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October 21, 2021

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

We have reviewed the audit report of North Central Community Action Agency, Inc., which was opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of North Central Community Action Agency, Inc. as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Cullar & Associates, PC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

FINANCIAL AND COMPLIANCE REPORT

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

December 31, 2019 and 2018

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of North Central Community Action Agencies, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Central Community Action Agencies, Inc. as of December 31, 2019 and 2018, 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.

Report on Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of North Central Community Action Agencies, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Community Action Agencies, Inc.'s internal control over financial reporting and compliance.

Cullen & Associates, P.C.

South Bend, Indiana
September 21, 2020

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 266,791	\$ 304,226
Promises to give	222,067	159,125
Property and equipment	<u>248,873</u>	<u>257,535</u>
<i>Total assets</i>	<u>\$ 737,731</u>	<u>\$ 720,886</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 72,266	\$ 76,606
Deferred revenue	<u>5,505</u>	<u>5,505</u>
<i>Total liabilities</i>	<u>77,771</u>	<u>82,111</u>
Net Assets:		
Without donor restrictions:		
Undesignated	346,540	325,319
Investment in property and equipment	<u>248,873</u>	<u>257,535</u>
	<u>595,413</u>	<u>582,854</u>
With donor restrictions:		
Purpose restricted	<u>64,547</u>	<u>55,921</u>
<i>Total net assets</i>	<u>659,960</u>	<u>638,775</u>
<i>Total liabilities and net assets</i>	<u>\$ 737,731</u>	<u>\$ 720,886</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenues:						
Grants and contracts	\$ 4,478,987	\$ 132,490	\$ 4,611,477	\$ 4,617,752	\$ 85,098	\$ 4,702,850
Contributions	16,623	-	16,623	12,772	-	12,772
Other income	88	-	88	1,515	-	1,515
Interest income	142	-	142	116	-	116
Net assets released from restrictions	123,864	(123,864)	-	69,210	(69,210)	-
<i>Total support and revenues</i>	<u>4,619,704</u>	<u>8,626</u>	<u>4,628,330</u>	<u>4,701,365</u>	<u>15,888</u>	<u>4,717,253</u>
Expenses and Losses:						
Program services expenses:						
Energy assistance	2,966,869	-	2,966,869	3,084,580	-	3,084,580
Weatherization	903,298	-	903,298	1,013,550	-	1,013,550
Housing	13,753	-	13,753	10,877	-	10,877
Youth programs	14,602	-	14,602	11,494	-	11,494
Ramp program	55,540	-	55,540	48,338	-	48,338
Vision program	13,721	-	13,721	7,301	-	7,301
Community agencies support	51,351	-	51,351	51,476	-	51,476
<i>Total program services expenses</i>	<u>4,019,134</u>	<u>-</u>	<u>4,019,134</u>	<u>4,227,616</u>	<u>-</u>	<u>4,227,616</u>
Supporting services expenses:						
Management and general	581,761	-	581,761	479,395	-	479,395
Loss on sale of property and equipment	6,250	-	6,250	-	-	-
<i>Total expenses and losses</i>	<u>4,607,145</u>	<u>-</u>	<u>4,607,145</u>	<u>4,707,011</u>	<u>-</u>	<u>4,707,011</u>
Change in net assets	12,559	8,626	21,185	(5,646)	15,888	10,242
Net assets, beginning of year	582,854	55,921	638,775	588,500	40,033	628,533
<i>Net assets, end of year</i>	<u>\$ 595,413</u>	<u>\$ 64,547</u>	<u>\$ 659,960</u>	<u>\$ 582,854</u>	<u>\$ 55,921</u>	<u>\$ 638,775</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Energy Assistance	Weatherization	Housing	Youth Programs	Ramp Program	Vision Program	Community Agencies Support	Management and General	Totals
Salaries and wages	\$ 89,383	\$ 339,712	\$ 1,095	\$ 5,844	\$ 4,080	\$ 5,496	\$ -	\$ 402,292	\$ 847,902
Employee benefits	14,121	57,906	45	-	-	-	-	52,578	124,650
Payroll taxes	7,993	25,320	96	517	298	486	-	32,406	67,116
<i>Total personnel</i>	111,497	422,938	1,236	6,361	4,378	5,982	-	487,276	1,039,668
Direct client assistance	2,698,299	331,189	12,059	-	-	-	-	284	3,041,831
Training	784	9,974	-	-	-	-	-	784	11,542
Contracts	39,103	3,619	-	1,500	-	-	51,351	2,079	97,652
Temporary staffing	55,557	-	-	-	-	-	-	-	55,557
Occupancy	11,421	8,587	333	-	-	-	-	18,031	38,372
Communications	6,596	8,498	-	-	-	-	-	6,916	22,010
Postage	3,678	665	-	-	-	-	-	412	4,755
Equipment and supplies	26,441	61,952	-	6,122	50,043	6,065	-	21,052	171,675
Professional fees	25	91	-	-	-	-	-	15,329	15,445
Conferences and travel	4,887	18,003	-	619	1,119	1,674	-	3,111	29,413
Insurance	6,963	16,259	125	-	-	-	-	9,164	32,511
Dues and subscriptions	1,328	2,657	-	-	-	-	-	1,596	5,581
Depreciation	-	18,286	-	-	-	-	-	13,018	31,304
Other	290	580	-	-	-	-	-	2,709	3,579
<i>Totals</i>	<u>\$ 2,966,869</u>	<u>\$ 903,298</u>	<u>\$ 13,753</u>	<u>\$ 14,602</u>	<u>\$ 55,540</u>	<u>\$ 13,721</u>	<u>\$ 51,351</u>	<u>\$ 581,761</u>	<u>\$ 4,600,895</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Energy <u>Assistance</u>	<u>Weatherization</u>	<u>Housing</u>	Youth <u>Programs</u>	Ramp <u>Program</u>	Vision <u>Program</u>	Community Agencies <u>Support</u>	Management <u>and General</u>	<u>Totals</u>
Salaries and wages	\$ 105,972	\$ 295,841	\$ 861	\$ 5,061	\$ 180	\$ 3,534	\$ -	\$ 308,042	\$ 719,491
Employee benefits	9,180	46,441	45	-	-	-	-	32,099	87,765
Payroll taxes	<u>9,028</u>	<u>24,850</u>	<u>77</u>	<u>504</u>	<u>18</u>	<u>352</u>	-	<u>25,446</u>	<u>60,275</u>
<i>Total personnel</i>	124,180	367,132	983	5,565	198	3,886	-	365,587	867,531
Direct client assistance	2,845,640	491,423	8,011	600	-	-	-	-	3,345,674
Training	278	5,781	-	-	-	-	-	278	6,337
Contracts	32,825	12,630	-	2,500	-	-	51,476	-	99,431
Occupancy	12,026	14,882	931	-	-	-	-	17,970	45,809
Communications	5,011	9,111	-	-	-	-	-	6,796	20,918
Postage	2,201	958	-	-	-	2	-	1,008	4,169
Equipment and supplies	19,559	69,346	-	2,829	46,184	2,192	-	15,011	155,121
Professional fees	234	295	201	-	-	-	-	15,492	16,222
Conferences and travel	4,923	16,426	-	-	1,956	1,221	-	1,987	26,513
Insurance	6,730	13,652	751	-	-	-	-	7,858	28,991
Dues and subscriptions	1,439	2,552	-	-	-	-	-	1,410	5,401
Depreciation	-	-	-	-	-	-	-	31,092	31,092
Other	<u>29,534</u>	<u>9,362</u>	-	-	-	-	-	<u>14,906</u>	<u>53,802</u>
<i>Totals</i>	<u>\$ 3,084,580</u>	<u>\$ 1,013,550</u>	<u>\$ 10,877</u>	<u>\$ 11,494</u>	<u>\$ 48,338</u>	<u>\$ 7,301</u>	<u>\$ 51,476</u>	<u>\$ 479,395</u>	<u>\$ 4,707,011</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

Change in Cash and Cash Equivalents:	<u>2019</u>	<u>2018</u>
Cash Flows from Operation Activities:		
Cash from grants and contracts and contributions	\$ 1,892,875	\$ 1,887,462
Cash from other income	88	1,515
Cash from interest income	142	116
Cash paid to employees, vendors, and others	<u>(1,901,648)</u>	<u>(1,839,862)</u>
<i>Net cash provided by (used in) operations</i>	<u>(8,543)</u>	<u>49,231</u>
 Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	5,113	-
Purchase of equipment	<u>(34,005)</u>	<u>-</u>
<i>Net cash (used in) investing activities</i>	<u>(28,892)</u>	<u>-</u>
 Net change in cash and cash equivalents		
	(37,435)	49,231
Cash and cash equivalents, beginning of year	<u>304,226</u>	<u>254,995</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 266,791</u>	<u>\$ 304,226</u>
 Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operations		
Change in net assets	\$ 21,185	\$ 10,242
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on sale of property and equipment	6,250	-
Depreciation	31,304	31,092
Change in assets and liabilities:		
Promises to give	(62,942)	16,036
Accounts payable and accrued liabilities	(4,340)	(2,039)
Deferred revenue	<u>-</u>	<u>(6,100)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>\$ (8,543)</u>	<u>\$ 49,231</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

North Central Community Action Agencies, Inc. (the Organization, we, us, our) is an Indiana nonprofit corporation that administers programs providing assistance to low-income persons in Northwest Indiana. Our operations are supported primarily by grants from governmental agencies and from the public. We fulfill our mission by focusing our efforts in the following areas:

- *Energy Assistance* – Our program offers energy assistance payments to eligible households in a three-county area (LaPorte, Pulaski, and Starke Counties) to meet the cost of home energy bills through the heating months. Households must qualify according to the current guidelines as established by the federal government. Persons applying for the program are interviewed to determine their eligibility, family size, utility cost, and type of heating fuel they utilize. Energy education is also provided.
- *Weatherization* – Our program provides weatherization home improvements for low-income persons in a seven-county area (Cass, Jasper, LaPorte, Newton, Porter, Pulaski, and Starke Counties). The Weatherization Assistance program assists families with home modifications that help conserve energy and lower heating bills. The program tailors work and provides client education to meet the needs of each household. This includes repair or replacement of furnaces, sealing air leaks, insulation, and other energy efficiency repairs that are among the improvements available to single and multi-family dwellings. Staff tests homes before and after the work is completed to evaluate its effectiveness.
- *Housing* – Our program provides rent benefits to low-income persons in the Michigan City area.
- *Youth Programs* – Programs for youth development including before and after-school and summer recreation and education programs.
- *Ramp Program* – Our program builds ramps and other accommodations for elderly and handicapped individuals in LaPorte County.
- *Vision Program* – We provide free vision screening services in schools in LaPorte County.
- *Community Agencies Support* – We provide support to nonprofit organizations that share our same mission in Pulaski and Starke counties.

Significant Accounting Policies:

Use of Estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. An estimate that is particularly susceptible to change in the near-term is revenue earned from cost-reimbursement awards. The majority of our revenue is earned on such awards from governmental agencies that are governed by federal and State cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

In addition, the allocation of costs among program and supporting services is a significant estimate.

Net Asset Classes:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity; however, we have not had any such donor-imposed restrictions. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents:

We consider all time deposits, certificates of deposit, and all highly liquid debt instruments with an original maturity of three months or less and that are neither held for nor restricted by donors for long-term purposes to be cash equivalents.

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value, using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written-off when deemed uncollectable.

Property and Equipment:

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

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

We review the carrying values of property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent that carrying value exceeds the fair value of the assets.

Revenue and Revenue Recognition:

As discussed later in this note, effective January 1, 2019, we adopted new revenue recognition guidance using the modified retrospective transition method, applying the guidance to contracts with customers that were not substantially complete at that date.

Contributions and grants-

The majority of our revenue is earned under cost-reimbursement awards from government agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as deferred revenue in the statements of financial position. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Other types of contributions and grants are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. We consider all contributions to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Contributions and grants expected to be collected within one year are recorded at net realizable value. Contributions and grants expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the periods in which the promises are received. Amortization of the discounts is included in contributions revenues. Conditional promises to give are not recognized as revenues until the conditions are substantially met.

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. Our policy is to sell donated securities as soon as practical after receipt. Contributions of property and equipment are recorded at fair value at the date of contribution, and are reported as increases in net assets without donor restrictions unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as net assets with donor restrictions. Absent donor stipulations regarding how long such donated assets must be maintained, we report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. We reclassify net assets with donor restrictions to net assets without donor restrictions at that time.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Contributed goods are recorded at fair value at the date contributed. Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their fair value in the period received. No contributed services were recognized as revenue in either 2019 or 2018.

The Indiana Housing and Community Development Authority (IHCDA) makes energy assistance payments for participants in the Energy Assistance Program directly to the energy providers on behalf of entities administering the program. Because we perform all intake functions and are liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers are recorded as both grants revenue and direct client assistance expense in the accompanying financial statements. We recognized \$2,672,283 and \$2,838,096 of revenue and expense in 2019 and 2018, respectively, for such payments made by IHCDA.

Functional Allocation of Expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, employee benefits, payroll taxes, communications, equipment and supplies, professional fees, conferences and travel, insurance, and others, which are allocated on the basis of estimates of time and effort or other factors driving expenses.

Income Taxes:

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

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. We have not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. We classify interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at either December 31, 2019 or 2018, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2016.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Financial Instruments and Credit Risk:

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies.

Recent Accounting Pronouncements and Accounting Changes:

Effective January 1, 2019, we adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which superseded most revenue recognition guidance as well as certain cost recognition guidance. That update, together with other clarifying updates, requires that the recognition of revenue for the transfer of goods or services to customers reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The update also requires additional qualitative and quantitative disclosures about the nature, amount, timing, and uncertainty of revenues and cash flows arising from customer contracts, including significant judgments and changes in judgments and information about contract balances and performance obligations.

We adopted the new revenue recognition guidance using the modified retrospective method for contracts not substantially complete at January 1, 2019. However, we determined that there was no material difference between revenue previously reported from such contracts and revenue determined under the new guidance, and so no cumulative adjustment has been made to net assets at January 1, 2019. The effect on the 2019 financial statements of adopting the new guidance was not material.

Effective January 1, 2019, we also adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance for distinguishing between contributions and exchange transactions and between conditional and unconditional contributions. Under that standard, any changes are applied only to that portion of revenue not yet recognized at January 1, 2019 and no prior period results are restated and no cumulative-effect adjustment is made to net assets at January 1, 2019. We determined that there was no material difference between revenue previously reported from contributions and revenue determined under the new guidance.

Subsequent Events:

We have evaluated events occurring subsequent to December 31, 2019 for possible adjustment to the financial statements or disclosure through September 21, 2020, the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 23, 2020 the Governor of Indiana declared a health emergency and issued an executive order that closed all nonessential businesses, ordered residents to stay-at-home, and placed restrictions on public gatherings until further notice. This order was modified on May 1, 2020 by another executive order that provided a

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

“roadmap” to re-open Indiana by July 4, 2020, which was extended to subsequent dates. Due to the nature of our contracts with funding sources our operations remained open, but we rotated personnel into the office on a periodic basis. We did incur delays with projects in our weatherization programs since we were not allowed to enter any homes for a three-month period. We received approximately \$815,000 in mortgage, rent, and utility pandemic assistance for individuals living in our service area and funding to cover administration costs for these new assistance programs. While the full impact of the pandemic is not yet known, we believe it will not have a material negative impact on our revenues and cash flows in 2020.

In April 2020, the U.S. Congress passed, and the President of the United States signed, the Coronavirus Aid, Relief and Economic Security (CARES) Act, which includes the Paycheck Protection Program (PPP). PPP is a loan program through U.S. Small Business Administration and its participating banks in which loans can be forgiven for expenditures of loan proceeds incurred in the eight weeks following the origination date of the loan for rent, certain payroll costs, mortgage interest, and utilities. The amount forgiven is reduced proportionally by any reduction in employees retained or in payroll reduced. In May 2020 we were approved for a \$186,362 PPP loan, which was disbursed to us in May 2020. The loan has no collateral or guarantees and is subject to an interest rate of 1%, with payments of principal and interest beginning in December 2020. The loan is due in full in May 2022.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of December 31, 2019 are as follows:

Cash and cash equivalents	\$ 202,244
Promises to give	<u>222,067</u>
<i>Total financial assets available for general expenditure</i>	<u>\$ 424,311</u>

We also maintain a \$25,000 line of credit (see Note 5) to supplement our operating needs if necessary.

NOTE 3. PROMISES TO GIVE

Promises to give consist primarily of reimbursements due under government grants and contracts. All amounts are due within one year, and no allowance for uncollectable amounts is considered necessary. In addition, at December 31, 2019, we had received approximately \$1,729,000 of conditional promises to give in excess of allowable costs incurred under cost-reimbursement awards. Such promises will be recognized as revenue if and when allowable costs are incurred.

NOTE 4. PROPERTY AND EQUIPMENT

The cost of property and equipment and the related accumulated depreciation are as follows at December 31, 2019 and 2018, respectively:

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Land	\$ -	\$ 6,500
Rental properties	-	95,835
Neighborhood centers	242,747	242,747
Vehicles	179,441	175,878
Office furniture and equipment	<u>68,962</u>	<u>68,962</u>
	491,150	589,922
Less accumulated depreciation	<u>(242,277)</u>	<u>(332,387)</u>
<i>Net property and equipment</i>	<u>\$ 248,873</u>	<u>\$ 257,535</u>

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

NOTE 5. DEBT INFORMATION

We maintain an unsecured \$25,000 line of credit facility with a local bank that expires in February 2021. There were no outstanding borrowings on the line at either December 31, 2019 or 2018.

NOTE 6. NET ASSETS INFORMATION

Net assets with donor restrictions are subject to expenditure for the following purposes at December 31, 2019 and 2018, respectively:

	<u>2019</u>	<u>2018</u>
Community Centers	\$ 12,978	\$ 18,177
Weatherization	5,863	5,863
Youth programs	947	-
Ramp fund	37,499	18,899
Vision Program	<u>7,260</u>	<u>12,982</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 64,547</u>	<u>\$ 55,921</u>

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by other events specified by the donors as follows for the years ended December 31, 2019 and 2018, respectively:

Community Centers	\$ 5,199	\$ 416
Weatherization	40,000	2,555
Youth programs	9,403	10,600
Ramp Program	55,540	48,339
Vision Program	<u>13,722</u>	<u>7,300</u>
<i>Total net assets released from restrictions</i>	<u>\$ 123,864</u>	<u>\$ 69,210</u>

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7. LEASE INFORMATION

We lease facilities under a non-cancelable operating lease expiring in October 2020. Minimum future rental payments under this lease as of December 31, 2019 are \$22,172, all of which are due in 2020. Total rent expense for all leases was \$25,658 and \$28,191 for the years ended December 31, 2019 and 2018, respectively.

NOTE 8. CONCENTRATIONS

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents and promises to give. At December 31, 2019, we had no cash on deposit with a financial institution that exceeded the federal deposit insurance limit, but do from time to time exceed that insurance limit. Also, at both December 31, 2019 and 2018, approximately 97% of promises to give were due from the Indiana Housing and Community Development Authority.

All of our programs and activities occur in Cass, Jasper, LaPorte, Newton, Starke, Porter, and Pulaski Counties in Northwest Indiana. Consequently, our sources of support and revenue may be affected by conditions in that area. In addition, approximately 97% and 98% of total revenues for the years ended December 31, 2019 and 2018, respectively, were earned on awards from the Indiana Housing and Community Development Authority.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended December 31, 2019

<u>Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided Through to Subrecipients</u>	<u>Total Expenditures</u>
Federal Assistance				
<i>Department of Housing and Urban Development Programs:</i>				
Passed-through City of Michigan City:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-19-0022 & B-17-MC-18-0022 (Amend 1)	\$ -	\$ 11,060
<i>Department of Energy Programs:</i>				
Passed-through Indiana Housing and Community Development Authority:				
Weatherization Assistance for Low-Income Persons	81.042	WX-019-017 & WX-018-017	-	440,756
<i>Department of Health and Human Services Programs:</i>				
Passed-through Indiana Housing and Community Development Authority:				
Low-Income Home Energy Assistance	93.568	LI-020-017 & LI-019-017 & LI-019-017-R	37,975	3,056,126
Low-Income Home Energy Assistance	93.568	WL-020-017 & WL-019-017	-	549,445
<i>Total Low-Income Home Energy Assistance</i>			37,975	3,605,571
Community Services Block Grant	93.569	CS-019-017 & CS-018-CO-017	51,351	278,516
<i>Total Department of Health and Human Services programs</i>			89,326	3,884,087
<i>Department of Homeland Security Programs:</i>				
Passed-Through Emergency Food and Shelter National Board:				
Emergency Food and Shelter National Board Program	97.024	LRO-009-E9	-	4,010
Total expenditures of federal awards			\$ 89,326	\$ 4,339,913
Non-Federal Assistance				
<i>Indiana Housing and Community Development Authority Programs:</i>				
Indiana Home Energy Assistance Program	n/a	IR-020-017 & IR-019-017	\$ -	\$ 84,871
Indiana Home Energy Assistance Program	n/a	WS-020-017 & WS-019-017	-	69,593
Total expenditures of non-federal awards			\$ -	\$ 154,464

The accompanying notes are an integral part of this schedule.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
Year Ended December 31, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and nonfederal awards (the Schedule) includes the federal and nonfederal award activities of North Central Community Action Agencies, Inc. under programs of the federal and Indiana government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of North Central Community Action Agencies, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of North Central Community Action Agencies, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Indiana Housing and Community Development Authority (IHCDA) makes energy assistance payments for participants in the Low-Income Home Energy Assistance Program directly to the energy providers on behalf of entities administering the program. Because the Organization performs all intake functions and is liable for errors made in determining participant eligibility, such payments made by IHCDA to the providers, totaling \$2,607,151, are included in federal expenditures in the accompanying Schedule. IHCDA also makes such payments under the Indiana Home Energy Assistance Program, a nonfederal award. Such payments made by IHCDA to providers, totaling \$65,132, are included in nonfederal expenditures in the accompanying Schedule.

NOTE 3. INDIRECT COST RATE

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of North Central Community Action Agencies, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Cullen & Associates, P.C.

South Bend, Indiana
September 21, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited North Central Community Action Agencies, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North Central Community Action Agencies, Inc.'s major federal programs for the year ended December 31, 2019. North Central Community Action Agencies, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Central Community Action Agencies, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Central Community Action Agencies, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, North Central Community Action Agencies, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of North Central Community Action Agencies, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Central Community Action Agencies, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Central Community Action Agencies, Inc. internal control over compliance.

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

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

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

Cullen & Associates, P.C.

South Bend, Indiana
September 21, 2020

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America- Unmodified

Internal control over financial reporting-

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Noncompliance material to the financial statements noted? No

FEDERAL AWARDS

Internal control over major federal programs-

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Type of auditor’s report issued on compliance for major federal 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 Program or Cluster</u>
93.568	Low-Income Home Energy Assistance

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statements Findings

There were no findings in the financial statements audit.

Section III – Federal Award Findings and Questioned Costs

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



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Action Agencies Inc.
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019**

There were no findings in the December 31, 2018 audit.