	1,898	13,745	-	-	(123,522)	-
Development consultant fees payable	113,362	-	-	-	-	10,000	(10,000)	113,362
Due to PACE Community Action Agency	-	-	225,311	-	-	-	(225,311)	-
Current portion of long-term debt	-	-	-	9,947	-	12,556	-	22,503
Total current liabilities	<u>506,694</u>	<u>-</u>	<u>227,209</u>	<u>29,809</u>	<u>-</u>	<u>51,843</u>	<u>(358,833)</u>	<u>456,722</u>
LONG-TERM LIABILITIES								
Tenants' security deposit liability	-	-	-	-	-	10,855	-	10,855
Long-term development debt and interest	-	-	-	-	-	1,312,145	(253,887)	1,058,258
Development consultant fees net of current portion	24,000	-	-	-	-	-	-	24,000
Long-term debt net of current portion	-	-	-	9,863	-	-	-	9,863
Total long-term liabilities	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>9,863</u>	<u>-</u>	<u>1,323,000</u>	<u>(253,887)</u>	<u>1,102,976</u>
NET ASSETS								
Parent interest in net assets	4,429,003	103,361	(79,982)	102,810	60	60	(358,308)	4,197,004
Non-controlling interest in net assets	-	-	-	-	-	2,525,066	-	2,525,066
Total net assets	<u>4,429,003</u>	<u>103,361</u>	<u>(79,982)</u>	<u>102,810</u>	<u>60</u>	<u>2,525,066</u>	<u>(358,308)</u>	<u>6,722,010</u>
Total liabilities and net assets	<u>\$ 4,959,697</u>	<u>\$ 103,361</u>	<u>\$ 147,227</u>	<u>\$ 142,482</u>	<u>\$ 60</u>	<u>\$ 3,899,909</u>	<u>\$ (971,028)</u>	<u>\$ 8,281,708</u>

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

	Parent		Subsidiaries (Unrestricted)				Eliminations	2014 Consolidated Total
	Unrestricted	Temporarily Restricted	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane, L.P		
CURRENT ASSETS:								
Cash and cash equivalents	\$ 613,004	\$ 120,588	\$ 289	\$ 71,634	\$ -	\$ 2,406	\$ -	\$ 807,921
Certificates of deposit	64,449	-	-	-	-	-	-	64,449
Grants receivable	416,717	-	-	-	-	-	-	416,717
Other receivables	79,316	-	-	21,015	-	40	(55,960)	44,411
Inventory	911	-	-	-	-	-	-	911
Prepaid expenses and deposits	155,296	-	2,236	3,710	-	46,780	-	208,022
Total current assets	1,329,693	120,588	2,525	96,359	-	49,226	(55,960)	1,542,431
PROPERTY AND EQUIPMENT:								
Land	92,376	-	5,100	-	-	87,695	-	185,171
Property and equipment, net of accumulated depreciation and amortization	2,782,417	-	114,883	33,882	-	3,656,625	-	6,587,807
Total Property and Equipment	2,874,793	-	119,983	33,882	-	3,744,320	-	6,772,978
OTHER ASSETS:								
Due from PACE Ventures Holding	225,311	-	-	-	-	-	(225,311)	-
Due from Ivy Lane	263,191	-	-	-	-	-	(263,191)	-
Restricted deposits and funded reserves	-	-	-	-	-	230,425	-	230,425
Tenant security deposits held in trust	-	-	-	-	-	10,851	-	10,851
Investment in subsidiaries	250,438	-	108,130	-	66	-	(358,634)	-
Total other assets	738,940	-	108,130	-	66	241,276	(847,136)	241,276
Total assets	\$ 4,943,426	\$ 120,588	\$ 230,638	\$ 130,241	\$ 66	\$ 4,034,822	\$ (903,096)	\$ 8,556,685
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable	\$ 133,291	\$ -	\$ 997	\$ 1,187	\$ -	\$ 1,588	\$ -	\$ 137,063
Accrued expenses and fees	-	-	5	-	-	31,966	-	31,971
Advance funds	7,483	-	-	-	-	-	-	7,483
Accrued payroll and payroll liabilities	204,582	-	-	6,744	-	-	-	211,326
Accrued paid time off	50,764	-	-	-	-	-	-	50,764
Due to other funds	49,785	-	692	5,483	-	-	(55,960)	-
Development consultant fees payable	136,589	-	-	-	-	6,000	(6,000)	136,589
Due to PACE Community Action Agency	-	-	225,311	-	-	-	(225,311)	-
Current portion of long-term debt	-	-	-	-	-	12,310	-	12,310
Total current liabilities	582,494	-	227,005	13,414	-	51,864	(287,271)	587,506
LONG-TERM LIABILITIES								
Tenants' security deposit liability	-	-	-	-	-	10,850	-	10,850
Long-term development debt and interest	-	-	-	-	-	1,385,009	(257,191)	1,127,818
Development consultant fees net of current portion	24,000	-	-	-	-	-	-	24,000
Long-term debt net of current portion	-	-	-	8,697	-	-	-	8,697
Total long-term liabilities	24,000	-	-	8,697	-	1,395,859	(257,191)	1,171,365
NET ASSETS								
Parent interest in net assets	4,336,932	120,588	3,633	108,130	66	66	(358,634)	4,210,781
Non-controlling interest in net assets	-	-	-	-	-	2,587,033	-	2,587,033
Total net assets	4,336,932	120,588	3,633	108,130	66	2,587,099	(358,634)	6,797,814
Total liabilities and net assets	\$ 4,943,426	\$ 120,588	\$ 230,638	\$ 130,241	\$ 66	\$ 4,034,822	\$ (903,096)	\$ 8,556,685

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Parent		Subsidiaries (Unrestricted)				Eliminations	2015 Consolidated Total
	Unrestricted	Temporarily Restricted	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane, L.P.		
REVENUES AND OTHER SUPPORT:								
Federal government revenue	\$ 6,830,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,830,312
State and local government revenue	75,303	-	-	-	-	-	-	75,303
Other grant income	78,979	-	-	-	-	57,003	-	135,982
Fees and program income	96,994	-	7,740	407,829	-	4,431	-	516,994
Net rental income	-	-	-	-	-	171,211	-	171,211
Contributions	83,269	-	-	-	-	-	-	83,269
Gain (loss) on disposal of equipment	(54,797)	-	(71,442)	-	-	-	-	(126,239)
Interest income	9,754	-	-	-	-	2,272	-	12,026
Investment income (loss) - subsidiaries	-	-	(320)	-	(6)	-	326	-
Inkind contributions	393,179	-	-	-	-	-	-	393,179
Total revenues and other support before net assets released from restrictions	7,512,993	-	(64,022)	407,829	(6)	234,917	326	8,092,037
Net assets released from restrictions	17,227	(17,227)	-	-	-	-	-	-
Total revenue and other support	<u>7,530,220</u>	<u>(17,227)</u>	<u>(64,022)</u>	<u>407,829</u>	<u>(6)</u>	<u>234,917</u>	<u>326</u>	<u>8,092,037</u>
OPERATING EXPENSES:								
Community Services Block Grant	323,321	-	-	-	-	-	-	323,321
Energy assistance	1,594,446	-	-	-	-	-	-	1,594,446
Weatherization assistance program	584,888	-	-	-	-	-	-	584,888
Head Start	3,770,484	-	-	-	-	-	-	3,770,484
Family planning	853,489	-	-	-	-	-	-	853,489
Women, infants and children	255,819	-	-	-	-	-	-	255,819
Other programs	17,320	-	-	-	-	-	-	17,320
Management and general	30,681	-	-	-	-	-	-	30,681
Fundraising	7,701	-	-	-	-	-	-	7,701
Subsidiaries	-	-	24,593	408,149	-	296,950	-	729,692
Total operating expenses	<u>7,438,149</u>	<u>-</u>	<u>24,593</u>	<u>408,149</u>	<u>-</u>	<u>296,950</u>	<u>-</u>	<u>8,167,841</u>
Increase (decrease) in net assets before distributions and non-controlling interest	92,071	(17,227)	(88,615)	(320)	(6)	(62,033)	326	(75,804)
Transfers	-	-	5,000	(5,000)	-	-	-	-
Non-controlling interest in subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,027</u>	<u>62,027</u>
Increase (decrease) in net assets	92,071	(17,227)	(83,615)	(5,320)	(6)	(62,033)	62,353	(13,777)
NET ASSETS AT BEGINNING OF YEAR	<u>4,336,932</u>	<u>120,588</u>	<u>3,633</u>	<u>108,130</u>	<u>66</u>	<u>2,587,099</u>	<u>(2,945,667)</u>	<u>4,210,781</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,429,003</u>	<u>\$ 103,361</u>	<u>\$ (79,982)</u>	<u>\$ 102,810</u>	<u>\$ 60</u>	<u>\$ 2,525,066</u>	<u>\$ (2,883,314)</u>	<u>\$ 4,197,004</u>

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Parent		Subsidiaries (Unrestricted)				Eliminations	2014 Consolidated Total
	Unrestricted	Temporarily Restricted	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane, L.P.		
REVENUES AND OTHER SUPPORT:								
Federal government revenue	\$ 6,779,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,779,066
State and local government revenue	35,195	-	-	-	-	-	-	35,195
Other grant income	107,689	-	-	-	-	57,002	-	164,691
Fees and program income	92,513	-	13,551	394,638	-	2,983	-	503,685
Net rental income	-	-	-	-	-	165,480	-	165,480
Contributions	38,802	-	-	-	-	-	-	38,802
Gain (loss) on disposal of equipment	(2,000)	-	-	-	-	-	-	(2,000)
Interest income	14,227	-	-	-	-	2,233	-	16,460
Investment income (loss) - subsidiaries	-	-	23,130	-	(9)	-	(23,121)	-
Inkind contributions	490,089	-	-	-	-	-	-	490,089
Total revenues and other support before net assets released from restrictions	7,555,581	-	36,681	394,638	(9)	227,698	(23,121)	8,191,468
Net assets released from restrictions	17,227	(17,227)	-	-	-	-	-	-
Total revenue and other support	<u>7,572,808</u>	<u>(17,227)</u>	<u>36,681</u>	<u>394,638</u>	<u>(9)</u>	<u>227,698</u>	<u>(23,121)</u>	<u>8,191,468</u>
OPERATING EXPENSES:								
Community Services Block Grant	291,454	-	-	-	-	-	-	291,454
Energy assistance	1,755,048	-	-	-	-	-	-	1,755,048
Weatherization assistance program	548,006	-	-	-	-	-	-	548,006
Head Start	3,822,900	-	-	-	-	-	-	3,822,900
Family planning	702,652	-	-	-	-	-	-	702,652
Women, infants and children	254,115	-	-	-	-	-	-	254,115
Other programs	12,592	-	-	-	-	-	-	12,592
Management and general	80,904	-	-	-	-	-	-	80,904
Fundraising	7,709	-	-	-	-	-	-	7,709
Subsidiaries	-	-	30,549	371,508	-	327,305	-	729,362
Total operating expenses	<u>7,475,380</u>	<u>-</u>	<u>30,549</u>	<u>371,508</u>	<u>-</u>	<u>327,305</u>	<u>-</u>	<u>8,204,742</u>
Increase (decrease) in net assets before non-controlling interest	97,428	(17,227)	6,132	23,130	(9)	(99,607)	(23,121)	(13,274)
Non-controlling interest in subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,598</u>	<u>99,598</u>
Increase (decrease) in net assets	97,428	(17,227)	6,132	23,130	(9)	(99,607)	76,477	86,324
NET ASSETS AT BEGINNING OF YEAR	<u>4,239,504</u>	<u>137,815</u>	<u>(2,499)</u>	<u>85,000</u>	<u>75</u>	<u>2,686,706</u>	<u>(3,022,144)</u>	<u>4,124,457</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,336,932</u>	<u>\$ 120,588</u>	<u>\$ 3,633</u>	<u>\$ 108,130</u>	<u>\$ 66</u>	<u>\$ 2,587,099</u>	<u>\$ (2,945,667)</u>	<u>\$ 4,210,781</u>

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Parent	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane L.P.	Eliminations	2015 Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in net assets	\$ 74,844	\$ (83,615)	\$ (5,320)	\$ (6)	\$ (62,033)	\$ 326	\$ (75,804)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	266,929	613	5,824	-	161,938	-	435,304
(Gain) loss in disposal of equipment	54,797	71,442	-	-	-	-	126,239
(Gain) loss on investment in subsidiaries	-	320	-	6	-	(326)	-
Increase (decrease) in cash from changes in:							
Grants receivable	(4,627)	-	-	-	-	-	(4,627)
Other receivables	(59,377)	-	795	-	-	67,562	8,980
Inventory	295	-	-	-	-	-	295
Prepaid expenses and deposits	849	1,286	(1,763)	-	2,200	-	2,572
Due from PACE Ventures Holding, Inc.	-	-	-	-	-	-	-
Due from Ivy Lane	(696)	-	-	-	-	696	-
Accounts payable and accrued expenses	(22,775)	(1,002)	(1,007)	-	(59,465)	-	(84,249)
Advance Funds	(995)	-	-	-	-	-	(995)
Accrued payroll and payroll expenses	(89,892)	-	(807)	-	-	-	(90,699)
Accrued paid time off	2,995	-	-	-	-	-	2,995
Due to other funds	58,094	1,206	8,262	-	-	(67,562)	-
Net cash provided by (used in) operating activities	<u>280,441</u>	<u>(9,750)</u>	<u>5,984</u>	<u>-</u>	<u>42,640</u>	<u>696</u>	<u>320,011</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of certificates of deposit	(657)	-	-	-	-	-	(657)
Acquisition of property and equipment	(544,374)	-	(33,299)	-	-	-	(577,673)
Proceeds from sale of property and equipment	2,722	47,928	-	-	-	-	50,650
Increase (decrease) in restricted deposits and funded reserves	-	-	-	-	(22,929)	-	(22,929)
Net cash provided by (used in) investing activities	<u>(542,309)</u>	<u>47,928</u>	<u>(33,299)</u>	<u>-</u>	<u>(22,929)</u>	<u>-</u>	<u>(550,609)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from notes payable	-	-	11,112	-	-	-	11,112
Principal payments against notes payable	(23,227)	-	-	-	(15,615)	(696)	(39,538)
Net cash provided by (used in) financing activities	<u>(23,227)</u>	<u>-</u>	<u>11,112</u>	<u>-</u>	<u>(15,615)</u>	<u>(696)</u>	<u>(28,426)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(285,095)</u>	<u>38,178</u>	<u>(16,203)</u>	<u>-</u>	<u>4,096</u>	<u>-</u>	<u>(259,024)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>733,592</u>	<u>289</u>	<u>71,634</u>	<u>-</u>	<u>2,406</u>	<u>-</u>	<u>807,921</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 448,497</u>	<u>\$ 38,467</u>	<u>\$ 55,431</u>	<u>\$ -</u>	<u>\$ 6,502</u>	<u>\$ -</u>	<u>\$ 548,897</u>
Supplemental disclosures of Cash Flow Information							
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408</u>	<u>\$ -</u>	<u>\$ 9,122</u>	<u>\$ -</u>	<u>\$ 9,530</u>

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Parent	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane L.P.	Eliminations	2014 Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in net assets	\$ 80,201	\$ 6,132	\$ 23,130	\$ (9)	\$ (99,607)	\$ (23,121)	\$ (13,274)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	284,413	8,626	4,440	-	161,939	-	459,418
(Gain) loss in disposal of equipment	2,000	-	-	-	-	-	2,000
(Gain) loss on investment in subsidiaries	-	(23,130)	-	9	-	23,121	-
Increase (decrease) in cash from changes in:							
Grants receivable	(32,390)	-	-	-	-	-	(32,390)
Other receivables	7,243	15	6,854	-	20,381	(7,249)	27,244
Inventory	(150)	-	-	-	-	-	(150)
Prepaid expenses and deposits	(22,284)	(2,209)	(4)	-	2,200	-	(22,297)
Due from Ivy Lane	4,866	-	-	-	-	(4,866)	-
Accounts payable and accrued expenses	(27,752)	599	(786)	-	(60,941)	-	(88,880)
Advance Funds	1,394	-	-	-	-	-	1,394
Accrued payroll and payroll expenses	26,275	-	(3,526)	-	-	-	22,749
Accrued paid time off	8,183	-	-	-	-	-	8,183
Due to other funds	(8,426)	290	887	-	-	7,249	-
Net cash provided by (used in) operating activities	<u>323,573</u>	<u>(9,677)</u>	<u>30,995</u>	<u>-</u>	<u>23,972</u>	<u>(4,866)</u>	<u>363,997</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of certificates of deposit	(497)	-	-	-	-	-	(497)
Acquisition of property and equipment	(267,796)	-	(22,656)	-	-	-	(290,452)
Proceeds from sale of property and equipment	25,482	-	-	-	-	-	25,482
Increase (decrease) in restricted deposits and funded reserves	-	-	-	-	(15,831)	-	(15,831)
Net cash provided by (used in) investing activities	<u>(242,811)</u>	<u>-</u>	<u>(22,656)</u>	<u>-</u>	<u>(15,831)</u>	<u>-</u>	<u>(281,298)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from notes payable	-	-	8,697	-	-	-	8,697
Principal payments against notes payable	(28,594)	-	-	-	(11,568)	4,866	(35,296)
Net cash provided by (used in) financing activities	<u>(28,594)</u>	<u>-</u>	<u>8,697</u>	<u>-</u>	<u>(11,568)</u>	<u>4,866</u>	<u>(26,599)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,168	(9,677)	17,036	-	(3,427)	-	56,100
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	681,424	9,966	54,598	-	5,833	-	751,821
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 733,592</u>	<u>\$ 289</u>	<u>\$ 71,634</u>	<u>\$ -</u>	<u>\$ 2,406</u>	<u>\$ -</u>	<u>\$ 807,921</u>
Supplemental disclosures of Cash Flow Information							
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282</u>	<u>\$ -</u>	<u>\$ 9,600</u>	<u>\$ -</u>	<u>\$ 9,882</u>

See Independent Auditor's Report on Supplementary Information.

SINGLE AUDIT SECTION

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Head Start/EHS/T&TA	93.600	05CH8351/02 & 05CH8351-03-00	\$ 3,335,581
Passed through Indiana Housing & Community Development Authority			
Community Services Block Grant	93.569	CS-015-023	300,513
Community Services Block Grant	93.569	CS-015-023-D	13,114
Subtotal CFDA 93.569			313,627
Low-Income Home Energy Assistance	93.568	LI-015-023/LI-016-023	1,511,165
Low-Income Home Energy Assistance	93.568	WL-016-023/WL-015-023	330,914
Subtotal CFDA 93.568			1,842,079
Passed through Indiana Family Health Council			
Family Planning Title X	93.217	none	505,318
Family Planning Title V	93.994	none	78,127
Family Planning TXX	93.667	none	13,201
Family Planning TANF	93.558	none	69,752
CMS Navigator Funds	93.332	none	86,712
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Indiana State Department of Health			
Women, Infants & Children	10.557	A70-5-070659/14356	245,079
Women, Infants & Children (Peer Counselor)	10.557	A70-5-070659/14356	9,841
Subtotal CFDA 10.557			254,920
Child and Adult Care Food Program	10.558	1420061	138,607
U.S. DEPARTMENT OF ENERGY			
Passed through Indiana Housing & Community Development Authority			
Weatherization Assistance for Low-Income Persons	81.042	WX-014-023/WX-015-023	189,515
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Program:			
Emergency Food & Shelter National Board Program	97.024	LRO 270800-005	6,830,312
Total Expenditures of Federal Awards			\$ 13,657,751

See accompanying notes to Schedule of Expenditures of Federal Awards

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Client Name and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 – Energy Assistance Payments

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$1,234,375 of energy assistance payments that were disbursed by the Indiana Housing and Community Development Authority on behalf of the Organization during the year ended December 31, 2015.

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2014.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs for the year ended December 31, 2014.

**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
PACE Community Action Agency, Inc.

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 PACE Community Action Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PACE Community Action Agency, Inc.'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 PACE Community Action Agency, Inc.'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 organization'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 PACE Community Action Agency, Inc.'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.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
June 28, 2016

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

To the Board of Directors
PACE Community Action Agency, Inc.

Report on Compliance for Each Major Federal Program

We have audited PACE Community Action Agency, 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 PACE Community Action Agency, Inc.'s major federal programs for the year ended December 31, 2015. PACE Community Action Agency, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PACE Community Action Agency, 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 PACE Community Action Agency, 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 PACE Community Action Agency, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, PACE Community Action Agency, 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.

Report on Internal Control over Compliance

Management of PACE Community Action Agency, 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 PACE Community Action Agency, 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 PACE Community Action Agency, Inc.'s internal control over compliance.

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

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

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.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

June 28, 2016

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes No

Type of auditor’s report issued: Unmodified

Any audit findings disclosed required to be reported in accordance with 2 CFR section 200.516(a) Yes No

Program tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	U.S. Dept. of Health and Human Services - Head Start
97.024	U.S. Dept. of Energy - Weatherization

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2015.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs for the year ended December 31, 2015.