Community Action Program of Evansville and Vanderburgh County, Inc. and Subsidiary

Consolidated Financial Statements For the Years Ended December 31, 2012 and 2011 (With Single Audit Section)

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Certified Public Accountants

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY FINANCIAL STATEMENTS

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Independent Auditor's Report

Board of Directors
Community Action Program of Evansville and Vanderburgh County, Inc. And Subsidiary
Evansville, Indiana

We have audited the accompanying consolidated financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. (a nonprofit organization) and CAPE Place, LLC (Subsidiary), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, 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. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. For the year ended December 31, 2012, we did not audit the financial statements of Cape Place, LLC, which statements reflect total assets of $3,939,668 as of December 31, 2012 and total support and revenues of $272,579 for the year then ended. 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.

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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

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includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action Program of Evansville as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 17, 2013 on our consideration of Community Action Program of Evansville and Vanderburgh County, 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 or on 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.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U. S. Office of Management and Budget Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 audits 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 financial statement or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
September 17, 2013

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
Current assets		
Cash	$ 193,287	$ 693,197
Certificates of deposit	116,000	-
Grants receivable	673,007	658,650
Accounts receivable	158,012	220,454
Due from Southern Indiana Housing Corp.	3,200	3,200
Due from Brumfield Place, L.P.	83,304	83,304
Prepaid expenses	207,485	45,268
Total current assets	1,434,295	1,704,073
Property and equipment		
Land	309,826	295,126
Vehicles and equipment	1,279,765	1,156,715
Buildings and improvements	5,117,252	1,673,464
Construction-in-progress	-	3,121,371
	6,706,843	6,246,676
Less accumulated depreciation	(1,399,218)	(1,250,232)
Total property and equipment, net	5,307,625	4,996,444
Other assets		
Development fees receivable	156,185	156,185
Notes receivable - Brumfield Place, L.P.	425,000	425,000
Notes receivable - Paradise Estates Apartments	847,470	847,470
Capitalized costs, net	147,160	-
Total other assets	1,575,815	1,428,655
	$ 8,317,735	$ 8,129,172

LIABILITIES AND NET ASSETS

	2012	2011
Current liabilities		
Accounts payable	$ 124,443	$ 150,719
Accrued payroll and payroll expenses	523,349	510,068
Deferred revenue	152,041	39,793
Retainage payable	-	253,718
Current maturities of long-term debt	84,761	13,832
Total current liabilities	884,594	968,130
Long-term liabilities		
Note payable - CDBG	400,000	322,500
Note payable - AHP Funds	264,170	264,170
Note payable - HOME Funds	375,000	375,000
Note payable - Section 202	633,300	633,300
Note payable - Section 1602	2,824,397	3,027,283
Notes payable - other	774,300	858,210
Total long-term liabilities	5,271,167	5,480,463
Total liabilities	6,155,761	6,448,593
Net assets - unrestricted	2,161,974	1,680,579
Total liabilities and net assets	$ 8,317,735	$ 8,129,172

See accompanying notes to consolidated financial statements.

COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Support and revenue		
Grant revenue	$ 10,050,734	$ 12,916,392
Donations	79,972	54,594
Program revenue	55,163	61,053
Rent income	70,836	-
Other	510,405	692
Interest	16	19
Section 1602 forgiveness	201,743	-
In-kind contributions	866,260	1,152,040
Total support and revenue	11,835,129	14,184,790
Expenses		
Childhood education	5,779,502	6,159,492
Child care	547,960	380,923
Nutrition	333,755	266,789
Senior volunteer	177,032	146,001
Utility assistance	2,552,567	4,641,606
Housing assistance	391,869	317,318
Home weatherization assistance	755,031	1,433,412
Emergency family service	-	5,163
Other Program	-	198,817
Management and general	657,801	999,878
Subsidiary	153,217	-
Total operating expenses	11,348,734	14,549,399
Increase (decrease) in net assets	486,395	(364,609)
Net assets at beginning of year	1,680,579	2,045,188
Payment of syndication costs	(5,000)	-
Net assets at end of year	$ 2,161,974	$ 1,680,579

See accompanying notes to consolidated financial statements.

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Childhood Education	Child Care	Nutrition	Senior Volunteer	Utility Assistance
OPERATING EXPENSES					
Personnel costs	$ 3,856,816	$ 427,611	$ -	$ 31,365	$ 354,041
Space costs	370,823	29,092	-	-	23,915
Communications	44,490	540	-	-	8,410
Contractural services	88,260	64,475	-	-	12,785
Materials and supplies	61,594	2,638	-	-	9,890
Travel and training	51,603	4,590	-	1,058	2,556
Equipment purchases and maintenance	22,937	-	-	-	-
Customer assistance	323,433	12,444	333,755	118,787	2,140,524
Other	119,108	6,570	-	-	446
Partnership	-	-	-	-	-
Property and equipment	-	-	-	-	-
In-kind expenses	840,438	-	-	25,822	
Total program expenses by function prior to GAAP adjustment	5,779,502	547,960	333,755	177,032	2,552,567
Capital expenditures	-	-	-	-	-
Total operating expenses after GAAP adjustment	$ 5,779,502	$ 547,960	$ 333,755	$ 177,032	$ 2,552,567

See accompanying notes to consolidated financial statements.

Housing Assistance	Home Weatherization Assistance	Management and General	Subsidiary	2012 Totals
$ 110,050	$ 371,814	$ 210,622	$ -	$ 5,362,319
771	22,132	281,982	-	728,715
670	6,939	14,156	-	75,205
8,053	17,195	15,895	-	206,663
9,976	10,579	44,034	-	138,711
17,572	9,586	13,969	-	100,934
-	-	-	-	22,937
239,270	293,769	10,156	-	3,472,138
5,507	23,017	25,633	-	180,281
-	-	41,354	153,217	194,571
74,481	-	-	-	74,481
-	-	-	-	866,260
466,350	755,031	657,801	153,217	11,423,215
(74,481)	-	-	-	(74,481)
$ 391,869	$ 755,031	$ 657,801	$ 153,217	$ 11,348,734

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Childhood Education	Child Care	Nutrition	Senior Volunteer	Utility Assistance
OPERATING EXPENSES					
Personnel costs	$ 4,085,597	$ 128,188	$ -	$ 34,585	$ 385,469
Space costs	344,356	37,740	-	-	19,380
Communications	50,710	2,184	-	-	15,555
Contractural services	105,447	4,816	-	-	14,979
Materials and supplies	33,680	216	-	8	9,828
Travel and training	77,914	14,173	-	500	3,367
Equipment purchases and maintenance	-	-	-	-	-
Customer assistance	201,276	180,527	266,789	110,404	4,189,824
Other	108,472	13,079	-	504	3,204
Partnership	-	-	-	-	-
Property and equipment	7,995	-	-	-	-
In-kind expenses	1,152,040	-	-	-	-
Total program expenses by function prior to GAAP adjustment	6,167,487	380,923	266,789	146,001	4,641,606
Capital expenditures	(7,995)	-	-	-	-
Total operating expenses after GAAP adjustment	$ 6,159,492	$ 380,923	$ 266,789	$ 146,001	$ 4,641,606

See accompanying notes to consolidated financial statements.

Housing Assistance	Home Weatherization Assistance	Emergency Family Service	Other Program	Management and General	Subsidiary	2011 Totals
$ 117,920	$ 492,078	$ -	$ 84,022	$ 546,215	$ -	$ 5,874,074
1,930	48,246	-	38,513	265,040	-	755,205
576	11,651	-	-	17,031	-	97,707
1,712	23,612	-	15,130	31,098	-	196,794
4,168	15,000	-	19,134	60,239	-	142,273
4,919	4,995	-	1,085	39,152	-	146,105
5,649	-	-	-	-	-	5,649
178,111	799,520	5,163	36,512	2,299	-	5,970,425
2,333	38,310	-	4,421	38,804	-	209,127
-	-	-	-	-	1,695,667	1,695,667
4,500	-	-	-	44,089	-	56,584
-	-	-	-	-	-	1,152,040
321,818	1,433,412	5,163	198,817	1,043,967	1,695,667	16,301,650
(4,500)	-	-	-	(44,089)	(1,695,667)	(1,752,251)
$ 317,318	$ 1,433,412	$ 5,163	$198,817	$ 999,878	$ -	$ 14,549,399

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 486,395	$ (364,609)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	188,719	109,102
Amortization	10,511	-
Contributions of fixed assets	-	(36,000)
Section 1602 loan forgiveness	(201,743)	-
Increase (decrease) in cash from changes in:		
Grants receivable	(14,357)	367,239
Accounts receivable	207,069	(134,358)
Prepaid expenses	(162,217)	4,018
Accounts payable	(26,276)	55,895
Accrued payroll and related expenses	13,281	5,634
Retainage payable	(253,718)	166,532
Deferred revenue	112,248	(9,922)
Construction payables to be converted to long-term	(322,500)	(452,195)
Net cash provided by (used in) operating activites	37,412	(288,664)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for construction-in-progress	-	(1,404,855)
Purchase of certificates of deposit	(116,000)	-
Payment of syndication costs	(5,000)	-
Purchase of fixed assets	(480,841)	(57,159)
Net cash used in investing activities	(601,841)	(1,462,014)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan and note proceeds	77,500	2,022,042
Repayment of notes payable	(12,981)	(12,782)
Net cash provided by financing activities	64,519	2,009,260
NET INCREASE (DECREASE) IN CASH	(499,910)	258,582
CASH, BEGINNING OF YEAR	693,197	434,615
CASH, END OF YEAR	$ 193,287	$ 693,197
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 76,171	$ 66,846

See accompanying notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Community Action Program of Evansville and Vanderburgh County, Inc.(the "Organization"), and its wholly-owned subsidiary, CAPE Place, LLC (the "Subsidiary"). In accordance with the FASB Accounting Standards Codification topic "Consolidation of Not-for-profit entities", consolidation is required for the aforementioned entities and all material intercompany transactions have been eliminated in the consolidation.

NATURE OF OPERATIONS

Community Action Program of Evansville and Vanderburgh County, Inc. (CAPE or the Organization) was incorporated and commenced operations as a not-for-profit Organization in 1965, under the laws of the State of Indiana. The Organization was formed to develop and provide resources for the purpose of assisting low-income individuals in the City of Evansville and Vanderburgh County, Indiana through a variety of programs, including Head Start, Energy Assistance, Section 8, Weatherization, Foster Grandparents, Owner Occupied Rehabilitation Programs, Food Banks and Individual Development Accounts. The Organization is primarily supported through federal and state government grants.

CAPE Place, LLC was formed to further the charitable purposes of Community Action Program of Evansville through development, ownership, and operation of a 28-unit affordable housing rental project on certain real estate located in Princeton, Indiana, to be known as CAPE Place.

Income or losses from business activity performed by CAPE Place, LLC and Community Action Program of Evansville and Vanderburgh County, Inc. are reflected as increases and decreases in the net assets of the Subsidiary in the consolidated statement of financial position. In addition, income or losses from Subsidiary activity is presented in the consolidated statement of activities.

BASIS OF PRESENTATION

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

REVENUE RECOGNITION

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

The Organization and Subsidiary follow the practice of capitalizing all expenditures in excess of $5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided using the straight-line method over estimated useful lives of three to forty years. The following is a summary of the lives for each class of asset:

Buildings	40 years
Leasehold improvements	15 years
Equipment	3-10 years
Vehicles	5 years

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.

The Organization's total depreciation expense for the years ended December 31, 2012 and 2011, was $113,568 and $109,102, respectively. The Subsidiary's depreciation expense was $75,151 and -0-, respectively for the years ended December 31, 2012 and 2011.

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).

In addition, since the subsidiary LLC is wholly owned by the Organization, there is only a single member. Per Internal Revenue Service Code, the LLC is considered to be a "disregarded entity" for tax purposes, meaning that all revenues and expense of the LLC are reported as part of the Organization's annual tax return. No income tax return is required to be prepared for the sole-member LLC.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) for *Financial Statements of Not-for-Profit Organizations*. Per these Standards the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT PRESENTATION (continued)

Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.

Permanently restricted net assets represent contributions and other inflows of assets whose use by Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

For the years ended December 31, 2012 and 2011 the Organization did not have temporarily or permanently restricted assets.

USE OF ESTIMATES

The preparation of accrual basis financial statements 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. Accordingly, actual results could differ from those estimates.

CONTRIBUTIONS

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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TAX BENEFITS

The Organization and Subsidiary 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.

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:

Administrative Personnel

Agency administrative and financial personnel (Executive Director, Director of Administration, 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.

Administrative Non-personnel Costs

Administrative non-personnel costs (including administrative space costs, utilities, telephone, supplies, travel, etc.) are allocated based on actual administrative time spent in each 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.

GRANTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The grants receivable represent amounts the Organization has filed claims for the years 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.

ACCOUNTS RECEIVABLE

The accounts receivable represent amounts due for child care services. The Organization considers accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. The past due accounts are reviewed and written off every year in the month of July. The direct write-off method was not determined to have a material impact on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH EQUIVALENTS

The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

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 a like amount. For the years ended December 31, 2012 and 2011, this adjustment amounted to approximately $866,260 and $1,152,040, respectively.

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

Of the $866,260 and $1,152,040 of in-kind contributions and related expenses recorded in the Organization's Statement of Activities for the years ended December 31, 2012 and 2011, contributed services meeting the requirements of the aforementioned standard are $415,465 and $706,389, respectively, related to Head Start. During 2012 and 2011, the Organization also received other in-kind contributions totaling $703,746 and $390,296, respectively, related to its Head Start, Foster Grandparent, and Emergency Shelter programs which includes services from non-professional volunteers which are not recorded in the Consolidated Statements of Activities.

During 2012 and 2011, the Organization also received in-kind donations including food, supplies, and space for its Head Start program totaling $450,795 and $445,651, respectively. The table below details the in-kind contributions for the years ended December 31, 2012 and 2011:

	2012	2011
Head Start in-kind		
Professional services	$ 415,465	$ 706,389
Supplies/food/space in-kind	450,795	445,651
Total in-kind reported in financial statements	866,260	1,152,040
Head Start volunteer services	686,346	369,120
Foster Grandparents volunteer	17,400	21,176
Total in-kind for all programs	$ 1,570,006	$ 1,542,336

NOTE 2 – CASH

Cash consisted of the following as of December 31, 2012 and 2011:

	2012	2011
Checking	$ 192,887	$ 692,797
Petty Cash	400	400
Total Cash	$ 193,287	$ 693,197

NOTE 3 – GRANTS RECEIVABLE

The grants receivable consists primarily of amounts due from federal and state agencies. The grants receivable from the various funding sources as of December 31, 2012 and 2011 consisted of:

	2012	2011
Federal Programs (Direct and pass-through)	$ 653,252	$ 657,407
State and Local Programs	19,755	1,243
Total	$ 673,007	$ 658,650

NOTE 4 – ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

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

NOTE 5 – DUE FROM AFFILIATES

During the year ended December 31, 2003, the Organization advanced funds to Southern Indiana Housing Corporation, an Indiana corporation, for start-up monies related to the design and construction of a low-income senior housing project in Southern Indiana. The funds are repayable to the Organization at the end of the project. As of December 31, 2012 and 2011, the balance due from Southern Indiana Housing Corporation was $3,200 for both years.

NOTE 5 – DUE FROM AFFILIATES (continued)

During the year ended December 31, 2003, the Organization advanced funds to Brumfield Place, L.P., an Indiana limited partnership, for the operation of a 24 unit low-income housing project in Princeton, Indiana, of which the Organization is the development sponsor. The funds will be repaid from the final payment of the syndicators. As of December 31, 2012 and 2011, the balance due from Brumfield Place, L.P. was $83,304, for both years.

NOTE 6 – EMPLOYEE BENEFITS

The Organization has a 401(k) plan. The Organization provides contributions up to a maximum amount of 1% of employee compensation. Contributions to the plan are made for all permanent employees starting from the date of employment. Employee benefit expense under this plan was approximately $43,471 and $42,858 for the years ended December 31, 2012 and 2011, respectively.

NOTE 7 – DEVELOPMENT FEES RECEIVABLE

On March 15, 2002, the Organization, under the signature of its affiliate, CAPE Development Corporation, entered into a Limited Partnership agreement (Brumfield Place, L.P.) with the U.S.A. Institutional Tax Credit Fund XXVIII, L.P., a Delaware limited partnership, to develop and maintain a 24 unit low-income housing project in Princeton, Indiana. Upon completion of project construction, CAPE was scheduled to receive development fees for its time and effort in the project's development. Payments are to be made on a yearly basis as funds permit. The balance due was $156,185 as of December 31, 2012 and 2011.

In 2010, the Organization entered into an Agreement with its subsidiary, CAPE Place, LLC to develop and maintain a 28 unit low-income housing project in Princeton, Indiana. Under the agreement, CAPE is scheduled to receive development fees for its time and effort in the project's development. Payments are to be made on based on meeting specific milestones described in the agreement. As of December 31, 2012 and 2011, the balance due was $292,500 and $105,544, respectively.

NOTE 8 – NOTES RECEIVABLE

The Organization has entered into a real estate mortgage agreement with Brumfield Place, L.P., an Indiana limited partnership, dated March 15, 2002 in the principal amount of $200,000. The mortgage matures on December 21, 2018 and is payable in full at maturity along with any accrued interest. The note bears interest at a rate of 0.0% per annum. As of December 31, 2012 and 2011, the mortgage balance remained at $200,000.

NOTE 8 – NOTES RECEIVABLE (continued)

The Organization has entered into a real estate mortgage agreement with Brumfield Place, L.P.; an Indiana limited partnership, dated March 15, 2002 in the principal amount of $225,000. The mortgage matures on December 21, 2018 and is payable in full at maturity along with any accrued interest. The note bears interest at a rate of 0.0% per annum. As of December 31, 2012 and 2011, the mortgage balance remained at $225,000.

The Organization under the signature of its affiliate, Southern Indiana Housing Corporation, has entered into a forgivable note receivable agreement with Paradise Estates Apartments, an Indiana not-for-profit, in the principal amount of $633,300. The note matures on March 2045 and is forgiven if the apartments are used for affordable housing. The note bears interest at a rate of 0.0% per annum. As of December 31, 2012 and 2011, the note balance remained at and $633,300.

The Organization under the signature of its affiliate, Southern Indiana Housing Corporation, has entered into a forgivable note receivable agreement with Paradise Estates Apartments, an Indiana not-for-profit, in the principal amount of $150,000. The note matures on March 2020 and is forgiven if the apartments are used for affordable housing. The note bears interest at a rate of 0.0% per annum. As of December 31, 2012 and 2011 the note balance remained at $150,000.

The Organization under the signature of its affiliate, Southern Indiana Housing Corporation, has entered into a forgivable note receivable agreement with Paradise Estates Apartments, an Indiana not-for-profit, in the principal amount of $64,170. The note matures on March 2020 and is forgiven if the apartments are used for affordable housing. The note bears interest at a rate of 0.0% per annum. As of December 31, 2012 and 2011 the note balance remained at $64,170.

NOTE 9 – OPERATING LEASES

The Organization leases various facilities for operation of its programs. Rent expense for the years ended December 31, 2012 and 2011 was $225,172 and $178,910, respectively. Future minimum lease payments on leases having non-cancelable terms beyond December 31, 2012 are as follows:

Year	Amount
2013	$ 177,432
2014	111,781
2015	111,481
2016	110,117
2017	109,993
Thereafter	394,138
	$1,014,692

NOTE 10 – LONG-TERM DEBT

In December of 2002, the Organization assumed a promissory note with Fifth Third Bank originally dated December 2, 1996 and used by Evansville Community Services, Inc., an affiliate of the Organization, for the purchase of a commercial building. In December 2002, the Organization also assumed the title of the building. The original note was for the principal amount of $765,000, matures in October 17, 2016 and is secured by real estate. The loan is payable in monthly installments of $5,629 including principal and interest. The Organization assumed the remaining balance on the note of $715,666 as of December 17, 2002. The remaining balance on the note as of December 31, 2012 and 2011 was $657,651 and $665,539 respectively.

During 2008 the Organization obtained a loan from Evansville Community Bank dated February 1, 2008 which was used to pay off a previous loan with Fifth Third Bank. The principal amount of the loan is $87,659 and is payable in monthly installments of $772 including principal and interest. The interest rate is 7.04% and the note, which is secured by real estate, matures on February 1, 2013. The remaining balance on the note as of December 31, 2012 and 2011 was $73,221 and $77,187, respectively.

The Organization has entered into a loan agreement with the United States Department of Agriculture, Rural Housing Service, dated February 26, 2004 in the principal amount of $140,000 for the purpose of partially funding the construction of a new Head Start facility in Princeton, Indiana. The loan is payable in monthly installments of $636 beginning March 26, 2005 which includes interest of 4.5% per annum with a maturity date of February 26, 2045. The remaining balance on the note as of December 31, 2012 and 2011 was $127,489 and $129,317, respectively.

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

Year	Amount
2013	$ 84,761
2014	12,527
2015	13,602
2016	627,881
2017	2,155
Thereafter	118,135
	$ 859,061

Interest expense amounted to $76,171 and $66,846 for the years ended December 31, 2012 and 2011, respectively.

NOTE 11 - BRUMFIELD PLACE L.P. AND PARADISE ESTATES APARTMENTS

Brumfield Place L.P. (the "Project") was organized as a limited partnership in March 2002 to construct, own and operate a 24-unit apartment complex in Princeton, Indiana. Each building in the project has qualified and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Organization owns a 1/100th interest in the Project and has obtained HOME and AHP funds to assist with the development. The HOME and AHP Funds have in turn been loaned to the Project (see note 8). As of December 31, 2012 and 2011, the Organization had made no material contributions to the Project or incurred any material related costs.

Paradise Estates Apartments (the "Secondary Project") was organized as a separate not-for-profit in March 2003 to construct, own and operate a 9-unit apartment complex in Princeton, Indiana. The Organization, under the signature of its affiliate, Southern Indiana Housing Corporation, obtained Section 202, HOME and AHP funds to assist with the development. The Section 202, HOME and AHP Funds have in turn been loaned to the Secondary Project (see note 8). As of December 31, 2012 and 2011, the Organization had made no material contributions to the Project or incurred any material related costs.

NOTE 12 – NOTES PAYABLE – HOME, AHP AND SECTION 1602 FUNDS

The Organization, under the signature of its affiliate, CAPE Development Corporation, has entered into an agreement with the State of Indiana Housing Finance Authority (IHFA) for the use of $225,000 of HOME Funds in the development of Brumfield Place (see note 11). In addition, the Organization has entered into an agreement for the use of $200,000 of AHP Funds in the development. The term of both loans is for an initial period of 15 years and with both loans maturing on December 21, 2018. Repayment of the loans is contingent upon the availability of Brumfield Place's "residual receipts", as defined in the agreement. The loans bear an annual interest rate of 0.00%, of which, interest is payable from residual receipts prior to the payment of any principal.

The Organization, under the signature of its affiliate, Southern Indiana Housing Corporation, has entered into an agreement with the Department of Metropolitan Development of the City of Evansville, Indiana for the use of $150,000 of HOME Funds in the development of Paradise Estates Apartments. In addition, the Organization has entered into an agreement with the Federal Home Loan Bank for the use of $64,170 of AHP Funds in the development. The term of both loans is for an initial period of 20 years and with both loans maturing on March 2020. These notes payable will be forgiven if Paradise Estates is used as affordable housing until March 2020.

NOTE 12 – NOTES PAYABLE – HOME, AHP AND SECTION 1602 FUNDS (continued)

The Organization, under the signature of its subsidiary, CAPE Place, LLC, has entered into an agreement with the Indiana Housing and Community Development Authority for the use of \$3,026,140 of ARRA Section 1602 Exchange funds in the development of 28 units of low-income housing. The loan is forgivable in $1/15^{th}$ equal annual amounts over the 15 year term of the note beginning on the first anniversary of the earlier of December 1, 2011 or the date the project is put into service. The note bears interest at a rate of 0.0% per annum. As of December 31, 2012, and 2011, the note balance was \$2,824,397 and \$3,027,283, respectively.

The Organization entered into an agreement with the Indiana Housing and Community Development Authority for the \$400,000 of Community Development Block Grant Disaster Relief II funds in the development of 28 units of low-income housing. The note bears interest at a rate of 0.0% per annum and matures on November 24, 2027. As of December 31, 2012 and 2011, the note balance was \$400,000 and \$322,500, respectively.

NOTE 13 – CONTINGENT LIABILITY

Several programs administered by the Organization provide funds towards the purchase and/or rehabilitation of homes. These programs include: Federal Home Loan Bank--Home Opportunities Program, Department of Metropolitan Development--Down Payment Assistance Program, Indiana Housing and Community Development–Owner Occupied Rehabilitation Program, Department of Metropolitan Development--Buy/Rehab/Resale Program, Department of Metropolitan Development--Home Money, and Indiana Housing and Community Development--Housing Education Counseling/Down Payment Assistance Program.

In these programs, low income persons can qualify for down payment assistance or for repairs and improvements of owner occupied residences. The Organization holds a mortgage equal to the amount of the down payment or repairs for each participating homeowner. These mortgages are forgivable if the mortgagor owns and occupies the mortgaged premises for the required timeframe. These timeframes range from 3 to 15 years for the various programs. As of December 31, 2012, the Organization held 104 mortgages with a total balance of \$1,217,843. As of December 31, 2011, the Organization held 60 mortgages in the amount of \$479,757.

While the Organization holds these zero percent forgivable loans, the anticipated future collections cannot be determined. Although these mortgages are secured by a lien on the homes, there is a possibility that the Organization may have to repay the governmental funds used under this program if the owner occupants do not occupy the homes for the mandatory periods. The final liability, if any, to be paid cannot be determined at this time. Accordingly, these financial statements do not reflect any liability, which may arise as a result.

NOTE 14 – CONCENTRATION OF RISK

The Organization maintains its cash balances in several banks. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 as of December 31, 2012 and 2011. At times throughout the year, the balance in this account may exceed these limits. The balance in excess of FDIC coverage is collaterally secured by the bank with Treasury Bills.

Revenues from federal and state government agencies that provide grant and contract funding to the Organization represented 96% and 91% of the Organization's total revenue and support for the years ended December 31, 2012 and 2011, respectively.

NOTE 15 – ADVERTISING COSTS

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2012 and 2011 was $5,369 and $4,500.

NOTE 16 – INDIVIDUAL DEVELOPMENT ACCOUNTS

The Organization maintains multiple Individual Development Accounts (IDAs) with commercial banks. IDAs are matched savings accounts that enable low-income American families to save, build assets, and enter the financial mainstream. The total cash balance in those accounts amounted to $581,309 and 497,703 for the years ended December 31, 2012 and 2011. These balances are not included in the Organization's financial statements.

SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Supplementary Information

Board of Directors
Community Action Program of Evansville and Vanderburgh County, Inc. and Subsidiary
Evansville, Indiana

Our report on our audits of the consolidated financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. and Subsidiary as of December 31, 2012 and 2011 appears on page one. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information (shown on pages 23, 24, 25, 26, 27 and 28) 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 o 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 Cape Place, LLC, which statements reflect total assets of $3,939,668 as of December 31, 2012 and total support and revenues of $272,579 for the year then ended. 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 taken as a whole for the years ended December 31, 2012 and 2011.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
September 17, 2013

Comer, Nowling and Associates, P.C. | 8606 Allisonville Road, Suite 120 | Indianapolis, Indiana 46250 | 317.841.3393 office | www.comernowling.com

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

ASSETS

	2012			
	Parent	**Subsidiary**	**Eliminations**	**Consolidated Total**
Current assets				
Cash	$ 117,814	$ 75,473	$ -	$ 193,287
Certificates of deposit	-	116,000	-	116,000
Grants receivable	673,007	-	-	673,007
Accounts receivable	157,246	766	-	158,012
Due from CAPE Place, LLC	-	-	-	-
Due from Southern Indiana Housing Corp.	3,200	-	-	3,200
Due from Brumfield Place, L.P.	83,304	-	-	83,304
Prepaid expenses	137,485	70,000	-	207,485
Total current assets	1,172,056	262,239	-	1,434,295
Property and equipment				
Land	249,826	60,000	-	309,826
Vehicles and equipment	1,142,470	137,295	-	1,279,765
Buildings and improvements	1,709,127	3,408,125	-	5,117,252
Construction-in-progress	-	-	-	-
	3,101,423	3,605,420	-	6,706,843
Less accumulated depreciation	(1,324,067)	(75,151)	-	(1,399,218)
Total property and equipment, net	1,777,356	3,530,269	-	5,307,625
Other assets				
Development fees receivable	448,685	-	(292,500)	156,185
Investment in Subsidiary	414,362	-	(414,362)	-
Notes receivable - Brumfield Place, L.P.	425,000	-	-	425,000
Notes receivable - Paradise Estates Apartments	847,470	-	-	847,470
Notes receivable - Cape Place LLC	400,000	-	(400,000)	-
Capitalized costs, net	-	147,160	-	147,160
Total other assets	2,535,517	147,160	(1,106,862)	1,575,815
	$ 5,484,929	$ 3,939,668	$ (1,106,862)	$ 8,317,735

LIABILITIES AND NET ASSETS

	Parent	Subsidiary	Eliminations	Consolidated Total
Current liabilities				
Accounts payable	$ 119,859	$ 4,584	$ -	$ 124,443
Accrued payroll and payroll expenses	523,349	-	-	523,349
Deferred revenue and deposits	148,316	3,725	-	152,041
Developer fees due to CAPE	-	292,500	(292,500)	-
Retainage Payable	-	-	-	-
Current maturities of long-term debt	84,761	-	-	84,761
Total current liabilities	876,285	300,809	(292,500)	884,594
Long-term liabilities				
Construction payables to be converted to long-term	-	-	-	-
Note payable - CDBG	400,000	400,000	(400,000)	400,000
Note payable - AHP Funds	264,170	-	-	264,170
Note payable - HOME Funds	375,000	-	-	375,000
Note payable - Section 202	633,300	-	-	633,300
Note Payable - Section 1602	-	2,824,397	-	2,824,397
Notes payable - other	774,300	-	-	774,300
Total long-term liabilities	2,446,770	3,224,397	(400,000)	5,271,167
Total liabilities	3,323,055	3,525,206	(692,500)	6,155,761
Net assets - unrestricted	2,161,874	414,462	(414,362)	2,161,974
Total liabilities and net assets	$ 5,484,929	$ 3,939,668	$ (1,106,862)	$ 8,317,735

See independent auditors' report on supplementary information.

2011			
Parent	**Subsidiary**	**Eliminations**	**Consolidated Total**
$ 190,233	$ 502,964	$ -	$ 693,197
-	-	-	-
658,650	-	-	658,650
220,454	-	-	220,454
353,343	-	(353,343)	-
3,200	-	-	3,200
83,304	-	-	83,304
45,268	-	-	45,268
1,554,452	502,964	(353,343)	1,704,073
235,126	60,000	-	295,126
1,156,715	-	-	1,156,715
1,673,464	-	-	1,673,464
-	3,299,244	(177,873)	3,121,371
3,065,305	3,359,244	(177,873)	6,246,676
(1,250,232)	-	-	(1,250,232)
1,815,073	3,359,244	(177,873)	4,996,444
261,729	-	(105,544)	156,185
153,063	-	(153,063)	-
425,000	-	-	425,000
847,470	-	-	847,470
-	-	-	-
-	-	-	-
1,687,262	-	(258,607)	1,428,655
$ 5,056,787	$ 3,862,208	$ (789,823)	$ 8,129,172
$ 150,719	$ -	$ -	$ 150,719
510,068	-	-	510,068
39,793	-	-	39,793
-	105,544	(105,544)	-
-	253,718	-	253,718
13,832	-	-	13,832
714,412	359,262	(105,544)	968,130
-	322,500	(322,500)	-
322,500	-	-	322,500
264,170	-	-	264,170
375,000	-	-	375,000
633,300	-	-	633,300
-	3,027,283	-	3,027,283
858,210	-	-	858,210
2,453,180	3,349,783	(322,500)	5,480,463
3,167,592	3,709,045	(428,044)	6,448,593
1,889,195	153,163	(361,779)	1,680,579
$ 5,056,787	$ 3,862,208	$ (789,823)	$ 8,129,172

COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			
	Parent	**Subsidiary**	**Eliminations**	**Consolidated Total**
Support and revenue				
Grant revenue	$ 10,050,734	$ -	$ -	$ 10,050,734
Contributions	79,972	-	-	79,972
Program revenue	55,163	-	-	55,163
Rent income	-	70,836	-	70,836
Other	301,689	-	208,716	510,405
Earning on subsidiary	114,362	-	(114,362)	-
Interest	16	-	-	16
Section 1602 forgiveness	-	201,743	-	201,743
In-kind contributions	866,260	-	-	866,260
Total support and revenue	11,468,196	272,579	94,354	11,835,129
Expenses				
Childhood education	5,779,502	-	-	5,779,502
Child care	547,960	-	-	547,960
Nutrition	333,755	-	-	333,755
Senior volunteer	177,032	-	-	177,032
Utility assistance	2,552,567	-	-	2,552,567
Housing assistance	391,869	-	-	391,869
Home weatherization assistance	755,031	-	-	755,031
Emergency family service	-	-	-	-
Other program	-	-	-	-
Management and general	657,801	-	-	657,801
Subsidiary	-	153,217	-	153,217
Total operating expenses	11,195,517	153,217	-	11,348,734
Increase (decrease) in net assets	272,679	119,362	94,354	486,395
Net assets at beginning of year	1,889,195	153,163	(361,779)	1,680,579
Investment in subsidiary	-	146,937	(146,937)	-
Payment of syndication costs	-	(5,000)	-	(5,000)
Net assets at end of year	$ 2,161,874	$ 414,462	$ (414,362)	$ 2,161,974

See independent auditors' report on supplementary information.

2011			
Parent	**Subsidiary**	**Eliminations**	**Consolidated Total**
$ 12,916,392	$ -	$ -	$ 12,916,392
54,594	-	-	54,594
61,053	-	-	61,053
-	-	-	-
209,408	-	(208,716)	692
-	-	-	-
19	-	-	19
-	-	-	-
1,152,040	-	-	1,152,040
14,393,506	-	(208,716)	14,184,790
6,159,492	-	-	6,159,492
380,923	-	-	380,923
266,789	-	-	266,789
146,001	-	-	146,001
4,641,606	-	-	4,641,606
317,318	-	-	317,318
1,433,412	-	-	1,433,412
5,163	-	-	5,163
198,817	-	-	198,817
999,878	-	-	999,878
-	-	-	-
14,549,399	-	-	14,549,399
(155,893)	-	(208,716)	(364,609)
2,045,088	100	-	2,045,188
-	153,063	(153,063)	-
-	-	-	-
$ 1,889,195	$ 153,163	$ (361,779)	$ 1,680,579

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			
	Parent	Subsidiary	Eliminations	Total Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$ 272,679	$ 119,362	$ 94,354	$ 486,395
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				
Depreciation	113,568	75,151	-	188,719
Amortization	-	10,511	-	10,511
Contributions of fixed assets	-	-	-	-
Earnings on subsidiary	(114,362)	-	114,362	-
Section 1602 loan forgiveness	-	(201,743)	-	(201,743)
Increase (decrease) in cash from changes in:				
Grants receivable	(14,357)	-	-	(14,357)
Accounts receivable	416,551	(766)	(208,716)	207,069
Prepaid expenses	(92,217)	(70,000)	-	(162,217)
Development fees receivable	(186,956)	-	186,956	-
Accounts payable	(30,860)	4,584	-	(26,276)
Accrued payroll and related expenses	13,281	-	-	13,281
Deferred revenue and deposits	108,523	3,725	-	112,248
Development fees due to CAPE	-	186,956	(186,956)	-
Retainage payable	-	(253,718)	-	(253,718)
Construction payables to be converted to long-term	-	(322,500)	-	(322,500)
Net cash provided by (used in) operating activites	485,850	(448,438)	-	37,412
CASH FLOWS FROM INVESTING ACTIVITIES:				
Payments for construction-in-progress	-	-	-	-
Investment in subsidiary	(146,937)	146,937	-	-
Purchase of certificates of deposit	-	(116,000)	-	(116,000)
Notes issued to subsidiary	(400,000)	-	400,000	-
Payment of syndication costs	-	(5,000)	-	(5,000)
Purchase of fixed assets	(75,851)	(404,990)	-	(480,841)
Net cash provided by (used in) investing activities	(622,788)	(379,053)	400,000	(601,841)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Loan and note proceeds	77,500	400,000	(400,000)	77,500
Repayment of notes payable	(12,981)	-	-	(12,981)
Net cash provided by (used in) financing activities	64,519	400,000	(400,000)	64,519
NET INCREASE (DECREASE) IN CASH	(72,419)	(427,491)	-	(499,910)
CASH, BEGINNING OF YEAR	190,233	502,964	-	693,197
CASH, END OF YEAR	$ 117,814	$ 75,473	$ -	$ 193,287
Supplemental Disclosures of Cash Flow Information				
Cash paid during the year for interest	$ 76,171	$ -	$ -	$ 76,171

See independent auditors' report on supplementary information.

2011			
Parent	**Subsidiary**	**Eliminations**	**Total Consolidated**
$ (155,893)	$ -	$ (208,716)	$ (364,609)
109,102	-	-	109,102
-	-	-	-
(36,000)	-	-	(36,000)
-	-	-	-
-	-	-	-
367,239	-	-	367,239
(527,823)	-	393,465	(134,358)
4,018	-	-	4,018
(38,044)	-	38,044	-
60,795	(4,900)	-	55,895
5,634	-	-	5,634
(9,922)	-	-	(9,922)
-	38,044	(38,044)	-
-	166,532	-	166,532
-	(452,195)	-	(452,195)
(220,894)	(252,519)	184,749	(288,664)
-	(1,695,669)	290,814	(1,404,855)
(153,063)	153,063	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(57,159)	-	-	(57,159)
(210,222)	(1,542,606)	290,814	(1,462,014)
322,500	2,175,105	(475,563)	2,022,042
(12,782)	-	-	(12,782)
309,718	2,175,105	(475,563)	2,009,260
(121,398)	379,980	-	258,582
311,631	122,984	-	434,615
$ 190,233	$ 502,964	$ -	$ 693,197
$ 66,846	$ -	$ -	$ 66,846

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Indiana Department of Education:			
Child and Adult Care Food Program	10.558	1820162	$ 333,755
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the Indiana Housing and Community Development Authority (IHCDA):			
CDBG Supplemental Disaster Appropriation-II	14.228	DR2OR-011-026	39,276
Direct Program:			
Housing Counseling Program	14.169	HC12-0421-144	7,633
Direct Program:			
Section 202 Capital Grant - Paradise Estates	14.157	073-EE081-NP-WAH	633,300
Community Block Grant - Paradise Estates	14.219	2004B0618	64,170
Subtotal			697,470
HOME funds - Paradise Estates	14.239	063-512-439050020	150,000
HOME funds - Mulberry Properties	14.239	063-512-539050004	160,000
AHP funds - Brumfield Place	14.239	98B0626	200,000
HOME funds - Brumfield Place	14.239	CH-001-007	225,000
Subtotal CFDA 14.239 direct funding			735,000
Total U.S. Department of Housing and Urban Development			1,479,379
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Head Start Program			
Full Day / Part Day	93.600	05CH0741/46, 05CH0741/47	4,879,847
Training and Technical Assistance	93.600	05CH0741/46, 05CH0741/47	59,218
Subtotal Head Start cluster			4,939,065
Assets for Independence Demonstration Program	93.602	IDA011-008A, IDA011-008B	6,984
Assets for Independence Demonstration Program	93.602	IDA012-008A, IDA012-008B	6,097
			13,081
Passed through the Indiana Housing and Community Development Authority (IHCDA):			
Community Services Block Grant (CSBG)	93.569	CS-012-010	323,730
Subtotal CSBG cluster			323,730
Weatherization / Energy Assistance for Low-Income Families:			
LIHEAP	93.568	WL-012-010	538,352
LIHEAP	93.568	WL-013-010	55,803
Energy Assistance Program	93.568	LI-009-003	1,858,294
Energy Assistance Program	93.568	LI-013-010	694,274
Subtotal			3,146,723
Total U.S. Department of Health and Human Services			8,422,599

See accompanying notes to Schedule of Expenditures of Federal Awards.

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF ENERGY			
Passed through the Indiana Housing and Community Development Authority (IHCDA):			
Weatherization Assistance for Low-Income Persons	81.042	WX-010-010	120,637
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Foster Grandparent Program	94.011	12SFNIN003	77,106
Foster Grandparent Program	94.011	09SFNIN003	74,103
			151,209
Total Expenditures of Federal Awards			$ 10,507,579

See accompanying notes to Schedule of Expenditures of Federal Awards.

SINGLE AUDIT SECTION

COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Community Action Program of Evansville and Vanderburgh County, Inc. and is presented in accordance with the requirements of *OMB Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations,* 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 $2,140,524 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, 2012.

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2012

Section II – Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2011.

Section III – Federal Award Findings and Questioned Costs

FA-2011-1—CFDA 81.042 Final Inspection and Documentation Requirements for Weatherized Units, Compliance Requirement – Special Requirements

Condition: During the audit of weatherization client files, three (3) files out of forty (40) contained Moisture Assessment forms that were incomplete.

Criteria: The Weatherization Assistance Program Policy guide states that the Moisture Assessment form must list the moisture conditions that exist in the home at the time of the initial audit.

Context: Moisture is a Health and Safety issue that can affect the building, the occupants, and the weatherization staff. If necessary, WAP services may be delayed until the problem can be referred to another agency that can take remedial action.

Cause: The Organization's internal controls did not prevent or detect missing Certificate of Insulation form in the client file.

Effect: Complete documentation of work performed and results of work performed was not retained in accordance with State standards.

Recommendation: We recommend continuous training for the weatherization staff that reiterates the required documentation standards. Additionally, it is recommended that the form checklist be revised for new documentation standards effective August 1, 2011 for each file, ensuring better documentation of forms not applicable due to special circumstances of the home.

Management's Corrective Action Plan: Community Action Program of Evansville Weatherization staff will be re-trained on the documentation standards and the required forms. A check list will be created to ensure all forms are completed properly and in the customer's file. The required forms will be signed off by the Weatherization Staff as well as confirming all documentation that must be submitted to the customer was copied and signed by the customer. The Weatherization Office Manager will monitor to confirm all required forms are completed and in the customer's file.

Auditor's Update: See FA-2012-01 for finding related to incomplete Moisture Assessment Forms during the audit for the year ended December 31, 2012.

Section III – Federal Award Findings and Questioned Costs (continued)

FA-2011-2–-CFDA 81.042 Final Inspection and Documentation Requirements for Weatherized Units, Compliance Requirement – Special Requirements

Condition: During the audit of weatherization client files, it was noted that one (1) file contained a Certificate of Insulation, a required form effective August 1, 2011 form that was missing the contractor name and date.

Criteria: The Weatherization Assistance Program Policy guide states that the **Certificate of Insulation,** a certificate or letter from the installing contractor indicating the specifics about the amount and type of insulation installed, should be given to the client and a copy kept in the client file.

Context: The requirement for a copy of the certificate of insulation became effective on August 1, 2011 for homes completed on or after this date.

Cause: The Organization's internal controls did not prevent or detect information missing on the Certificate of Insulation form in the client file.

Effect: Complete documentation of work performed and results of work performed was not retained in accordance with State standards.

Recommendation: We recommend that training for the weatherization staff be provided that includes the updated documentation standards. Additionally, it is recommended that an updated form checklist be completed for each file and reviewed by a manager to ensure that all forms are accurately completed, signed when necessary, and filed in the appropriate client file.

Management's Corrective Action Plan: Community Action Program of Evansville Weatherization staff will be re-trained on the documentation standards and the required forms. A check list will be created to ensure all forms are completed properly and in the customer's file. The required forms will be signed off by the Weatherization Staff as well as confirming all documentation that must be submitted to the customer was copied and signed by the customer. The Weatherization Office Manager will monitor to confirm all required forms are completed and in the customer's file.

Auditor's Update: See FA-2012-02 for incomplete Certificate of Insulation Form noted during the audit for the year ended December 31, 2012.

Section III – Federal Award Findings and Questioned Costs (continued)

FA-2011-3–-CFDA 81.042 Final Inspection and Documentation Requirements for Weatherized Units, Compliance Requirement – Special Requirements

Condition: During the audit of weatherization client files, it was noted that one (1) file did not contain a Daily Safety Test-Out (DSTO) form, a required form effective August 1, 2011.

Criteria: The Weatherization Assistance Program Policy guide states that the DSTO form must be onsite and filled out for each day shell work is performed on the audit.

Context: The requirement for a copy of the DSTO form became effective on August 1, 2011 for homes completed on or after this date.

Cause: The Organization's internal controls did not prevent or detect missing DSTO form in the client file.

Effect: Complete documentation of work performed and results of work performed was not retained in accordance with State standards.

Recommendation: We recommend that training for the weatherization staff be provided that includes the updated documentation standards. Additionally, it is recommended that an updated form checklist be completed for each file and reviewed by a manager to ensure that all forms are accurately completed, signed when necessary, and filed in the appropriate client file.

Management's Corrective Action Plan: Community Action Program of Evansville Weatherization staff will be re-trained on the documentation standards and the required forms. A check list will be created to ensure all forms are completed properly and in the customer's file. The required forms will be signed off by the Weatherization Staff as well as confirming all documentation that must be submitted to the customer was copied and signed by the customer. The Weatherization Office Manager will monitor to confirm all required forms are completed and in the customer's file.

Auditor's Update: We did not note any missing Daily Safety Test-Out (DSTO) forms during the audit for the year ended December 31, 2012.

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

To the Board of Directors
Community Action Program of Evansville and Vanderburgh County, Inc.
Evansville, Indiana

We have audited the financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. (a nonprofit organization), as of and for the year ended December 31, 2012, and have issued our report thereon dated September 17, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

<u>Internal Control Over Financial Reporting</u>
Management of Community Action Program of Evansville and Vanderburgh County, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Community Action Program of Evansville and Vanderburgh County, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item FS-2012-02 to be a material weakness.

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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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item FS-2012-01 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Program of Evansville and Vanderburgh County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards.*

Community Action Program of Evansville and Vanderburgh County, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Community Action Program of Evansville and Vanderburgh County, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
September 17, 2013

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

To the Board of Directors
Community Action Program of Evansville and Vanderburgh County, Inc.
Evansville, Indiana

Compliance

We have audited Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community Action Program of Evansville and Vanderburgh County, Inc.'s major federal programs for the year ended December 31, 2012. Community Action Program of Evansville and Vanderburgh County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community Action Program of Evansville and Vanderburgh County, Inc.'s management. Our responsibility is to express an opinion on Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance based on our audit.

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 *OMB Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Program of Evansville and Vanderburgh County, 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. Our audit does not provide a legal determination of Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance with those requirements.

In our opinion, Community Action Program of Evansville and Vanderburgh County, Inc. complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item FA-2012-01.

Internal Control Over Compliance

Management of Community Action Program of Evansville and Vanderburgh County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Community Action Program of Evansville and Vanderburgh County, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Program of Evansville and Vanderburgh County, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item FA-2012-01. A *significant deficiency in internal control over compliance* is a deficiency, or 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.

Community Action Program of Evansville and Vanderburgh County, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Community Action Program of Evansville and Vanderburgh County, Inc.'s responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, board of directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
September 17, 2013

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

	Yes	No
• Material weakness(es) identified?	☒	☐
• Significant deficiencies identified?	☒	☐
Noncompliance material to financial statements noted?	☐	☒

Federal Awards

Internal control over major programs:

	Yes	No
• Material weakness(es) identified?	☐	☒
• Significant deficiencies identified?	☒	☐

Type of auditor's report issued: Unqualified

	Yes	No
Any audit findings disclosed required to be reported in Accordance with Section 510(a) of Circular A-133	☒	☐

Program tested as major program:

CFDA Number	Name of Federal Program or Cluster
93.600	U.S. Dept. of Health and Human Services – Head Start
93.568	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
14.157	U.S. Dept. of Housing and Urban Development –Supportive Housing for the Elderly (Section 202)
14.239	U.S. Dept. of Housing and Urban Development – Home Investment Partnerships Program
10.558	U.S. Dept. of Agriculture – Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs $315,227

	Yes	No
Auditee qualified as low-risk auditee?	☐	☒

COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Section II – Financial Statement Findings

FS-2012-01 – Update of financial policies and procedures

Condition: During our review of internal controls over cash disbursements, it was noted that one (1) out of sixty (60) disbursements did not comply with the Organization's Finance Policy and Procedures Manual. Per the Organization's purchasing manual states that the disbursements over $300 require Executive Director's authorization. This particular disbursement included the departmental approval, and adequate segregation of duties was in place.

In addition, during our risk assessment procedures, we noted other policies that were not adequately documented in the Finance Policy and Procedures Manual. Specifically, use of purchase orders, check voiding procedures and EFT transactions. The process followed by the Organization for cash disbursements, voiding checks and EFT transactions are designed adequately, however the written procedures do not exist.

Criteria: Management of the Organization is responsible for establishing and maintaining effective internal control over cash disbursements process. Maintaining a complete Finance Policy and Procedures Manual is crucial to ensure adequate internal controls are designed and implemented.

Cause: The Organization did not evaluate and update the Finance Policy and Procedures Manual per existing procedures in practice.

Effect: Lack of adequate written procedures, instructions, and assignments of duties may result in increased misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate financial results or disallowed costs being reimbursed by federal awards.

Recommendation: We recommend a comprehensive evaluation of the Finance Policy and Procedures Manual. Due to size and complexity of the Organization's operations, a well-written manual is necessary for all processes to be clear for employees, management and funding sources.

Management response: The Agency has begun a comprehensive evaluation of the Finance Policy and Procedures Manual. The Finance Department is analyzing the processes and procedures for completing all transactions. The signature requirement for disbursements has also been addressed and could be changed from the $300.00. The Agency has reviewed templates of manuals for guidance to ensure all areas are addressed and fully documented. The timeline for the completion of the revision of the policies and procedures manual is first draft to the Finance Committee for review in November with feedback for revisions in December. The final revision will be submitted to the Finance Committee and full Board of Directors for approval in January 2014. In the interim all purchases over $300 will be submitted to the Chief Executive Officer for signature and monitored by the Accounts Payable Clerk and Senior Accountant.

FS-2012-02 – Clerical error in entering in-kind revenue and expense

Condition: During the data entry of an in-kind revenue transaction for the Head Start Program, the finance staff entered $132,486, when the transaction amount should have been $1,324.86. This decimal error was not detected by management review of the transaction on a timely basis. The Organization still met the match requirement for the Head Start grant after correcting this error.

Criteria: Internal controls of the Organization should detect and correct material misstatements to financial statements on a timely basis.

Cause: Staff review of journal entries did not detect and correct this error in data entry of transaction amount.

Effect: In-kind revenue and related expenditures were overstated by $131,161.14.

Recommendation: We recommend that Organization management implement review procedures to ensure that in-kind calculations are properly posted to the accounting records.

Management response: The Grants Management System allows a mechanism to monitor entries input in the system. The report page of the screen allows the clerk to put the total in prior to making the entries and this will provide a check and balance to ensure the amounts are correct. The system automatically puts the information on the report page for what was entered. By typing in the amount prior to recording the information for the entry the clerk can check to be sure the amounts are correct. This procedure was initiated upon notification of the error during the audit.

Section III – Federal Award Findings and Questioned Costs

FA-2012-01— Final Inspection and Documentation Requirements for Weatherized Units, Compliance Requirement – Special Requirements
U.S. Department of Health and Human Services
CFDA 93.568

Condition: During the examination of weatherization client files, we noted the forms required by the "Weatherization Assistance Program Policy Guide" were either incomplete or missing. In addition, information or documentation necessary to determine compliance with state documentation requirements was not available at the time of our audit. Specifically, we noted four (4) client files in which the Moisture Assessment forms were incomplete, and two (2) files in which the Certificate of Insulation forms were incomplete. Also, we noted one (1) file for which there was no documentation of the type of cook stove in the home which is necessary to determine whether a gas cook stove form is required.

Section III – Federal Award Findings and Questioned Costs - (continued)

**FA-2012-01— Final Inspection and Documentation Requirements for Weatherized Units, Compliance Requirement – Special Requirements - (continued)
U.S. Department of Health and Human Services
CFDA 93.568**

Criteria: Weatherization Assistance Program Policy Guide states that client files must contain the paperwork necessary to document that proper procedures were followed in the performance of the work. Some forms, such as the application, are required in all client records. Other documents, such as the rental agreement, will only be contained in the files where applicable.

Cause: The Organization's internal controls did not prevent or detect incomplete and/or missing forms in the client file.

Effect: Complete documentation of work performed and results of work performed was not retained in accordance with State standards.

Recommendation: We recommend continuous training for the weatherization staff that reiterates the required documentation standards.

Management's Corrective Action Plan: The Weatherization Department will receive training on an ongoing basis to reiterate the required documentation standards. Of the four (4) client files in which the Moisture Assessment forms were incomplete, three (3) were completed prior to the 2011 audit and during the review were not found. The one that was completed after the 2011 audit was a new Weatherization Contractor and should have been more closely monitored for documentation standards. The cook stove documentation was provided for the home and since it was an electric range, no testing was required.