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June 12, 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, 2016 to June 30, 2017. 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, 2017 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 30. 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, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT



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

Certified Public Accountants
and Consultants

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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, 2017 and 2016, 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, 2017 and 2016, 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

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 January 24, 2018, 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, Skymanski & Company, P.S.C.

Evansville, Indiana
January 24, 2018

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

STATEMENTS OF FINANCIAL POSITION
 June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash	\$ 15,645	\$ 142,772
Accounts receivable		
Trade	89,164	47,931
Grants	1,088,301	1,154,613
Prepaid expenses and other current assets	<u>40,378</u>	<u>44,560</u>
Total current assets	1,233,488	1,389,876
Investments	313,672	288,730
Property and Equipment, Net	<u>1,259,366</u>	<u>1,333,095</u>
	<u>\$ 2,806,526</u>	<u>\$ 3,011,701</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 558,927	\$ 485,090
Notes payable	0	656,001
Current maturities of long-term debt	25,498	110,412
Accrued expenses and taxes	99,490	69,926
Deferred revenue	<u>40,333</u>	<u>45,395</u>
Total current liabilities	724,248	1,366,824
Long-Term Debt	<u>709,889</u>	<u>333,345</u>
Net Assets		
Unrestricted	1,302,030	1,238,153
Temporarily restricted	<u>70,359</u>	<u>73,379</u>
	<u>1,372,389</u>	<u>1,311,532</u>
	<u>\$ 2,806,526</u>	<u>\$ 3,011,701</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 ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2017 and 2016

	2017	2016
Changes in unrestricted net assets		
Unrestricted support and revenue		
Federal grants	\$ 1,947,037	\$ 1,741,675
State grants	1,574,086	1,997,146
City grants	26,877	38,378
Medicaid revenue	916,703	904,017
Program revenue	253,063	252,930
Sponsorships and contributions	162,418	123,163
In-kind revenue	90,153	78,892
Fundraising	207,965	261,687
Other	342,985	273,581
Net unrestricted support and revenue	<u>5,521,287</u>	<u>5,671,469</u>
Other revenue (expense)		
Net assets released from restrictions	5,041	7,867
Dividends and interest	11,443	6,351
Investment gains (losses)	23,912	(8,803)
	<u>40,396</u>	<u>5,415</u>
Total unrestricted support and revenue	<u>5,561,683</u>	<u>5,676,884</u>
Functional expenses		
Nutrition	1,042,861	1,088,061
Case management	1,996,674	1,939,982
Independence services	1,337,463	1,328,059
Wellness and community programs	256,004	346,342
Total program expenses	<u>4,633,002</u>	<u>4,702,444</u>
Fundraising	268,626	348,024
General and administrative	596,178	649,828
Total fundraising, general, and administrative expenses	<u>864,804</u>	<u>997,852</u>
Total functional expenses	<u>5,497,806</u>	<u>5,700,296</u>
Change in unrestricted net assets	<u>63,877</u>	<u>(23,412)</u>
Changes in temporarily restricted net assets		
Contributions	2,021	44,094
Net assets released from restrictions	(5,041)	(7,867)
Increase (decrease) in temporarily restricted net assets	<u>(3,020)</u>	<u>36,227</u>
Increase in net assets	60,857	12,815
Net assets at beginning of year	1,311,532	1,298,717
Net assets at end of year	<u>\$ 1,372,389</u>	<u>\$ 1,311,532</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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 60,857	\$ 12,815
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	102,682	109,216
Investment (gains) losses	(23,912)	8,803
Changes in assets and liabilities:		
Decrease (increase)		
Accounts receivable		
Trade	(41,233)	52,899
Grants	66,312	(205,350)
Prepaid expenses and other current assets	4,182	(19,784)
Increase (decrease)		
Accounts payable	163,487	75,010
Accrued expenses and taxes	29,564	(17,948)
Deferred revenue	(5,062)	20,541
	<u>356,877</u>	<u>36,202</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Net purchase of investments	(1,030)	(28,514)
Purchase of property and equipment	(118,603)	0
	<u>(119,633)</u>	<u>(28,514)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities		
Net decrease in checks written against future deposits	0	(77,431)
Net borrowings (repayments) on notes payable	(656,001)	316,067
Principal payments on long-term borrowings	(458,370)	(103,552)
Proceeds from long-term borrowings	750,000	0
	<u>(364,371)</u>	<u>135,084</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash	(127,127)	142,772
Cash at beginning of year	142,772	0
Cash at end of year	<u>\$ 15,645</u>	<u>\$ 142,772</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	<u>\$ 40,704</u>	<u>\$ 39,503</u>
Supplemental Schedule of Noncash Investing Activities		
Property and equipment included in accounts payable	<u>\$ (89,650)</u>	<u>\$ 89,650</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, 2017

	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	\$ 434,890	\$ 1,811,496	\$ 52,894	\$ 94,401	\$ 2,393,681	\$ 122,288	\$ 175,181	\$ 2,691,150
Occupancy, rent, utilities, and depreciation	133,865	96,143	5,922	71,309	307,239	40,468	223,395	571,102
Telephone and postage	1,975	19,972	2,021	1,489	25,457	2,055	6,985	34,497
Contracted services	334,275	4,454	0	28,829	367,558	24,918	57,122	449,598
Supplies	46,883	16,095	394	5,439	68,811	34,754	23,626	127,191
Equipment	12,147	0	0	2,205	14,352	336	2,594	17,282
Mileage reimbursement and travel	42,010	46,805	4,270	230	93,315	3,525	3,838	100,678
Other	29,498	1,649	0	8,895	40,042	39,550	77,007	156,599
Repair and maintenance	7,318	60	0	0	7,378	309	15,204	22,891
Provider services	0	0	1,271,962	43,207	1,315,169	423	11,226	1,326,818
Total functional expenses	\$ 1,042,861	\$ 1,996,674	\$ 1,337,463	\$ 256,004	\$ 4,633,002	\$ 268,626	\$ 596,178	\$ 5,497,806

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, 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	239,952	490,252
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	\$ 1,088,061	\$ 1,939,982	\$ 1,328,059	\$ 346,342	\$ 4,702,444	\$ 348,024	\$ 649,828	\$ 5,700,296

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, 2017 and 2016

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, 2017 and 2016

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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

Accounts Receivable

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

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, 2017 and 2016.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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

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, 2017 and 2016 was \$13,848, and \$28,550, respectively.

Subsequent Events Evaluation

The Corporation has evaluated subsequent events through January 24, 2018, 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, 2016 financial statements have been reclassified to conform to the June 30, 2017 classifications.

Recent Accounting Pronouncements

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, and interim periods for years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact the adoption of this guidance will have on the 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, 2017 and 2016

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

Recent Accounting Pronouncements (Continued)

Revenue Recognition from Contracts with Customers

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. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Company will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. ASU 2014-09, as deferred by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Company has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

Presentation of Financial Statements

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the impact the adoption of this guidance will have on its 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, 2017 and 2016

Note 2 – Investments

Investment securities are recorded at fair market value. Investments consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 8,784	\$ 14,150
Bond funds	99,656	122,071
Equity securities	<u>205,232</u>	<u>152,509</u>
	<u>\$ 313,672</u>	<u>\$ 288,730</u>

The net investment gain for the year ended June 30, 2017 was \$23,912. The net investment loss for the year ended June 30, 2016 was \$8,803.

Note 3 – Property and Equipment

Property and equipment at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 106,348	\$ 106,348
Buildings	1,761,104	1,761,104
Computers	342,009	336,600
Equipment	<u>441,053</u>	<u>417,510</u>
	2,650,514	2,621,562
Accumulated depreciation	<u>(1,391,148)</u>	<u>(1,288,467)</u>
	<u>\$ 1,259,366</u>	<u>\$ 1,333,095</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$102,682 and \$109,216, respectively.

Note 4 – Notes Payable

The Corporation has an operating line of credit with maximum borrowings of \$500,000. The note provides for interest that is subject to change based on changes in an independent index which is the prime rate as published in the Wall Street Journal, is secured by all personal property, and is due March 2018. There were no outstanding borrowings on the line of credit at June 30, 2017.

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

NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

Note 4 – Notes Payable (Continued)

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

Note 5 – Long-Term Debt

Long-term debt at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Note payable to bank, 3.95%, \$4,547 monthly including interest with a balloon payment of \$565,550 at maturity, secured by certain property, due November 2023	(A) \$ 735,387	\$ 0
Bond payable to bank, 2.8%, \$8,200 monthly including interest, secured by certain property, due February 2020, refinanced with another bank and paid-off in full during fiscal year 2017	0	393,885
Note payable to bank, 5.8%, \$1,085 monthly including interest, secured by certain property, due October 2020, refinanced with another bank and paid-off in full during fiscal year 2017	<u>0</u>	<u>49,872</u>
	735,387	443,757
Current maturities	<u>(25,498)</u>	<u>(110,412)</u>
	<u>\$ 709,889</u>	<u>\$ 333,345</u>

(A) The note contains certain financial and non-financial covenants, including minimum debt service. At June 30, 2017, the Corporation was in violation of certain covenants. The Corporation has obtained a waiver for violation of this covenant.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note 5 – Long-Term Debt (Continued)

Long-term debt maturities are as follows:

2018	\$ 25,498
2019	26,622
2020	27,634
2021	28,835
2022	30,012
Thereafter	<u>596,786</u>
	<u>\$ 735,387</u>

Total interest expense for the years ended June 30, 2017 and 2016 was \$40,704 and \$39,503, respectively.

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.

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

NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

Note 6 – Fair Value Measurements (Continued)

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, 2017 and 2016, 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.

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

Money Market Funds

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.

At June 30, 2017 and 2016, 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, 2017</u>				
Money market funds	\$ 8,784	\$ 8,784	\$ 0	\$ 0
Investment in available-for-sale securities				
Bond funds	99,656	99,656	0	0
Equity securities	205,232	205,232	0	0
<u>June 30, 2016</u>				
Money market funds	\$ 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

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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, 2017, aggregate future minimum rental payments required under these leases, which expire at various dates through September 2021, are as follows:

<u>Years Ending June 30,</u>	
2018	\$ 14,309
2019	14,208
2020	14,208
2021	14,207
2022	<u>3,552</u>
	<u>\$ 60,484</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, 2017 and 2016 was \$20,755 and \$23,185, respectively.

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

NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

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 years ended June 30, 2017 and 2016 are as follows:

<u>Revenue Program</u>	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>Percent to Total Earned Revenues</u>	<u>Amount</u>	<u>Percent to Total Earned Revenues</u>
Federal grants	\$ 1,947,037	35%	\$ 1,741,675	31%
State grants	1,574,086	28%	1,997,146	35%
Medicaid program	916,703	16%	904,017	16%
	<u>\$ 4,437,826</u>	<u>79%</u>	<u>\$ 4,642,838</u>	<u>82%</u>

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, 2017

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subreceipts</u>	<u>Total Expenditures</u>
U.S. Department of Health and Human Services				
Pass-through programs from Indiana Family and Social Services Administration:				
Aging Cluster				
Nutrition Services Incentive Program	93.053	82-16-02-2326-02	\$ 0	\$ 139,644
Title III-B OAA Administration	93.044	82-16-0V-2326-02	0	115,587
Title III-B Social Services	93.044	82-16-0V-2326-04	18,409	305,897
Total Title III-B			18,409	421,484
Title III-C Nutrition - Congregate Meals	93.045	82-16-0V-2326-06	0	414,454
Title III-C Nutrition - Home Delivered Meals	93.045	82-16-0V-2326-08	0	169,038
Total Title III-C			0	583,492
Total Aging Cluster			18,409	1,144,620
Title III-D Preventative Health	93.043	82-16-0V-2326-10	0	21,530
Title III-E Family Caregivers	93.052	82-16-0V-2326-12	0	129,368
Title VII Ombudsman	93.042	82-16-2V-2326-04	15,039	14,558
Pre-Admission Screening	93.778	82-17-KM-2326-02	0	19,713
Waiver Intake	93.791	82-17-KM-2326-01	0	81,699
Money Follows the Person	93.791	82-17-AD-2326-01	0	75,989
Social Services Block Grant	93.667	82-16-0G-2326-01	0	459,560
			15,039	802,417
Total Department of Health and Human Services			\$ 33,448	\$ 1,947,037

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, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More (Corporation) under programs of the federal government for the year ended June 30, 2017. 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

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



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

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

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

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 (Corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated JANUARY 24, 2018.

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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 items 2017-001 and 2017-002 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Corporation's Response to Findings

The Corporation's response to the 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 the financial statement and, accordingly, we express no opinion on it.

**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)**



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.

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

Evansville, Indiana
January 24, 2018

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



**HARDING, SHYMANSKI
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Report on Compliance for Each Major Federal Program

We have audited Southwestern Indiana Regional Council on Aging, Inc. d/b/a SWIRCA & More's (Corporation) 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, 2017. 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.

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.

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

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, 2017.

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.

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.

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)



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

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

Evansville, Indiana
January 24, 2018

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, 2017

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? No
- Significant deficiencies identified? None reported

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)
93.667	Social Services Block Grant

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

Auditee qualified as low-risk auditee? No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2017

Findings – Financial Statement Audit

Significant Deficiency

2017-001 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 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.

Identification of Repeat Findings: This finding was identified in the prior year audit, Finding 2016-001. See *Summary Schedule of Prior Audit Findings*, Finding 2016-001.

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 plans to have monthly reconciliation procedures implemented for the year ending June 30, 2018.

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, 2017

Findings – Financial Statement Audit (Continued)

Significant Deficiency

2017-002 Internal Controls over Federal Grant Schedule

Criteria and Condition: Internal controls should be in place that permit the preparation of an accurate schedule of the expenditures of Federal Awards (SEFA). SWIRCA omitted some Federal Awards, and inaccurately presented these grants as state awards. Also, several errors were noted in the amounts reported as awarded during the fiscal year.

Context: Management was unable to provide an accurate SEFA schedule without auditor's assistance.

Cause: As a result of turnover within the finance and accounting department, sufficient processes or controls were not in place for the SEFA to be reconciled to the general ledger and accurately presented based on actual federal awards expended.

Effect: The determination of which major programs will be audited are affected by the accuracy of the SEFA at the time of audit. Failure to develop internal controls over reporting could jeopardize future federal funding and report its financial information inaccurately.

Recommendation: We recommend internal controls be designed to prevent, detect, and correct errors on the SEFA in a timely manner.

Views of Responsible Officials: SWIRCA agrees with the findings and plans to monitor the SEFA schedule monthly as part of the claims process for the year ending June 30, 2018.

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, 2017

Findings and Questioned Costs – Major Federal Award Programs Audit

No matters were reported.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Summary Schedule of Prior Audit Findings

Finding 2016-001 General Ledger Account Reconciliations

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

Current Status: Although some of the balance sheet accounts were properly reconciled (inventory and property and equipment), there were still several accounts that required audit adjustments, including accounts receivable and net assets. See current year Finding 2017-001.

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

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.

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.

Current Status: The recommendation was adopted in fiscal year 2017. No similar findings were noted in the 2017 audit.

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

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

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.

Current Status: The recommendation was adopted in fiscal year 2017. No similar findings were noted in the 2017 audit.