

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

**Consolidated Financial
Statements**

**For the Years Ended
December 31, 2022 and 2021
(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

Opinion

We have audited the accompanying consolidated financial statements of PACE Community Action Agency, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

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, 2022 and 2021, 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.

We did not audit the financial statements of Ivy Lane, LP., which statements reflect total assets of \$2,721,470 and \$2,839,130 as of December 31, 2022 and 2021, respectively, and total support and revenues of \$255,895 and \$245,900 for the years then ended, respectively. Those statements were audited by other auditors whose reports have 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PACE Community Action Agency, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PACE Community Action Agency, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PACE Community Action Agency, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PACE Community Action Agency, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 20, 2023 on our consideration of the PACE Community Action Agency, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the PACE Community Action Agency, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the PACE Community Action Agency, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
June 20, 2023

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	ASSETS					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS:						
Cash and cash equivalents	\$ 481,615	\$ 27,629	\$ 509,244	\$ 456,272	\$ 38,471	\$ 494,743
Grants receivable	704,511	-	704,511	629,317	-	629,317
Other receivables	39,286	-	39,286	29,911	-	29,911
Inventory	591	-	591	282	-	282
Prepaid expenses and deposits	179,302	-	179,302	192,150	-	192,150
Total current assets	<u>1,405,305</u>	<u>27,629</u>	<u>1,432,934</u>	<u>1,307,932</u>	<u>38,471</u>	<u>1,346,403</u>
PROPERTY AND EQUIPMENT:						
Land	173,065	-	173,065	173,065	-	173,065
Property and equipment, net of accumulated depreciation and amortization	6,495,738	-	6,495,738	6,433,426	-	6,433,426
Total property and equipment	<u>6,668,803</u>	<u>-</u>	<u>6,668,803</u>	<u>6,606,491</u>	<u>-</u>	<u>6,606,491</u>
OTHER ASSETS:						
Restricted deposits and funded reserves	140,793	-	140,793	154,228	-	154,228
Tenant security deposits held in trust	10,298	-	10,298	10,151	-	10,151
Investments	144,444	-	144,444	169,270	-	169,270
Operating leases right-of-use assets	151,420	-	151,420	-	-	-
Financing leases right-of-use assets	63,312	-	63,312	-	-	-
Total other assets	<u>510,267</u>	<u>-</u>	<u>510,267</u>	<u>333,649</u>	<u>-</u>	<u>333,649</u>
Total assets	<u>\$ 8,584,375</u>	<u>\$ 27,629</u>	<u>\$ 8,612,004</u>	<u>\$ 8,248,072</u>	<u>\$ 38,471</u>	<u>\$ 8,286,543</u>

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021

	LIABILITIES AND NET ASSETS					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT LIABILITIES:						
Accounts payable	\$ 306,601	\$ -	\$ 306,601	\$ 93,973	\$ -	\$ 93,973
Accrued expenses and fees	34,109	-	34,109	31,609	-	31,609
Advance funds	6,089	-	6,089	6,089	-	6,089
Accrued payroll and payroll liabilities	290,483	-	290,483	290,004	-	290,004
Accrued paid time off	51,274	-	51,274	51,633	-	51,633
Current portion of long-term debt	85,884	-	85,884	116,863	-	116,863
Current portion of operating lease right-of-use liabilities	75,294	-	75,294	-	-	-
Current portion of financing lease right-of-use liabilities	21,100	-	21,100	-	-	-
Total current liabilities	<u>870,834</u>	<u>-</u>	<u>870,834</u>	<u>590,171</u>	<u>-</u>	<u>590,171</u>
LONG-TERM LIABILITIES						
Tenants' security deposit liability	10,297	-	10,297	10,150	-	10,150
Long-term development debt and interest	507,029	-	507,029	578,455	-	578,455
Long-term debt, net of current portion	491,003	-	491,003	561,569	-	561,569
Operating lease right-of-use liabilities net of current portion	78,357	-	78,357	-	-	-
Financing lease right-of-use liabilities net of current portion	43,076	-	43,076	-	-	-
Total long-term liabilities	<u>1,129,762</u>	<u>-</u>	<u>1,129,762</u>	<u>1,150,174</u>	<u>-</u>	<u>1,150,174</u>
NET ASSETS:						
Parent interest in net assets	4,781,512	27,629	4,809,141	4,637,352	38,471	4,675,823
Non-controlling interest in net assets	1,802,267	-	1,802,267	1,870,375	-	1,870,375
Total net assets	<u>6,583,779</u>	<u>27,629</u>	<u>6,611,408</u>	<u>6,507,727</u>	<u>38,471</u>	<u>6,546,198</u>
Total liabilities and net assets	<u>\$ 8,584,375</u>	<u>\$ 27,629</u>	<u>\$ 8,612,004</u>	<u>\$ 8,248,072</u>	<u>\$ 38,471</u>	<u>\$ 8,286,543</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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:						
Federal government revenue	\$ 11,486,342	\$ -	\$ 11,486,342	\$ 9,264,560	\$ -	\$ 9,264,560
Other grants	133,967	7,000	140,967	281,818	-	281,818
Fees and program income	132,563	-	132,563	108,512	-	108,512
Net rental income	190,633	-	190,633	186,151	-	186,151
Contributions	81,500	-	81,500	76,214	-	76,214
Gain (loss) on disposal of equipment	-	-	-	9,002	-	9,002
Investment income (loss)	(22,770)	-	(22,770)	29,468	-	29,468
In-kind contributions	365,914	-	365,914	351,055	-	351,055
Total revenues and other support before net assets released from restrictions	12,368,149	7,000	12,375,149	10,306,780	-	10,306,780
Net assets released from restrictions	17,842	(17,842)	-	51,810	(51,810)	-
Total revenue and other support	<u>\$ 12,385,991</u>	<u>\$ (10,842)</u>	<u>\$ 12,375,149</u>	<u>\$ 10,358,590</u>	<u>\$ (51,810)</u>	<u>\$ 10,306,780</u>

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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING EXPENSES:						
Community Services Block Grant	\$ 310,875	\$ -	\$ 310,875	\$ 555,131	\$ -	\$ 555,131
Energy assistance	4,421,337	-	4,421,337	2,108,274	-	2,108,274
Weatherization assistance program	523,410	-	523,410	430,062	-	430,062
Head Start	5,536,366	-	5,536,366	5,348,106	-	5,348,106
Family planning	1,038,898	-	1,038,898	1,039,553	-	1,039,553
Women, infants and children	-	-	-	258,163	-	258,163
Other programs	1,716	-	1,716	3,539	-	3,539
Management and general	103,165	-	103,165	207,648	-	207,648
Fundraising	15,172	-	15,172	18,522	-	18,522
Subsidiaries	355,558	-	355,558	375,756	-	375,756
Total operating expenses	<u>12,306,497</u>	<u>-</u>	<u>12,306,497</u>	<u>10,344,754</u>	<u>-</u>	<u>10,344,754</u>
Increase (decrease) in net assets	79,494	(10,842)	68,652	13,836	(51,810)	(37,974)
NET ASSETS AT BEGINNING OF YEAR	<u>6,507,727</u>	<u>38,471</u>	<u>6,546,198</u>	<u>6,489,761</u>	<u>90,281</u>	<u>6,580,042</u>
Noncontrolling interest in subsidiary's earnings	(68,108)	-	(68,108)	(99,561)	-	(99,561)
Controlling interest in subsidiary's earnings	147,602	(10,842)	136,760	117,527	(51,810)	65,717
Cumulative effect for change in accounting principle	(3,442)	-	(3,442)	-	-	-
NET ASSETS AT END OF YEAR	<u>\$ 6,583,779</u>	<u>\$ 27,629</u>	<u>\$ 6,611,408</u>	<u>\$ 6,507,727</u>	<u>\$ 38,471</u>	<u>\$ 6,546,198</u>

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, 2022

	Community Services <u>Block Grant</u>	Energy <u>Assistance</u>	Weatherization Assistance <u>Program</u>	<u>Head Start</u>	Family <u>Planning</u>	Other <u>Programs</u>	Management and General <u>and General</u>	<u>Fundraising</u>	<u>Subsidiaries</u>	2022 <u>Totals</u>
OPERATING EXPENSES										
Personnel	\$ 161,471	\$ 247,804	\$ 88,291	\$ 2,887,013	\$ 616,764	\$ 1,150	\$ 2,278	\$ 129	\$ 14,329	\$ 4,019,229
Employee benefits	60,881	46,204	24,663	403,357	95,745	-	2,988	51	3,589	637,478
Payroll taxes	11,516	16,868	6,123	210,566	45,720	86	49	9	969	291,906
Accounting fees	5,851	4,694	1,879	19,589	3,526	-	391	-	1,079	37,009
Legal fees	-	-	-	-	-	-	-	-	-	-
Supplies	6,452	54,998	7,793	390,240	18,230	-	1,812	2,584	977	483,086
Telephone	3,064	2,033	938	36,845	13,606	-	(1)	2	82	56,569
Postage	140	8,297	71	2,362	989	-	-	48	2	11,909
Occupancy	17,545	14,094	4,534	859,047	151,461	-	(198,705)	5	30,845	878,826
Equipment and maintenance	-	-	63	13,947	-	-	-	-	78,281	92,291
Printing and publications	2,326	4,976	424	66,192	6,030	-	(1)	15	7	79,969
Dues and filing fees	6,642	-	-	-	250	-	-	-	-	6,892
Contract labor	-	-	-	-	3,000	-	-	-	-	3,000
Training and education	8,745	1,126	5,338	67,729	10,346	-	-	-	-	93,284
Travel	4,127	2,782	5,518	97,559	8,249	-	15	47	8,722	127,019
Depreciation and amortization	-	-	3,341	139,699	262	-	233,717	-	110,946	487,965
Insurance	7,385	3,907	7,259	59,622	18,533	-	(7,702)	-	35,097	124,101
Data processing	6,169	1,869	3,461	71,148	24,938	-	596	2,229	830	111,240
Direct assistance	8,561	4,010,095	363,714	211,451	21,249	480	34,002	5,242	-	4,654,794
Interest expense	-	-	-	-	-	-	33,686	510	15,527	49,723
Other expenses	-	1,590	-	-	-	-	40	4,301	54,276	60,207
Total Expenses	\$ 310,875	\$ 4,421,337	\$ 523,410	\$ 5,536,366	\$1,038,898	\$ 1,716	\$ 103,165	\$ 15,172	\$ 355,558	\$12,306,497

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, 2021

	Community Services <u>Block Grant</u>	Energy <u>Assistance</u>	Weatherization Assistance <u>Program</u>	<u>Head Start</u>	Family <u>Planning</u>	Women, Infants and Children <u>and Children</u>	Other <u>Programs</u>	Management and General <u>and General</u>	<u>Fundraising</u>	<u>Subsidiaries</u>	2021 <u>Totals</u>
OPERATING EXPENSES											
Personnel	\$ 276,399	\$ 174,669	\$ 53,395	\$ 2,829,055	\$ 645,635	\$ 163,069	\$ -	\$ 12,602	\$ 558	\$ 8,791	\$ 4,164,173
Employee benefits	49,541	30,271	13,615	437,036	87,751	18,229	-	(10,974)	57	2,912	628,438
Payroll taxes	18,633	11,835	4,424	209,079	47,400	12,430	-	1,189	39	29	305,058
Accounting fees	3,341	6,710	355	19,566	3,492	1,411	-	390	-	1,172	36,437
Legal fees	-	-	-	1,230	-	-	-	-	-	-	1,230
Supplies	7,879	28,485	14,281	307,070	17,081	2,771	-	1,132	6,972	1,430	387,101
Telephone	2,323	1,096	376	33,563	11,715	3,909	-	-	1	13	52,996
Postage	518	7,234	57	2,008	585	45	-	-	27	10	10,484
Occupancy	13,613	12,575	2,938	898,266	149,288	34,438	-	(169,449)	73	30,831	972,573
Equipment and maintenance	-	-	371	9,708	-	-	-	-	-	67,003	77,082
Printing and publications	10,346	2,637	222	51,033	8,044	2,451	-	123	57	3	74,916
Dues and filing fees	6,063	-	-	-	-	-	-	-	-	-	6,063
Contract labor	-	-	-	-	3,000	9,815	-	-	-	-	12,815
Training and education	6,413	1,151	913	72,893	5,573	-	-	-	-	-	86,943
Travel	7,386	1,664	5,204	66,090	5,257	(17)	-	-	-	6,790	92,374
Depreciation and amortization	-	-	4,115	113,855	262	-	-	201,553	-	146,115	465,900
Insurance	(139)	896	6,823	55,636	11,959	6,968	-	107	47	43,466	125,763
Data processing	10,531	935	1,615	50,779	20,599	2,644	-	441	2,970	571	91,085
Direct assistance	142,284	1,828,116	321,358	191,239	21,912	-	3,539	130,093	2,142	-	2,640,683
Interest expense	-	-	-	-	-	-	-	40,403	551	15,564	56,518
Other expenses	-	-	-	-	-	-	-	38	5,028	51,056	56,122
Total Expenses	\$ 555,131	\$ 2,108,274	\$ 430,062	\$ 5,348,106	\$1,039,553	\$ 258,163	\$ 3,539	\$ 207,648	\$ 18,522	\$ 375,756	\$10,344,754

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ 68,652	\$ (37,974)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	466,861	465,900
Amortization of development consultant fees	-	(17,227)
Amortization of financing lease right-of-use asset	21,104	-
(Gain) loss on disposal of equipment	-	(9,002)
(Gain) loss on investments	24,825	(4,337)
Forgiveness of debt	(57,002)	(57,002)
Increase (decrease) in cash from changes in:		
Grants receivable	(75,194)	(115,329)
Other receivables	(9,375)	(5,854)
Inventory	(309)	268
Prepaid expenses and deposits	10,648	7,776
Operating lease right-of-use asset	72,492	-
Accounts payable and accrued expenses	215,274	26,389
Accrued payroll and payroll expenses	479	9,699
Accrued paid time off	(359)	(18,645)
Operating lease right-of-use liability	(73,129)	-
Net cash provided by (used in) operating activities	<u>664,967</u>	<u>244,662</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(526,972)	(361,664)
Proceeds from sale of property and equipment	-	20,984
Payments of financing lease right-of-use liability	(20,813)	-
Net cash provided by (used in) investing activities	<u>(547,785)</u>	<u>(340,680)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments against notes payable	(115,969)	(184,311)
Net cash provided by (used in) financing activities	<u>(115,969)</u>	<u>(184,311)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,213	(280,329)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>659,122</u>	<u>939,451</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 660,335</u>	<u>\$ 659,122</u>
Supplemental disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 41,488</u>	<u>\$ 48,523</u>

See accompanying notes to consolidated financial statements.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 Vigo County. 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. 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. 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, 2022 AND 2021

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, 2022 and 2021, Section 1602 forgivable loans of \$228,011 and \$285,013 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, 2022 AND 2021

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, 2022 AND 2021

**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, 2022 and 2021 were \$355,915 and \$319,785, 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, 2022 and 2021 were \$110,946 and \$146,115, respectively.

REVENUE RECOGNITION

The majority of the Organization's revenue is earned under conditional 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, 2022 AND 2021

**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.

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.

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, Chief Operating Officer, 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.

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).

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

INCOME TAX STATUS – (continued)

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, 2022 and 2021. 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 2019.

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.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 20, 2023, which is the date the financial statements were available to be issued.

RECLASSIFICATION

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

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

IMPLEMENTATION OF ACCOUNTING STANDARD

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. 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 Organization implemented the standard effective January 1, 2022.

NOTE 2 – PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Buildings	\$ 6,822,995	\$ 6,602,086
Vehicles	178,108	178,108
Equipment	<u>973,004</u>	<u>666,941</u>
	7,974,107	7,447,135
Accumulated depreciation	<u>(3,929,495)</u>	<u>(3,573,581)</u>
	4,044,612	3,873,554
Land	<u>85,370</u>	<u>85,370</u>
	<u>\$ 4,129,982</u>	<u>\$ 3,958,924</u>

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

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 3,671,081	\$ 3,671,081
Furniture and equipment	<u>521,122</u>	<u>521,122</u>
	4,192,203	4,192,203
Accumulated depreciation	<u>(1,741,077)</u>	<u>(1,632,331)</u>
	2,451,126	2,559,872
Land	<u>87,695</u>	<u>87,695</u>
	<u>\$ 2,538,821</u>	<u>\$ 2,647,567</u>

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 – GRANTS RECEIVABLE

Grants receivable consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
U.S. Department of Health and Human Services	\$ 222,628	\$ 309,430
Indiana State Department of Health	56,352	57,209
Indiana Family Health Council	189,679	72,712
Indiana Housing and Community Development	235,852	189,966
	<u>\$ 704,511</u>	<u>\$ 629,317</u>

NOTE 4 – INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Cash and cash alternatives	\$ 205	\$ 162
Exchange Traded Funds	131,393	152,012
Mutual Funds	12,846	17,096
	<u>\$ 144,444</u>	<u>\$ 169,270</u>
	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 919	\$ 5,116
Realized gains and (losses)	-	-
Unrealized gains and (losses)	(23,686)	5,572
Investment fees	(2,058)	(2,221)
	<u>\$ (24,825)</u>	<u>\$ 8,467</u>

NOTE 5 – 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, 2022 and 2021, the outstanding balance on the mortgage was \$505,462 and \$607,290, respectively.

PACE Ventures Holding, Inc. did not have long-term debt as of December 31, 2022 and 2021.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 – LONG-TERM DEBT – (continued)

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

	<u>2022</u>	<u>2021</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 compliance period.	\$ 228,011	\$ 285,013
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>350,443</u>	<u>364,584</u>
	<u>\$ 578,454</u>	<u>\$ 649,597</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>Total</u>
2023	\$ 14,459	\$ 14,423	\$ 28,882
2024	17,869	14,712	32,581
2025	19,304	15,006	34,310
2026	20,854	15,306	36,160
2027	22,529	290,996	313,525
Thereafter	<u>410,447</u>	<u>-</u>	<u>410,447</u>
	<u>\$ 505,462</u>	<u>\$ 350,443</u>	<u>\$ 855,905</u>

NOTE 6 – 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, 2022 and 2021, this adjustment amounted to approximately \$365,914 and \$603,000, respectively, and is included in other revenue and support on the Consolidated Statements of Activities.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 – IN-KIND CONTRIBUTIONS – (continued)

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.

The table below details the in-kind contributions for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Head Start in-kind		
Professional volunteers	\$ 7,951	\$ 325
Supplies/travel/space in-kind	<u>357,963</u>	<u>350,730</u>
Total in-kind reported in financial statements	365,914	351,055
Head Start volunteer services	<u>197,519</u>	<u>251,945</u>
Total in-kind for all programs	<u>\$ 563,433</u>	<u>\$ 603,000</u>

NOTE 7 – LEASES

The Organization leases multiple operating facilities under cancelable operating lease arrangements which expire at various times through April of 2026. The arrangements are only cancelable should Federal funding for the program using the facility cease or become unavailable. In addition, the Organization leases copiers under two non-cancelable financing leases which expire as of December 2022 and December of 2025. Rental expense for these leases included in the statements of activities for the year ended December 31, 2021 were \$214,347. As of January 1, 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, Leases, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. The Organization used a risk-free discount rate to determine present value and has elected not to recognize short-term leases (twelve months or less) on the statement of financial position.

During the year ended December 31, 2022, interest and amortization expenses on financing leases were \$1,034 and \$21,104, respectively. Rent expenses were \$75,143 and \$16,500 for operating leases and short-term leases, respectively. Total rent expense amounted to \$162,421, which includes operating, short-term, and cancelled leases.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 – LEASES – (continued)

The following is a schedule by years of minimum future payment on the operating and financing leases and the amortization of the net present value of the lease liability as of December 31, 2022.

Year ending December 31:	<u>Minimum annual</u> <u>lease payments</u>		<u>Amortization of NPV</u> <u>of lease liability</u>	
	<u>Operating</u>	<u>Financing</u>	<u>Operating</u>	<u>Financing</u>
2023	\$ 76,931	\$ 21,847	\$ 75,294	\$21,100
2024	40,421	21,847	39,656	21,391
2025	27,601	20,026	27,240	21,685
2026	11,501	-	11,461	-
2027	-	-	-	-
Thereafter	-	-	-	-
	<u>\$ 156,454</u>	<u>\$ 63,720</u>	<u>\$ 153,651</u>	<u>\$64,176</u>
	<u>Operating</u>	<u>Financing</u>		
Accumulated basis	\$ 363,760	\$ 105,519		
Less accumulated amortization	(212,340)	(42,207)		
	<u>\$ 151,420</u>	<u>\$ 63,312</u>		
	<u>Operating</u>	<u>Financing</u>		
Weighted-average remaining lease term in years	2.05	3.00		
Weighted-average discount rate	1.37%	1.37%		

NOTE 8 – EMPLOYEE BENEFITS

The Organization switched from a 403(b) defined contribution plan to 401(k) plan in May 2008. The Organization 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, 2022 and 2021, the employer contributions amounted to \$106,448 and \$107,298, respectively.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 - 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, 2022 and 2021. The bank balances were in excess of FDIC coverage in place by \$0 and \$63,080 as of December 31, 2022 and 2021, respectively.

Revenues from federal and state government agencies that provide grant and contract funding to the Organization as of December 31, 2022 and 2021 represented 95% and 92% of the Organization's total revenue and support for the year, respectively.

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, receivables and investments. Certain cash balances related to reserves and security deposits are required to be set aside for Ivy Lane.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 509,244	\$ 494,743
Grants receivable	704,511	629,317
Other receivables	39,286	29,911
Restricted deposits and funded reserves	140,793	154,228
Tenant security deposits held in trust	10,298	10,151
Investments	144,444	169,270
Total financial assets	1,548,576	1,487,620
Less:		
Restricted deposits and funded reserves	(140,793)	(154,228)
Tenant security deposits	(10,298)	(10,151)
Donor restricted cash	(27,629)	(38,471)
Total financial assets available for operations within the next year	<u>\$ 1,369,856</u>	<u>\$ 1,284,770</u>

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited of the consolidated financial statements of PACE Community Action Agency, Inc. and Subsidiaries as of and for the years ended December 31, 2022 and 2021, and our report thereon dated June 20, 2023, which expressed an unmodified opinion on those consolidated financial states, appears on page 1. Our audits were conducted 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 and is not a required part of the consolidated 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. We did not audit the financial statements of Ivy Lane, LP, which statements reflect total assets of \$2,721,470 and \$2,839,130 as of December 31, 2022 and 2021 and total support and revenues of \$255,895 and \$245,900 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.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
Indianapolis, Indiana
June 20, 2023

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS	Parent		Subsidiaries (Unrestricted)				2022 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	PACE Ventures Holding, Inc.	PACE Ivy Lane, LLC	Ivy Lane, L.P.	Eliminations	
CURRENT ASSETS:							
Cash and cash equivalents	\$ 426,313	\$ 27,629	\$ 46,796	\$ -	\$ 8,506	\$ -	\$ 509,244
Grants receivable	704,511	-	-	-	-	-	704,511
Other receivables	241,628	-	11,521	-	4,694	(218,557)	39,286
Inventory	591	-	-	-	-	-	591
Prepaid expenses and deposits	160,944	-	-	-	18,358	-	179,302
Total current assets	1,533,987	27,629	58,317	-	31,558	(218,557)	1,432,934
PROPERTY AND EQUIPMENT:							
Land	85,370	-	-	-	87,695	-	173,065
Property and equipment, net of accumulated depreciation and amortization	4,044,612	-	-	-	2,451,126	-	6,495,738
Total property and equipment	4,129,982	-	-	-	2,538,821	-	6,668,803
OTHER ASSETS:							
Due from PACE Ventures Holding	35,000	-	-	-	-	(35,000)	-
Due from Ivy Lane	282,731	-	-	-	-	(282,731)	-
Restricted deposits and funded reserves	-	-	-	-	140,793	-	140,793
Tenant security deposits held in trust	-	-	-	-	10,298	-	10,298
Investments	144,444	-	-	-	-	-	144,444
Investment in subsidiaries	261,686	-	-	(5)	-	(261,681)	-
Operating leases right-of-use assets	151,420	-	-	-	-	-	151,420
Financing leases right-of-use assets	63,312	-	-	-	-	-	63,312
Total other assets	938,593	-	-	(5)	151,091	(579,412)	510,267
Total assets	\$ 6,602,562	\$ 27,629	\$ 58,317	\$ (5)	\$ 2,721,470	\$ (797,969)	\$ 8,612,004
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$ 291,984	\$ -	\$ 1,000	\$ -	\$ 13,617	\$ -	\$ 306,601
Accrued expenses and fees	-	-	-	-	34,109	-	34,109
Advance funds	6,089	-	-	-	-	-	6,089
Accrued payroll and payroll liabilities	290,483	-	-	-	-	-	290,483
Accrued paid time off	51,274	-	-	-	-	-	51,274
Due to other funds	212,931	-	5,626	-	-	(218,557)	-
Due to PACE Community Action Agency	-	-	35,000	-	-	(35,000)	-
Current portion of long-term debt	14,459	-	-	-	71,425	-	85,884
Current portion of operating lease right-of-use liabilities	75,294	-	-	-	-	-	75,294
Current portion of financing lease right-of-use liabilities	21,100	-	-	-	-	-	21,100
Total current liabilities	963,614	-	41,626	-	119,151	(253,557)	870,834
LONG-TERM LIABILITIES							
Tenants' security deposit liability	-	-	-	-	10,297	-	10,297
Long-term development debt and interest	-	-	-	-	789,760	(282,731)	507,029
Long-term debt, net of current portion	491,003	-	-	-	-	-	491,003
Operating lease right-of-use liabilities, net of current portion	78,357	-	-	-	-	-	78,357
Financing lease right-of-use liabilities, net of current portion	43,076	-	-	-	-	-	43,076
Total long-term liabilities	612,436	-	-	-	800,057	(282,731)	1,129,762
NET ASSETS							
Parent interest in net assets	5,026,512	27,629	16,691	(5)	(5)	(261,681)	4,809,141
Non-controlling interest in net assets	-	-	-	-	1,802,267	-	1,802,267
Total net assets	5,026,512	27,629	16,691	(5)	1,802,262	(261,681)	6,611,408
Total liabilities and net assets	\$ 6,602,562	\$ 27,629	\$ 58,317	\$ (5)	\$ 2,721,470	\$ (797,969)	\$ 8,612,004

See Independent Auditor's Report on Supplementary Information.

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS	Parent		Subsidiaries (Unrestricted)				2021 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	PACE Ventures Holding, Inc.	PACE Ivy Lane, LLC	Ivy Lane, L.P	Eliminations	
CURRENT ASSETS:							
Cash and cash equivalents	\$ 415,126	\$ 38,471	\$ 35,760	\$ -	\$ 5,386	\$ -	\$ 494,743
Grants receivable	629,317	-	-	-	-	-	629,317
Other receivables	326,772	-	-	-	240	(297,101)	29,911
Inventory	282	-	-	-	-	-	282
Prepaid expenses and deposits	170,592	-	-	-	21,558	-	192,150
Total current assets	1,542,089	38,471	35,760	-	27,184	(297,101)	1,346,403
PROPERTY AND EQUIPMENT:							
Land	85,370	-	-	-	87,695	-	173,065
Property and equipment, net of accumulated depreciation and amortization	3,873,554	-	-	-	2,559,872	-	6,433,426
Total Property and Equipment	3,958,924	-	-	-	2,647,567	-	6,606,491
OTHER ASSETS:							
Due from PACE Ventures Holding	35,000	-	-	-	-	(35,000)	-
Due from Ivy Lane	274,496	-	-	-	-	(274,496)	-
Restricted deposits and funded reserves	-	-	-	-	154,228	-	154,228
Tenant security deposits held in trust	-	-	-	-	10,151	-	10,151
Investments	169,270	-	-	-	-	-	169,270
Investment in subsidiaries	244,591	-	-	1	-	(244,592)	-
Operating leases right-of-use assets	-	-	-	-	-	-	-
Financing leases right-of-use assets	-	-	-	-	-	-	-
Total other assets	723,357	-	-	1	164,379	(554,088)	333,649
Total assets	\$ 6,224,370	\$ 38,471	\$ 35,760	\$ 1	\$ 2,839,130	\$ (851,189)	\$ 8,286,543
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$ 91,071	\$ -	\$ -	\$ -	\$ 2,902	\$ -	\$ 93,973
Accrued expenses and fees	-	-	-	-	31,609	-	31,609
Advance funds	6,089	-	-	-	-	-	6,089
Accrued payroll and payroll liabilities	290,004	-	-	-	-	-	290,004
Accrued paid time off	51,633	-	-	-	-	-	51,633
Due to other funds	295,931	-	1,170	-	-	(297,101)	-
Due to PACE Community Action Agency	-	-	35,000	-	-	(35,000)	-
Current portion of long-term debt	45,721	-	-	-	71,142	-	116,863
Current portion of operating lease right-of-use liabilities	-	-	-	-	-	-	-
Current portion of financing lease right-of-use liabilities	-	-	-	-	-	-	-
Total current liabilities	780,449	-	36,170	-	105,653	(332,101)	590,171
LONG-TERM LIABILITIES							
Tenants' security deposit liability	-	-	-	-	10,150	-	10,150
Long-term development debt and interest	-	-	-	-	852,951	(274,496)	578,455
Long-term debt, net of current portion	561,569	-	-	-	-	-	561,569
Operating lease right-of-use liabilities, net of current portion	-	-	-	-	-	-	-
Financing lease right-of-use liabilities, net of current portion	-	-	-	-	-	-	-
Total long-term liabilities	561,569	-	-	-	863,101	(274,496)	1,150,174
NET ASSETS							
Parent interest in net assets	4,882,352	38,471	(410)	1	1	(244,592)	4,675,823
Non-controlling interest in net assets	-	-	-	-	1,870,375	-	1,870,375
Total net assets	4,882,352	38,471	(410)	1	1,870,376	(244,592)	6,546,198
Total liabilities and net assets	\$ 6,224,370	\$ 38,471	\$ 35,760	\$ 1	\$ 2,839,130	\$ (851,189)	\$ 8,286,543

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, 2022

	<u>Parent</u>		<u>Subsidiaries (Unrestricted)</u>				2022 Consolidated Total
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>PACE Ventures Holding, Inc.</u>	<u>PACE Ivy Lane, LLC</u>	<u>Ivy Lane, L.P.</u>	<u>Eliminations</u>	
REVENUES AND OTHER SUPPORT:							
Federal government revenue	\$ 11,486,342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,486,342
Other grants	76,965	7,000	-	-	57,002	-	140,967
Fees and program income	75,695	-	48,650	-	8,218	-	132,563
Net rental income	2,233	-	-	-	188,400	-	190,633
Contributions	81,500	-	-	-	-	-	81,500
Gain (loss) on disposal of equipment	-	-	-	-	-	-	-
Investment income (loss)	(25,045)	-	-	-	2,275	-	(22,770)
Investment income (loss) - subsidiaries	17,095	-	-	(6)	-	(17,089)	-
In-kind contributions	365,914	-	-	-	-	-	365,914
Total revenues and other support before net assets released from restrictions	12,080,699	7,000	48,650	(6)	255,895	(17,089)	12,375,149
Net assets released from restrictions	17,842	(17,842)	-	-	-	-	-
Total revenue and other support	12,098,541	(10,842)	48,650	(6)	255,895	(17,089)	12,375,149
OPERATING EXPENSES:							
Community Services Block Grant	310,875	-	-	-	-	-	310,875
Energy assistance	4,421,337	-	-	-	-	-	4,421,337
Weatherization assistance program	523,410	-	-	-	-	-	523,410
Head Start	5,536,366	-	-	-	-	-	5,536,366
Family planning	1,038,898	-	-	-	-	-	1,038,898
Women, infants and children	-	-	-	-	-	-	-
Other programs	1,716	-	-	-	-	-	1,716
Management and general	103,165	-	-	-	-	-	103,165
Fundraising	15,172	-	-	-	-	-	15,172
Subsidiaries	-	-	31,549	-	324,009	-	355,558
Total operating expenses	11,950,939	-	31,549	-	324,009	-	12,306,497
Increase (decrease) in net assets	147,602	(10,842)	17,101	(6)	(68,114)	(17,089)	68,652
NET ASSETS AT BEGINNING OF YEAR	4,882,352	38,471	(410)	1	1,870,376	(244,592)	6,546,198
Transfers	-	-	-	-	-	-	-
Noncontrolling interest in subsidiary's earnings	-	-	-	-	(68,108)	-	(68,108)
Controlling interest in subsidiary's earnings	147,602	(10,842)	17,101	(6)	(6)	(17,089)	136,760
Cumulative effect for change in accounting principle	(3,442)	-	-	-	-	-	(3,442)
NET ASSETS AT END OF YEAR	\$ 5,026,512	\$ 27,629	\$ 16,691	\$ (5)	\$ 1,802,262	\$ (261,681)	\$ 6,611,408

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, 2021

	Parent		Subsidiaries (Unrestricted)				Eliminations	2021 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	\$ 9,264,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,264,560
Other grants	224,816	-	-	-	-	57,002	-	281,818
Fees and program income	69,223	-	35,238	-	-	4,051	-	108,512
Net rental income	2,234	-	-	-	-	183,917	-	186,151
Contributions	76,214	-	-	-	-	-	-	76,214
Gain (loss) on disposal of equipment	9,002	-	-	-	-	-	-	9,002
Investment income (loss)	28,538	-	-	-	-	930	-	29,468
Investment income (loss) - subsidiaries	(6,197)	-	(5,000)	-	(9)	-	11,206	-
In-kind contributions	351,055	-	-	-	-	-	-	351,055
Total revenues and other support before net assets released from restrictions	10,019,445	-	30,238	-	(9)	245,900	11,206	10,306,780
Net assets released from restrictions	51,810	(51,810)	-	-	-	-	-	-
Total revenue and other support	10,071,255	(51,810)	30,238	-	(9)	245,900	11,206	10,306,780
OPERATING EXPENSES:								
Community Services Block Grant	555,131	-	-	-	-	-	-	555,131
Energy assistance	2,108,274	-	-	-	-	-	-	2,108,274
Weatherization assistance program	430,062	-	-	-	-	-	-	430,062
Head Start	5,348,106	-	-	-	-	-	-	5,348,106
Family planning	1,039,553	-	-	-	-	-	-	1,039,553
Women, infants and children	258,163	-	-	-	-	-	-	258,163
Other programs	3,539	-	-	-	-	-	-	3,539
Management and general	207,648	-	-	-	-	-	-	207,648
Fundraising	18,522	-	-	-	-	-	-	18,522
Subsidiaries	-	-	25,807	4,479	-	345,470	-	375,756
Total operating expenses	9,968,998	-	25,807	4,479	-	345,470	-	10,344,754
Increase (decrease) in net assets	102,257	(51,810)	4,431	(4,479)	(9)	(99,570)	11,206	(37,974)
NET ASSETS AT BEGINNING OF YEAR	4,780,095	90,281	(4,841)	60,764	10	1,969,946	(316,213)	6,580,042
Transfers	-	-	-	(56,285)	-	-	56,285	-
Noncontrolling interest in subsidiary's earnings	-	-	-	-	-	(99,561)	-	(99,561)
Controlling interest in subsidiary's earnings	102,257	(51,810)	4,431	(4,479)	(9)	(9)	15,336	65,717
Cumulative effect for change in accounting principle	-	-	-	-	-	-	-	-
NET ASSETS AT END OF YEAR	\$ 4,882,352	\$ 38,471	\$ (410)	\$ -	\$ 1	\$ 1,870,376	\$ (244,592)	\$ 6,546,198

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, 2022

	Parent	PACE Ventures Holding, Inc.	PACE Ivy Lane, LLC	Ivy Lane L.P.	Eliminations	2022 Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Increase (decrease) in net assets	\$ 136,760	\$ 17,101	\$ (6)	\$ (68,114)	\$ (17,089)	\$ 68,652
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	355,915	-	-	110,946	-	466,861
Amortization of financing lease right-of-use asset	21,104	-	-	-	-	21,104
(Gain) loss on investment in subsidiaries	(17,095)	-	6	-	17,089	-
(Gain) loss on investments	24,825	-	-	-	-	24,825
Forgiveness of debt	-	-	-	(57,002)	-	(57,002)
Increase (decrease) in cash from changes in:						
Grants receivable	(75,194)	-	-	-	-	(75,194)
Other receivables	85,144	(11,521)	-	(4,454)	(78,544)	(9,375)
Inventory	(309)	-	-	-	-	(309)
Prepaid expenses and deposits	9,648	-	-	1,000	-	10,648
Due from Ivy Lane	(8,235)	-	-	-	8,235	-
Operating lease right-of-use asset	72,492	-	-	-	-	72,492
Accounts payable and accrued expenses	200,912	1,000	-	13,362	-	215,274
Accrued payroll and payroll expenses	479	-	-	-	-	479
Accrued paid time off	(359)	-	-	-	-	(359)
Due to other funds	(83,000)	4,456	-	-	78,544	-
Operating lease right-of-use liability	(73,129)	-	-	-	-	(73,129)
Net cash provided by (used in) operating activities	<u>649,958</u>	<u>11,036</u>	<u>-</u>	<u>(4,262)</u>	<u>8,235</u>	<u>664,967</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Acquisition of property and equipment	(526,972)	-	-	-	-	(526,972)
Payments of financing lease right-of-use liability	(20,813)	-	-	-	-	(20,813)
Net cash provided by (used in) investing activities	<u>(547,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(547,785)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Principal payments against notes payable	(101,828)	-	-	(5,906)	(8,235)	(115,969)
Net cash provided by (used in) financing activities	<u>(101,828)</u>	<u>-</u>	<u>-</u>	<u>(5,906)</u>	<u>(8,235)</u>	<u>(115,969)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>345</u>	<u>11,036</u>	<u>-</u>	<u>(10,168)</u>	<u>-</u>	<u>1,213</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>453,597</u>	<u>35,760</u>	<u>-</u>	<u>169,765</u>	<u>-</u>	<u>659,122</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 453,942</u>	<u>\$ 46,796</u>	<u>\$ -</u>	<u>\$ 159,597</u>	<u>\$ -</u>	<u>\$ 660,335</u>
Supplemental disclosures of Cash Flow Information						
Cash paid during the year for interest	<u>\$ 34,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,292</u>	<u>\$ -</u>	<u>\$ 41,488</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, 2021

	Parent	PACE Ventures Holding, Inc.	PACE Ventures, LLC	PACE Ivy Lane, LLC	Ivy Lane L.P.	Eliminations	2021 Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in net assets	\$ 50,447	\$ 4,431	\$ (4,479)	\$ (9)	\$ (99,570)	\$ 11,206	\$ (37,974)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	319,785	-	-	-	146,115	-	465,900
Amortization of development consultant fees	(17,227)	-	-	-	-	-	(17,227)
(Gain) loss in disposal of equipment	(9,002)	-	-	-	-	-	(9,002)
(Gain) loss on investment in subsidiaries	5,847	9,480	-	9	-	(11,206)	4,130
(Gain) loss on investments	(8,467)	-	-	-	-	-	(8,467)
Forgiveness of debt	-	-	-	-	(57,002)	-	(57,002)
Increase (decrease) in cash from changes in:							
Grants receivable	(115,329)	-	-	-	-	-	(115,329)
Other receivables	(96,777)	-	-	-	2,473	88,450	(5,854)
Inventory	268	-	-	-	-	-	268
Prepaid expenses and deposits	2,709	-	4,067	-	1,000	-	7,776
Due from PACE Ventures Holding, Inc.	50,311	(50,311)	-	-	-	-	-
Due from Ivy Lane	(7,995)	-	-	-	-	7,995	-
Accounts payable and accrued expenses	20,657	-	-	-	5,732	-	26,389
Accrued payroll and payroll expenses	9,699	-	-	-	-	-	9,699
Accrued paid time off	(18,645)	-	-	-	-	-	(18,645)
Due to other funds	88,911	308	(769)	-	-	(88,450)	-
Net cash provided by (used in) operating activities	<u>275,192</u>	<u>(36,092)</u>	<u>(1,181)</u>	<u>-</u>	<u>(1,252)</u>	<u>7,995</u>	<u>244,662</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Acquisition of property and equipment	(361,664)	-	-	-	-	-	(361,664)
Proceeds from sale of property and equipment	20,984	-	-	-	-	-	20,984
Transfer of assets	-	56,285	(56,285)	-	-	-	-
Net cash provided by (used in) investing activities	<u>(340,680)</u>	<u>56,285</u>	<u>(56,285)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(340,680)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Principal payments against notes payable	(170,448)	-	-	-	(5,868)	(7,995)	(184,311)
Net cash provided by (used in) financing activities	<u>(170,448)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,868)</u>	<u>(7,995)</u>	<u>(184,311)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(235,936)	20,193	(57,466)	-	(7,120)	-	(280,329)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	689,533	15,567	57,466	-	176,885	-	939,451
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 453,597</u>	<u>\$ 35,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,765</u>	<u>\$ -</u>	<u>\$ 659,122</u>
Supplemental disclosures of Cash Flow Information							
Cash paid during the year for interest	<u>\$ 40,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,569</u>	<u>\$ -</u>	<u>\$ 48,523</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, 2022

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal ALN 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	05CH0107-07-04	4,167,897	\$ 3,495,655
Head Start/EHS/T&TA	93.600	05CH0107-07-05	4,696,409	600,177
Head Start/EHS - CARES	93.600	05CH0107-07-04	65,296	65,296
Head Start/EHS Expansion	93.600	05HP0005-06-01	546,048	371,958
Head Start/EHS Expansion	93.600	05HP0005-06-02	611,555	174,945
Head Start/EHS Expansion - CARES	93.600	05HP0000-97-03/04	27,529	20,472
American Rescue Plan Act	93.600	05HE0005-36-01	645,410	358,490
Subtotal FALN 93.600				<u>5,086,993</u>
Passed through Indiana Housing & Community Development Authority (IHCDA):				
Community Services Block Grant	93.569	CS-021-023	294,218	93,466
Community Services Block Grant	93.569	CS-022-023	294,105	214,650
Community Services Block Grant - CARES	93.569	CS-CV-020-023	390,791	34
Community Services Block Grant - CARES	93.569	CS-CV-022-023-D	5,559	5,559
Subtotal FALN 93.569				<u>313,709</u>
Low-Income Home Energy Assistance	93.568	LI-022-023	2,765,604	2,117,019
Low-Income Home Energy Assistance	93.568	LI-023-023	1,807,406	796,197
Low-Income Home Energy Assistance - ARPA	93.568	LI-ARPA-021-023	2,296,793	1,307,055
Low-Income Home Energy Assistance	93.568	LI-ES-023-023	915,262	49,123
Low-Income Home Energy Assistance	93.568	LI-IIJA-023-023	25,780	14,593
Low-Income Home Energy Assistance	93.568	WL-022-023	209,437	25,873
Low-Income Home Energy Assistance	93.568	WL-023-023	215,237	84,320
Low-Income Home Energy Assistance - ARPA	93.568	ARPA-WA-021-023	299,580	251,553
Low-Income Water Assistance - ARPA	93.568	WAT-ARPA-022-023	215,149	117,206
Subtotal FALN 93.568				<u>4,762,939</u>
Passed through Indiana Family Health Council:				
Family Planning Title X	93.217	FY 21-22	661,441	302,968
Family Planning Title X	93.217	FY 22-23	610,875	311,644
Subtotal FALN 93.217				<u>614,612</u>
Family Planning TXX	93.667	FY 22-23	65,980	40,912
Family Planning TANF	93.558	FY 22-23	294,667	288,096
Total U.S. Department of Health and Human Services				<u>11,107,261</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR AGENCY	Federal	Grant or	Grant Award	Federal
Passthrough Agency	ALN	Identifying	(in dollars \$)	Expenditures
Program Title	Number	Number		
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Indiana State Department of Health:				
Child and Adult Care Food Program	10.558	1420061	N/A	209,680
Total U.S. Department of Agriculture				<u>209,680</u>
U.S. DEPARTMENT OF ENERGY				
Passed through Indiana Housing & Community				
Development Authority (IHCD):				
Weatherization Assistance for Low-Income Persons	81.042	WX-021-023	212,606	72,609
Weatherization Assistance for Low-Income Persons	81.042	WX-022-023	210,165	77,191
Subtotal FALN 81.042				<u>149,800</u>
Total U.S. Department of Energy				<u>149,800</u>
Total Expenditures of Federal Awards				<u><u>\$ 11,466,741</u></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, 2022

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 \$3,879,477 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, 2022.

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2021.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs for the year ended December 31, 2021.



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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.
Vincennes, Indiana

We have audited, 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, the consolidated financial statements of the PACE Community Action Agency, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon June 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered PACE Community Action Agency, Inc. and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PACE Community Action Agency, Inc. and Subsidiaries' 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PACE Community Action Agency, Inc. and Subsidiaries' financial statements are free of 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 20, 2023



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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.
Vincennes, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited PACE Community Action Agency, Inc. and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of PACE Community Action Agency, Inc. and Subsidiaries' major federal programs for the year ended December 31, 2022. PACE Community Action Agency, Inc. and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, PACE Community Action Agency, Inc. and Subsidiaries, 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of PACE Community Action Agency, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of PACE Community Action Agency, Inc. and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to PACE Community Action Agency, Inc. and Subsidiaries' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PACE Community Action Agency, Inc. and Subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PACE Community Action Agency, Inc. and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PACE Community Action Agency, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PACE Community Action Agency, Inc. and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 PACE Community Action Agency, Inc. and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 20, 2023

**PACE COMMUNITY ACTION AGENCY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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>FALN Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	U.S. Dept. of Health and Human Services - Low-Income Home Energy Assistance
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, 2022**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2022.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs for the year ended December 31, 2022.