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October 27, 2021

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

We have reviewed the audit report of North Central Community Action Agency, Inc., which was opined upon by Cullar and Associates, PC, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report on the Financial Statements and Supplementary Information* the financial statements included in the report present fairly the financial condition of North Central Community Action Agency, Inc. as of December 31, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Cullar and 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, 2020 and 2019

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements.....	8-14
SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal and nonfederal awards	15
Notes to schedule of expenditures of federal and nonfederal awards	16
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 <i>GOVERNMENT AUDITING STANDARDS</i>	17-18
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	19-20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	21
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	22



**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, 2020 and 2019, 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, 2020 and 2019, 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 20, 2021, 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 20, 2021

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 258,271	\$ 266,791
Promises to give	251,752	222,067
Property and equipment	<u>294,692</u>	<u>248,873</u>
<i>Total assets</i>	<u>\$ 804,715</u>	<u>\$ 737,731</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 43,363	\$ 72,266
Deferred revenue	<u>29,877</u>	<u>5,505</u>
<i>Total liabilities</i>	<u>73,240</u>	<u>77,771</u>
Net Assets:		
Without donor restrictions:		
Undesignated	380,179	346,540
Investment in property and equipment	<u>294,692</u>	<u>248,873</u>
	<u>674,871</u>	<u>595,413</u>
With donor restrictions:		
Purpose restricted	<u>56,604</u>	<u>64,547</u>
<i>Total net assets</i>	<u>731,475</u>	<u>659,960</u>
<i>Total liabilities and net assets</i>	<u>\$ 804,715</u>	<u>\$ 737,731</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenues:						
Grants and contracts	\$ 4,582,587	\$ 87,255	\$ 4,669,842	\$ 4,478,987	\$ 132,490	\$ 4,611,477
Contributions	17,633	-	17,633	16,623	-	16,623
Other income	-	-	-	88	-	88
Interest income	120	-	120	142	-	142
Net assets released from restrictions	95,198	(95,198)	-	123,864	(123,864)	-
<i>Total support and revenues</i>	<u>4,695,538</u>	<u>(7,943)</u>	<u>4,687,595</u>	<u>4,619,704</u>	<u>8,626</u>	<u>4,628,330</u>
Expenses and Losses:						
Program services expenses:						
Energy assistance	2,815,199	-	2,815,199	2,966,869	-	2,966,869
Weatherization	738,654	-	738,654	903,298	-	903,298
Housing	383,605	-	383,605	13,753	-	13,753
Youth programs	2,026	-	2,026	14,602	-	14,602
Ramp program	38,502	-	38,502	55,540	-	55,540
Vision program	5,057	-	5,057	13,721	-	13,721
Community agencies support	45,174	-	45,174	51,351	-	51,351
<i>Total program services expenses</i>	<u>4,028,217</u>	<u>-</u>	<u>4,028,217</u>	<u>4,019,134</u>	<u>-</u>	<u>4,019,134</u>
Supporting services expenses:						
Management and general	579,939	-	579,939	581,761	-	581,761
Loss on disposition of equipment	7,924	-	7,924	6,250	-	6,250
<i>Total expenses and losses</i>	<u>4,616,080</u>	<u>-</u>	<u>4,616,080</u>	<u>4,607,145</u>	<u>-</u>	<u>4,607,145</u>
Change in net assets	79,458	(7,943)	71,515	12,559	8,626	21,185
Net assets, beginning of year	595,413	64,547	659,960	582,854	55,921	638,775
<i>Net assets, end of year</i>	<u>\$ 674,871</u>	<u>\$ 56,604</u>	<u>\$ 731,475</u>	<u>\$ 595,413</u>	<u>\$ 64,547</u>	<u>\$ 659,960</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, 2020

	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 and General	<u>Totals</u>
Salaries and wages	\$ 142,116	\$ 350,471	\$ 7,207	\$ -	\$ 9,788	\$ 2,820	\$ -	\$ 377,642	\$ 890,044
Employee benefits	12,485	52,716	10,868	36	-	-	-	63,121	139,226
Payroll taxes	10,416	26,802	556	-	785	235	-	29,730	68,524
<i>Total personnel</i>	<u>165,017</u>	<u>429,989</u>	<u>18,631</u>	36	<u>10,573</u>	<u>3,055</u>	-	<u>470,493</u>	<u>1,097,794</u>
Direct client assistance	2,512,574	190,682	358,942	-	-	-	-	20	3,062,218
Training	625	3,269	-	-	-	-	-	625	4,519
Contracts	25,114	5,336	-	-	27,425	-	45,174	3,898	106,947
Temporary staffing	33,356	-	-	-	-	-	-	-	33,356
Occupancy	6,811	15,376	2,082	800	-	-	-	22,458	47,527
Communications	7,194	11,530	-	-	-	-	-	11,489	30,213
Postage	5,793	789	-	-	6	-	-	688	7,276
Equipment and supplies	49,438	37,851	3,950	1,190	-	868	-	22,035	115,332
Professional fees	68	160	-	-	-	-	-	15,768	15,996
Conferences and travel	1,089	7,073	-	-	498	1,134	-	187	9,981
Insurance	6,416	18,548	-	-	-	-	-	8,768	33,732
Dues and subscriptions	1,635	2,328	-	-	-	-	-	4,047	8,010
Depreciation	-	15,636	-	-	-	-	-	16,967	32,603
Other	69	87	-	-	-	-	-	2,496	2,652
<i>Totals</i>	<u>\$ 2,815,199</u>	<u>\$ 738,654</u>	<u>\$ 383,605</u>	<u>\$ 2,026</u>	<u>\$ 38,502</u>	<u>\$ 5,057</u>	<u>\$ 45,174</u>	<u>\$ 579,939</u>	<u>\$ 4,608,156</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 <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 and General	<u>Totals</u>
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>	<u>111,497</u>	<u>422,938</u>	<u>1,236</u>	<u>6,361</u>	<u>4,378</u>	<u>5,982</u>	-	<u>487,276</u>	<u>1,039,668</u>
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.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

Change in Cash and Cash Equivalents:	<u>2020</u>	<u>2019</u>
Cash Flows from Operation Activities:		
Cash received from grantors and contributors	\$ 2,228,465	\$ 1,892,875
Cash received from others	-	88
Interest income received	120	142
Cash paid to employees, vendors, and others	<u>(2,150,759)</u>	<u>(1,901,648)</u>
<i>Net cash provided by (used in) operations</i>	<u>77,826</u>	<u>(8,543)</u>
 Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	-	5,113
Purchase of equipment	<u>(86,346)</u>	<u>(34,005)</u>
<i>Net cash (used in) investing activities</i>	<u>(86,346)</u>	<u>(28,892)</u>
 Net change in cash and cash equivalents	 (8,520)	 (37,435)
Cash and cash equivalents, beginning of year	<u>266,791</u>	<u>304,226</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 258,271</u>	<u>\$ 266,791</u>
 Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operations		
Change in net assets	\$ 71,515	\$ 21,185
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on disposition of equipment	7,924	6,250
Depreciation	32,603	31,304
Change in assets and liabilities:		
Promises to give	(29,685)	(62,942)
Accounts payable and accrued liabilities	(28,903)	(4,340)
Deferred revenue	<u>24,372</u>	<u>-</u>
<i>Net cash provided by (used in) operating activities</i>	<u>\$ 77,826</u>	<u>\$ (8,543)</u>

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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:

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.

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

if nor donated, are recorded at their fair value in the period received. No contributed services were recognized as revenue in either 2020 or 2019.

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 \$2,453,697 and \$2,672,283 of revenue and expense in 2020 and 2019, respectively, for such payments made by IHCDA.

Paycheck Protection Program:

In 2020, we were granted an \$186,362 loan under the Paycheck Protection Program administered by a Small Business Administration approved partner. Proceeds from the loan were eligible for forgiveness if we maintained employment levels during the 24-week “covered period” after the loan was disbursed and used the funds for certain payroll, rent, and utility expenses. The loan had no collateral or guarantees, and was subject to an interest rate of 1% and originally due in May 2022.

We initially recorded the loan as deferred income and subsequently recognized the entire \$186,362 as revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the loan no longer existed. In November 2020, we received full forgiveness of the loan.

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

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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, 2020 or 2019, 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 2017.

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.

Subsequent Events and Uncertainties Regarding the Pandemic:

We have evaluated events occurring subsequent to December 31, 2020 for possible adjustment to the financial statements or disclosure through September 20, 2021, 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 several subsequent dates in 2020 and 2021. 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 in 2020 and additional funding in 2021 for individuals living in our service area and funding to cover administration costs for these new assistance programs. While we make no predictions about the full impact of the pandemic in 2021, we expect the sources of our funding and nature of our operations to continue to function as they have in the past, including rotating personnel between our office and home as we did in 2020.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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, 2020 and 2019, respectively are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 201,667	\$ 202,244
Promises to give	<u>251,752</u>	<u>222,067</u>
<i>Total financial assets available for general expenditure</i>	<u>\$ 453,419</u>	<u>\$ 424,311</u>

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

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, 2020, we had received approximately \$2,643,000 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, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Neighborhood centers	\$ 242,747	\$ 242,747
Vehicles	192,594	179,441
Office furniture and equipment	<u>84,813</u>	<u>68,962</u>
	520,154	491,150
Less accumulated depreciation	<u>(225,462)</u>	<u>(242,277)</u>
<i>Net property and equipment</i>	<u>\$ 294,692</u>	<u>\$ 248,873</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, 2020 or 2019.

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 6. NET ASSETS INFORMATION

Net assets with donor restrictions are subject to expenditure for the following purposes at December 31, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Community Centers	\$ 12,352	\$ 12,978
Weatherization	5,863	5,863
Youth programs	2,197	947
Ramp fund	25,601	37,499
Vision Program	10,202	7,260
United Way water assistance	389	-
<i>Total net assets with donor restrictions</i>	<u>\$ 56,604</u>	<u>\$ 64,547</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, 2020 and 2019, respectively:

Community Centers	\$ 1,226	\$ 5,199
Youth programs	800	9,403
Ramp Program	38,503	55,540
Vision Program	5,057	13,722
Rent assistance	40,000	-
United Way water assistance	9,612	-
Weatherization	-	40,000
<i>Total net assets released from restrictions</i>	<u>\$ 95,198</u>	<u>\$ 123,864</u>

NOTE 7. LEASE INFORMATION

We lease facilities under a non-cancelable operating lease expiring in October 2021. Minimum future rental payments under this lease as of December 31, 2020 are \$25,172, all of which are due in 2021. Total rent expense for all leases was \$27,633 and \$25,658 for the years ended December 31, 2020 and 2019, 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, 2020, we had cash on deposit with a financial institution that exceeded the federal deposit insurance limit by approximately \$34,000. Also, at December 31, 2020 and 2019, approximately 87% and 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 92% and 97% of total revenues for the years ended December 31, 2020 and 2019, 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, 2020

<u>Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listings 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>				
<i>CDBG - Entitlement Grants Cluster:</i>				
<i>Passed-through City of Michigan City:</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-19-0022 & B-18-MC-19-0022 (Amend 1)	\$ -	\$ 15,944
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-18-0022	-	61,007
<i>Total Department of Housing and Urban Development programs</i>			<u>-</u>	<u>76,951</u>
<i>Department of Energy Programs:</i>				
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
Weatherization Assistance for Low-Income Persons	81.042	WX-020-017 & WX-019-017	-	317,173
<i>Department of Health and Human Services Programs:</i>				
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
Low-Income Home Energy Assistance	93.568	LI-021-017 & LI-020-017	22,175	2,888,643
COVID-19 Low-Income Home Energy Assistance	93.568	LI-CV-020-017	-	78,300
Low-Income Home Energy Assistance	93.568	WL-021-017 & WL-020-017	-	431,276
<i>Total Low-Income Home Energy Assistance</i>			<u>22,175</u>	<u>3,398,219</u>
<i>477 Cluster:</i>				
<i>Passed-through Indiana Housing and Community Development Authority:</i>				
Community Services Block Grant	93.569	CS-020-017	45,174	271,682
COVID-19 Community Services Block Grant	93.569	CS-CV-020-017	-	280,454
<i>Total 477 cluster</i>			<u>45,174</u>	<u>552,136</u>
<i>Total Department of Health and Human Services programs</i>			<u>67,349</u>	<u>3,950,355</u>
<i>Department of Homeland Security Programs:</i>				
<i>Passed-Through Emergency Food and Shelter National Board:</i>				
Emergency Food and Shelter National Board Program	97.024	LRO-009-E9	-	12,991
COVID-19 Emergency Food and Shelter National Board Program	97.024	Covid-LRO-009-E9	-	4,000
<i>Total Department of Homeland Security programs</i>			<u>-</u>	<u>16,991</u>
Total expenditures of federal awards			<u>\$ 67,349</u>	<u>\$ 4,361,470</u>
Non-Federal Assistance				
<i>Indiana Housing and Community Development Authority Programs:</i>				
Indiana Low Income Home Energy Assistance Program	n/a	WS-020-017	\$ -	\$ 39,738

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, 2020

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, 2020. 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 \$2,453,697 (including \$65,800 for COVID-19 assistance), are included in federal 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.

NOTE 4. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During 2020, North Central Community Action Agencies, Inc. did not receive donated personal protective equipment from federal sources.



**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., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Central Community Action Agencies, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 North Central Community Action Agencies, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Central Community Action Agencies, Inc.'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 North Central Community Action Agencies, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Associates, P.C.

South Bend, Indiana
September 20, 2021



**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, 2020. 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, 2020.

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 20, 2021

NORTH CENTRAL COMMUNITY ACTION AGENCIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020

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>Assistance Listings 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 Statement Findings

There were no findings in the financial statement audit.

Section III – Federal Award Finding 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, 2020**

There were no findings in the December 31, 2019 audit.