

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

---

**Financial Statements  
for the Years Ended  
December 31, 2009 and 2008**



*Certified Public Accountants*

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

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS.....	5
STATEMENTS OF FUNCTIONAL EXPENSES .....	6
STATEMENTS OF CASH FLOWS .....	10
NOTES TO FINANCIAL STATEMENTS .....	11
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	23
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	25
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	26
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	27
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>OMB CIRCULAR A-133</i> .....	29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	31



## Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Community Action Program of Evansville and Vanderburgh County, Inc. as of December 31, 2009 and 2008 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Program of Evansville and Vanderburgh County, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the year then ended in conformity 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 13, 2010 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 performed for the purpose of forming an opinion on the basic financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. 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 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, 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 13, 2010

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2009 AND 2008**

<b>ASSETS</b>	<u><b>2009</b></u>	<u><b>2008</b></u>
<b>Current assets</b>		
Cash	\$ 1,097,171	\$ 437,122
Grants receivable	1,320,402	2,039,096
Accounts receivable	101,597	12,064
Due from Southern Indiana Housing Corp.	3,200	3,200
Due from Brumfield Place, L.P.	83,304	83,304
Prepaid expenses	<u>68,162</u>	<u>36,877</u>
Total current assets	<u>2,673,836</u>	<u>2,611,663</u>
<b>Property and equipment</b>		
Vehicles and equipment	1,050,031	1,009,518
Buildings and improvements	1,656,322	1,645,664
Land	<u>210,631</u>	<u>210,631</u>
	2,916,984	2,865,813
Less accumulated depreciation	<u>(1,083,507)</u>	<u>(1,003,010)</u>
Total property and equipment, net	<u>1,833,477</u>	<u>1,862,803</u>
<b>Other assets</b>		
Development fees receivable	156,185	156,185
Notes receivable - Brumfield Place, L.P.	425,000	425,000
Notes receivable - Paradise Estates Apartments	<u>847,470</u>	<u>847,470</u>
Total other assets	<u>1,428,655</u>	<u>1,428,655</u>
	<u><u>\$ 5,935,968</u></u>	<u><u>\$ 5,903,121</u></u>

See accompanying notes to financial statements.

## LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
Current liabilities		
Accounts payable	\$ 1,392,882	\$ 1,459,051
Accrued payroll and payroll expenses	448,980	350,411
Deferred revenue	197,850	131,166
Current maturities of long-term debt	11,814	10,922
Total current liabilities	<u>2,051,526</u>	<u>1,951,550</u>
Long-term liabilities		
Note payable - AHP Funds	264,170	264,170
Note payable - HOME Funds	375,000	375,000
Note payable - Section 202	633,300	633,300
Notes payable - other	884,507	896,342
Total long-term liabilities	<u>2,156,977</u>	<u>2,168,812</u>
Total liabilities	4,208,503	4,120,362
Net assets - unrestricted	<u>1,727,465</u>	<u>1,782,759</u>
Total liabilities and net assets	<u>\$ 5,935,968</u>	<u>\$ 5,903,121</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Support and revenue		
Grant revenue	\$ 12,475,206	\$ 10,364,986
Donations	34,896	46,912
Program revenue	7,919	24,871
Other	622	5,620
Interest	42	131
In-kind contributions	892,468	743,590
Total support and revenue	<u>13,411,153</u>	<u>11,186,110</u>
Housing payment assistance activity		
Proceeds from sale of housing assistance homes	-	148,000
Cost of homes and payment assistance	-	(222,870)
Net payment assistance activity	<u>-</u>	<u>(74,870)</u>
Total support, revenue and payment assistance activity	<u>13,411,153</u>	<u>11,111,240</u>
Expenses		
Childhood education	5,836,543	5,252,897
Child care	264,448	132,057
Nutrition	300,548	201,452
Literacy	10,997	44,481
Senior volunteer	213,689	189,206
Utility assistance	4,257,351	3,388,996
Housing assistance	646,230	720,204
Home weatherization assistance	1,108,540	520,965
Emergency family service	203,809	235,821
Management and general	624,292	631,158
Total operating expenses	<u>13,466,447</u>	<u>11,317,237</u>
Increase (decrease) in net assets	(55,294)	(205,997)
Net assets at beginning of year	<u>1,782,759</u>	<u>1,988,756</u>
Net assets at end of year	<u>\$ 1,727,465</u>	<u>\$ 1,782,759</u>

See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Childhood Education</u>	<u>Child Care</u>	<u>Nutrition</u>	<u>Literacy</u>
<b>OPERATING EXPENSES</b>				
Personnel costs	\$ 3,978,541	\$ 253,666	\$ -	\$ 10,822
Space costs	377,793	8,773	-	-
Communications	52,929	-	-	-
Contractual services	102,728	85	-	-
Materials and supplies	202,983	152	-	175
Travel and training	104,060	802	-	-
Customer assistance	186,265	105	300,548	-
Other	128,766	864	-	-
Partnership	-	-	-	-
In-kind expenses	702,479	-	-	-
<b>Total Expenses Reported by Function</b>	<u>\$ 5,836,543</u>	<u>\$ 264,448</u>	<u>\$ 300,548</u>	<u>\$ 10,997</u>

See accompanying notes to financial statements.

Senior Volunteer	Utility Assistance	Housing Assistance	Home Weatherization Assistance	Emergency Family Service	Management and General	2009 Totals
\$ 30,715	\$ 316,653	\$ 70,116	\$ 406,943	\$ 3,391	\$ 210,766	\$ 5,281,612
-	24,526	-	34,548	13,795	208,249	667,683
-	9,824	372	12,425	63	16,377	91,989
-	14,552	1,262	6,532	83	25,470	150,712
-	24,554	692	103,134	1,093	43,166	375,950
784	4,219	4,635	10,457	187	33,176	158,319
147,557	3,861,319	569,152	471,374	29,276	60,077	5,625,673
245	1,704	-	63,128	320	27,012	222,040
-	-	-	-	-	-	-
34,387	-	-	-	155,602	-	892,468
<u>\$ 213,689</u>	<u>\$ 4,257,351</u>	<u>\$ 646,230</u>	<u>\$ 1,108,540</u>	<u>\$ 203,809</u>	<u>\$ 624,292</u>	<u>\$ 13,466,447</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Childhood Education</u>	<u>Child Care</u>	<u>Nutrition</u>	<u>Literacy</u>
<b>OPERATING EXPENSES</b>				
Personnel costs	\$ 3,714,569	\$ 40,509	\$ -	\$ 9,030
Space costs	377,249	23,239	-	-
Communications	47,630	-	-	-
Contractual services	82,780	98	-	-
Materials and supplies	112,649	44,060	-	15,114
Travel and training	65,764	-	-	-
Customer assistance	184,557	22,946	201,452	-
Other	137,280	1,205	-	1,000
Partnership	-	-	-	19,337
In-kind expenses	530,419	-	-	-
Total Expenses Reported by Function	<u>\$ 5,252,897</u>	<u>\$ 132,057</u>	<u>\$ 201,452</u>	<u>\$ 44,481</u>

See accompanying notes to financial statements.

<u>Senior Volunteer</u>	<u>Utility Assistance</u>	<u>Housing Assistance</u>	<u>Home Weatherization Assistance</u>	<u>Emergency Family Service</u>	<u>Management and General</u>	<u>2008 Totals</u>
\$ 30,635	\$ 277,833	\$ 110,064	\$ 215,637	\$ 4,996	\$ 205,165	\$ 4,608,438
-	53,231	134	23,566	18,283	198,032	693,734
111	28,457	1,613	6,511	229	16,614	101,165
507	24,168	831	2,743	405	35,249	146,781
33	45,203	618	19,277	1,284	16,227	254,465
758	10,192	1,294	3,817	18	28,547	110,390
134,599	2,949,150	605,589	234,430	18,883	106,293	4,457,899
270	762	61	14,984	844	25,031	181,437
-	-	-	-	-	-	19,337
22,293	-	-	-	190,879	-	743,591
<u>\$ 189,206</u>	<u>\$ 3,388,996</u>	<u>\$ 720,204</u>	<u>\$ 520,965</u>	<u>\$ 235,821</u>	<u>\$ 631,158</u>	<u>\$ 11,317,237</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (55,294)	\$ (205,997)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	86,886	86,494
Loss on sale of housing projects	-	74,870
(Increase) decrease in cash from changes in:		
Grants receivable	718,694	(126,962)
Accounts receivable	(89,533)	(7,841)
Prepaid expenses	(31,285)	62,323
Increase (decrease) in cash from changes in:		
Accounts payable	(66,169)	267,444
Accrued payroll and related expenses	98,569	40,366
Deferred revenue	66,684	131,166
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	728,552	321,863
Cash flows from investing activities:		
Purchase/sale of single-family housing projects	-	118,582
Purchase of fixed assets	(57,560)	(54,822)
	<hr/>	<hr/>
Net cash used by provided by (used in) investing activities	(57,560)	63,760
Cash flows from financing activities:		
Loan and note proceeds	-	87,659
Repayment of notes payable	(10,943)	(246,585)
	<hr/>	<hr/>
Net cash provided by financing activities	(10,943)	(158,926)
Net increase in cash	660,049	226,697
Cash at beginning of year	437,122	210,425
	<hr/>	<hr/>
Cash at end of year	\$ 1,097,171	\$ 437,122
	<hr/>	<hr/>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 73,852	\$ 91,305
	<hr/>	<hr/>

See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**BASIS OF PRESENTATION**

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

**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.

**PROPERTY AND EQUIPMENT**

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

Total depreciation expense for the years ended December 31, 2009 and 2008, was \$86,882 and \$86,494, respectively.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

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

**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).

**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:

*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, 2009 and 2008, the Organization did not have temporarily and 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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

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

**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.

**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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

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

**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.

**ADOPTION OF NEW ACCOUNTING STANDARDS**

For the year ended December 31, 2009, the Organization adopted the accounting policy to 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. Currently, Community Action Program of Evansville accounts for contingencies associated with certain tax positions in accordance with the FASB standard for *Accounting for Contingencies*. The Organization's federal Exempt Organization Income Tax Returns for 2007, 2008 and 2009 are subject to examination by IRS, generally for three (3) years after they were filed.

*Accounting for Contingencies* provides for the recording of a contingency based on the probability of certain events to transpire that range from probable to remote as opposed to applying a more likely than not recognition threshold. Community Action Program of Evansville has examined this issue and has determined there are no material contingent tax liabilities.

In 2006, the Financial Accounting Standards Board (FASB) issued a standard addressing *Fair Value Measurements*, which defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. GAAP standards and expands the disclosure of the methods used and the effect of fair value measurements on earnings. The Organization adopted applicable portions of this standard for the year ended December 31, 2009.

**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, 2009 and 2008, this adjustment amounted to approximately \$1,274,528 and \$896,235 and is included in in-kind contributions on the Statements of Activities and Changes in Net Assets.

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 non-financial assets or require specialized skill and

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

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

**IN-KIND CONTRIBUTIONS (continued)**

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 \$892,468 and \$743,591 of in-kind contributions and related expenses recorded in the Organization's Statement of Activities for the years ended December 31, 2009 and 2008, contributed services meeting the requirements of SFAS 116 are \$232,830 and \$101,660, all related to Head Start. During 2009 and 2008, the Organization also received other in-kind contributions totaling \$374,770 and \$142,601 related to its Head Start program which includes services from non-professional volunteers which are not recorded in the Consolidated Statements of Activities.

During 2009 and 2008, the Organization also received in-kind donations including food, supplies, space and volunteer services for its Foster Grandparent and Emergency Shelter programs totaling \$182,699 and \$213,171, respectively. The table below details the in-kind contributions:

	<u>2009</u>	<u>2008</u>
Head Start in-kind		
professional services	\$ 232,830	\$ 101,660
supplies/food/space in-kind	476,939	428,759
Foster Grandparents in-kind		
supplies/food/space	33,897	22,293
Emergency Shelter in-kind		
supplies/food/space	<u>148,802</u>	<u>190,879</u>
 Total in-kind reported in financial statements	 892,468	 743,591
 Head Start volunteer services	 374,770	 142,601
Foster Grandparents volunteer	490	593
Emergency Shelter volunteer	<u>6,800</u>	<u>9,450</u>
Total in-kind for all programs	<u>\$ 1,274,528</u>	<u>\$ 896,235</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**NOTE 2 – CASH**

Cash consisted of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Checking	\$ 1,096,771	\$ 436,722
Petty Cash	<u>400</u>	<u>400</u>
Total Cash	<u>\$ 1,097,171</u>	<u>\$ 437,122</u>

**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, 2009:

	<u>2009</u>	<u>2008</u>
Federal Programs (Direct and pass-through)	\$ 1,310,114	\$ 1,997,891
State and Local Programs	<u>10,288</u>	<u>41,145</u>
Total	<u>\$ 1,320,402</u>	<u>\$ 2,039,036</u>

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

The FASB standard for *Accounting for the Impairment or Disposal of Long-Lived Assets* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This 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, 2009 and 2008, the balance due from Southern Indiana Housing Corporation was \$3,200.

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

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**NOTE 5 – DUE FROM AFFILIATES (continued)**

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, 2009 and 2008, the balance due from Brumfield Place, L.P. was \$83,304.

**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 \$41,003 and \$35,957 for 2009 and 2008, 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 at both December 31, 2009 and 2008.

**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, 2009 and 2008, the mortgage balance remained at \$200,000.

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, 2009 and 2008, the mortgage balance remained at \$225,000.

During the year ended December 31, 2003, the Organization entered into a promissory note agreement with Brumfield Place, L.P., an Indiana limited partnership, dated January 14, 2003 in the principal amount of \$75,000. The purpose of the note was help fund the equity gap between Brumfield Place, L.P. and its limited partner. The note matured on September 1, 2003 and accrues interest at a rate of 10% per annum. No principal or interest is due until the earlier of 1) the note maturity date or 2) the date that Brumfield Place, L.P. receives the third equity

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**NOTE 8 – NOTES RECEIVABLE (continued)**

installment from its limited partner. The third equity installment is due when the project achieves a “break-even” point as a result of its operations. The third equity installment has not been received by Brumfield Place, L.P. and therefore no interest or principal has been paid to the Organization. The balance on the promissory note including interest as of December 31, 2009 and 2008 was \$83,304.

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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008 were \$226,415 and \$213,490, respectively. Future minimum lease payments on leases having non-cancelable terms beyond December 31, 2009 are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 124,550
2011	31,490
2012	622
2013	2
2014	2
	<u>\$ 156,666</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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, 2009 and 2008 was \$679,894 and \$686,462 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, 2009 and 2008 was \$83,639 and \$86,388 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, 2009 and December 31, 2008 was \$132,798 and \$134,415, respectively.

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

<u>Year</u>	<u>Amount</u>
2010	\$ 11,814
2011	12,782
2012	13,832
2013	86,217
2014	12,527
Thereafter	<u>759,159</u>
	<u>\$ 896,331</u>

Interest expense amounted to \$73,852 and \$91,305 for the years ended December 31, 2009 and 2008.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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 1/100<sup>th</sup> 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, 2009 and 2008, 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, 2009 and 2008, the Organization had made no material contributions to the Project or incurred any material related costs.

**NOTE 12 - NOTES PAYABLE - HOME AND AHP 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 8). 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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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, 2009, the Organization holds 30 mortgages with a total balance of \$409,102. As of December 31, 2008, the Organization held 52 mortgages with a total balance of \$543,736.

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 – RECLASSIFICATIONS**

Certain reclassifications have been made to the 2009 financial statements to conform to the 2008 presentation.

**NOTE 15 – 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, 2009 and 2008, respectively. The balance in excess of FDIC coverage is collaterally secured by the bank with Treasury Bills. At December 31, 2009 and 2008, bank balances were \$619,769 and \$192,011, respectively, in excess of FDIC coverage.

Revenues from federal and state government agencies that provide grant and contract funding to the Organization, represented 93% of the Organization's total revenue and support for the years ended December 31, 2009 and 2008.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**NOTE 16 – 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, 2009 and 2008 was \$8,956 and \$8,004, respectively.

**NOTE 17 – INDIVIDUAL DEVELOPMENT ACCOUNTS**

The Organization maintains five 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 \$ 546,065 and \$ 513,845, for the years ended December 31, 2009 and 2008. These balances are not included in the Organization's financial statements.

**NOTE 18 – SUBSEQUENT EVENTS**

The Organization did not have any other subsequent events through September 13, 2010, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the period ended December 31, 2009.

**SINGLE AUDIT SECTION**

**COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Indiana Department of Education: Child and Adult Care Food Program	10.558	1820162	\$ 300,548
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through the Indiana Housing and Community Development Authority (IHCDA):			
Emergency Shelter Grant	14.231	ES-006-019/ES-008-019	29,585
Section 8 Housing	14.871	none	490,504
HEC-DPA Counseling	14.239	DC-007-004	47,834
HUD Housing Counseling	14.239	none	955
Subtotal			<u>568,878</u>
Passed through the City of Evansville:			
CHDO	14.218	063-510-439050001	12,500
CHDO Works	14.239	CW-007-003	28,912
Down Payment Assistance	14.218	none	65,500
Subtotal			<u>106,912</u>
Direct Program:			
Section 202 Capital Grant - Paradise Estates	14.157	none	633,000
Community Block Grant - Paradise Estates	14.219	none	64,170
HOME funds - Paradise Estates	14.239	none	150,000
HOME funds - Mulberry Properties	14.239	none	160,000
HOME funds - Brumfield Place	14.239	none	200,000
AHP funds - Brumfield Place	14.239	none	225,000
Subtotal CFDA 14.239 direct funding			<u>735,000</u>
Total U.S. Department of Housing and Urban Development			<u>2,107,960</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Program:			
Head Start Program			
Full Day / Part Day	93.600	05CH0741/42, 05CH0741/43	5,008,675
Training and Technical Assistance	93.600	05CH0741/42, 05CH0741/43	68,790
ARRA Head Start	93.708	05SE0741/01	124,277
Subtotal Head Start cluster			<u>5,201,742</u>
IDA Contract	93.602	IDA 007-009A	3,523
Passed through the Indiana Housing and Community Development Authority (IHCDA):			
Community Services Block Grant (CSBG)	93.569	CS-007-010-02/CS-009-010	357,405
ARRA Community Services Block Grant	93.710	CS-ARRA-010	10,440
Subtotal CSBG cluster			<u>367,845</u>
Weatherization / Energy Assistance for Low-Income Families:			
LIHEAP	93.568	WL-007-010-02/WL-008-010	566,111
Energy Assistance Program	93.568	LI-007-010-02/LI-009-010	4,257,351
SWEEP	93.568	WL-007-010-02/WL-008-010	29,304
Subtotal			<u>4,852,766</u>
Total U.S. Department of Health and Human Services			<u>10,425,876</u>

See accompanying note to Schedule of Expenditures of Federal Awards.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009 (continued)**

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
<b>U.S. FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION</b>			
ARRA Emergency Food and Shelter	97.114	280000-006	16,620
Emergency Food and Shelter	97.024	280000-006	2,000
Subtotal Emergency Food and Shelter cluster			<u>18,620</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
Passed through the Indiana Housing and Community Development Authority (IHCDA):			
Weatherization Assistance for Low-Income Persons	81.042	WX-007-010-01/02	338,475
ARRA Weatherization Assistance for Low-Income Persons	81.042	HEC 009-007	163,564
			<u>502,039</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Foster Grandparent Program	94.011	06SFNIN005	<u>179,290</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 13,534,333</u>

See accompanying note to Schedule of Expenditures of Federal Awards.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2009**

**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 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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2009**

No matters were reported for the year ended December 31, 2008.



**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 (a nonprofit organization) as of and for the year ended December 31, 2009, and have issued our report thereon dated September 13, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Community Action Program of Evansville's internal control over financial reporting 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 Community Action Program of Evansville'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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in Finding FS-2009-01 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Program of Evansville's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding FS-2009-01.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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 13, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO 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 the compliance of Community Action Program of Evansville and Vanderburgh County, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2009. 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 its major federal program 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Community Action Program of Evansville and Vanderburgh County, Inc. is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program as a basis in order to determine our 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 the Organization's 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 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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.

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 13, 2010



**COMMUNITY ACTION PROGRAM OF EVANSVILLE AND VANDERBURGH COUNTY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2009**

**Section II – Financial Statement Findings**

FS-2009-01 Approval of Journal Entries

*Criteria:* Journal entries entered into the Organization's accounting system should be approved by a member of management or another knowledgeable member of the Finance Department.

*Condition:* Several journal entries were made to the Organization's 2008 financial statements after the close-out and independent audit were completed. These entries should have been recorded in 2009.

*Context:* The lack of approval or oversight of journal entries is an internal control deficiency that could impact financial statement presentation.

*Cause:* Journal entries made are not always reviewed by another member of management or another knowledgeable member of the Finance Department. Additionally, when an entry is more complex, it is necessary for additional scrutiny.

*Effect:* Although these entries did not generate questioned costs and have been corrected, material errors could result and not be identified in timely manner. Account balances from the prior year changed after the prior year audit and account balances from the current period were also affected.

*Recommendation:* All journal entries should be carefully reviewed and initialed by someone other than the preparer of the entry. The reviewer should have an understanding of accounting principles, funding source requirements, and the transaction being recorded. All supporting documentation should be supplied to the reviewer.

*Management's Corrective Action Plan:*

The Finance Department has addressed the issue and the following procedures have been instituted:

1. All adjustments must be reviewed by more than one member of the Finance Department as well as the Chief Financial Officer.
2. Internal journal entries must be reviewed by someone other than the individual initiating the entry.
3. The Organization will also implement dual review of all audit adjusting entries.
4. All journal entries must have a cover page which will include the signatures of the preparer and reviewers.

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings for the current year.