

**Community Action
Program, Inc. of
Western Indiana**

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**Financial Statements
For The Year Ended
December 31, 2019
(With Single Audit Section)**

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INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
FINANCIAL STATEMENTS**

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INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Community Action Program, Inc. of Western Indiana
Covington, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action Program, Inc. of Western Indiana (a nonprofit 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 the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *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 of 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.

Basis for Qualified Opinion

Because of the inadequacy of agency-wide financial reports and accounting records for the years prior to 2019, we were unable to obtain sufficient and appropriate audit evidence regarding the accuracy of net assets as of December 31, 2018.

Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Program, Inc. of Western Indiana as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements of Community Action Program, Inc. of Western Indiana as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of state and local awards, as required 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 October 8, 2020 on our consideration of Community Action Program, Inc. of Western Indiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
October 8, 2020

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS:

Cash	\$	204,531
Grants receivable		308,034
Investments		543,764
Other receivables		27,121
		1,083,450

FIXED ASSETS (net of accumulated depreciation)

8,409,895

OTHER ASSETS:

Loans receivable, net of allowance		205,057
		205,057
Total other assets		205,057
Total assets	\$	9,698,402

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	79,992
Security deposits		44,661
Accrued payroll and payroll expenses		204,025
Current portion of notes payable		173,826
		502,504

LONG-TERM LIABILITIES

Notes payable, net of current portion		2,480,376
		2,480,376
Total long-term liabilities		2,480,376
Total liabilities		2,982,880

NET ASSETS WITHOUT DONOR RESTRICTIONS

6,715,522

Total liabilities and net assets	\$	9,698,402
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See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

REVENUE AND SUPPORT	
Grant revenue	\$ 6,138,542
Program revenue	116,383
Medicaid revenue	67,415
Contributions	210,272
Rental income, including Section 8	1,341,703
Investment and interest income	66,868
In-kind revenue	259,286
Other income	<u>57,688</u>
Total revenue and support	8,258,157
OPERATING EXPENSES	
Child Education	3,444,047
Community Service	2,335,004
Housing	1,294,568
CAPWI Properties	1,478,012
General and Administrative	<u>292,913</u>
Total operating expenses	<u>8,844,544</u>
Increase (decrease) in net assets	(586,387)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>7,301,909</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u><u>\$ 6,715,522</u></u>

See accompanying notes to financial statements.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Child Education	Community Service	Housing	CAPWI Properties	General and Administrative	2019 Totals
OPERATING EXPENSES						
Personnel	\$ 2,383,014	\$ 720,029	\$ 332,499	\$ 207,385	\$ 206,841	\$ 3,849,768
Program services	-	1,247,718	10,876	54,849	655	1,314,098
Occupancy	174,812	137,834	43,792	191,948	24,467	572,853
Contracted services	15,457	15,324	688,337	2,109	24,454	745,681
Supplies program	91,438	8,029	146,870	129,065	-	375,402
Travel	74,369	18,300	6,429	2,775	12,447	114,320
Interest	-	-	-	103,977	-	103,977
Supplies general	223,803	110,984	30,925	123,257	4,240	493,209
Transportation	53,451	22,722	6,399	5,122	-	87,694
Insurance	19,977	11,683	11,891	60,991	610	105,152
Telephone	39,292	21,564	4,505	4,025	4,315	73,701
Publications	30,185	13,184	3,550	7,015	7,786	61,720
Training	29,074	785	3,053	-	3,582	36,494
Professional fees	23,898	5,395	5,442	15,294	3,516	53,545
Depreciation	27,979	-	-	570,200	-	598,179
In-kind expenses	257,298	1,453	-	-	-	258,751
Total operating expenses by function	<u>\$ 3,444,047</u>	<u>\$ 2,335,004</u>	<u>\$ 1,294,568</u>	<u>\$ 1,478,012</u>	<u>\$ 292,913</u>	<u>\$ 8,844,544</u>

See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net assets	\$ (586,387)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Bad debt	31,901
Depreciation	598,179
Unrealized/realized Loss (gain) of investments	(56,706)
(Increase) decrease in cash from changes in:	
Grants receivable	(107,706)
Other receivable	(27,121)
Increase (decrease) in cash from changes in:	
Security deposits	1,562
Accounts payable	79,992
Accrued payroll and payroll expenses	21,745
Net cash provided by (used in) operating activities	(44,541)

CASH FLOWS FROM INVESTING ACTIVITIES:

Advances made on notes receivable	(62,000)
Principal payments received on notes receivable	88,447
Purchase of property and equipment	(61,573)
Net cash provided by (used in) investing activities	(35,126)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on long-term note	(190,240)
Net cash provided by (used in) financing activities	(190,240)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(269,907)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

474,438

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 204,531

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ 103,977
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SUMMARY OF NON-CASH TRANSACTIONS

Loan proceeds from refinance	\$ 526,719
Loan payoff from refinance	\$ (526,719)

See accompanying notes to financial statements.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

NATURE OF OPERATIONS

Community Action Program, Inc. of Western Indiana (the Organization) is an Indiana nonprofit corporation incorporated in 1966. The Organization receives federal and state funds to empower communities, families, and individuals toward self-sufficiency by removing the causes and conditions of poverty through services, support, and education. Programs that the Organization offers include: Child Education, Community Services, and Housing and Property Development. The Organization offers these programs to residents of Benton, Fountain, Montgomery, Parke, Vermillion, Tippecanoe, Boone, White, Carroll, and Warren counties in Indiana.

BASIS OF ACCOUNTING

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

INCOME TAX STATUS

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

The Organization recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. With few exceptions, the Organization is no longer subject to examination by taxing authorities for the years before 2016.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Per the applicable standards, Community Action Program, Inc. of Western Indiana is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the net asset classes follows:

Net assets without donor restrictions represent the portion of net assets of Community Action Program, Inc. of Western Indiana that is not subject to donor-imposed restrictions. Net assets without donor restrictions include expendable funds available for the support of the Organization. Board designated net assets are net assets without donor restrictions with self-imposed designations by action of the governing board.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

FINANCIAL STATEMENT PRESENTATION – (continued)

Net assets with donor restrictions represent contributions and other inflows of assets whose use by Community Action Program, Inc. of Western Indiana is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of Community Action Program, Inc. of Western Indiana pursuant to those stipulations, or net assets that must be held in perpetuity.

Net assets with donor restrictions also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on net assets with donor restrictions that are held in perpetuity, which have not been appropriated by the Board of Directors.

REVENUE RECOGNITION

The majority of the Organization's revenue is earned under cost-reimbursement awards from governmental 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 liabilities.

Fees for services are recognized as revenue when the services are substantially performed. Fees received in advance of substantial performance are reported as deferred revenue. Deposits received from customers prior to the date of the performance of services are recorded as liabilities.

Fees for rent and other contract revenues are recognized at a point in time. Rents are due at the beginning of the month and are considered earned by month's end. No prepaid rents were deferred from revenue recognition as of December 31, 2019.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

GOVERNMENT GRANTS

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

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

LOANS RECEIVABLE

Loans receivable are stated at the amount of the unpaid principal balance, reduced by an allowance for possible loan losses. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). The allowance is determined based on known and inherent risks, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, estimated forgiveness rates, and current economic conditions. No interest is accrued on outstanding balances of Rural Business Enterprise loans for nonpayment. Interest income is recognized when paid.

IN-KIND CONTRIBUTION

The Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and support by the same amount.

The Organization has recorded in-kind contribution for professional services on the Statement of Activities and Changes in Net Assets. The Organization is required by Generally Accepted Accounting Principles to only report contributions of services received that create or enhance a non-financial asset or require specialized skills by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. These requirements are different from the in-kind requirements of the Organization's grant funding sources.

For the year ended December 31, 2019, in-kind contributions amounted to \$259,286, and is included in revenue and support on the Statement of Activities and Changes in Net Assets. During the year ended December 31, 2019, the Organization also received other in-kind contribution totaling \$658,963, related to its Head Start program which includes services from non-professional volunteers during 2019 and are not recorded in the Statement of Activities and Changes in Net Assets.

CASH AND CASH EQUIVALENTS

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

GRANTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 30 years.

Buildings	26.5-30 Years
Building improvements	10-40 Years
Vehicles and equipment	5-10 Years

During the year ended December 31, 2019, depreciation expense totaled \$598,179.

ACCOUNTING FOR IMPAIRMENT

Accounting for the Impairment or Disposal of Long-Lived Assets guidance requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This guidance has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

USE OF ESTIMATES

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

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB Accounting Standards Codification Topic, "*Fair Value Measurement*," defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This standard establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Level 2: Significant other observable inputs other than Level 1 prices such as quoted process for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions above the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Investments held by the Organization are considered level 1 and are traded in active exchange markets, such as the New York Stock Exchange.

COST ALLOCATION

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

Personnel: Allocated based on time spent in each program. The salaries, wages, and fringe benefits of staff assigned and working full-time for a program are allocated to that program. Salaries, wages and fringe benefits of staff assigned and working for more than one program will be divided among separate pools.

Supplies: Shared supplies will be purchased and charged to CSBG. Each quarter the total amount spent will be calculated and distributed to programs according to full-time equivalencies. Receptionist at each office will, however, maintain a log of usage.

Occupancy Costs: Space costs (maintenance costs, supplies, depreciation, etc.) are allocated based upon usable square footage. Common areas reduce total square footage and the resulting usage square footage is divided into the actual costs.

Copy Costs: Allocated on actual usage and allocated monthly. Costs not associated with a program will be distributed to grants by the number of full-time equivalencies.

Insurance: Insurance is allocated to benefiting programs based upon what is being insured and the method used by the insurance company in determining rate.

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

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

RECENT ACCOUNTING PRONOUNCEMENTS

Leases

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

SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 8, 2020, which is the date the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at one financial institution, where deposits are FDIC insured up to \$250,000. The uninsured balance in the Organization's bank account was \$45,007 as of December 31, 2019.

Financial awards from federal, state and local governmental entities in the form of grants are subject to financial and compliance audits by funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable consisted of the following:

U.S. Department of Health and Human Services	\$ 27,519
Indiana State Department of Health	37,396
Indiana Housing and Community Development	214,339
Area IV Agency on Aging and Community Action Programs	9,000
Indiana Family and Social Services	19,780
	<hr/>
	\$ 308,034
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**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 – INVESTMENTS

Investments consist of corporate stocks and mutual funds and are stated at fair value based on quoted prices in active markets. Investments are measured at fair value using Level 1 inputs and are summarized as follows as of December 31, 2019.

The cumulative appreciation since the inception of these investments was \$43,764 for the year ended December 31, 2019. The net unrealized gain (loss) for the one year period ended December 31, 2019 was \$56,736 This net unrealized gains is included in the investment income on the statement of activities.

	<u>Cost or Original Donated Value</u>	<u>Fair Value</u>	<u>Cumululative Unrealized Gain</u>
Stocks and mutual funds	\$ 500,000	\$ 543,764	\$ 43,764

NOTE 5 – LOANS RECEIVABLE

The Organization operates a Rural Business Enterprise program that provides loans to low-income business owners. The loans are at 0% through 10% interest and are repayable on an installment basis over various loan maturities. Repaid loans and interest are used by the Organization for similar purposes. As of December 31, 2019, \$177,774 was recorded in deferred loans receivable (revolving funds). When reduced by a net allowance of \$31,907 net revolving loans totaled \$145,867 as of December 31, 2019.

The Organization also holds \$281,809 in other mortgages and notes receivable related to community development and housing activities. When reduced by a net allowance of \$222,619, net other notes receivable totaled \$59,190 as of December 31, 2019.

NOTE 6 – PROPERTY AND EQUIPMENT

The Organization’s property and equipment are as follows as of December 31, 2019:

Land	\$ 227,236
Building	15,171,021
Equipment	<u>546,709</u>
	15,944,966
Less: accumulated depreciation	<u>(7,535,071)</u>
	<u>\$ 8,409,895</u>

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 – LONG TERM DEBT

As of December 31, 2019, the Organization’s long-term debt consisted of the following:

<p>Promissory note from Indiana Housing and Community Development Corp. (IHCDA) in the original amount of \$165,000 of converted CDBG disaster funds. Beginning December 2012, the principal and interest is payable in annual payments over a 15 year period limited to 59% of available cash flow up to a maximum of \$11,200 per year. The note interest rate is one quarter of one percent per annum. The loan maturity date is January 1, 2027. The note is secured by real estate.</p>	\$ 69,075
<p>Promissory note from Old National Bank in the original amount of \$60,000 with interest at the rate of 5%. Monthly payments are \$783, with the outstanding balance due July 2027. The note is secured by real estate.</p>	3,033
<p>Promissory note from Old National Bank in the original amount of \$160,000 with interest at the rate of 7.52%. Monthly payments are \$2,307, with the outstanding balance due January 2028. The note is secured by real estate and assignment of rents.</p>	142,345
<p>Promissory note from Old National Bank in the original amount of \$249,900 with interest at the rate of 5% and original monthly payment of \$1,960 adjustable with rate. Monthly payments are currently \$1,955 and rate was 4.81% as of December 31, 2019, with the outstanding balance due July 2027. The note is secured by real estate.</p>	148,754
<p>Promissory note from Old National Bank in the original amount of \$105,000 with interest at the rate of 5% and original monthly payments of \$824 adjustable with rate. Monthly payments are currently \$821 and rate was 4.81% as of December 31, 2019, with the outstanding balance due July, 2027. The note is secured by real estate.</p>	62,499
<p>Promissory note from the U.S. Department of Agriculture in the original amount of \$282,000 with interest at the rate of 4.25%. Monthly payments are \$1,224, with the outstanding balance due September 2043. The note is secured by real estate.</p>	218,852
<p>Promissory note from IHCDA in the original amount of \$179,500 with interest at the rate of 1%. Semi-annual payments of \$3,470 began in 2010. Outstanding balance is due June 30, 2025. The note is secured by real estate.</p>	125,371

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 – LONG-TERM DEBT – (continued)

Promissory note from Fountain Trust Company in the original amount of \$100,000 with interest rate of 4.50% adjusting annually. Monthly payments are \$633, with outstanding balance due July 1, 2038. The note is secured by real estate.	\$ 95,519
Promissory note from IHEDA in the original amount of \$248,000 with interest at the rate of 1%. Semi-annual payments are \$4,795, with the outstanding balance due May 2022. The note is secured by real estate.	154,918
Promissory note from IHEDA in the original amount of \$240,000 with interest at the rate of 1%. Monthly payments are \$773 with the outstanding balance due June 2025. The note is secured by real estate.	167,835
Promissory note from Fowler State Bank in the original amount of \$90,000 with interest at 6.25% adjusting annually. Rate as of December 31, 2019 was 6.25%. Monthly payments are \$1,016 with the outstanding balance due June 25, 2020. Note is secured by real estate.	2,988
Promissory note from Old National Bank in the original amount of \$103,500 with interest of 5.45%. Monthly payments are \$714 with the outstanding balance due January 16, 2034. The note is secured by real estate.	83,467
Promissory note from Fountain Trust Company in the original amount of \$72,500 with interest of 4.24%. Monthly payments are \$449 with the outstanding balance due February 1, 2037. The note is secured by real estate.	65,509
Promissory note from Fountain Trust Company in the original amount of \$550,000 with interest of 4.24%. Monthly payments are \$4,135 with the outstanding balance due January 1, 2032. The note is secured by real estate.	465,654
Promissory note from the Farmers and Merchants Bank in the original amount of \$75,000 with interest of 3.9%. Monthly payments are \$451 with the outstanding balance due January 19, 2037. The note is secured by real estate.	67,358
Promissory note from the Farmers and Merchants Bank in the original amount of \$100,000 with interest of 4.6% adjustable every 5 years. Monthly payments are \$638 with the outstanding balance due April 16, 2038. The note is secured by real estate.	94,716

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 – LONG-TERM DEBT – (continued)

Promissory note from the Farmers and Merchants Bank to refinance six loans in the original amount of 155,000 with interest of 4.5% adjustable after 10th payment. Monthly payments are \$1,606 with the outstanding balance due March 15, 2029. The note is secured by real estate.	\$ 145,634
Promissory note from the Farmers and Merchants Bank to refinance five loans in the original amount of 371,719 with interest of 4.5% adjustable every 10 years. Monthly payments are \$2,844 with the outstanding balance due August 22, 2034. The note is secured by real estate.	359,938
Promissory note from Fountain Trust Company in the original amount of \$115,000 with interest at 4.25%. Monthly payments are \$725 with the outstanding balance due March 18, 2038. The note is secured by real estate.	99,723
Promissory note from Old National Bank in the original amount of \$103,500 with interest of 4.57%. Monthly payments are \$659 with the outstanding balance due October 1, 2033. The note is secured by real estate.	<u>81,014</u>
Sub-total	2,654,202
Less: current portion	<u>(173,826)</u>
Long-term debt (net of current portion)	<u><u>\$ 2,480,376</u></u>

Interest expense amounted to \$103,977 during the year ended December 31, 2019.

Maturities of long-term debt for the next five years and thereafter are as follows:

2020	\$ 173,826
2021	169,778
2022	306,653
2023	174,854
2024	181,915
Thereafter	<u>1,647,176</u>
	<u><u>\$ 2,654,202</u></u>

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 – EMPLOYEE BENEFITS

The Organization offers a 401(k)-retirement plan. An employee must be 21 years of age and have completed one-year of employment to be eligible. The Organization's Board of Directors determines the amount of matching contributions (if any) that will be made each year not to exceed \$1,500 per plan participant per plan year. Matching contributions made by the Organization totaled \$71,627 for the year ended December 31, 2019.

NOTE 9 – INFORMATION ON LIQUIDITY

The Organization is funded through cost reimbursable government grants pass-through various nonprofit grantors. The Organization financial assets consist of cash, receivables and investments. None of these assets are designated by the board of directors or restricted by donors for any purpose.

For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program and support activities to be general expenditures.

Financial assets available for cash needs for general expenditures within one year are \$1,056,329 for the year ending December 31, 2019.

NOTE 10 – SUBSEQUENT EVENT

Due to the spread of the Novel Coronavirus (COVID-19), the Organization applied and received a \$200,000 loan from the Paycheck Protection Program through the Small Business Administration on April 23, 2020. The promissory note establishes a 1% interest rate and matures in 2022. Under the terms of the note, it is expected that 75% of this loan will qualify for forgiveness based on the terms of the program.

SINGLE AUDIT SECTION

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Identifying Number	Grant Award (in dollars \$)	Federal Expenditures
U.S. Department of Agriculture				
Passed through the Indiana State Department of Health:				
Special Supplemental Nutrition Program for WIC	10.557	22336	497,170	\$ 111,236
Special Supplemental Nutrition Program for WIC	10.557	38103	487,815	367,956
				<u>479,192</u>
Child and Adult Care Food Program	10.558	CH-831-105	N/A	151,156
Total U.S. Department of Agriculture				<u>630,348</u>
U.S. Department of Housing and Urban Development				
Passed through the Indiana Housing & Community Development Authority:				
CDBG Owner Occupied Rehabilitation	14.228	HUD-018-010	140,884	34,061
Section 8 Housing Choice Vouchers	14.871	HCV-019-008	N/A	517,065
Section 8 Housing Choice Vouchers	14.871	HCV-020-008	N/A	45,438
				<u>596,564</u>
Passed through the Indiana Community Action Agency:				
Lead Program	14.228	LCAP-18-02	300,000	19,629
Total U.S. Department of Housing and Urban Development				<u>616,193</u>
U.S. Department of Energy				
Passed through the Indiana Housing & Community Development Authority:				
Weatherization Assistance for Low-Income Persons	81.042	WX-018-009	275,145	138,951
Weatherization Assistance for Low-Income Persons	81.042	WX-019-009	255,491	119,152
				<u>258,103</u>
U.S. Department of Homeland Security				
Passed through the Emergency Food and Shelter Program National Board:				
Emergency Food and Shelter	97.024	Phase 35	21,320	20,968
Emergency Food and Shelter	97.024	Phase 36	26,720	21,438
Total U.S. Department of Homeland Security				<u>42,406</u>
U.S. Department of Health and Human Services				
Passed through Area IV Agency on Aging and Community Action Programs:				
Special Programs for the Aging Title III	93.044	AAA-4-105:19	30,508	18,506
Special Programs for the Aging Title III	93.044	AAA-4-105:20	25,406	6,000
				<u>24,506</u>
Passed through Indiana Housing and Community Development Authority:				
Low-Income Home Energy Assistance	93.568	LI-019-009	1,529,394	473,088
Low-Income Home Energy Assistance	93.568	LI-019-009-R	141,370	140,389
Low-Income Home Energy Assistance	93.568	LI-020-009	1,549,731	772,214
Low-Income Home Energy Assistance	93.568	WL-019-009	295,697	271,994
Low-Income Home Energy Assistance	93.568	WL-020-009	226,480	27,802
Community Services Block Grant	93.569	CS-018-CO-009	41,642	41,542
Community Services Block Grant	93.569	CS-019-009	302,271	251,373
				<u>1,978,402</u>
Direct Program:				
Head Start	93.600	05CH8311/06	3,056,119	237,119
Head Start	93.600	05CH010793-01-02	3,009,751	2,681,718
				<u>2,918,837</u>
Total U.S. Department of Health and Human Services				<u>4,921,745</u>
Total Expenditures of Federal Awards				<u>\$ 6,468,795</u>

See notes to Schedule of Expenditures of Federal Awards

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – ENERGY ASSISTANCE PAYMENTS

Energy Assistance Payments expenditures under CFDA Number 93.568 include \$1,234,508 of energy assistance payments that were disbursed by the Indiana Housing and Community Development Authority on behalf of the Organization during the year ended December 31, 2019.

NOTE 4 – INDIRECT COST RATE

Community Action Program, Inc. of Western Indiana has elected not to use the 10% de minimis cost rate allowed under Uniform Guidance.

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant or Identifying Number</u>	<u>Grant Award (in dollars \$)</u>	<u>State and Local Expenditures</u>
Passed through the Indiana Housing & Community Development Authority:			
State EAP 2018-2019	IR-019-009	105,830	\$ 6,770
State LIHEAP 2018-2019	WS-019-009	25,000	16,361
State LIHEAP 2019-2020	WS-020-009	26,378	457
			<u>23,588</u>
Passed through Indiana State Dept. of Health			
Tobacco Prevention	21111	89,000	<u>22,806</u>
Total Expenditures of State and Local Awards			<u><u>\$ 46,394</u></u>

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2018.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended December 31, 2018.



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

To the Board of Directors
Community Action Program, Inc. of Western Indiana
Covington, 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 Community Action Program, Inc. of Western Indiana (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action Program, Inc. of Western Indiana'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 Community Action Program, Inc. of Western Indiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item FS-2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
October 8, 2020



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

To the Board of Directors
Community Action Program, Inc. of Western Indiana
Covington, Indiana

Report on Compliance for Each Major Federal Program

We have audited Community Action Program, Inc. of Western Indiana'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 Community Action Program, Inc. of Western Indiana's major federal programs for the year ended December 31, 2019. Community Action Program, Inc. of Western Indiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Community Action Program, Inc. of Western Indiana 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 Community Action Program, Inc. of Western Indiana 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 Community Action Program, Inc. of Western Indiana'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 Community Action Program, Inc. of Western Indiana's internal control over compliance.

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

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

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

October 8, 2020

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Modified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued: Unmodified

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

Program tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.568	U.S. Dept. of Health and Human Services – Low-Income Energy Assistance
93.569	U.S. Dept. of Health and Human Services – Community Services Block Grant
93.600	U.S. Dept. of Health and Human Services – Head Start

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

Auditee qualified as low-risk auditee? Yes No

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

Section II – Financial Statement Findings

FS-2019-001: Inability to produce accurate agency-wide financial reporting

Condition: The Organization maintains individual funds for programs but does not have the ability to produce accurate agency-wide financial reports. This included not being able to produce an agency-wide trial balance that combined all 73 funds for the calendar year. Funds are, instead, maintained by program year. Additionally, accruals are not recorded properly recorded at year-end and prior auditor adjustments are not properly recorded.

Criteria: Internal controls should be in place that permit the preparation of reliable financial statements. This would include a reliable process to produce accurate agency-wide financial reporting.

Cause: Accounting system was not set up for agency wide financial reporting.

Effect: Audited December 31, 2019 balances for Statement of Financial Position was created from supporting documentation resulting in material audit adjustments. Additionally, fund balances did not reconcile to prior audited financial statements.

Recommendation: The Organization should undergo training to use accounting software to its full extent so that agency-wide financial reports can be produced from the software.

Views of Responsible Officials and Planned Corrective Actions: Community Action Program, Inc. of Western Indiana management has taken steps to obtain training and assistance with the accounting systems used to produce internal and external financial statements. Additionally, all audit adjustments and closing accounting entries will be made as necessary.

Section III – Federal Award Findings and Questioned Costs

No federal award findings or questioned costs noted for the year ended December 31, 2019.