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April 13, 2018

Board of Directors  
Southwestern Indiana Regional Council on Aging, Inc.  
d/b/a SWIRCA & More  
16 W. Virginia St.  
Evansville, IN 47710

We have reviewed the report prepared by Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More and opined upon by Harding, Shymanski & Company, PSC, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More as of June 30, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 29 through 31. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, Harding, Shymanski & Company, PSC 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*  
Paul D. Joyce, CPA  
State Examiner

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

***Financial Report***

***June 30, 2016 and 2015***

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## INDEPENDENT AUDITOR'S REPORT



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

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and Consultants

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RSM US Alliance

Board of Directors  
Southwestern Indiana Regional Council on Aging, Inc.  
d/b/a SWIRCA & More

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More, a Not-for-Profit Corporation, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### ***Opinion***



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

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Wardrig, Szymanski & Company, P.S.C.*

Evansville, Indiana  
March 29, 2017

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

STATEMENTS OF FINANCIAL POSITION  
June 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Current Assets		
Cash	\$ 142,772	\$ 0
Accounts receivable		
Trade	47,931	100,830
Grants	1,154,613	949,263
Prepaid expenses and other current assets	44,560	24,776
<b>Total current assets</b>	<b>1,389,876</b>	1,074,869
Investments	288,730	269,019
Property and Equipment, Net	1,333,095	1,352,661
	<b>\$ 3,011,701</b>	<b>\$ 2,696,549</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Checks written against future deposits	\$ 0	\$ 77,431
Accounts payable	485,090	320,430
Notes payable	656,001	339,934
Current maturities of long-term debt	110,412	156,978
Accrued expenses and taxes	64,266	76,230
Deferred revenue	45,395	24,854
<b>Total current liabilities</b>	<b>1,361,164</b>	995,857
Long-Term Debt	333,345	390,331
Interest Rate Swap Agreement	5,660	11,644
	<b>339,005</b>	401,975
Net Assets		
Unrestricted	1,238,153	1,261,565
Temporarily restricted	73,379	37,152
	<b>1,311,532</b>	1,298,717
	<b>\$ 3,011,701</b>	<b>\$ 2,696,549</b>

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2016 and 2015

	2016	2015
Changes in unrestricted net assets		
Unrestricted support and revenue		
Federal grants	\$ 1,741,675	\$ 1,841,649
State grants	1,997,146	2,058,553
City grants	38,378	50,000
Medicaid revenue	904,017	986,182
Program revenue	252,930	278,551
Sponsorships and contributions	123,163	112,728
In-kind revenue	78,892	102,380
Fundraising	261,687	192,390
Other	67,615	83,667
Net unrestricted support and revenue	<u>5,465,503</u>	<u>5,706,100</u>
Other revenue (expense)		
Net assets released from restrictions	7,867	13,547
Dividends and interest	6,351	17,151
Investment losses	(8,803)	(20,403)
	<u>5,415</u>	<u>10,295</u>
Total unrestricted support and revenue	<u>5,470,918</u>	<u>5,716,395</u>
Functional expenses		
Nutrition	1,088,061	1,233,705
Case management	1,939,982	2,188,712
Independence services	1,328,059	1,340,784
Wellness and community programs	346,342	309,250
Total program expenses	<u>4,702,444</u>	<u>5,072,451</u>
Fundraising	348,024	257,498
General and administrative	449,846	440,973
Total fundraising, general, and administrative expenses	<u>797,870</u>	<u>698,471</u>
Total functional expenses	<u>5,500,314</u>	<u>5,770,922</u>
Change in unrestricted net assets	<u>(29,396)</u>	<u>(54,527)</u>
Changes in temporarily restricted net assets		
Contributions	44,094	12,499
Net assets released from restrictions	(7,867)	(13,547)
Increase in temporarily restricted assets	<u>36,227</u>	<u>(1,048)</u>
Increase (decrease) in net assets from operations	6,831	(55,575)
Gain on interest rate swap	5,984	8,403
Increase (decrease) in net assets	12,815	(47,172)
Net assets at beginning of year	1,298,717	1,345,889
Net assets at end of year	<u>\$ 1,311,532</u>	<u>\$ 1,298,717</u>

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 12,815	\$ (47,172)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	109,216	115,507
Investment losses	8,803	20,403
Gain on interest rate swap	(5,984)	(8,403)
Changes in assets and liabilities:		
Decrease (increase)		
Accounts receivable		
Trade	52,899	9,670
Grants	(205,350)	117,904
Prepaid expenses and other current assets	(19,784)	10,859
Increase (decrease)		
Accounts payable	75,010	(69,777)
Accrued expenses and taxes	(11,964)	(85,609)
Deferred revenue	20,541	7,668
	<u>36,202</u>	<u>71,050</u>
<b>Net cash provided by operating activities</b>	<b><u>36,202</u></b>	<b><u>71,050</u></b>
Cash Flows from Investing Activities		
Purchase of investments	<u>(28,514)</u>	<u>(4,149)</u>
Cash Flows from Financing Activities		
Net increase (decrease) in checks written against future deposits	(77,431)	77,431
Net borrowings (repayments) on notes payable	316,067	(63,379)
Principal payments on long-term borrowings	<u>(103,552)</u>	<u>(98,484)</u>
<b>Net cash provided by (used in) financing activities</b>	<b><u>135,084</u></b>	<b><u>(84,432)</u></b>
Net increase (decrease) in cash	142,772	(17,531)
Cash at beginning of year	<u>0</u>	<u>17,531</u>
Cash at end of year	<u>\$ 142,772</u>	<u>\$ 0</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	<u>\$ 39,503</u>	<u>\$ 44,711</u>
Supplemental Schedule of Noncash Investing Activities		
Property and equipment included in accounts payable	<u>\$ 89,650</u>	<u>\$ 10,678</u>

See notes to financial statements.

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

STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2016

	Programs				Supporting Services		Total Program and Supporting Services	
	Nutrition	Case Management	Independent Services	Wellness and Community	Total Program Services	Fundraising		General and Administrative
Salaries and benefits	\$ 469,280	\$ 1,784,900	\$ 109,874	\$ 177,542	\$ 2,541,596	\$ 142,420	\$ 235,658	\$ 2,919,674
Occupancy, rent, utilities, and depreciation	99,588	46,672	4,877	62,686	213,823	36,477	39,970	290,270
Telephone and postage	2,204	22,765	2,706	2,347	30,022	2,510	7,310	39,842
Contracted services	369,640	4,518	495	27,521	402,174	35,586	58,842	496,602
Supplies	57,784	22,948	1,147	11,140	93,019	42,954	26,802	162,775
Equipment	15,685	188	397	5,395	21,665	2,513	1,869	26,047
Mileage reimbursement and travel	42,409	55,995	1,931	816	101,151	10,207	3,223	114,581
Other	25,404	1,822	0	10,956	38,182	74,237	53,679	166,098
Repair and maintenance	6,067	174	0	144	6,385	920	13,670	20,975
Provider services	0	0	1,206,632	47,795	1,254,427	200	8,823	1,263,450
Total functional expenses	<u>\$ 1,088,061</u>	<u>\$ 1,939,982</u>	<u>\$ 1,328,059</u>	<u>\$ 346,342</u>	<u>\$ 4,702,444</u>	<u>\$ 348,024</u>	<u>\$ 449,846</u>	<u>\$ 5,500,314</u>

See notes to financial statements.

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

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)  
Year Ended June 30, 2015

	Programs				Supporting Services		Total Program and Supporting Services	
	Nutrition	Case Management	Independent Services	Wellness and Community	Total Program Services	Fundraising		General and Administrative
Salaries and benefits	\$ 514,925	\$ 1,916,631	\$ 94,895	\$ 106,893	\$ 2,633,344	\$ 101,666	\$ 227,601	\$ 2,962,611
Occupancy, rent, utilities, and depreciation	100,306	67,840	6,677	96,351	271,174	16,458	21,209	308,841
Telephone and postage	2,682	31,703	4,776	1,747	40,908	2,486	5,864	49,258
Contracted services	450,674	1,274	15	30,496	482,459	37,895	51,883	572,237
Supplies	70,556	36,622	1,261	8,970	117,409	37,123	26,259	180,791
Equipment	8,089	9,745	301	10,984	29,119	3,329	4,522	36,970
Mileage reimbursement and travel	64,562	63,816	2,413	1,418	132,209	2,412	3,938	138,559
Other	15,593	49,112	0	0	64,705	54,285	55,778	174,768
Repair and maintenance	6,318	11,363	0	1,170	18,851	1,779	16,157	36,787
Provider services	0	606	1,230,446	51,221	1,282,273	65	27,762	1,310,100
Total functional expenses	<u>\$ 1,233,705</u>	<u>\$ 2,188,712</u>	<u>\$ 1,340,784</u>	<u>\$ 309,250</u>	<u>\$ 5,072,451</u>	<u>\$ 257,498</u>	<u>\$ 440,973</u>	<u>\$ 5,770,922</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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***Note 1 – Nature of Activities and Significant Accounting Policies***

*Nature of Activities*

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

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

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

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

*Financial Statement Presentation*

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

*Unrestricted Net Assets*

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

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

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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

***Temporarily Restricted Net Assets***

Net assets subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

***Permanently Restricted Net Assets***

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

***Support and Expenses***

The Corporation reports on the accrual basis of accounting. Expenses are recorded when incurred and revenue is recognized at the net realizable amounts in the period earned.

Contributions received and unconditional promises to give cash and other assets are reported at fair value on the date the contribution or promise is received as an increase in net assets. The gifts are reported as either temporarily or permanently restricted if they are received with donor-imposed stipulations that limit the use of the donated assets. When a donor time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same reporting year as received are included unrestricted net assets.

Gifts of long-lived assets with restrictions on how the assets must be maintained or used and contributions with donor-imposed restrictions for the purchase of long-lived assets are considered to have met the restrictions upon the asset being placed in service, absent explicit donor stipulations on how long the assets must be maintained.

***Donated Services***

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

***Accounts Receivable***

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

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

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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

***Concentrations of Credit Risk***

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

***Investments and Risks and Uncertainties***

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

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

***Property, Equipment, and Depreciation***

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

***Long-Lived Assets***

Long-lived assets are reviewed for impairment in accordance with guidance issued by FASB. The Corporation records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Impairment losses are measured by comparing the estimated fair value of the assets to their carrying amount. There were no impairment losses for the years ended June 30, 2016 and 2015.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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

**Interest Rate Swap Contracts**

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

For the years ended June 30, 2016 and 2015, the change in fair value of these instruments was a gain of \$5,984 and \$8,403, respectively, which has been included in the statements of activities and changes in net assets.

**Functional Allocation of Expenses**

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

**Advertising**

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2016 and 2015 was \$28,550 and \$14,028, respectively.

**Subsequent Events Evaluation**

The Corporation has evaluated subsequent events through March 29, 2017, the date on which the financial statements were available to be issued.

**Use of Estimates**

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

**Reclassification**

Certain items in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 classifications.

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

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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

***Recently Issued Accounting Standards***

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, lessees will need to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Existing sale-leaseback guidance, including guidance for real estate, is replaced with a new model applicable to both lessees and lessors. The guidance in ASU 2016-02 is effective for non-public entities for annual reporting periods beginning after December 15, 2019 with early adoption permitted. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Corporation is currently evaluating the impact of this guidance on the financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018 for non-public companies. The Corporation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

***Note 2 – Investments***

Investment securities are recorded at fair market value. Investments consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 14,150	\$ 1,484
Bond funds	122,071	107,638
Equity securities	<u>152,509</u>	<u>159,897</u>
	<u>\$ 288,730</u>	<u>\$ 269,019</u>

The net investment losses for the years ended June 30, 2016 and 2015 were \$8,803 and \$20,403, respectively.

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

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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***Note 3 – Property and Equipment***

Property and equipment at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 106,348	\$ 106,348
Buildings	1,761,104	1,761,104
Computers	336,600	273,947
Equipment	<u>417,510</u>	<u>410,264</u>
	2,621,562	2,551,663
Accumulated depreciation	<u>(1,288,467)</u>	<u>(1,199,002)</u>
	<u><u>\$ 1,333,095</u></u>	<u><u>\$ 1,352,661</u></u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$109,216 and \$115,507, respectively.

***Note 4 – Notes Payable***

The Corporation has two operating lines of credit with maximum borrowings of \$534,000 and \$166,000. The notes provide for interest that is subject to change based on changes in an independent index which is the prime rate as published in the Wall Street Journal, they are secured by all personal property, and they are both due June 2017. The outstanding borrowings on the lines of credit at June 30, 2016 were \$490,001 and \$166,000, respectively.

At June 30, 2015, the Corporation had an operating line of credit with maximum borrowings of \$700,000. The note provided for interest that is subject to change based on changes in an independent index which is the prime rate as published in the Wall Street Journal, was secured by all personal property, and was due and paid in full June 2016. The outstanding borrowing on the line of credit at June 30, 2015 was \$339,934.

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

NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

***Note 5 – Long-Term Debt***

Long-term debt at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Bond payable to bank, 2.8%, \$8,200 monthly including interest, secured by certain property, due February 2020	(A) \$ 393,885	\$ 488,049
Note payable to bank, 5.8%, \$1,085 monthly including interest, secured by certain property, due October 2020	<u>49,872</u>	<u>59,260</u>
	443,757	547,309
Current maturities	<u>(110,412)</u>	<u>(156,978)</u>
	<u>\$ 333,345</u>	<u>\$ 390,331</u>

(A) As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, SWIRCA entered into an interest rate swap agreement for a portion of its floating rate debt. The agreement provides for SWIRCA to receive interest from the counterparty at a floating rate as determined weekly by the USD-LIBOR-BBA, which was approximately 2.8 percent at June 30, 2016 and to pay interest to the counterparty at a fixed rate of 5.5 percent thereafter on a notional amount of \$204,212. Under the agreement, SWIRCA pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement, which has a termination date of June 1, 2018, is recorded at its fair value, with subsequent changes in fair value included in the statements of activities and changes in net assets.

Long-term debt maturities are as follows:

2017	\$ 110,412
2018	116,914
2019	123,924
2020	88,189
2021	<u>4,318</u>
	<u>\$ 443,757</u>

Total interest expense for the years ended June 30, 2016 and 2015 was \$39,503 and \$44,711, respectively.

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

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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***Note 6 – Fair Value Measurements***

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

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

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

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

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

During the years ended June 30, 2016 and 2015, there were no changes to SWIRCA's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

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

NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

***Note 6 – Fair Value Measurements (Continued)***

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

*Money Market*

The fair value approximates the carrying amount because of the short maturity of their investments.

*Investment Securities*

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

*Interest Rate Swap Contract Liability*

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

At June 30, 2016 and 2015, the balances of assets and liabilities measured at fair value on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2016</u>				
Money market	\$ 14,150	\$ 14,150	\$ 0	\$ 0
Investment in available-for-sale securities				
Bond funds	122,071	122,071	0	0
Equity securities	152,509	152,509	0	0
Interest rate swap contract liability	5,660	0	5,660	0
 <u>June 30, 2015</u>				
Money market	\$ 1,484	\$ 1,484	\$ 0	\$ 0
Investment in available-for-sale securities				
Bond funds	107,638	107,638	0	0
Equity securities	159,897	159,897	0	0
Interest rate swap contract liability	11,644	0	11,644	0

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

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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***Note 7 – Tax Status***

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

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

The Corporation is subject to income tax examinations for its U.S. federal income taxes and state jurisdictions.

***Note 8 – Leases***

SWIRCA is obligated under operating leases for offices throughout the counties it serves. At June 30, 2016, aggregate future minimum rental payments required under these leases, which expire at various dates through November 2019, are as follows:

<u>Years Ending June 30,</u>	
2017	\$ 12,460
2018	14,208
2019	14,208
2020	<u>5,920</u>
	<u><u>\$ 46,796</u></u>

SWIRCA also leases certain property under short-term operating lease agreements. Total rental expense under all operating leases for the years ended June 30, 2016 and 2015 was \$23,185 and \$17,478, respectively.

***Note 9 – Concentration of Revenue***

SWIRCA participates in Federal grants, State grants, and the Medicaid program. Revenue derived from these programs as a percentage of unrestricted support and revenue for the year ended June 30, 2016 was 31, 35, and 15 percent, respectively. Revenue derived from these programs as a percentage of unrestricted support and revenue for the year ended June 30, 2015 was 32, 36, and 17 percent, respectively.

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

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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***Note 10 – Indiana Aging Alliance***

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

***--- SUPPLEMENTARY INFORMATION ---***

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Entity Identifying Number	Passed Through to Subreceipts	Total Expenditures
U.S. Department of Health and Human Services				
Pass-through programs from Indiana Family and Social Services Administration:				
<b>Aging Cluster</b>				
Nutrition Services Incentive Program	93.053	82-16-02-2326-01	\$ 0	\$ 151,972
Title III-B OAA Administration	93.044	82-16-0V-2326-01	0	115,932
Title III-B Social Services	93.044	82-16-0V-2326-03	18,409	304,780
Total Title III-B			18,409	420,712
Title III-C Nutrition - Congregate Meals	93.045	82-16-0V-2326-05	0	400,500
Title III-C Nutrition - Home Delivered Meals	93.045	82-16-0V-2326-07	0	153,677
Total Title III-C			0	554,177
<b>Total Aging Cluster</b>			18,409	1,126,861
Title III-D Preventative Health	93.043	82-16-0V-2326-09	0	21,595
Title III-E Family Caregivers	93.052	82-16-0V-2326-11	0	112,352
Title VII Ombudsman	93.042	82-16-2V-2326-03	15,039	15,039
Enhanced ADRC Sustainability Program Funds	93.048	82-15-SP-2326-04	0	4,822
Social Services Block Grant	93.667	82-16-0G-2326-01	0	461,006
			15,039	614,814
Total Department of Health and Human Services			\$ 33,448	\$ 1,741,675

See Notes to the Schedule of Expenditures of Federal Awards

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2016

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***Note 1 – Basis of Presentation***

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal grant activity of Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More (SWIRCA) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation.

***Note 2 – Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

***Note 3 – Indirect Cost Rate***

SWIRCA has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2016

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The prior year single audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior audit's *Summary of Prior Audit Findings*.

**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**



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

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Board of Directors  
Southwestern Indiana Regional Council on Aging, Inc.  
d/b/a SWIRCA & More

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More, a Not-for-Profit Corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2017.

***Internal Control Over Financial Reporting***

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

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

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



***Internal Control Over Financial Reporting (Continued)***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be significant deficiencies.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003.

***Purpose of this Report***

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

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

Evansville, Indiana  
March 29, 2017

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



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

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d/b/a SWIRCA & More

***Report on Compliance for Each Major Federal Program***

We have audited Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2016. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



***Auditor's Responsibility (Continued)***

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

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

***Report on Internal Control Over Compliance***

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Corporation'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 the Corporation's internal control over compliance.

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

***Report on Internal Control Over Compliance (Continued)***



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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003 that we consider to be a material weakness and a significant deficiency, respectively.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Evansville, Indiana  
March 29, 2017

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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**Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? Yes
- Significant deficiencies identified? Yes

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Award</u>
93.053	Nutrition Services Incentive Program (Aging Cluster)
93.044	Title III-B Administration and Social Services (Aging Cluster)
93.045	Title III-C Nutrition - Congregate and Home Delivered Meals (Aging Cluster)

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

Auditee qualified as low-risk auditee? Yes

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2016

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**Findings – Financial Statement Audit**

Significant Deficiency

2016-001      General Ledger Account Reconciliations

*Criteria and Condition:* Internal controls should be in place that permit the preparation of reliable financial statements and Federal reports, and that maintain accountability over assets. SWIRCA did not have sufficient standardized processes and controls surrounding the reconciliation of certain general ledger accounts. Various audit adjustments were required for reliable financial reporting in accordance with GAAP. These areas included but were not limited to accounts receivable, inventory, property and equipment, and net assets.

*Context:* Through substantive testing, it was determined that certain general ledger accounts did not reconcile with supporting documentation.

*Cause:* As a result of turnover within the finance and accounting department, sufficient processes or controls were not in place that require certain general ledger accounts to be reconciled to supporting schedules.

*Effect:* Because of the failure to reconcile all general ledger accounts, management may not be able to prepare reliable financial statements and Federal reports. It may also impair management's ability to maintain accountability over assets.

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

*Views of Responsible Officials:* SWIRCA agrees with the finding and the recommended procedures will be implemented for the year ending June 30, 2017.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2016

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**Findings and Questioned Costs – Major Federal Award Programs Audit**

Material Weakness

2016-002      Written Documentation of Policies and Procedures Related to Internal Controls Required Under  
2 CFR 200

*Criteria and Condition:* The *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires non-federal entities to have certain written policies and procedures surrounding the management of their award funds.

*Context:* Management was unable to provide written documentation policies and procedures related to internal controls when requested.

*Cause:* As a result of turnover within the finance and accounting department as well as an incomplete understanding of the requirements of the Uniform Guidance, management did not implement policies and procedures to ensure that written documentation was prepared and maintained during the year ended June 30, 2016.

*Effect:* Due to the failure to maintain written internal control documentation over compliance, management may not be able to properly determine that costs are allowable prior to claiming funds. Written procedures must address how the Corporation's costs that are incurred under the Federal programs are allowable in accordance with the cost principles of the Uniform Guidance.

*Recommendation:* We recommend that management document written policies and procedures of its internal controls over compliance specific to cash management, allowable costs, conflict of interest, and procurement.

*Views of Responsible Officials:* SWIRCA agrees with the findings and have taken steps to ensure that internal controls over compliance are documented beginning January 1, 2017.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2016

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**Findings and Questioned Costs – Major Federal Award Programs Audit (Continued)**

Significant Deficiency

2016-003      Written Documentation of Approval Related to Certain Allowable Costs

*Criteria and Condition:* The calculation and approval of allowable costs should be supported by written documentation in all circumstances.

*Context:* Through compliance testing, it was determined that certain costs claimed under the Federal programs were reviewed and approved verbally but not evidenced through written documentation.

*Cause:* As a result of turnover within the finance and accounting department, management did not document or were unable to locate written approvals for certain incurred costs.

*Effect:* In the absence of written documented approvals, it is possible that certain incurred costs could be improperly claimed through the Federal programs.

*Recommendation:* We recommend that management develop written policies and procedures to ensure that all incurred costs claimed through the Federal programs are appropriately supported with written documentation including documented approvals for cost allocations.

*Views of Responsible Officials:* SWIRCA agrees with the findings and are evaluating its processes and procedures to ensure that all costs claimed under the Federal programs are calculated and approved with proper written documentation.