

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

**Consolidated Financial
Statements**

**For the Years Ended
December 31, 2019 and 2018
(With Single Audit Section)**

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Certified Public Accountants

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

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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, 2019 and 2018, 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 \$3,181,206 and \$3,400,281 as of December 31, 2019 and 2018 and total support and revenues of \$248,393 and \$238,797 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, 2019 and 2018, 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 July 8, 2020 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
July 8, 2020

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	ASSETS					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS:						
Cash and cash equivalents	\$ 695,055	\$ 44,453	\$ 739,508	\$ 700,423	\$ 51,680	\$ 752,103
Certificates of deposit	-	-	-	-	-	-
Grants receivable	714,795	-	714,795	461,269	-	461,269
Other receivables	23,556	-	23,556	36,029	-	36,029
Inventory	1,615	-	1,615	443	-	443
Prepaid expenses and deposits	209,243	-	209,243	187,220	-	187,220
Total current assets	<u>1,644,264</u>	<u>44,453</u>	<u>1,688,717</u>	<u>1,385,384</u>	<u>51,680</u>	<u>1,437,064</u>
PROPERTY AND EQUIPMENT:						
Land	173,065	-	173,065	173,065	-	173,065
Property and equipment, net of accumulated depreciation and amortization	7,038,923	-	7,038,923	5,924,370	-	5,924,370
Total property and equipment	<u>7,211,988</u>	<u>-</u>	<u>7,211,988</u>	<u>6,097,435</u>	<u>-</u>	<u>6,097,435</u>
OTHER ASSETS:						
Restricted deposits and funded reserves	185,911	-	185,911	224,917	-	224,917
Tenant security deposits held in trust	10,851	-	10,851	13,808	-	13,808
Investments	145,746	-	145,746	128,969	-	128,969
Total other assets	<u>342,508</u>	<u>-</u>	<u>342,508</u>	<u>367,694</u>	<u>-</u>	<u>367,694</u>
Total assets	<u>\$ 9,198,760</u>	<u>\$ 44,453</u>	<u>\$ 9,243,213</u>	<u>\$ 7,850,513</u>	<u>\$ 51,680</u>	<u>\$ 7,902,193</u>

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT LIABILITIES:						
Accounts payable	\$ 248,002	\$ -	\$ 248,002	\$ 87,155	\$ -	\$ 87,155
Accrued expenses and fees	25,157	-	25,157	29,710	-	29,710
Advance funds	6,089	-	6,089	6,089	-	6,089
Accrued payroll and payroll liabilities	236,977	-	236,977	181,554	-	181,554
Accrued paid time off	56,869	-	56,869	64,520	-	64,520
Development consultant fees payable	34,454	-	34,454	51,681	-	51,681
Current portion of long-term debt	46,427	-	46,427	18,922	-	18,922
Total current liabilities	<u>653,975</u>	<u>-</u>	<u>653,975</u>	<u>439,631</u>	<u>-</u>	<u>439,631</u>
LONG-TERM LIABILITIES						
Tenants' security deposit liability	10,850	-	10,850	10,300	-	10,300
Long-term development debt and interest	777,464	-	777,464	848,057	-	848,057
Long-term debt net of current portion	850,358	-	850,358	5,715	-	5,715
Total long-term liabilities	<u>1,638,672</u>	<u>-</u>	<u>1,638,672</u>	<u>864,072</u>	<u>-</u>	<u>864,072</u>
NET ASSETS:						
Parent interest in net assets	4,812,630	44,453	4,857,083	4,302,360	51,680	4,354,040
Non-controlling interest in net assets	2,093,483	-	2,093,483	2,244,450	-	2,244,450
Total net assets	<u>6,906,113</u>	<u>44,453</u>	<u>6,950,566</u>	<u>6,546,810</u>	<u>51,680</u>	<u>6,598,490</u>
Total liabilities and net assets	<u>\$ 9,198,760</u>	<u>\$ 44,453</u>	<u>\$ 9,243,213</u>	<u>\$ 7,850,513</u>	<u>\$ 51,680</u>	<u>\$ 7,902,193</u>

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:						
Federal government revenue	\$ 8,826,482	\$ -	\$ 8,826,482	\$ 8,866,305	\$ -	\$ 8,866,305
State and local government revenue	258,942	-	258,942	205,406	-	205,406
Other grant income	108,510	-	108,510	252,116	-	252,116
Fees and program income	470,001	-	470,001	591,628	-	591,628
Net rental income	169,649	-	169,649	173,654	-	173,654
Contributions	101,672	10,000	111,672	85,051	-	85,051
Interest income	45,778	-	45,778	6,455	-	6,455
Inkind contributions	505,969	-	505,969	620,355	-	620,355
Total revenues and other support before net assets released from restrictions	10,484,854	10,000	10,494,854	10,800,970	-	10,800,970
Net assets released from restrictions	17,227	(17,227)	-	17,227	(17,227)	-
Total revenue and other support	10,502,081	(7,227)	10,494,854	10,818,197	(17,227)	10,800,970

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING EXPENSES:						
Community Services Block Grant	457,957	-	457,957	301,841	-	301,841
Energy assistance	1,792,853	-	1,792,853	2,550,031	-	2,550,031
Weatherization assistance program	524,793	-	524,793	551,466	-	551,466
Head Start	5,026,811	-	5,026,811	5,290,747	-	5,290,747
Family planning	1,045,863	-	1,045,863	943,880	-	943,880
Women, infants and children	328,091	-	328,091	329,873	-	329,873
Other programs	61,276	-	61,276	18,450	-	18,450
Management and general	112,179	-	112,179	60,995	-	60,995
Fundraising	24,832	-	24,832	14,116	-	14,116
Subsidiaries	768,123	-	768,123	783,030	-	783,030
Total operating expenses	10,142,778	-	10,142,778	10,844,429	-	10,844,429
Increase (decrease) in net assets	359,303	(17,227)	352,076	(26,232)	(17,227)	(43,459)
NET ASSETS AT BEGINNING OF YEAR	6,546,810	51,680	6,598,490	6,573,042	68,907	6,641,949
Noncontrolling interest in subsidiary's earnings	(150,967)	-	(150,967)	(89,007)	-	(89,007)
Controlling interest in subsidiary's earnings	510,270	(7,227)	503,043	62,775	(17,227)	45,548
NET ASSETS AT END OF YEAR	<u>\$ 6,906,113</u>	<u>\$ 44,453</u>	<u>\$ 6,950,566</u>	<u>\$ 6,546,810</u>	<u>\$ 51,680</u>	<u>\$ 6,598,490</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Community Services <u>Block Grant</u>	Energy Assistance	Weatherization Assistance Program	Head Start	Family Planning	Women, Infants and Children	Other Programs	Management and General	Fundraising	Subsidiaries	2019 Totals
OPERATING EXPENSES											
Personnel	\$ 208,932	\$ 153,243	\$ 139,299	\$ 2,668,202	\$ 618,935	\$ 219,413	\$ 3,519	\$ 4,528	\$ 15,329	\$ 242,933	\$ 4,274,333
Employee benefits	33,211	14,923	16,097	306,979	43,431	20,401	524	25,180	743	26,114	487,603
Payroll taxes	13,868	10,839	10,555	191,924	45,692	16,160	260	318	1,094	19,293	310,003
Accounting fees	12,719	4,551	781	22,233	4,147	1,238	-	360	-	4,199	50,228
Legal fees	318	6	-	720	17	-	-	-	-	33	1,094
Supplies	86,853	6,713	9,783	300,810	76,057	4,446	1,000	2,668	4,051	19,733	512,114
Telephone	2,323	4,724	1,824	29,865	13,022	4,335	47	-	38	1,629	57,807
Postage	218	4,301	202	2,183	540	459	-	-	114	160	8,177
Occupancy	23,936	18,208	10,756	776,539	136,556	47,451	252	(160,480)	176	31,592	884,986
Equipment and maintenance	-	-	1,052	13,359	-	-	-	-	-	121,487	135,898
Printing and publications	4,765	9,371	615	53,605	4,417	2,216	-	-	42	696	75,727
Dues and filing fees	3,271	-	-	-	-	-	-	-	-	-	3,271
Contract labor	-	-	-	708	3,000	2,970	-	-	-	-	6,678
Training and education	19,838	3,630	4,706	59,952	6,613	-	-	-	30	1,836	96,605
Travel	26,000	2,406	7,971	92,651	23,425	1,521	-	-	184	20,825	174,983
Depreciation and amortization	3,107	43	3,151	117,401	358	-	-	185,367	-	170,438	479,865
Insurance	4,191	823	7,238	51,983	8,379	3,461	-	(603)	32	35,923	111,427
Data processing	6,636	2,847	3,445	40,189	27,015	4,020	-	777	1,874	2,399	89,202
Direct assistance	7,771	1,556,225	307,318	297,508	34,259	-	45,790	-	-	-	2,248,871
Interest expense	-	-	-	-	-	-	-	49,311	459	16,059	65,829
Other expenses	-	-	-	-	-	-	9,884	4,753	666	52,774	68,077
Total Expenses	\$ 457,957	\$ 1,792,853	\$ 524,793	\$ 5,026,811	\$ 1,045,863	\$ 328,091	\$ 61,276	\$ 112,179	\$ 24,832	\$ 768,123	\$ 10,142,778

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Community Services Block Grant	Energy Assistance	Weatherization Assistance Program	Head Start	Family Planning	Women, Infants and Children	Other Programs	Management and General	Fundraising	Subsidiaries	2018 Totals
OPERATING EXPENSES											
Personnel	\$ 115,213	\$ 134,451	\$ 137,591	\$ 2,532,518	\$ 557,853	\$ 213,687	\$ 1,340	\$ 10,350	\$ 2,701	\$ 292,871	\$ 3,998,575
Employee benefits	19,211	13,285	13,724	280,280	39,816	18,484	-	984	148	38,927	424,859
Payroll taxes	7,787	9,907	10,557	182,915	41,702	16,077	101	1,237	201	22,225	292,709
Accounting fees	7,364	6,359	1,310	19,625	3,586	1,674	-	360	-	5,053	45,331
Legal fees	-	-	-	-	-	-	398	-	-	-	398
Supplies	63,699	68,055	12,198	654,730	88,708	15,447	63	510	2,442	26,404	932,256
Telephone	1,627	2,469	1,691	35,871	11,875	4,596	-	32	11	2,487	60,659
Postage	485	6,282	92	1,956	1,177	303	-	-	21	175	10,491
Occupancy	23,188	17,062	11,581	845,592	84,621	43,271	-	(165,712)	57	30,973	890,633
Equipment and maintenance	-	-	76	13,827	-	-	-	-	-	55,425	69,328
Printing and publications	6,194	7,826	612	52,107	3,656	2,184	-	-	1	667	73,247
Dues and filing fees	3,233	-	-	-	-	-	-	-	-	-	3,233
Contract labor	3,038	-	-	15,625	3,000	7,109	-	112	-	-	28,884
Training and education	11,712	113	1,956	56,811	4,292	-	-	-	-	1,714	76,598
Travel	15,479	1,505	5,483	95,690	15,685	1,151	-	-	29	30,818	165,840
Depreciation and amortization	7,969	79	3,326	117,224	439	-	-	191,998	-	170,632	491,667
Insurance	2,533	699	7,127	47,488	7,119	3,104	-	(160)	4	38,601	106,515
Data processing	9,633	4,773	4,400	59,193	22,069	2,786	-	(1,666)	2,068	3,618	106,874
Direct assistance	3,476	2,277,166	339,742	279,295	58,282	-	16,548	-	-	-	2,974,509
Interest expense	-	-	-	-	-	-	-	1,039	420	15,767	17,226
Other expenses	-	-	-	-	-	-	-	21,911	6,013	46,673	74,597
Total Expenses	\$ 301,841	\$ 2,550,031	\$ 551,466	\$ 5,290,747	\$ 943,880	\$ 329,873	\$ 18,450	\$ 60,995	\$ 14,116	\$ 783,030	\$ 10,844,429

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ 352,076	\$ (43,459)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	479,864	491,667
Amortization of development consultant fees	(17,227)	(17,227)
(Gain) loss on disposal of equipment	2,149	-
(Gain) loss on investments	(16,777)	8,729
Forgiveness of debt	(57,002)	(57,002)
Increase (decrease) in cash from changes in:		
Grants receivable	(253,526)	(41,039)
Other receivables	12,474	2,461
Inventory	(1,172)	(154)
Prepaid expenses and deposits	17,740	(3,070)
Accounts payable and accrued expenses	156,844	(67,564)
Accrued payroll and payroll expenses	55,423	27,583
Accrued paid time off	(7,651)	8,104
Net cash provided by (used in) operating activities	723,215	309,029
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit and investments	-	(84,855)
Proceeds from certificates of deposit matured	-	33,310
Acquisition of property and equipment	(1,594,366)	(224,124)
Contributions to operating reserve	-	(5,699)
Net cash provided by (used in) investing activities	(1,594,366)	(281,368)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	924,000	-
Principal payments against notes payable	(65,444)	(55,772)
Net cash provided by (used in) financing activities	858,556	(55,772)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,595)	(28,111)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	752,103	780,214
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 739,508	\$ 752,103
Supplemental disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 56,221	\$ 8,668

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**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, 2019 AND 2018

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, 2019 and 2018, Section 1602 forgivable loans of \$399,017 and \$456,019 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

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, 2019 AND 2018

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, 2019 AND 2018

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, 2019 and 2018 were \$309,426 and \$321,035, 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, 2019 and 2018 were \$170,438 and \$170,632, respectively.

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 liabilities. Deposits received from customers prior to the date of the performance of services are recorded as deferred revenue.

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.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, this adjustment amounted to approximately \$505,969 and \$620,355, 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 \$505,969 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the year ended December 31, 2019, contributed services meeting the requirements of FASB standards are \$21,058.

During 2019, the Organization also received other in-kind contributions totaling \$740,382 from non-professional volunteers, primarily for its Head Start program which are not recorded in the Consolidated Statement of Activities.

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.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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, 2019 and 2018. 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, 2019 and 2018 represented 90% and 90% 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, 2019 and 2018. 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.

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 2016.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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 July 8, 2020, 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, 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, 2019 AND 2018

NOTE 2 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Buildings	\$ 6,298,185	\$ 4,818,254
Vehicles	238,251	199,481
Equipment	<u>702,845</u>	<u>636,785</u>
	7,239,281	5,654,520
Accumulated depreciation	<u>(3,094,254)</u>	<u>(2,792,284)</u>
	4,145,027	2,862,235
Land	<u>85,370</u>	<u>85,370</u>
	<u>\$ 4,230,397</u>	<u>\$ 2,947,605</u>

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

	<u>2019</u>	<u>2018</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>(1,377,858)</u>	<u>(1,209,619)</u>
	2,893,896	3,062,135
Land	<u>87,695</u>	<u>87,695</u>
	<u>\$ 2,981,591</u>	<u>\$ 3,149,830</u>

NOTE 3 – GRANTS RECEIVABLE

Grants receivable consisted of the following as of December 31, 2019:

<u>December 31, 2019</u>	
U.S. Department of Health and Human Services	\$ 159,619
Indiana State Department of Health	109,611
Indiana Family Health Council	215,940
Indiana Family and Social Services	39,653
Indiana Housing and Community Development	164,501
City of Washington CDBG	<u>25,471</u>
	<u>\$ 714,795</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 – GRANTS RECEIVABLE – (continued)

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	54,215
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>

NOTE 4 – INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Cash and cash alternatives	\$ 422	\$ 314
Exchange Traded Funds	127,676	116,474
Mutual Funds	<u>17,648</u>	<u>12,181</u>
Stocks	-	-
	<u><u>\$ 145,746</u></u>	<u><u>\$ 128,969</u></u>

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 3,301	\$ 3,654
Realized gains and (losses)	(136)	510
Unrealized gains and (losses)	15,462	(9,239)
Investment fees	<u>(1,850)</u>	<u>(1,572)</u>
	<u><u>\$ 16,777</u></u>	<u><u>\$ (6,647)</u></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, 2019 and 2018 were \$228,333 and \$175,080, respectively.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 – OPERATING LEASES – (continued)

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

<u>Year</u>	<u>Amount</u>
2020	\$ 173,273
2021	147,280
2022	72,863
2023	46,980
2024	12,390
Thereafter	-
	\$ 452,786

NOTE 6 – EMPLOYEE BENEFITS

The Organization switched from a 403(b) defined contribution plan to 401(k) plan in May 2008. The Agency previously matched salary deferrals dollar for dollar up to \$1,000. Effective January 1, 2019, the Agency matches salary deferrals dollar for dollar up to 3% and fifty cents to the dollar for deferrals between 3% and 5%. For the years ended December 31, 2019 and 2018, the employer contributions amounted to \$76,917 and \$39,865, 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.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - ALLOCATION OF COSTS – (continued)

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 2019. As of December 31, 2019 and 2018 there was no outstanding balance on the line.

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%. As of December 31, 2019 and 2018, the outstanding balance on the mortgage was \$877,950 and \$-0-, respectively.

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 \$34,454 and \$51,681 for the years ended December 31, 2019 and 2018, respectively.

PACE Ventures Holding, Inc. did not have long-term debt as of December 31, 2019 and 2018.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 9 – LONG-TERM DEBT – (continued)

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

	<u>2019</u>	<u>2018</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	\$ 399,017	\$ 456,019
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>392,038</u>	<u>405,363</u>
	<u><u>\$ 791,055</u></u>	<u><u>\$ 861,382</u></u>

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

	<u>2019</u>	<u>2018</u>
Note payable to First Financial Bank, payable in monthly installments of \$482, including interest at 2.1%, maturing December 1, 2020.	<u>\$ 5,244</u>	<u>\$ 11,312</u>
	<u><u>\$ 5,244</u></u>	<u><u>\$ 11,312</u></u>

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

	Pace			
	<u>Parent</u>	<u>Ivy Lane, L.P.</u>	<u>Ventures, LLC.</u>	<u>Total</u>
2020	\$ 27,592	\$ 13,591	\$ 5,244	\$ 46,427
2021	25,713	13,863	-	39,576
2022	28,606	14,140	-	42,746
2023	30,501	14,423	-	44,924
2024	32,392	14,712	-	47,104
Thereafter	<u>733,146</u>	<u>321,309</u>	<u>-</u>	<u>1,054,455</u>
	<u><u>\$ 877,950</u></u>	<u><u>\$ 392,038</u></u>	<u><u>\$ 5,244</u></u>	<u><u>\$ 1,275,232</u></u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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.

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.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 739,508	\$ 752,103
Grants receivable	714,795	461,269
Other receivables	23,556	36,029
Restricted deposits and funded reserves	185,911	224,917
Tenant security deposits held in trust	10,851	13,808
Investments	<u>145,746</u>	<u>128,969</u>
Total financial assets	1,820,367	1,617,095
Less:		
Restricted deposits and funded reserves	(185,911)	(224,917)
Restricted deposits and funded reserves	(10,851)	(13,808)
Donor restricted cash	<u>(44,453)</u>	<u>(51,680)</u>
Total financial assets available for operations within the next year	<u>\$ 1,579,152</u>	<u>\$ 1,326,690</u>

NOTE 12- SUBSEQUENT EVENT

On June 11, 2020, the Board of Pace Ventures Holding Corporation approved ceasing the operations of Pace Ventures Cleaning. The net assets after all operations end and debts are paid will be rolled up into Pace Ventures Holding Company.

SUPPLEMENTARY INFORMATION



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

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, 2019 and 2018, 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 24 through 29) 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 \$3,181,206 and \$3,400,281 as of December 31, 2019 and 2018 and total support and revenues of \$248,393 and \$238,797 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, 2019 and 2018.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

July 8, 2020

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS	Parent		Subsidiaries (Unrestricted)				Eliminations	2019 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	\$ 600,541	\$ 44,453	\$ 26,855	\$ 66,005	\$ -	\$ 1,654	\$ -	\$ 739,508
Grants receivable	714,795	-	-	-	-	-	-	714,795
Other receivables	195,035	-	-	22,866	-	206	(194,551)	23,556
Inventory	1,615	-	-	-	-	-	-	1,615
Prepaid expenses and deposits	168,614	-	1,554	2,117	-	36,958	-	209,243
Total current assets	1,680,600	44,453	28,409	90,988	-	38,818	(194,551)	1,688,717
PROPERTY AND EQUIPMENT:								
Land	85,370	-	-	-	-	87,695	-	173,065
Property and equipment, net of accumulated depreciation and amortization	4,145,027	-	-	35,965	-	2,857,931	-	7,038,923
Total property and equipment	4,230,397	-	-	35,965	-	2,945,626	-	7,211,988
OTHER ASSETS:								
Due from PACE Ventures Holding	85,311	-	-	-	-	-	(85,311)	-
Due from Ivy Lane	258,739	-	-	-	-	-	(258,739)	-
Restricted deposits and funded reserves	-	-	-	-	-	185,911	-	185,911
Tenant security deposits held in trust	-	-	-	-	-	10,851	-	10,851
Investments	145,746	-	-	-	-	-	-	145,746
Investment in subsidiaries	250,438	-	102,543	-	22	-	(353,003)	-
Total other assets	740,234	-	102,543	-	22	196,762	(697,053)	342,508
Total assets	\$ 6,651,231	\$ 44,453	\$ 130,952	\$ 126,953	\$ 22	\$ 3,181,206	\$ (891,604)	\$ 9,243,213
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable	\$ 246,046	\$ -	\$ -	\$ 56	\$ -	\$ 1,900	\$ -	\$ 248,002
Accrued expenses and fees	-	-	-	-	-	25,157	-	25,157
Advance funds	6,089	-	-	-	-	-	-	6,089
Accrued payroll and payroll liabilities	228,123	-	-	8,854	-	-	-	236,977
Accrued paid time off	56,869	-	-	-	-	-	-	56,869
Due to other funds	178,601	-	694	15,256	-	-	(194,551)	-
Development consultant fees payable	34,454	-	-	-	-	-	-	34,454
Due to PACE Community Action Agency	-	-	85,311	-	-	-	(85,311)	-
Current portion of long-term debt	27,592	-	-	5,244	-	13,591	-	46,427
Total current liabilities	777,774	-	86,005	29,410	-	40,648	(279,862)	653,975
LONG-TERM LIABILITIES								
Tenants' security deposit liability	-	-	-	-	-	10,850	-	10,850
Long-term development debt and interest	-	-	-	-	-	1,036,203	(258,739)	777,464
Long-term debt net of current portion	850,358	-	-	-	-	-	-	850,358
Total long-term liabilities	850,358	-	-	-	-	1,047,053	(258,739)	1,638,672
NET ASSETS								
Parent interest in net assets	5,023,099	44,453	44,947	97,543	22	22	(353,003)	4,857,083
Non-controlling interest in net assets	-	-	-	-	-	2,093,483	-	2,093,483
Total net assets	5,023,099	44,453	44,947	97,543	22	2,093,505	(353,003)	6,950,566
Total liabilities and net assets	\$ 6,651,231	\$ 44,453	\$ 130,952	\$ 126,953	\$ 22	\$ 3,181,206	\$ (891,604)	\$ 9,243,213

See Independent Auditor's Report on Supplementary Information.

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	PACE Ivy Lane, L.P		
CURRENT ASSETS:								
Cash and cash equivalents	\$ 554,528	\$ 51,680	\$ 60,916	\$ 67,946	\$ -	\$ 17,033	\$ -	\$ 752,103
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 ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Parent		Subsidiaries (Unrestricted)				Eliminations	2019 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	\$ 8,826,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,826,482
State and local government revenue	258,942	-	-	-	-	-	-	258,942
Other grant income	51,508	-	-	-	-	57,002	-	108,510
Fees and program income	56,954	-	27,800	365,962	-	19,285	-	470,001
Net rental income	-	-	-	-	-	169,649	-	169,649
Contributions	101,672	10,000	-	-	-	-	-	111,672
Interest income	43,321	-	-	-	-	2,457	-	45,778
Investment income (loss) - subsidiaries	-	-	24,701	-	(13)	-	(24,688)	-
Inkind contributions	505,969	-	-	-	-	-	-	505,969
Total revenues and other support before net assets released from restrictions	9,842,699	10,000	52,501	365,962	(13)	248,393	(24,688)	10,494,854
Net assets released from restrictions	17,227	(17,227)	-	-	-	-	-	-
Total revenue and other support	9,859,926	(7,227)	52,501	365,962	(13)	248,393	(24,688)	10,494,854
OPERATING EXPENSES:								
Community Services Block Grant	457,957	-	-	-	-	-	-	457,957
Energy assistance	1,792,853	-	-	-	-	-	-	1,792,853
Weatherization assistance program	524,793	-	-	-	-	-	-	524,793
Head Start	5,026,811	-	-	-	-	-	-	5,026,811
Family planning	1,045,863	-	-	-	-	-	-	1,045,863
Women, infants and children	328,091	-	-	-	-	-	-	328,091
Other programs	61,276	-	-	-	-	-	-	61,276
Management and general	112,179	-	-	-	-	-	-	112,179
Fundraising	24,832	-	-	-	-	-	-	24,832
Subsidiaries	-	-	27,489	341,261	-	399,373	-	768,123
Total operating expenses	9,374,655	-	27,489	341,261	-	399,373	-	10,142,778
Increase (decrease) in net assets before distributions	485,271	(7,227)	25,012	24,701	(13)	(150,980)	(24,688)	352,076
Transfers	-	-	-	(40,000)	-	-	40,000	-
Increase (decrease) in net assets	485,271	(7,227)	25,012	(15,299)	(13)	(150,980)	15,312	352,076
NET ASSETS AT BEGINNING OF YEAR	4,537,828	51,680	19,935	112,842	35	2,244,485	(368,315)	6,598,490
Noncontrolling interest in subsidiary's earnings	-	-	-	-	-	(150,967)	-	(150,967)
Controlling interest in subsidiary's earnings	485,271	(7,227)	25,012	(15,299)	(13)	(13)	15,312	503,043
NET ASSETS AT END OF YEAR	<u>\$ 5,023,099</u>	<u>\$ 44,453</u>	<u>\$ 44,947</u>	<u>\$ 97,543</u>	<u>\$ 22</u>	<u>\$ 2,093,505</u>	<u>\$ (353,003)</u>	<u>\$ 6,950,566</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, 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	4,534,097	68,907	(39,117)	130,102	43	2,333,500	(385,583)	6,641,949
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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Parent	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane L.P.	Eliminations	2019 Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in net assets	\$ 478,044	\$ 25,012	\$ 24,701	\$ (13)	\$ (150,980)	\$ (24,688)	\$ 352,076
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	309,426	-	8,499	-	161,939	-	479,864
Amortization of development consultant fees	(17,227)	-	-	-	-	-	(17,227)
(Gain) loss in disposal of equipment	2,149	-	-	-	-	-	2,149
(Gain) loss on investment in subsidiaries	-	(24,701)	-	13	-	24,688	-
(Gain) loss on investments	(16,777)	-	-	-	-	-	(16,777)
Forgiveness of debt	-	-	-	-	(57,002)	-	(57,002)
Increase (decrease) in cash from changes in:							
Grants receivable	(253,526)	-	-	-	-	-	(253,526)
Other receivables	(3,392)	-	3,073	-	(206)	12,999	12,474
Inventory	(1,172)	-	-	-	-	-	(1,172)
Prepaid expenses and deposits	(25,265)	(1,554)	2,596	-	41,963	-	17,740
Intercompany due to/from	65,000	(65,000)	-	-	-	-	-
Due from Ivy Lane	(7,536)	-	-	-	-	7,536	-
Accounts payable and accrued expenses	162,357	-	(209)	-	(5,304)	-	156,844
Accrued payroll and payroll expenses	56,365	-	(942)	-	-	-	55,423
Accrued paid time off	(7,651)	-	-	-	-	-	(7,651)
Due to other funds	14,408	(7,818)	6,409	-	-	(12,999)	-
Net cash provided by (used in) operating activities	<u>755,203</u>	<u>(74,061)</u>	<u>44,127</u>	<u>-</u>	<u>(9,590)</u>	<u>7,536</u>	<u>723,215</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Acquisition of property and equipment	(1,594,366)	-	-	-	-	-	(1,594,366)
Return on investment/(distribution)	-	40,000	(40,000)	-	-	-	-
Net cash provided by (used in) investing activities	<u>(1,594,366)</u>	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,594,366)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from notes payable	924,000	-	-	-	-	-	924,000
Principal payments against notes payable	(46,051)	-	(6,068)	-	(5,789)	(7,536)	(65,444)
Net cash provided by (used in) financing activities	<u>877,949</u>	<u>-</u>	<u>(6,068)</u>	<u>-</u>	<u>(5,789)</u>	<u>(7,536)</u>	<u>858,556</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>38,786</u>	<u>(34,061)</u>	<u>(1,941)</u>	<u>-</u>	<u>(15,379)</u>	<u>-</u>	<u>(12,595)</u>
CASH AND CASH EQUIVALENTS, BEGINNING 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>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 644,994</u>	<u>\$ 26,855</u>	<u>\$ 66,005</u>	<u>\$ -</u>	<u>\$ 1,654</u>	<u>\$ -</u>	<u>\$ 739,508</u>
Supplemental disclosures of Cash Flow Information							
Cash paid during the year for interest	<u>\$ 47,920</u>	<u>\$ -</u>	<u>\$ 194</u>	<u>\$ -</u>	<u>\$ 8,107</u>	<u>\$ -</u>	<u>\$ 56,221</u>

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	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
Amortization of development consultant fees	(17,227)	-	-	-	-	-	(17,227)
(Gain) loss in disposal of equipment	-	-	-	-	-	-	-
(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)
Due from PACE Ventures Holding, Inc.	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>286,909</u>	<u>(41,652)</u>	<u>41,901</u>	<u>-</u>	<u>21,871</u>	<u>-</u>	<u>309,029</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of certificates of deposit and investments	(84,855)	-	-	-	-	-	(84,855)
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>(275,669)</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>(5,699)</u>	<u>-</u>	<u>(281,368)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from notes payable	-	-	-	-	-	-	-
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.

SINGLE AUDIT SECTION

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Grant Award (in dollars \$)	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Program:				
Head Start/EHS/T&TA	93.600	05CH010707-01-02	3,817,429	\$ 3,278,306
Head Start/EHS/T&TA	93.600	05CH010707-02-00	1,908,716	581,000
EHS Expansion	93.600	05HP000097-01-02	1,503,908	481,871
Subtotal CFDA 93.600				<u>4,341,177</u>
Passed through Indiana Housing & Community Development Authority (IHCDA):				
Community Services Block Grant	93.569	CS-018-CO-023	149,324	149,324
Community Services Block Grant	93.569	CS-019-023	289,925	287,214
Community Services Block Grant	93.569	CS-018-023-D	45,000	18,822
Subtotal CFDA 93.569				<u>455,360</u>
Low-Income Home Energy Assistance	93.568	LI-019-023	1,794,804	848,574
Low-Income Home Energy Assistance	93.568	LI-020-023	1,703,659	724,904
Low-Income Home Energy Assistance	93.568	LI-019-023-R	172,121	172,060
Low-Income Home Energy Assistance	93.568	WL-019-023	200,288	155,349
Low-Income Home Energy Assistance	93.568	WL-020-023	214,020	55,278
Subtotal CFDA 93.568				<u>1,956,165</u>
Assets for Independence Demonstration Program	93.602	IDA016-030	19,000	2,178
Passed through Indiana Family Health Council:				
Family Planning Title X	93.217	2018-2019	276,831	152,865
	93.217	2019-2020	473,641	324,189
Subtotal CFDA 93.217				<u>477,054</u>
Family Planning TXX	93.667	none	59,272	59,272
Family Planning TANF	93.558	none	221,625	221,625
Total U.S. Department of Health and Human Services				<u>7,512,831</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Indiana State Department of Health:				
Women, Infants & Children	10.557	2019-28847	359,741	251,099
Women, Infants & Children	10.557	2020-38140	346,575	72,010
Women, Infants & Children (Peer Counselor)	10.557	2019-28847	1,257	784
Women, Infants & Children (Peer Counselor)	10.557	2020-38140	19,128	3,365
Subtotal CFDA 10.557				<u>327,258</u>
Child and Adult Care Food Program	10.558	1420061	n/a	223,406
Total U.S. Department of Agriculture				<u>550,664</u>
U.S. DEPARTMENT OF ENERGY				
Passed through Indiana Housing & Community Development Authority (IHCDA):				
Weatherization Assistance for Low-Income Persons	81.042	WX-018-023	197,710	59,028
Weatherization Assistance for Low-Income Persons	81.042	WX-019-023	246,970	203,959
Total U.S. Department of Energy				<u>262,987</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through City of Washington:				
CDBG	14.228	PF-17-102	n/a	500,000
Total U.S. Department of Housing and Urban Development				<u>500,000</u>
Total Expenditures of Federal Awards				<u>\$ 8,826,482</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, 2019

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 \$1,514,781 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

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, 2019**

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-019-023	118,623	\$ 47,258
Low-Income Home Energy Assistance	WS-019-023	22,938	16,826
Subtotal			<u>64,084</u>
Assets for Independence Demonstration Program	IDA016-030	19,000	<u>2,177</u>
Total Expenditures of State and Local Awards			<u><u>\$ 66,261</u></u>

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE 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 and questioned costs 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
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, 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 July 8, 2020.

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

July 8, 2020



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

**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, 2019. 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, 2019.

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

July 8, 2020

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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>
93.568	U.S. Dept. of Health and Human Services - Low-Income Home Energy Assistance
14.228	U.S. Dept. of Housing and Urban Development - Community Development 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, 2019**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2019.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs for the year ended December 31, 2019.