

**PACE
Community
Action Agency, Inc.
and Subsidiaries**

**Consolidated Financial
Statements**

**For the Years Ended
December 31, 2018 and 2017
(With Single Audit Section)**

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Certified Public Accountants

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
FINANCIAL STATEMENTS**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities and Changes in Net Assets	7
Consolidated Statements of Functional Expenses	9
Consolidated Statements of Cash Flows.....	13
Notes to Consolidated Financial Statements.....	14
SUPPLEMENTARY INFORMATION	
Independent Auditor’s Report on Supplementary Information	28
Consolidating Statements of Financial Position	29
Consolidating Statements of Activities and Changes in Net Assets.....	31
Consolidating Statements of Cash Flows	33
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards.....	35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Expenditures of State and Local Awards.....	37
Summary Schedule of Prior Audit Findings.....	38
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>	39
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance required by the <i>Uniform Guidance</i>	41
Schedule of Findings and Questioned Costs.....	43



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PACE Community Action Agency, Inc. and Subsidiaries
Vincennes, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of PACE Community Action Agency, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of Ivy Lane, LP, which statements reflect total assets of \$3,400,281 and \$3,559,776 as of December 31, 2018 and 2017 and total support and revenues of \$238,797 and \$257,956 for the years then ended, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ivy Lane, LP is based solely on the report of the other auditor. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PACE Community Action Agency, Inc. and Subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of PACE Community Action Agency, Inc. and Subsidiaries 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 on June 4, 2019 our consideration of PACE Community Action Agency, Inc.'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

June 4, 2019

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS:			
Cash and cash equivalents	\$ 700,423	\$ 51,680	\$ 752,103
Certificates of deposit	-	-	-
Grants receivable	461,269	-	461,269
Other receivables	36,029	-	36,029
Inventory	443	-	443
Prepaid expenses and deposits	187,220	-	187,220
Total current assets	1,385,384	51,680	1,437,064
PROPERTY AND EQUIPMENT:			
Land	173,065	-	173,065
Property and equipment, net of accumulated depreciation and amortization	5,924,370	-	5,924,370
Total property and equipment	6,097,435	-	6,097,435
OTHER ASSETS:			
Restricted deposits and funded reserves	224,917	-	224,917
Tenant security deposits held in trust	13,808	-	13,808
Investments	128,969	-	128,969
Total other assets	367,694	-	367,694
Total assets	\$ 7,850,513	\$ 51,680	\$ 7,902,193

See accompanying notes to consolidated financial statements.

2017

Without Donor Restrictions	With Donor Restrictions	Total
\$ 711,307	\$ 68,907	\$ 780,214
33,310	-	33,310
420,230	-	420,230
35,807	-	35,807
289	-	289
187,628	-	187,628
1,388,571	68,907	1,457,478
173,065	-	173,065
6,189,713	-	6,189,713
6,362,778	-	6,362,778
219,218	-	219,218
11,351	-	11,351
35,615	-	35,615
266,184	-	266,184
\$ 8,017,533	\$ 68,907	\$ 8,086,440

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017

LIABILITIES AND NET ASSETS

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT LIABILITIES:			
Accounts payable	\$ 87,155	\$ -	\$ 87,155
Accrued expenses and fees	29,710	-	29,710
Advance funds	6,089	-	6,089
Accrued payroll and payroll liabilities	181,554	-	181,554
Accrued paid time off	64,520	-	64,520
Development consultant fees payable	51,681	-	51,681
Current portion of long-term debt	18,922	-	18,922
	439,631	-	439,631
LONG-TERM LIABILITIES			
Tenants' security deposit liability	10,300	-	10,300
Long-term development debt and interest	848,057	-	848,057
Long-term debt net of current portion	5,715	-	5,715
	864,072	-	864,072
NET ASSETS:			
Parent interest in net assets	4,302,360	51,680	4,354,040
Non-controlling interest in net assets	2,244,450	-	2,244,450
Total net assets	6,546,810	51,680	6,598,490
Total liabilities and net assets	\$ 7,850,513	\$ 51,680	\$ 7,902,193

See accompanying notes to consolidated financial statements.

2017

Without Donor Restrictions	With Donor Restrictions	Total
\$ 161,507	\$ -	\$ 161,507
28,010	-	28,010
6,089	-	6,089
153,971	-	153,971
56,416	-	56,416
78,908	-	78,908
18,544	-	18,544
503,445	-	503,445
11,350	-	11,350
918,384	-	918,384
11,312	-	11,312
941,046	-	941,046
4,239,585	68,907	4,308,492
2,333,457	-	2,333,457
6,573,042	68,907	6,641,949
\$ 8,017,533	\$ 68,907	\$ 8,086,440

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Federal government revenue	\$ 8,866,305	\$ -	\$ 8,866,305
State and local government revenue	205,406	-	205,406
Other grant income	252,116	-	252,116
Fees and program income	591,628	-	591,628
Net rental income	173,654	-	173,654
Contributions	85,051	-	85,051
Interest income	6,455	-	6,455
Inkind contributions	620,355	-	620,355
	<hr/>	<hr/>	<hr/>
Total revenues and other support before net assets released from restrictions	10,800,970	-	10,800,970
Net assets released from restrictions	17,227	(17,227)	-
	<hr/>	<hr/>	<hr/>
Total revenue and other support	10,818,197	(17,227)	10,800,970
OPERATING EXPENSES:			
Community Services Block Grant	301,841	-	301,841
Energy assistance	2,550,031	-	2,550,031
Weatherization assistance program	551,466	-	551,466
Head Start	5,290,747	-	5,290,747
Family planning	943,880	-	943,880
Women, infants and children	329,873	-	329,873
Other programs	18,450	-	18,450
Management and general	60,995	-	60,995
Fundraising	14,116	-	14,116
Subsidiaries	783,030	-	783,030
	<hr/>	<hr/>	<hr/>
Total operating expenses	10,844,429	-	10,844,429
Increase (decrease) in net assets	(26,232)	(17,227)	(43,459)
NET ASSETS AT BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
	6,573,042	68,907	6,641,949
	<hr/>	<hr/>	<hr/>
Noncontrolling interest in subsidiary's earnings	(89,007)	-	(89,007)
Controlling interest in subsidiary's earnings	62,775	(17,227)	45,548
	<hr/>	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	<u>\$ 6,546,810</u>	<u>\$ 51,680</u>	<u>\$ 6,598,490</u>

See accompanying notes to consolidated financial statements.

2017

Without Donor Restrictions	With Donor Restrictions	Total
\$ 7,329,836	\$ -	\$ 7,329,836
201,587	-	201,587
120,913	-	120,913
599,677	-	599,677
179,772	-	179,772
81,540	-	81,540
20,859	-	20,859
541,917	-	541,917
<hr/>		
9,076,101	-	9,076,101
17,227	(17,227)	-
<hr/>		
9,093,328	(17,227)	9,076,101
<hr/>		
258,282	-	258,282
1,556,844	-	1,556,844
478,719	-	478,719
4,701,087	-	4,701,087
835,911	-	835,911
303,847	-	303,847
53,399	-	53,399
37,619	-	37,619
25,023	-	25,023
835,971	-	835,971
<hr/>		
9,086,702	-	9,086,702
<hr/>		
6,626	(17,227)	(10,601)
6,566,416	86,134	6,652,550
<hr/>		
(104,119)	-	(104,119)
110,745	(17,227)	93,518
<hr/>		
\$ 6,573,042	\$ 68,907	\$ 6,641,949
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PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Community Services <u>Block Grant</u>	Energy <u>Assistance</u>	Weatherization Assistance <u>Program</u>	<u>Head Start</u>	Family <u>Planning</u>
OPERATING EXPENSES					
Personnel	\$ 115,213	\$ 134,451	\$ 137,591	\$ 2,532,518	\$ 557,853
Employee benefits	19,211	13,285	13,724	280,280	39,816
Payroll taxes	7,787	9,907	10,557	182,915	41,702
Accounting fees	7,364	6,359	1,310	19,625	3,586
Legal fees	-	-	-	-	-
Supplies	63,699	68,055	12,198	654,730	88,708
Telephone	1,627	2,469	1,691	35,871	11,875
Postage	485	6,282	92	1,956	1,177
Occupancy	23,188	17,062	11,581	845,592	84,621
Equipment and maintenance	-	-	76	13,827	-
Printing and publications	6,194	7,826	612	52,107	3,656
Dues and filing fees	3,233	-	-	-	-
Contract labor	3,038	-	-	15,625	3,000
Training and education	11,712	113	1,956	56,811	4,292
Travel	15,479	1,505	5,483	95,690	15,685
Depreciation and amortization	7,969	79	3,326	117,224	439
Insurance	2,533	699	7,127	47,488	7,119
Data processing	9,633	4,773	4,400	59,193	22,069
Direct assistance	3,476	2,277,166	339,742	279,295	58,282
Interest expense	-	-	-	-	-
Other expenses	-	-	-	-	-
Total Expenses	\$ 301,841	\$ 2,550,031	\$ 551,466	\$ 5,290,747	\$ 943,880

See accompanying notes to consolidated financial statements.

<u>Women, Infants and Children</u>	<u>Other Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subsidiaries</u>	<u>2018 Totals</u>
\$ 213,687	\$ 1,340	\$ 10,350	\$ 2,701	\$ 292,871	\$ 3,998,575
18,484	-	984	148	38,927	424,859
16,077	101	1,237	201	22,225	292,709
1,674	-	360	-	5,053	45,331
-	398	-	-	-	398
15,447	63	510	2,442	26,404	932,256
4,596	-	32	11	2,487	60,659
303	-	-	21	175	10,491
43,271	-	(165,712)	57	30,973	890,633
-	-	-	-	55,425	69,328
2,184	-	-	1	667	73,247
-	-	-	-	-	3,233
7,109	-	112	-	-	28,884
-	-	-	-	1,714	76,598
1,151	-	-	29	30,818	165,840
-	-	191,998	-	170,632	491,667
3,104	-	(160)	4	38,601	106,515
2,786	-	(1,666)	2,068	3,618	106,874
-	16,548	-	-	-	2,974,509
-	-	1,039	420	15,767	17,226
-	-	21,911	6,013	46,673	74,597
<u>\$ 329,873</u>	<u>\$ 18,450</u>	<u>\$ 60,995</u>	<u>\$ 14,116</u>	<u>\$ 783,030</u>	<u>\$ 10,844,429</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Community Services <u>Block Grant</u>	Energy Assistance <u>Assistance</u>	Weatherization Assistance <u>Program</u>	<u>Head Start</u>	Family Planning <u>Planning</u>
OPERATING EXPENSES					
Personnel	\$ 122,817	\$ 138,461	\$ 132,549	\$ 2,290,133	\$ 463,313
Employee benefits	15,986	12,616	20,917	235,047	41,355
Payroll taxes	7,554	10,403	10,593	164,598	34,661
Accounting fees	6,068	6,408	92	18,174	3,858
Legal fees	1,108	-	-	215	-
Supplies	23,451	3,342	6,281	523,166	87,964
Telephone	2,090	2,512	1,766	35,776	12,009
Postage	181	3,925	139	2,442	1,469
Occupancy	35,194	13,825	11,016	753,248	101,695
Equipment and maintenance	68	-	269	2,161	-
Printing and publications	3,076	7,315	372	49,724	3,643
Dues and filing fees	3,264	-	-	-	-
Contract labor	357	-	-	9,570	3,000
Training and education	8,204	1,485	988	46,330	2,757
Travel	11,640	4,920	5,722	94,995	10,311
Depreciation and amortization	8,326	79	4,123	105,623	439
Insurance	2,217	1,288	5,043	46,400	7,309
Data processing	6,427	1,827	1,515	35,065	15,105
Direct assistance	254	1,348,438	277,334	288,420	47,023
Interest expense	-	-	-	-	-
Other expenses	-	-	-	-	-
Total Expenses	\$ 258,282	\$ 1,556,844	\$ 478,719	\$ 4,701,087	\$ 835,911

See accompanying notes to consolidated financial statements.

<u>Women, Infants and Children</u>	<u>Other Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Subsidiaries</u>	<u>2017 Totals</u>
\$ 194,952	\$ 2,604	\$ (4,285)	\$ 5,550	\$ 303,305	\$ 3,649,399
18,184	-	(2,390)	195	54,136	396,046
10,013	194	8,256	419	22,793	269,484
2,125	-	-	-	4,111	40,836
-	-	-	-	-	1,323
9,405	146	976	1,079	29,169	684,979
5,106	-	22	14	2,607	61,902
155	-	-	15	33	8,359
45,623	201	(149,927)	131	29,760	840,766
-	-	-	-	90,121	92,619
2,092	-	-	1	920	67,143
-	30	-	-	-	3,294
8,397	-	-	143	-	21,467
-	-	500	-	2,906	63,170
2,177	-	-	87	23,963	153,815
-	-	171,353	-	170,631	460,574
2,883	-	4,371	16	43,855	113,382
2,735	-	316	1,455	2,613	67,058
-	50,224	8,412	-	-	2,020,105
-	-	-	-	15,891	15,891
-	-	15	15,918	39,157	55,090
<u>\$ 303,847</u>	<u>\$ 53,399</u>	<u>\$ 37,619</u>	<u>\$ 25,023</u>	<u>\$ 835,971</u>	<u>\$ 9,086,702</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (43,459)	\$ (10,601)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	491,667	460,573
(Gain) loss on investments	8,729	(2,740)
Forgiveness of debt	(57,002)	(57,003)
Increase (decrease) in cash from changes in:		
Grants receivable	(41,039)	(99,715)
Other receivables	2,461	6,034
Inventory	(154)	(174)
Prepaid expenses and deposits	(3,070)	(5,590)
Accounts payable and accrued expenses	(67,564)	92,763
Accrued payroll and payroll expenses	27,583	(2,457)
Accrued paid time off	8,104	891
Net cash provided by (used in) operating activities	326,256	381,981
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit and investments	(102,082)	(66,185)
Proceeds from certificates of deposit matured	33,310	-
Acquisition of property and equipment	(224,124)	(397,441)
Contributions to operating reserve	(5,699)	39,677
Net cash provided by (used in) investing activities	(298,595)	(423,949)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments against notes payable	(55,772)	(63,663)
Net cash provided by (used in) financing activities	(55,772)	(63,663)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,111)	(105,631)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	780,214	885,845
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 752,103	\$ 780,214
Supplemental disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 8,668	\$ 9,001

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of PACE Community Action Agency, Inc. (the “Organization”), and its wholly owned subsidiaries, PACE Ventures Holding, Inc. and PACE Development Corporation. The statements also include the for-profit limited liability company, PACE Ventures, LLC, which is wholly owned by PACE Ventures Holding, Inc. and the for-profit limited liability company PACE Ivy Lane LLC, which is wholly owned by PACE Development Corporation. PACE Ivy Lane LLC serves as the general partner for Ivy Lane L.P. In accordance with FASB ASC 958-810-15-4, consolidation is required for each of the previously mentioned entities and all material intercompany transactions have been eliminated in the consolidation.

NATURE OF OPERATIONS

PACE Community Action Agency, Inc. (the “Organization”) was incorporated as the Economic Opportunity Committee of Knox County and commenced operations as a not-for-profit corporation in 1965, under the laws of the State of Indiana. Throughout the years the name changed to the Economic Opportunity Committee of Daviess, Greene, Knox and Sullivan Counties, Inc. in 1971 and again in 1983 to Wabash Valley Human Services, Inc. Effective January 1, 2007, the Organization changed its name to PACE Community Action Agency, Inc. The Organization currently serves the counties of Daviess, Greene, Knox and Sullivan with limited services provided in Gibson, Martin and Vigo counties. In addition, the Organization is governed by a volunteer Board of Directors with advisory and policy councils serving to guide the various programs administered. The primary goal of the Organization is to enable economically and socially disadvantaged people to achieve self-sufficiency and become less dependent on public assistance. Programs and services offered provide opportunities for all age groups, particularly those who are low-income and meet program guidelines.

On January 3, 2007, the Organization formed PACE Ventures Holding, Inc., a C corporation (the “Subsidiary”) as a wholly owned subsidiary under the laws of the State of Indiana. Currently, the Subsidiary provides computer training for community residents and non-profit financial, human resource and consulting services for non-profit organizations. In addition, the Subsidiary has two (2) wholly owned subsidiaries. PACE Ventures, LLC was formed on December 28, 2006, to provide janitorial and cleaning services to business and residential customers in southern Indiana and Illinois. PACE Development Corporation, PACE Ivy Lane, LLC and PACE Ivy Lane L.P. were formed on September 9, 2010, to acquire, construct, own and lease a 31-unit apartment project known as Ivy Lane Apartments in Vincennes, Indiana. Income or losses from business activity performed by PACE Ventures, LLC and PACE Ivy Lane, LLC are reflected as increases and decreases in the investment in subsidiaries balance in the statement of consolidated financial position. In addition, income or losses from LLC activity is presented in the investment in subsidiary income balance in the consolidated statement of activities.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

NATURE OF OPERATIONS – (continued)

In September 2010, the Organization formed PACE Development Corporation which is the sole member of PACE-Ivy Lane, LLC, a single member LLC and wholly owned subsidiary of the Organization, for the purpose of developing low-income housing units in Knox County. PACE-Ivy Lane, LLC serves as the general partner for Ivy Lane, L.P. (the Partnership) and holds a .009% interest. In 2011 Ivy Lane, L.P. completed construction of 31 units in Knox County (Ivy Lane Apartments) which will be rented to low-income individuals and, as a result, low interest and state loans and forgivable federal loans are available to the Partnership. For the years ended December 31, 2018 and 2017, Section 1602 forgivable loans of \$456,019 and \$513,021 were outstanding, respectively.

BASIS OF ACCOUNTING

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

FINANCIAL STATEMENT PRESENTATION

The Organization implemented ASU No. 2016-14 for the year ended December 31, 2018 and reclassified 2017 financial statements for comparative purposes. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Per the applicable standards, PACE Community Action Agency, Inc. 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 PACE Community Action Agency, Inc. 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.

Net assets with donor restrictions represent contributions and other inflows of assets whose use by PACE Community Action Agency, Inc. is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of PACE Community Action Agency, Inc. 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.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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 equivalents.

GRANTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

INVENTORY

Materials and supplies purchased throughout the year are charged to expense as the cost is incurred. Any items remaining on hand at year end are recognized as inventory in the financial statements at their actual cost.

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. The 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 Organization has categorized its assets and liabilities that are measured at fair value, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy:

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.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices 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 about 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

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

PROPERTY AND EQUIPMENT

The Organization's property and equipment are stated at cost and depreciated over estimated useful lives of five to forty years using the straight-line method. The following is a summary of the lives for each class of asset:

Buildings	40 years
Equipment	5-10 years
Vehicles	5-10 years

Expenditures for improvements and major renewals are capitalized. When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred. Depreciation expense incurred for the years ended December 31, 2018 and 2017 were \$321,035 and \$289,943, respectively

The Subsidiaries' property is stated at cost and depreciated over an estimated useful life of thirty years. The Subsidiaries provide for depreciation in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method. It is the Subsidiaries' general practice to charge maintenance and repairs to expense in the current period. Depreciation expense incurred by the Subsidiaries for the years ended December 31, 2018 and 2017 were \$170,632 and \$170,631, respectively.

REVENUE RECOGNITION

The Organization receives grants from the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the State appropriate records of services provided to eligible individuals. Revenues under the contracts are recognized as the services are provided.

The Subsidiaries recognize revenue as it is earned and billed.

CONTRIBUTIONS

The Organization reports gifts of cash and other assets as donor 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

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**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. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments. No amounts have been recorded in the financial statements for non-professional volunteer time.

IN-KIND CONTRIBUTIONS

In addition to receiving cash contributions, 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 other support by the same amount. For the year ended December 31, 2018 and 2017, this adjustment amounted to approximately \$620,355 and \$541,917, respectively, and is included in other revenue and support on the Consolidated Statements of Activities.

The Organization has recorded in-kind contributions for professional services on the Consolidated Statement of Activities in accordance with the FASB standard for *Accounting for Contributions Received and Contributions Made*. This standard requires that only contributions of services received that create or enhance a non-financial assets or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different from the in-kind requirements of the Organization's grant funding sources.

Of the \$620,355 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the year ended December 31, 2018, contributed services meeting the requirements of FASB standards are \$12,334.

During 2018, the Organization also received other in-kind contributions totaling \$679,571 from non-professional volunteers, primarily for its Head Start program which are not recorded in the Consolidated Statement of Activities.

Of the \$541,917 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the year ended December 31, 2017, contributed services meeting the requirements of FASB standards are \$49,700.

During 2017, the Organization also received other in-kind contributions totaling \$608,062 from non-professional volunteers, primarily for its Head Start program which are not recorded in the Consolidated Statement of Activities.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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 advance funds on the Statement of Financial Position.

EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. The interest bearing accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2018 and 2017. For both years, bank balances were not in excess of FDIC coverage in place for that year.

Revenues from federal and state government agencies that provide grant and contract funding to the Organization as of December 31, 2018 and 2017 represented 90% and 89% of the Organization's total revenue and support for the year, respectively.

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).

Income tax expense for the Subsidiaries will include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 2018 and 2017. There was no provision for income tax since the Subsidiaries either had no taxable income or have adequate loss carry forwards available to offset any potential taxable income.

In addition, since the two subsidiary LLCs are wholly owned by PACE Ventures Holding, Inc., and PACE Development Corporation, there is only a single member (owner) for both. Per Internal Revenue Service Code these LLCs are considered to be "disregarded entities" for tax purposes, meaning that all revenues and expenses of the LLCs are reported as part of the PACE Ventures Holding, Inc. and PACE Development Corporation corporate tax return. No income tax returns are required to be prepared for the sole-member LLCs.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

TAX BENEFITS

The Organization and Subsidiaries recognize 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 and Subsidiaries are no longer subject to examination by taxing authorities for the years before 2015.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

RECLASSIFICATION

Certain prior year financial information has been reclassified to conform to the current year presentation.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 4, 2019, which is the date the financial statements were available to be issued.

RECENT ACCOUNTING PRONOUNCEMENTS

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the 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, 2019, and interim periods for years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact the adoption of this guidance will have on the financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

RECENT ACCOUNTING PRONOUNCEMENTS

Revenue Recognition from Contract with Customers

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. ASU 2014-09, as deferred by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

The Organization’s property and equipment are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 4,818,254	\$ 4,648,076
Vehicles	199,481	199,481
Equipment	<u>636,785</u>	<u>590,878</u>
	5,654,520	5,438,435
Accumulated depreciation	<u>(2,792,284)</u>	<u>(2,479,289)</u>
	2,862,235	2,959,146
Land	<u>85,370</u>	<u>85,370</u>
	<u><u>\$ 2,947,605</u></u>	<u><u>\$ 3,044,516</u></u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – PROPERTY AND EQUIPMENT – (continued)

The Subsidiaries' property and equipment are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 3,671,081	\$ 3,671,081
Furniture and equipment	<u>600,673</u>	<u>600,673</u>
	4,271,754	4,271,754
Accumulated depreciation	<u>(1,209,619)</u>	<u>(1,041,187)</u>
	3,062,135	3,230,567
Land	<u>87,695</u>	<u>87,695</u>
	<u><u>\$ 3,149,830</u></u>	<u><u>\$ 3,318,262</u></u>

NOTE 3 – GRANTS RECEIVABLE

Grants receivable consisted of the following as of December 31, 2018:

<u>December 31, 2018</u>	
U.S. Department of Health and Human Services	\$ 169,590
Indiana State Department of Health	54,214
Indiana Family Health Council	81,785
Indiana Family and Social Services	41,105
Indiana Housing and Community Development	<u>114,574</u>
	<u><u>\$ 461,269</u></u>

Grants receivable consisted of the following as of December 31, 2017:

<u>December 31, 2017</u>	
U.S. Department of Health and Human Services	\$ 154,587
Indiana State Department of Health	82,954
Indiana Family Health Council	71,044
Indiana Family and Social Services	22,662
Indiana Housing and Community Development	<u>88,983</u>
	<u><u>\$ 420,230</u></u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 – INVESTMENTS

The Organization’s investments are presented in the financial statements at fair value based on quoted market prices.

	<u>2018</u>	<u>2017</u>
Cash and cash alternatives	\$ 314	\$ 141
Exchange Traded Funds	116,474	32,595
Mutual Funds	12,181	2,879
Stocks	-	-
	<u>\$ 128,969</u>	<u>\$ 35,615</u>
	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 3,654	\$ 257
Realized gains and (losses)	510	63
Unrealized gains and (losses)	(9,239)	2,677
Investment fees	(1,572)	(381)
	<u>\$ (6,647)</u>	<u>\$ 2,616</u>

NOTE 5 – OPERATING LEASES

The Organization leases multiple operating facilities under cancelable operating lease arrangements which expire at various times through April of 2024. The arrangements are only cancelable should Federal funding for the program using the facility cease or become unavailable. In addition, the Organization leases a copier under a non-cancelable lease which expires in September of 2020. Rental expense for these leases included in the statements of activities for the year ended December 31, 2018 and 2017 were \$175,080 and \$162,480, respectively.

Future minimum lease payments for long-term leases are as follows for the years ended December 31:

<u>Year</u>	<u>Amount</u>
2019	\$ 167,234
2020	155,776
2021	123,980
2022	68,980
2023	46,980
Thereafter	12,390
	<u>\$ 575,340</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6 – EMPLOYEE BENEFITS

The Organization switched from a 403(b) defined contribution plan to 401(k) plan in May 2008. The Agency matches employee contributions dollar for dollar up to \$1,000. For the years ended December 31, 2018 and 2017, the employer contributions amounted to \$39,865 and \$41,456, respectively.

NOTE 7 - ALLOCATION OF COSTS

The Organization allocates joint costs to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint 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: Agency personnel with multiple program duties (Executive Director, Associate Directors, accounting personnel, etc.) record the time they spend working on specific programs on their time sheets. The time specifically identifiable to a particular program is charged to that program.

Occupancy Costs: Occupancy costs (maintenance costs, utilities, insurance, rent, repair costs, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by staff with multiple program duties is allocated based upon time worked in each program.

Copy Costs: A record is maintained of copies made for each program. Copy costs are charged monthly to programs based upon the number of copies made.

Insurance: Insurance is allocated to benefiting programs depending on the equipment, space or number of employees covered by the insurance.

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

NOTE 8 – LINE OF CREDIT – BANK

In March 2011 the Organization signed a \$75,000 unsecured line of credit with First Financial Bank with interest payable at a variable interest rate of 4.0% at the time of signing. The line of credit has been renewed every 2 years and the most recent one matured in July 2017. The line of credit was renewed and now matures in July 2019 and bears a variable interest rate based on the Wall Street Journal's published Prime Rate. At December 31, 2018 and 2017 there was no outstanding balance on the line.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 – LONG-TERM DEBT

On January 7, 2019 PACE Community Action Agency, Inc. mortgaged their Vincennes main facility as collateral for their Washington building project in the amount of \$924,000. The loan matures in 2039. For the first three years payments are \$6,357 with an interest rate of 5.5%. Thereafter, payments will increase to \$6,474 with a variable interest rate based on the Wall Street Journal Prime Rate plus a margin of .25%.

The Organization entered into an agreement with a consultant on November 23, 2010, for consulting services with respect to the low-income multi-family housing project with which the Organization is involved as a sponsor and developer in Vincennes, Indiana (the “Project”). The original payable was in the amount of \$244,900 and the term of the agreement continues through December 31, 2021. The total payable is \$51,681 and \$78,908 for the years ended December 31, 2018 and 2017.

Per the agreement, the Organization shall pay the consulting fee in installments within five (5) business days after receipt by the Organization of installments of the development fee receivable from the Project, in amounts equal to sixty percent (60%) of the amount of each installment of such development fee received by the Organization. The development fee receivable from the Project amounted to \$-0- and \$10,000 as of December 31, 2018 and 2017.

PACE Ventures Holding, Inc. did not have long-term debt as of December 31, 2018 and 2017.

Long-term debt of Ivy Lane, L.P. consists of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Section 1602 Tax Credit Exchange Funds - Zero interest, forgivable note payable to the Indiana Housing and Community Development Authority. Loan is forgiven at a rate of 1/15th per year for each year of the compliance period beginning on the first anniversary date of the commencement of the	\$ 456,019	\$ 513,021
Development Fund Loan - 2% note payable to the Indiana Housing and Community Development Authority. The loan matures one year after the compliance period of the Section 1602 Tax Credit Exchange loan described above.	<u>405,363</u>	<u>418,426</u>
	<u>\$ 861,382</u>	<u>\$ 931,447</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 – LONG-TERM DEBT – (continued)

Long-term debt of Pace Ventures, LLC consists of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Note payable to First Financial Bank, payable in monthly installments of \$482, including interest at 2.1%, maturing December 1, 2020.	\$ 11,312	\$ 16,793
	<u>\$ 11,312</u>	<u>\$ 16,793</u>

The future maturities of long-term debt are as follows for the years ended December 31,

	<u>Parent</u>	<u>Ivy Lane, L.P.</u>	<u>Pace Ventures, LLC.</u>	<u>Total</u>
2019	\$ 22,417	\$ 13,325	\$ 5,597	\$ 41,339
2020	25,818	13,591	5,715	45,124
2021	27,321	13,863	-	41,184
2022	30,208	14,140	-	44,348
2023	32,088	14,423	-	46,511
Thereafter	786,148	792,040	-	1,578,188
	<u>\$ 924,000</u>	<u>\$ 861,382</u>	<u>\$ 11,312</u>	<u>\$ 1,796,694</u>

NOTE 10 – GUARANTEES

The Organization, along with other interested parties have agreed to guarantee the performance of Ivy Lane, L.P. in its obligations under the various partnership and loan agreements associated with the operation and construction of Ivy Lane Apartments including those relating to payment and performance by the General Partner, performance by the Developer, and prompt and complete payment of all costs and expenses incurred by the partnership.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11 – INFORMATION ABOUT LIQUIDITY

The financial assets per the consolidated financial statements for PACE Community Action Agency, Inc. and Subsidiaries consist of cash, certificates of deposit, receivables and investments. Certain cash balances related to reserves and security deposits that are required to be set aside for Ivy Lane. In addition, the Organization has a \$75,000 line of credit available.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 752,103	\$ 780,214
Certificates of deposit	-	33,310
Grants receivable	461,269	420,230
Other receivables	36,029	35,807
Restricted deposits and funded reserves	224,917	219,218
Tenant security deposits held in trust	13,808	11,351
Investments	<u>128,969</u>	<u>35,615</u>
Total financial assets	1,617,095	1,535,745
Less:		
Restricted deposits and funded reserves	(224,917)	(219,218)
Tenant security deposits held in trust	<u>(13,808)</u>	<u>(11,351)</u>
Total financial assets available for operations within the next year	<u>\$ 1,378,370</u>	<u>\$ 1,305,176</u>

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
PACE Community Action Agency, Inc. and Subsidiaries
Vincennes, Indiana

Our report on our audits of the consolidated financial statements of PACE Community Action Agency, Inc. and Subsidiaries, as of December 31, 2018 and 2017, appears on page one. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information (shown on pages 29 through 34) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the statements of financial position, results of activities and cash flows of the individual organizations. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We did not audit the financial statements of Ivy Lane, LP, which statements reflect total assets of \$3,400,281 and \$3,559,776 as of December 31, 2018 and 2017 and total support and revenues of \$238,797 and \$257,956 for the years then ended, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned organization, is based solely on the report of the other auditors. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole for the years ended December 31, 2018 and 2017.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
June 4, 2019

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

	Parent		Subsidiaries (Unrestricted)				Eliminations	2018 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane, L.P.		
CURRENT ASSETS:								
Cash and cash equivalents	\$ 554,528	\$ 51,680	\$ 60,916	\$ 67,946	\$ -	\$ 17,033	\$ -	\$ 752,103
Certificates of deposit	-	-	-	-	-	-	-	-
Grants receivable	461,269	-	-	-	-	-	-	461,269
Other receivables	191,643	-	-	25,939	-	-	(181,553)	36,029
Inventory	443	-	-	-	-	-	-	443
Prepaid expenses and deposits	143,349	-	-	4,713	-	39,158	-	187,220
Total current assets	1,351,232	51,680	60,916	98,598	-	56,191	(181,553)	1,437,064
PROPERTY AND EQUIPMENT:								
Land	85,370	-	-	-	-	87,695	-	173,065
Property and equipment, net of accumulated depreciation and amortization	2,862,235	-	-	44,465	-	3,017,670	-	5,924,370
Total property and equipment	2,947,605	-	-	44,465	-	3,105,365	-	6,097,435
OTHER ASSETS:								
Due from PACE Ventures Holding	150,311	-	-	-	-	-	(150,311)	-
Due from Ivy Lane	251,203	-	-	-	-	-	(251,203)	-
Restricted deposits and funded reserves	-	-	-	-	-	224,917	-	224,917
Tenant security deposits held in trust	-	-	-	-	-	13,808	-	13,808
Investments	128,969	-	-	-	-	-	-	128,969
Investment in subsidiaries	250,438	-	117,842	-	35	-	(368,315)	-
Total other assets	780,921	-	117,842	-	35	238,725	(769,829)	367,694
Total assets	\$ 5,079,758	\$ 51,680	\$ 178,758	\$ 143,063	\$ 35	\$ 3,400,281	\$ (951,382)	\$ 7,902,193
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable	\$ 83,689	\$ -	\$ -	\$ 265	\$ -	\$ 3,201	\$ -	\$ 87,155
Accrued expenses and fees	-	-	-	-	-	29,710	-	29,710
Advance funds	6,089	-	-	-	-	-	-	6,089
Accrued payroll and payroll liabilities	171,758	-	-	9,796	-	-	-	181,554
Accrued paid time off	64,520	-	-	-	-	-	-	64,520
Due to other funds	164,193	-	8,512	8,848	-	-	(181,553)	-
Development consultant fees payable	51,681	-	-	-	-	-	-	51,681
Due to PACE Community Action Agency	-	-	150,311	-	-	-	(150,311)	-
Current portion of long-term debt	-	-	-	5,597	-	13,325	-	18,922
Total current liabilities	541,930	-	158,823	24,506	-	46,236	(331,864)	439,631
LONG-TERM LIABILITIES								
Tenants' security deposit liability	-	-	-	-	-	10,300	-	10,300
Long-term development debt and interest	-	-	-	-	-	1,099,260	(251,203)	848,057
Long-term debt net of current portion	-	-	-	5,715	-	-	-	5,715
Total long-term liabilities	-	-	-	5,715	-	1,109,560	(251,203)	864,072
NET ASSETS								
Parent interest in net assets	4,537,828	51,680	19,935	112,842	35	35	(368,315)	4,354,040
Non-controlling interest in net assets	-	-	-	-	-	2,244,450	-	2,244,450
Total net assets	4,537,828	51,680	19,935	112,842	35	2,244,485	(368,315)	6,598,490
Total liabilities and net assets	\$ 5,079,758	\$ 51,680	\$ 178,758	\$ 143,063	\$ 35	\$ 3,400,281	\$ (951,382)	\$ 7,902,193

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS	Parent		Subsidiaries (Unrestricted)				Eliminations	2017 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane, L.P		
CURRENT ASSETS:								
Cash and cash equivalents	\$ 553,289	\$ 68,907	\$ 52,568	\$ 81,526	\$ -	\$ 23,924	\$ -	\$ 780,214
Certificates of deposit	33,310	-	-	-	-	-	-	33,310
Grants receivable	420,230	-	-	-	-	-	-	420,230
Other receivables	133,734	-	-	30,510	-	-	(128,437)	35,807
Inventory	289	-	-	-	-	-	-	289
Prepaid expenses and deposits	142,732	-	-	4,717	-	40,179	-	187,628
Total current assets	<u>1,283,584</u>	<u>68,907</u>	<u>52,568</u>	<u>116,753</u>	<u>-</u>	<u>64,103</u>	<u>(128,437)</u>	<u>1,457,478</u>
PROPERTY AND EQUIPMENT:								
Land	85,370	-	-	-	-	87,695	-	173,065
Property and equipment, net of accumulated depreciation and amortization	2,959,146	-	-	53,158	-	3,177,409	-	6,189,713
Total Property and Equipment	<u>3,044,516</u>	<u>-</u>	<u>-</u>	<u>53,158</u>	<u>-</u>	<u>3,265,104</u>	<u>-</u>	<u>6,362,778</u>
OTHER ASSETS:								
Due from PACE Ventures Holding	225,311	-	-	-	-	-	(225,311)	-
Due from Ivy Lane	253,886	-	-	-	-	-	(253,886)	-
Restricted deposits and funded reserves	-	-	-	-	-	219,218	-	219,218
Tenant security deposits held in trust	-	-	-	-	-	11,351	-	11,351
Investments	35,615	-	-	-	-	-	-	35,615
Investment in subsidiaries	250,438	-	135,102	-	43	-	(385,583)	-
Total other assets	<u>765,250</u>	<u>-</u>	<u>135,102</u>	<u>-</u>	<u>43</u>	<u>230,569</u>	<u>(864,780)</u>	<u>266,184</u>
Total assets	<u>\$ 5,093,350</u>	<u>\$ 68,907</u>	<u>\$ 187,670</u>	<u>\$ 169,911</u>	<u>\$ 43</u>	<u>\$ 3,559,776</u>	<u>\$ (993,217)</u>	<u>\$ 8,086,440</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable	\$ 158,901	\$ -	\$ -	\$ 1,023	\$ -	\$ 1,583	\$ -	\$ 161,507
Accrued expenses and fees	-	-	-	-	-	28,010	-	28,010
Advance funds	6,089	-	-	-	-	-	-	6,089
Accrued payroll and payroll liabilities	139,373	-	-	14,598	-	-	-	153,971
Accrued paid time off	56,416	-	-	-	-	-	-	56,416
Due to other funds	119,566	-	1,476	7,395	-	-	(128,437)	-
Development consultant fees payable	78,908	-	-	-	-	10,000	(10,000)	78,908
Due to PACE Community Action Agency	-	-	225,311	-	-	-	(225,311)	-
Current portion of long-term debt	-	-	-	5,481	-	13,063	-	18,544
Total current liabilities	<u>559,253</u>	<u>-</u>	<u>226,787</u>	<u>28,497</u>	<u>-</u>	<u>52,656</u>	<u>(363,748)</u>	<u>503,445</u>
LONG-TERM LIABILITIES								
Tenants' security deposit liability	-	-	-	-	-	11,350	-	11,350
Long-term development debt and interest	-	-	-	-	-	1,162,270	(243,886)	918,384
Long-term debt net of current portion	-	-	-	11,312	-	-	-	11,312
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,312</u>	<u>-</u>	<u>1,173,620</u>	<u>(243,886)</u>	<u>941,046</u>
NET ASSETS								
Parent interest in net assets	4,534,097	68,907	(39,117)	130,102	43	43	(385,583)	4,308,492
Non-controlling interest in net assets	-	-	-	-	-	2,333,457	-	2,333,457
Total net assets	<u>4,534,097</u>	<u>68,907</u>	<u>(39,117)</u>	<u>130,102</u>	<u>43</u>	<u>2,333,500</u>	<u>(385,583)</u>	<u>6,641,949</u>
Total liabilities and net assets	<u>\$ 5,093,350</u>	<u>\$ 68,907</u>	<u>\$ 187,670</u>	<u>\$ 169,911</u>	<u>\$ 43</u>	<u>\$ 3,559,776</u>	<u>\$ (993,217)</u>	<u>\$ 8,086,440</u>

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Parent		Subsidiaries (Unrestricted)				Eliminations	2018 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane, L.P.		
REVENUES AND OTHER SUPPORT:								
Federal government revenue	\$ 8,866,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,866,305
State and local government revenue	205,406	-	-	-	-	-	-	205,406
Other grant income	195,114	-	-	-	-	57,002	-	252,116
Fees and program income	71,659	-	81,050	433,220	-	5,699	-	591,628
Net rental income	-	-	-	-	-	173,654	-	173,654
Contributions	85,051	-	-	-	-	-	-	85,051
Interest income	4,013	-	-	-	-	2,442	-	6,455
Investment income (loss) - subsidiaries	-	-	32,740	-	(8)	-	(32,732)	-
Inkind contributions	620,355	-	-	-	-	-	-	620,355
Total revenues and other support before net assets released from restrictions	10,047,903	-	113,790	433,220	(8)	238,797	(32,732)	10,800,970
Net assets released from restrictions	17,227	(17,227)	-	-	-	-	-	-
Total revenue and other support	10,065,130	(17,227)	113,790	433,220	(8)	238,797	(32,732)	10,800,970
OPERATING EXPENSES:								
Community Services Block Grant	301,841	-	-	-	-	-	-	301,841
Energy assistance	2,550,031	-	-	-	-	-	-	2,550,031
Weatherization assistance program	551,466	-	-	-	-	-	-	551,466
Head Start	5,290,747	-	-	-	-	-	-	5,290,747
Family planning	943,880	-	-	-	-	-	-	943,880
Women, infants and children	329,873	-	-	-	-	-	-	329,873
Other programs	18,450	-	-	-	-	-	-	18,450
Management and general	60,995	-	-	-	-	-	-	60,995
Fundraising	14,116	-	-	-	-	-	-	14,116
Subsidiaries	-	-	54,738	400,480	-	327,812	-	783,030
Total operating expenses	10,061,399	-	54,738	400,480	-	327,812	-	10,844,429
Increase (decrease) in net assets before distributions	3,731	(17,227)	59,052	32,740	(8)	(89,015)	(32,732)	(43,459)
Transfers	-	-	-	(50,000)	-	-	50,000	-
Increase (decrease) in net assets	3,731	(17,227)	59,052	(17,260)	(8)	(89,015)	17,268	(43,459)
NET ASSETS AT BEGINNING OF YEAR	<u>4,534,097</u>	<u>68,907</u>	<u>(39,117)</u>	<u>130,102</u>	<u>43</u>	<u>2,333,500</u>	<u>(385,583)</u>	<u>6,641,949</u>
Noncontrolling interest in subsidiary's earnings	-	-	-	-	-	(89,007)	-	(89,007)
Controlling interest in subsidiary's earnings	3,731	(17,227)	59,052	(17,260)	(8)	(8)	17,268	45,548
NET ASSETS AT END OF YEAR	<u>\$ 4,537,828</u>	<u>\$ 51,680</u>	<u>\$ 19,935</u>	<u>\$ 112,842</u>	<u>\$ 35</u>	<u>\$ 2,244,485</u>	<u>\$ (368,315)</u>	<u>\$ 6,598,490</u>

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Parent		Subsidiaries (Unrestricted)				Eliminations	2017 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane, L.P.		
REVENUES AND OTHER SUPPORT:								
Federal government revenue	\$ 7,329,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,329,836
State and local government revenue	201,587	-	-	-	-	-	-	201,587
Other grant income	63,910	-	-	-	-	57,003	-	120,913
Fees and program income	91,225	-	41,468	448,137	-	18,847	-	599,677
Net rental income	-	-	-	-	-	179,772	-	179,772
Contributions	81,540	-	-	-	-	-	-	81,540
Interest income	18,525	-	-	-	-	2,334	-	20,859
Investment income (loss) - subsidiaries	-	-	6,127	-	(9)	-	(6,118)	-
Inkind contributions	541,917	-	-	-	-	-	-	541,917
Total revenues and other support before net assets released from restrictions	8,328,540	-	47,595	448,137	(9)	257,956	(6,118)	9,076,101
Net assets released from restrictions	17,227	(17,227)	-	-	-	-	-	-
Total revenue and other support	8,345,767	(17,227)	47,595	448,137	(9)	257,956	(6,118)	9,076,101
OPERATING EXPENSES:								
Community Services Block Grant	258,282	-	-	-	-	-	-	258,282
Energy assistance	1,556,844	-	-	-	-	-	-	1,556,844
Weatherization assistance program	478,719	-	-	-	-	-	-	478,719
Head Start	4,701,087	-	-	-	-	-	-	4,701,087
Family planning	835,911	-	-	-	-	-	-	835,911
Women, infants and children	303,847	-	-	-	-	-	-	303,847
Other programs	53,399	-	-	-	-	-	-	53,399
Management and general	37,619	-	-	-	-	-	-	37,619
Fundraising	25,023	-	-	-	-	-	-	25,023
Subsidiaries	-	-	31,876	442,011	-	362,084	-	835,971
Total operating expenses	8,250,731	-	31,876	442,011	-	362,084	-	9,086,702
Increase (decrease) in net assets before distributions	95,036	(17,227)	15,719	6,126	(9)	(104,128)	(6,118)	(10,601)
Transfers	-	-	-	-	-	-	-	-
Increase (decrease) in net assets	95,036	(17,227)	15,719	6,126	(9)	(104,128)	(6,118)	(10,601)
NET ASSETS AT BEGINNING OF YEAR	4,439,061	86,134	(54,836)	123,976	52	2,437,628	(379,465)	6,652,550
Noncontrolling interest in subsidiary's earnings	-	-	-	-	-	(104,119)	-	(104,119)
Controlling interest in subsidiary's earnings	95,036	(17,227)	15,719	6,126	(9)	(9)	(6,118)	93,518
NET ASSETS AT END OF YEAR	\$ 4,534,097	\$ 68,907	\$ (39,117)	\$ 130,102	\$ 43	\$ 2,333,500	\$ (385,583)	\$ 6,641,949

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Parent	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane L.P.	Eliminations	2018 Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in net assets	\$ (13,496)	\$ 59,052	\$ 32,740	\$ (8)	\$ (89,015)	\$ (32,732)	\$ (43,459)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	321,035	-	8,693	-	161,939	-	491,667
(Gain) loss on investment in subsidiaries	-	(32,740)	-	8	-	32,732	-
(Gain) loss on investments	8,729	-	-	-	-	-	8,729
Forgiveness of debt	-	-	-	-	(57,002)	-	(57,002)
Increase (decrease) in cash from changes in:							
Grants receivable	(41,039)	-	-	-	-	-	(41,039)
Other receivables	(57,909)	-	4,571	-	-	55,799	2,461
Inventory	(154)	-	-	-	-	-	(154)
Prepaid expenses and deposits	(617)	-	4	-	(2,457)	-	(3,070)
Intercompany due to/from	75,000	(75,000)	-	-	-	-	-
Due from Ivy Lane	2,683	-	-	-	-	(2,683)	-
Accounts payable and accrued expenses	(75,212)	-	(758)	-	8,406	-	(67,564)
Accrued payroll and payroll expenses	32,385	-	(4,802)	-	-	-	27,583
Accrued paid time off	8,104	-	-	-	-	-	8,104
Due to other funds	44,627	7,036	1,453	-	-	(53,116)	-
Net cash provided by (used in) operating activities	<u>304,136</u>	<u>(41,652)</u>	<u>41,901</u>	<u>-</u>	<u>21,871</u>	<u>-</u>	<u>326,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of certificates of deposit and investments	(102,082)	-	-	-	-	-	(102,082)
Proceeds from certificates of deposit matured	33,310	-	-	-	-	-	33,310
Acquisition of property and equipment	(224,124)	-	-	-	-	-	(224,124)
Increase (decrease) in restricted deposits and funded reserves	-	-	-	-	(5,699)	-	(5,699)
Return on investment/(distribution)	-	50,000	(50,000)	-	-	-	-
Net cash provided by (used in) investing activities	<u>(292,896)</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>(5,699)</u>	<u>-</u>	<u>(298,595)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Principal payments against notes payable	(27,228)	-	(5,481)	-	(23,063)	-	(55,772)
Net cash provided by (used in) financing activities	<u>(27,228)</u>	<u>-</u>	<u>(5,481)</u>	<u>-</u>	<u>(23,063)</u>	<u>-</u>	<u>(55,772)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,988)	8,348	(13,580)	-	(6,891)	-	(28,111)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	622,196	52,568	81,526	-	23,924	-	780,214
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 606,208</u>	<u>\$ 60,916</u>	<u>\$ 67,946</u>	<u>\$ -</u>	<u>\$ 17,033</u>	<u>\$ -</u>	<u>\$ 752,103</u>
Supplemental disclosures of Cash Flow Information							
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ 8,368</u>	<u>\$ -</u>	<u>\$ 8,668</u>

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Parent	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane L.P.	Eliminations	2017 Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in net assets	\$ 77,809	\$ 15,719	\$ 6,126	\$ (9)	\$ (104,128)	\$ (6,118)	\$ (10,601)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	289,942	-	8,692	-	161,939	-	460,573
(Gain) loss on investment in subsidiaries	-	(6,127)	-	9	-	6,118	-
(Gain) loss on investments	(2,740)	-	-	-	-	-	(2,740)
Forgiveness of debt	-	-	-	-	(57,003)	-	(57,003)
Increase (decrease) in cash from changes in:							
Grants receivable	(99,715)	-	-	-	-	-	(99,715)
Other receivables	(27,267)	-	(6,074)	-	-	39,375	6,034
Inventory	(174)	-	-	-	-	-	(174)
Prepaid expenses and deposits	(5,321)	-	(417)	-	148	-	(5,590)
Due from Ivy Lane	6,897	-	-	-	-	(6,897)	-
Accounts payable and accrued expenses	87,071	-	384	-	5,308	-	92,763
Accrued payroll and payroll expenses	(5,877)	-	3,420	-	-	-	(2,457)
Accrued paid time off	891	-	-	-	-	-	891
Due to other funds	36,114	576	(4,212)	-	-	(32,478)	-
Net cash provided by (used in) operating activities	<u>357,630</u>	<u>10,168</u>	<u>7,919</u>	<u>-</u>	<u>6,264</u>	<u>-</u>	<u>381,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of certificates of deposit and investments	(66,185)	-	-	-	-	-	(66,185)
Proceeds from certificates of deposit matured	-	-	-	-	-	-	-
Acquisition of property and equipment	(397,441)	-	-	-	-	-	(397,441)
Increase (decrease) in restricted deposits and funded reserves	-	-	-	-	39,677	-	39,677
Net cash provided by (used in) investing activities	<u>(463,626)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,677</u>	<u>-</u>	<u>(423,949)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from notes payable	-	-	-	-	-	-	-
Principal payments against notes payable	(31,227)	-	(5,629)	-	(26,807)	-	(63,663)
Net cash provided by (used in) financing activities	<u>(31,227)</u>	<u>-</u>	<u>(5,629)</u>	<u>-</u>	<u>(26,807)</u>	<u>-</u>	<u>(63,663)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(137,223)</u>	<u>10,168</u>	<u>2,290</u>	<u>-</u>	<u>19,134</u>	<u>-</u>	<u>(105,631)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>759,419</u>	<u>42,400</u>	<u>79,236</u>	<u>-</u>	<u>4,790</u>	<u>-</u>	<u>885,845</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 622,196</u>	<u>\$ 52,568</u>	<u>\$ 81,526</u>	<u>\$ -</u>	<u>\$ 23,924</u>	<u>\$ -</u>	<u>\$ 780,214</u>
Supplemental disclosures of Cash Flow Information							
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377</u>	<u>\$ -</u>	<u>\$ 8,624</u>	<u>\$ -</u>	<u>\$ 9,001</u>

See Independent Auditor's Report on Supplementary Information.

SINGLE AUDIT SECTION

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR AGENCY	Federal	Grant or	Grant Award	Federal
Passthrough Agency	CFDA	Identifying	(in dollars \$)	Expenditures
Program Title	Number	Number		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Program:				
Head Start/EHS/T&TA	93.600	05CH8351-005-03	3,751,945	\$ 3,178,911
Head Start/EHS/T&TA	93.600	05CH010707-01-02	3,817,429	539,108
EHS Expansion	93.600	05HP000097-01	1,017,376	758,010
Subtotal CFDA 93.600				<u>4,476,029</u>
Passed through Indiana Housing & Community Development Authority (IHCDA):				
Community Services Block Grant	93.569	CS-017-023	328,829	140,853
Community Services Block Grant	93.569	CS-018-023	279,093	136,172
Community Services Block Grant	93.569	CS-018-023-D	45,000	16,655
Subtotal CFDA 93.569				<u>293,680</u>
Low-Income Home Energy Assistance	93.568	LI-018-023	283,449	198,786
Low-Income Home Energy Assistance	93.568	LI-018-023	1,770,531	1,296,453
Low-Income Home Energy Assistance	93.568	LI-019-023	219,064	81,668
Low-Income Home Energy Assistance	93.568	LI-019-023	1,544,379	854,877
Low-Income Home Energy Assistance	93.568	WL-018-023	245,865	216,605
Low-Income Home Energy Assistance	93.568	WL-019-023	253,286	44,937
Subtotal CFDA 93.568				<u>2,693,326</u>
Assets for Independence Demonstration Program	93.602	IDA016-030	19,000	7,207
Passed through Indiana Family Health Council:				
Family Planning Title X	93.217	none	692,446	432,817
Family Planning TXX	93.667	none	36,740	36,740
Family Planning TANF	93.558	none	179,320	179,320
Total U.S. Department of Health and Human Services				<u>8,119,119</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Indiana State Department of Health:				
Women, Infants & Children	10.557	22305/28847	695,568	321,441
Women, Infants & Children (Peer Counselor)	10.557	22305/28847	24,735	9,065
Subtotal CFDA 10.557				<u>330,506</u>
Child and Adult Care Food Program	10.558	1420061	n/a	208,104
Total U.S. Department of Agriculture				<u>538,610</u>
U.S. DEPARTMENT OF ENERGY				
Passed through Indiana Housing & Community Development Authority (IHCDA):				
Weatherization Assistance for Low-Income Persons	81.042	WX-017-023	182,382	69,895
Weatherization Assistance for Low-Income Persons	81.042	WX-018-023	197,710	138,680
Total U.S. Department of Energy				<u>208,575</u>
Total Expenditures of Federal Awards				<u>\$ 8,866,304</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Client Name 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 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

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$1,299,948 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, 2018.

Note 4 – Indirect Cost Rate

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

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

GRANTOR AGENCY Passthrough Agency Program Title	Grant or Identifying Number	Grant Award (in dollars \$)	State and Local Expenditures
Passed through Indiana Housing & Community Development Authority (IHCDA):			
Low-Income Home Energy Assistance	IR-018-023	85,520	\$ 67,612
Low-Income Home Energy Assistance	IR-019-023	118,623	49,423
Low-Income Home Energy Assistance	WS-018-023	59,214	58,440
Low-Income Home Energy Assistance	WS-019-023	22,938	<u>4,257</u>
Subtotal			<u>179,732</u>
Assets for Independence Demonstration Program	IDA016-030	19,000	<u>7,207</u>
Total Expenditures of State and Local Awards			<u><u>\$ 186,939</u></u>

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2017.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs for the year ended December 31, 2017.



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

**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
PACE Community Action Agency, Inc.

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 PACE Community Action Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 June 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PACE Community Action Agency, Inc.’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 PACE Community Action Agency, Inc.’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. 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 PACE Community Action Agency, 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 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

June 4, 2019



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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
PACE Community Action Agency, Inc.

Report on Compliance for Each Major Federal Program

We have audited PACE Community Action Agency, 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 PACE Community Action Agency, Inc.'s major federal programs for the year ended December 31, 2018. PACE Community Action Agency, 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 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 PACE Community Action Agency, 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 PACE Community Action Agency, 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 PACE Community Action Agency, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, PACE Community Action Agency, 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, 2018.

Report on Internal Control over Compliance

Management of PACE Community Action Agency, 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 PACE Community Action Agency, 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 PACE Community Action Agency, Inc.'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 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.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

June 4, 2019

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

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>
93.600	U.S. Dept. of Health and Human Services - Head Start
93.569	U.S. Dept. of Health and Human Services - Community Services Block Grant

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

Auditee qualified as low risk auditee? Yes No

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 and questioned costs for the year ended December 31, 2018.