

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

**Consolidated Financial  
Statements  
for the Year Ended  
December 31, 2010  
(With Single Audit Section)**



*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 statement of financial position of Community Action Program of Evansville and Vanderburgh County, Inc. and Subsidiary as of December 31, 2010 and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 audit.

Except as discussed in the following paragraph, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit provides a reasonable basis for our opinion.

Subsequent to December 31, 2010 but prior to the audit report date, the Housing Choice Voucher Program funder, the Indiana Housing and Community Development Authority, removed all of the Housing Choice Voucher Program client files from the Organization's possession. Our access to those files was restricted by the funder and as a result, we were unable to obtain information to support the eligibility of recipients of housing assistance payments under the Housing Choice Voucher Program to receive such benefits under that program as presented in the accompanying consolidated statement of activities for the year ended December 31, 2010.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the eligibility of housing assistance recipients, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action Program of Evansville and Vanderburgh County, Inc. and Subsidiary as of December 31, 2010, and the changes in their net assets and their 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 14, 2011 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 14, 2011

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010**

**ASSETS**

Current assets	
Cash	\$ 434,615
Grants receivable	1,025,889
Accounts receivable	45,974
Due from Southern Indiana Housing Corp.	3,200
Due from Brumfield Place, L.P.	83,304
Prepaid expenses	49,286
Total current assets	<u>1,642,268</u>
Property and equipment	
Land	270,631
Vehicles and equipment	1,144,189
Buildings and improvements	1,656,322
Construction-in-progress	1,468,575
	4,539,717
Less accumulated depreciation	<u>(1,180,687)</u>
Total property and equipment, net	<u>3,359,030</u>
Other assets	
Development fees receivable	156,185
Notes receivable - Brumfield Place, L.P.	425,000
Notes receivable - Paradise Estates Apartments	847,470
Total other assets	<u>1,428,655</u>
	<u><u>\$ 6,429,953</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accounts payable	\$ 94,824
Accrued payroll and payroll expenses	504,434
Deferred revenue	49,715
Retainage payable	87,186
Current maturities of long-term debt	12,782
Total current liabilities	<u>748,941</u>
Long-term liabilities	
Construction payables to be converted to long-term	774,695
Note payable - AHP Funds	264,170
Note payable - HOME Funds	375,000
Note payable - Section 202	633,300
Note payable - Section 1602	852,178
Notes payable - other	871,481
Total long-term liabilities	<u>3,770,824</u>
Total liabilities	4,519,765
Net assets - unrestricted	<u>1,910,188</u>
Total liabilities and net assets	<u><u>\$ 6,429,953</u></u>

See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Support and revenue	
Grant revenue	\$ 13,837,527
Donations	8,921
Program revenue	1,178
Other	819
Interest	33
In-kind contributions	<u>1,171,023</u>
Total support and revenue	<u>15,019,501</u>
Expenses	
Childhood education	6,581,976
Child care	338,450
Nutrition	232,185
Literacy	15,167
Senior volunteer	183,577
Utility assistance	3,589,946
Housing assistance	855,247
Home weatherization assistance	1,743,464
Emergency family service	57,385
Management and general	<u>1,239,481</u>
Total operating expenses	<u>14,836,878</u>
Increase in net assets	182,623
Net assets at beginning of year	<u>1,727,565</u>
Net assets at end of year	<u><u>\$ 1,910,188</u></u>

See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Childhood Education	Child Care	Nutrition	Literacy	Senior Volunteer
<b>OPERATING EXPENSES</b>					
Personnel costs	\$ 4,358,534	\$ 198,310	\$ -	\$ 14,428	\$ 32,919
Space costs	336,003	60,844	-	-	-
Communications	42,197	5,822	-	-	-
Contractual services	81,376	17,556	-	-	-
Materials and supplies	101,788	12,461	-	599	125
Travel and training	97,572	9,111	-	-	788
Weatherization materials	-	-	-	-	-
Contract labor	-	-	-	-	-
Customer assistance	362,179	23,530	232,185	140	119,875
Other	108,408	10,816	-	-	252
Property and equipment	94,159	-	-	-	-
In-kind expenses	1,093,919	-	-	-	29,618
Total program expenses by function prior to GAAP adjustment	6,676,135	338,450	232,185	15,167	183,577
Capital expenditures	(94,159)	-	-	-	-
Depreciation	-	-	-	-	-
Total operating expenses after GAAP adjustment	<u>\$ 6,581,976</u>	<u>\$ 338,450</u>	<u>\$ 232,185</u>	<u>\$ 15,167</u>	<u>\$ 183,577</u>

See accompanying notes to financial statements.

<u>Utility Assistance</u>	<u>Housing Assistance</u>	<u>Home Weatherization Assistance</u>	<u>Emergency Family Service</u>	<u>Management and General</u>	<u>Subsidiary</u>	<u>Totals</u>
\$ 406,741	\$ 95,706	\$ 572,897	\$ 196	\$ 148,237	\$ -	\$ 5,827,968
32,569	-	42,940	4,556	120,451	-	597,363
21,735	350	16,130	5	15,768	-	102,007
24,201	563	7,885	-	62,965	-	194,546
52,498	9,584	158,129	305	73,041	-	408,530
7,157	7,642	14,882	-	38,836	-	175,988
-	-	429,113	-	40,468	-	469,581
-	-	480,838	-	1,468	-	482,306
3,043,377	739,990	-	4,837	617,709	-	5,143,822
1,668	1,412	20,650	-	23,358	-	166,564
-	-	-	-	-	1,663,575	1,757,734
-	-	-	47,486	-	-	1,171,023
3,589,946	855,247	1,743,464	57,385	1,142,301	1,663,575	16,497,432
-	-	-	-	-	(1,663,575)	(1,757,734)
-	-	-	-	97,180	-	97,180
<u>\$ 3,589,946</u>	<u>\$ 855,247</u>	<u>\$ 1,743,464</u>	<u>\$ 57,385</u>	<u>\$ 1,239,481</u>	<u>\$ -</u>	<u>\$ 14,836,878</u>



**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 182,623
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	97,180
(Increase) decrease in cash from changes in:	
Grants receivable	294,513
Accounts receivable	55,623
Prepaid expenses	18,876
Increase (decrease) in cash from changes in:	
Accounts payable	(1,298,058)
Accrued payroll and related expenses	55,454
Retainage payable	87,186
Deferred revenue	(148,135)
Construction payables to be converted to long-term	<u>774,695</u>
Net cash provided by operating activities	<u>119,958</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Payments for construction-in-progress	(1,468,575)
Purchase of fixed assets	<u>(154,159)</u>
Net cash used by used in investing activities	<u>(1,622,734)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Loan and note proceeds	852,178
Repayment of notes payable	<u>(12,058)</u>
Net cash provided by financing activities	<u>840,120</u>

NET DECREASE IN CASH	<u>(662,656)</u>
CASH, BEGINNING OF YEAR	<u>1,097,271</u>
CASH, END OF YEAR	<u><u>\$ 434,615</u></u>

**Supplemental Disclosures of Cash Flow Information**

Cash paid during the year for interest	<u><u>\$ 73,432</u></u>
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See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**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 and Vanderburgh County, Inc. 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.

**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.

**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:

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

**PROPERTY AND EQUIPMENT (continued)**

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 year ended December 31, 2010, was \$97,180.

**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:

*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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

**FINANCIAL STATEMENT PRESENTATION (continued)**

*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 year ended December 31, 2010 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.

**TAX BENEFITS**

The Organization recognizes 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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

**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.

**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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

**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 year ended December 31, 2010, this adjustment amounted to approximately \$1,171,023.

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 \$1,171,023 of in-kind contributions and related expenses recorded in the Organization's Statement of Activities for the year ended December 31, 2010, contributed services meeting the requirements of the aforementioned standard are \$302,353, all related to Head Start. During 2010, the Organization also received other in-kind contributions totaling \$449,631 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 2010, the Organization also received in-kind donations including food, supplies, and space for its Head Start, Foster Grandparent, and Emergency Shelter programs totaling \$868,670. The table below details the in-kind contributions for the year ended December 31, 2010:

Head Start in-kind	
professional services	\$ 302,353
supplies/food/space in-kind	791,566
Foster Grandparents in-kind	
supplies/food/space	29,618
Emergency Shelter in-kind	
supplies/food/space	<u>47,486</u>
Total in-kind reported in	
financial statements	1,171,023
Head Start volunteer services	446,937
Foster Grandparents volunteer	224
Emergency Shelter volunteer	<u>2,470</u>
Total in-kind for all programs	<u>\$ 1,620,654</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 2 – CASH**

Cash consisted of the following as of December 31, 2010:

Checking	\$ 434,215
Petty Cash	<u>400</u>
Total Cash	<u>\$ 434,615</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, 2010 consisted of:

Federal Programs (Direct and pass-through)	\$1,015,855
State and Local Programs	<u>10,034</u>
Total	<u>\$1,025,889</u>

**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, 2010, the balance due from Southern Indiana Housing Corporation was \$3,200.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**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, 2010, 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 \$40,221 for 2010.

**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 December 31, 2010.

**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, 2010, 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, 2010, 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, 2010 the note balance remained at and \$633,300.



**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

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, 2010 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, 2010 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, 2010 was \$233,939. Future minimum lease payments on leases having non-cancelable terms beyond December 31, 2010 are as follows:

<u>Year</u>	<u>Amount</u>
2011	47,768
2012	623
2013	2
2014	2
2015	2
	<u>\$ 48,395</u>

**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, 2010 was \$672,768.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 10 – LONG-TERM DEBT (continued)**

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, 2010 was \$80,411.

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, 2010 was \$131,085.

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

<u>Year</u>	<u>Amount</u>
2011	\$ 12,782
2012	13,832
2013	85,769
2014	12,527
2015	13,602
Thereafter	<u>745,751</u>
	<u>\$ 884,263</u>

Interest expense amounted to \$73,432 for the year ended December 31, 2010.

**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, 2010 and 2009, the Organization had made no material contributions to the Project or incurred any material related costs.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 11 - BRUMFIELD PLACE L.P. AND PARADISE ESTATES APARTMENTS  
(continued)**

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, 2010 and 2009, 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.

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<sup>th</sup> 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, 2010, the note balance was \$852,178.

Additionally, the Subsidiary has construction payables related to the CAPE Place project of \$744,695 that are to be paid in 2011 with proceeds from the Section 1602 Exchange loan described above. After the loan draw and payment of the construction payables, the loan balance will be \$1,626,873.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**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, 2010, the Organization holds 58 mortgages with a total balance of \$420,859.

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.

During 2010, the Organization was subject to a monitoring review of its Housing Choice Voucher Program (HCVP) by the Indiana Housing and Community Development Authority. That review identified various deficiencies in the Organization's compliance with the operating requirements of that program, some of which may result in the repayment of HCVP funds by the Organization. It is the opinion of management that the disposition or ultimate resolution of these deficiencies will not have a material adverse effect on the financial position of the Organization. An estimate of the possible loss or range of loss, if any, cannot be made.

**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, 2010. 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 92% of the Organization's total revenue and support for the year ended December 31, 2010.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**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, 2010 was \$6,047.

**NOTE 16 – 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 \$521,326 for the year ended December 31, 2010. These balances are not included in the Organization's financial statements.

**NOTE 17 – SUBSEQUENT EVENTS**

Subsequent to December 31, 2010 and prior to September 14, 2011, which is the date the financial statements were available to be issued, the Organizations Housing Assistance Voucher Program funder, Indiana Housing and Community Development Authority, conducted a review of the Organization's administration of the HCVP and terminated the HCVP contract with the Organization as of July 1, 2011. As described in note 13, the Organization may be required to repay some portion of the HCVP funds received.

**NOTE 18 - FORMATION OF SUBSIDIARY**

On June 11, 2010, Community Action Program of Evansville and Vanderburgh County, Inc. formed CAPE Place, LLC, a Limited Liability Corporation (the "Subsidiary") as a wholly owned subsidiary under the laws of the State of Indiana.

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.

## **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 audit of the consolidated financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. and Subsidiary as of December 31, 2010, and for the year then ended appears on page one. That audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information (shown on pages 21, 22 and 23) 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 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Comer, Nowling And Associates, P.C.*

Comer, Nowling And Associates, P.C.

September 14, 2011

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>Current assets</b>				
Cash	\$ 311,631	\$ 122,984	\$ -	\$ 434,615
Grants receivable	1,025,889	-	-	1,025,889
Accounts receivable	45,974	-	-	45,974
Due from Southern Indiana Housing Corp.	3,200	-	-	3,200
Due from Brumfield Place, L.P.	83,304	-	-	83,304
Prepaid expenses	49,286	-	-	49,286
Total current assets	<u>1,519,284</u>	<u>122,984</u>	<u>-</u>	<u>1,642,268</u>
<b>Property and equipment</b>				
Land	210,631	60,000	-	270,631
Vehicles and equipment	1,144,189	-	-	1,144,189
Buildings and improvements	1,656,322	-	-	1,656,322
Construction-in-progress	-	1,603,575	(135,000)	1,468,575
	<u>3,011,142</u>	<u>1,663,575</u>	<u>(135,000)</u>	<u>4,539,717</u>
Less accumulated depreciation	<u>(1,180,687)</u>	<u>-</u>	<u>-</u>	<u>(1,180,687)</u>
Total property and equipment, net	<u>1,830,455</u>	<u>1,663,575</u>	<u>(135,000)</u>	<u>3,359,030</u>
<b>Other assets</b>				
Development fees receivable	223,685	-	(67,500)	156,185
Notes receivable - Brumfield Place, L.P.	425,000	-	-	425,000
Notes receivable - Paradise Estates Apartments	847,470	-	-	847,470
Total other assets	<u>1,496,155</u>	<u>-</u>	<u>(67,500)</u>	<u>1,428,655</u>
	<u>\$ 4,845,894</u>	<u>\$ 1,786,559</u>	<u>\$ (202,500)</u>	<u>\$ 6,429,953</u>
<b>Current liabilities</b>				
Accounts payable	\$ 89,924	\$ 4,900	\$ -	\$ 94,824
Accrued payroll and payroll expenses	504,434	-	-	504,434
Deferred revenue	49,715	-	-	49,715
Developer fees due to CAPE	-	67,500	(67,500)	-
Retainage Payable	-	87,186	-	87,186
Current maturities of long-term debt	12,782	-	-	12,782
Total current liabilities	<u>656,855</u>	<u>159,586</u>	<u>(67,500)</u>	<u>748,941</u>
<b>Long-term liabilities</b>				
Construction payables to be converted to long-term	-	774,695	-	774,695
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	-	852,178	-	852,178
Notes payable - other	871,481	-	-	871,481
Total long-term liabilities	<u>2,143,951</u>	<u>1,626,873</u>	<u>-</u>	<u>3,770,824</u>
Total liabilities	<u>2,800,806</u>	<u>1,786,459</u>	<u>(67,500)</u>	<u>4,519,765</u>
Net assets - unrestricted	<u>2,045,088</u>	<u>100</u>	<u>(135,000)</u>	<u>1,910,188</u>
Total liabilities and net assets	<u>\$ 4,845,894</u>	<u>\$ 1,786,559</u>	<u>\$ (202,500)</u>	<u>\$ 6,429,953</u>

See independent auditors' report on supplementary information.



**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Support and revenue				
Grant revenue	\$ 13,837,527	\$ -	\$ -	\$ 13,837,527
Contributions	8,921	-	-	8,921
Program revenue	1,178	-	-	1,178
Other	135,819	-	(135,000)	819
Interest	33	-	-	33
In-kind contributions	1,171,023	-	-	1,171,023
Total support and revenue	<u>15,154,501</u>	<u>-</u>	<u>(135,000)</u>	<u>15,019,501</u>
Expenses				
Childhood education	6,581,976	-	-	6,581,976
Child care	338,450	-	-	338,450
Nutrition	232,185	-	-	232,185
Literacy	15,167	-	-	15,167
Senior volunteer	183,577	-	-	183,577
Utility assistance	3,589,946	-	-	3,589,946
Housing assistance	855,247	-	-	855,247
Home weatherization assistance	1,743,464	-	-	1,743,464
Emergency family service	57,385	-	-	57,385
Management and general	1,239,481	-	-	1,239,481
Subsidiary	-	-	-	-
Total operating expenses	<u>14,836,878</u>	<u>-</u>	<u>-</u>	<u>14,836,878</u>
Increase (decrease) in net assets	317,623	-	(135,000)	182,623
Net assets at beginning of year	<u>1,727,465</u>	<u>100</u>	<u>-</u>	<u>1,727,565</u>
Net assets at end of year	<u>\$ 2,045,088</u>	<u>\$ 100</u>	<u>\$ (135,000)</u>	<u>\$ 1,910,188</u>

See independent auditors' report on supplementary information.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Change in net assets	\$ 317,623	\$ -	\$ (135,000)	\$ 182,623
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation	97,180	-	-	97,180
(Increase) decrease in cash from changes in:				
Grants receivable	294,513	-	-	294,513
Accounts receivable	55,623	-	-	55,623
Development fees receivable	(67,500)	-	67,500	-
Retainage receivable	-	-	-	-
Prepaid expenses	18,876	-	-	18,876
Increase (decrease) in cash from changes in:				
Accounts payable	(1,302,958)	4,900	-	(1,298,058)
Accrued payroll and related expenses	55,454	-	-	55,454
Development fees due to CAPE	-	67,500	(67,500)	-
Retainage payable	-	87,186	-	87,186
Deferred revenue	(148,135)	-	-	(148,135)
Construction payables to be converted to long-term	-	774,695	-	774,695
Net cash used in operating activities	(679,323)	934,281	(135,000)	119,958
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Payments for construction-in-progress	-	(1,603,575)	135,000	(1,468,575)
Purchase of fixed assets	(94,159)	(60,000)	-	(154,159)
Net cash used in investing activities	(94,159)	(1,663,575)	135,000	(1,622,734)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Loan and note proceeds	-	852,178	-	852,178
Repayment of notes payable	(12,058)	-	-	(12,058)
Net cash used in financing activities	(12,058)	852,178	-	840,120
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(785,540)</b>	<b>122,884</b>	<b>-</b>	<b>(662,656)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,097,171</b>	<b>100</b>	<b>-</b>	<b>1,097,271</b>
<b>CASH, END OF YEAR</b>	<b>\$ 311,631</b>	<b>\$ 122,984</b>	<b>\$ -</b>	<b>\$ 434,615</b>
<b>Supplemental Disclosures of Cash Flow Information</b>				
Cash paid during the year for interest	\$ 73,432	\$ -	\$ -	\$ 73,432

See independent auditors' report on supplementary information.

## **SINGLE AUDIT SECTION**

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2010**

<b>FEDERAL GRANTOR AGENCY Passthrough Agency Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Indiana Department of Education:			
Child and Adult Care Food Program	10.558	1820162	\$ 232,185
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through the Indiana Housing and Community Development Authority (IHCD):			
Emergency Shelter Grant	14.231	ES-009-016	6,897
Section 8 Housing	14.871	none	586,774
HEC-DPA Counseling	14.239	DC-007-004	15,019
HUD Housing Counseling	14.239	HC09-0421-076	33,029
HUD Housing Counseling	14.239	HC09-0423-005	5,000
CDBG Supplemental Disaster Appropriation-II	14.228	DR2OR-009-024	800
Subtotal			647,519
Passed through the City of Evansville:			
CHDO	14.218	063-372-539050004	35,500
Down Payment Assistance	14.218	063-372-5390500	19,000
Subtotal			54,500
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	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			735,000
Total U.S. Department of Housing and Urban Development			2,134,489
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Program:			
Head Start Program			
Full Day / Part Day	93.600	05CH0741/44, 05CH0741/45	5,268,111
Training and Technical Assistance	93.600	05CH0741/44, 05CH0741/45	63,651
ARRA Head Start	93.708	05SE0741/01	231,087
Subtotal Head Start cluster			5,562,849
IDA Contract	93.602	IDA009-008/IDA010-008 A,B,C	16,518
Passed through the Indiana Housing and Community Development Authority (IHCD):			
Community Services Block Grant (CSBG)	93.569	CS-010-010	363,329
ARRA Community Services Block Grant	93.710	CS-ARRA-010	570,906
Subtotal CSBG cluster			934,235
Weatherization / Energy Assistance for Low-Income Families:			
LIHEAP	93.568	WL-010-010/WL-011-010	278,048
Energy Assistance Program	93.568	LI-009-010	3,589,947
Subtotal			3,867,995
Total U.S. Department of Health and Human Services			10,381,597

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, 2010**

<b>FEDERAL GRANTOR AGENCY Passthrough Agency Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION</b>			
Emergency Food and Shelter	97.024	LRO ID: 280000-006	<u>3,000</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-009-010/WX-010-010	347,076
ARRA Weatherization Assistance for Low-Income Persons	81.042	HEC-009-007/HEC-010-007	<u>1,076,898</u>
			<u>1,423,974</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Foster Grandparent Program	94.011	09SFNIN003	<u>153,948</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 14,329,193</u></u>

See accompanying notes 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, 2010**

**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 – Energy Assistance Payments**

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$2,096,987 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, 2010.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2010**

**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.

*Auditor Update:* Journal entries are being reviewed and approved.

# COMER NOWLING

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## **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  
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, 2010, and have issued our report thereon dated September 14, 2011. 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

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 other deficiencies that we consider to be a significant deficiencies.

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-2010-3 to be a material weakness.



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 deficiencies described in the accompanying schedule of findings and questioned costs as items FS-2010-1 and FS-2010-2 to be significant deficiencies.

#### Compliance and Other Matters

Except as discussed in the paragraph below, 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 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 item FA-2010-3.

We were unable to obtain sufficient documentation supporting the compliance of Community Action Program of Evansville and Vanderburgh County, Inc. with Housing Choice Voucher Program requirements regarding eligibility and other special provisions, nor were we able to satisfy ourselves as to Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance with those requirements by other procedures.

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 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 14, 2011

**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  
Evansville, IN

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, 2010. 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.

Except as discussed in the following paragraph, 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.

As described in item FA-2010-03, in the accompanying schedule of findings and questioned costs, Community Action Program of Evansville and Vanderburgh County, Inc. did not comply with eligibility and other special requirements of that are applicable to the Housing Choice Voucher Program and the Energy Assistance Program. Compliance with such requirements is necessary, in our opinion, for Community Action Program of Evansville and Vanderburgh County, Inc. to comply with the requirements applicable to those programs.

We were unable to obtain sufficient documentation supporting the compliance of Community Action Program of Evansville and Vanderburgh County, Inc. with Housing Choice Voucher Program requirements regarding eligibility and other special provisions, nor were we able to satisfy ourselves as to Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of the noncompliance described in the third paragraph above, and the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance with the requirements of the Housing Choice Voucher Program regarding eligibility and other special provisions, 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 its major federal programs for the year ended December 31, 2010.

#### 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.

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance to be a material weakness and other deficiencies to be significant deficiencies.

*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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA-2010-3 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA-2010-1 and FA-2010-2 to be significant deficiencies.

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 14, 2011

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Qualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes ☒ No ☐

**Federal Awards**

Internal control over major programs:

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

Type of auditor’s report issued: Qualified

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

Program tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600*	U.S. Dept. of Health and Human Services – Head Start
93.708*	U.S. Dept. of Health and Human Services – Head Start ARRA
93.568	U.S. Dept. of Health and Human Services – Energy Assistance
93.569	U.S. Dept. of Health and Human Services – Community Services Block Grant
14.871	U.S. Dept. of Housing and Urban Development – Section 8 Housing
81.042	U.S. Dept of Energy – Weatherization and ARRA Weatherization
14.157	U.S. Dept. of Housing and Urban Development – Section 202 Grant
14.239	U.S. Dept. of Housing and Urban Development – Home Investment Partnership Program

\*Denotes a program cluster. A cluster of programs is treated as a single program for the purpose of meeting the audit requirements of OMB Circular A-133.

Dollar threshold used to distinguish between type A and type B programs \$429,876

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

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2010**

**Section II – Financial Statement Findings**

**Finding FS-2010-01 – Subsidiary activity was not recorded completely in the accounting records – Internal Control**

*Condition:* Financial activity of the Organization's newly formed subsidiary was not completely recorded in the accounting records of the Organization.

*Criteria:* Per OMB A-101 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-profit Organizations, section 215.21, requires that financial management systems provide "accurate, current and complete disclosure of the financial results of each federally sponsored program or project..."

*Context:* Certain financial activity of CAPE Place, LLC, a subsidiary of the Organization, was not recorded in the accounting records of the Organization. The project is funded primarily through a federal section 1602 exchange award through the Indiana Housing and Community Development Authority.

*Cause :* CAPE Place, LLC was formed in late 2010 for the purpose of developing low-income housing in Gibson County Indiana. The first recordable financial activity took place in December of 2010 and the financial management staff was unable to establish the appropriate accounting for the new subsidiary within the reporting period or a reasonable time thereafter.

*Effect:* Revenues and expenses for the Organization, the subsidiary, and the consolidated entity were incorrectly reported prior to proposed audit adjustments.

*Recommendation:* Establish accounts and procedures necessary to properly account for and present the activity of CAPE Place, LLC.

*Management's Corrective Action Plan:* The Agency will continually monitor the activities of the Subsidiaries. All transactions will be presented to the Agency on a monthly basis. At year end the Consultant and/or Architect will provide the agency with all construction activity that has been completed or is in-process as of the end of business on December 31. A procedure will be presented to the Board of Directors to ensure all construction activities are properly reported and recorded on a monthly basis. Upon acceptance the procedure will become part of the Finance Policies and Procedures Manual.

**FS-2010-02 – Material adjusting entries proposed**

*Condition:* During the course of our audit, we proposed material journal entries to present the financial position and activity of the Organization as of and for the year ended December 31, 2010 in accordance with Generally Accepted Accounting Principles. These included entries affecting the presentation of loan balances and recognition of in-kind contributions and expense.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2010**

*Criteria:* Material misstatements of the Organization's financial statements should be detected and prevented by the Organization's internal controls over financial reporting in accordance with Generally Accepted Accounting Principles.

*Cause:* The financial management staff did not identify and record all activity and changes in financial assets prior to examination by auditors.

*Effect:* Financial reports prepared and presented by management prior to the annual audit were misstated.

*Recommendation:* All financial activity should be regularly examined by the financial accounting staff and appropriately recorded in the accounting records of the organization.

*Management's Corrective Action Plan:* Adjusting journal entries will be prepared to ensure the Agency is following Generally Accepted Accounting Procedures (GAAP) reporting.

**Finding FS-2010-03 – CFDA 14.871 - Housing Choice Voucher Program (HCVP), Eligibility and Special Provisions**

*Condition:* During 2010, the Organization's HCVP funder, the Indiana Housing and Community Development Authority (IHCDA), conducted a monitoring review of the Housing Choice Voucher Program and identified deficiencies related to required client file documentation. In that review, twelve files were missing documentation required under various regulations and policy statements.

*Criteria:* U.S. Department of Housing and Urban Development regulations (24 CFR 982) and the IHCDA administrative plan provide guidance on materials and documentation that must be maintained in each recipient file to establish eligibility to receive assistance, the amount which a recipient is eligible to receive, and to document compliance with housing quality standards and privacy requirements. Such documentation includes: housing assistance contracts, leases, tenancy approval forms, rent reasonableness documentation, utility allowance calculations, inspection forms, and information release forms.

*Context:* During its review of the Organization during 2010 IHCDA identified thirteen instances where HCVP client files did not include all of the required documentation.

*Cause:* The Organization did not have a process to review and ensure that all HCVP client files were complete.

*Effect:* Individuals who were not eligible for HCVP assistance may have received assistance, eligible individuals may have received the incorrect amount of assistance. Additionally, housing quality and other documentation requirements may not have been met.

*Recommendation:* During 2011, the Organization ceased providing HCVP assistance; therefore no specific action is recommended.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2010**

*Management 's Response:* IHCDCA reviewed the program and found material weaknesses. As a result the Agency was able to identify an individual to monitor several programs within the Agency with ARRA/Stimulus funds. Upon review it was determined that program guidelines were not met. Three health issues (FMLA) and several resignations became an additional challenge. The Executive Director took the initiative to administer the program; but was not able to access customer information on the HAPPE system. The request for a view only or for hard copies of the files were denied and all access was removed by IHCDCA staff. The Executive Director then requested assistance from IHCDCA as most of the problems had been identified and monitoring and control systems were being established.

- A team was formed to review every file and tag each with information to update same.
- An information and problem line was established at the Pasco office for Landlords and Customers. (Messages were retrieved daily and response and documentation is available)
- Landlords were invited to a meeting in Princeton with the Executive Director.
- Customers were invited to a dinner and asked to bring required documentation to ensure files were up to date (IHCDCA monitoring identified this as a problem).
- Team members began to work on recreating files.
- Executive Director made contact with Landlords who had concerns with payments, etc.
- Finance Department provided information needed to review payment system.
- Customer satisfaction survey was made available to tenants.
- Office was in phase-one of reorganization and all new staff hired.
- Executive Direct scheduled herself for the NAHRO training (June 2011).

IHCDCA arrived and did a "monitoring" of the program and fiscal files. They were told what to expect. It was explained by the Executive Director that the weaknesses were identified and the above steps were explained. There were no problems with the fiscal files. A request was again made for view only permission to allow for monitoring of the program. Request was denied. Executive Director inquired if there would be an exit interview. No there would not, but they would return for a face-to-face consultation. None occurred. Letter was received terminating the contract. We acknowledge weakness in the monitoring system. However it is difficult to do so without at least a view only access to the HAPPE site. Finally, we do not question the decision IHCDCA made.

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

**Finding FA 2010-01 – Update cost allocation plan and document the percentages for allocation**

*Condition:* The Organization did not have adequate supporting documentation to verify current square footage allocations used in their cost allocation plan. Percentages had been calculated and determined but supporting documentation had not been updated to provide a clear audit trail.



**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2010**

*Criteria:* Per OMB A-122 Cost Principles for Non-profit Organizations, Appendix A to Part 230—General Principles, A. Basic Considerations, 4. Allocable Costs, “A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- (1) Is incurred specifically for the award.
- (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
- (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.”

*Context:* The Organization maintains electronic tables of cost drivers (allocation percentages and allocation bases) used to allocate costs to the various cost objectives. These drivers are updated each year during the budget process. However, the Organization did not maintain adequate supporting documentation regarding how square footage allocations were calculated to provide a clear audit trail.

*Cause:* The square footage allocation percentages are recorded directly in the Organization’s accounting system, so updating the supporting documentation for the allocations had not been given a high priority.

*Effect:* Indirect costs may be charged to the various programs and grants in a manner inconsistent with the formally adopted cost allocation plan.

*Recommendation:* The Organization should thoroughly document any modifications made to supporting cost drivers. Documentation should be retained for a minimum of four years. Changes that would affect the cost allocation plan would be adding or deleting programs, moving program staff to different locations, and increasing or decreasing program staff. It is recommended that the review and update of the cost allocation plan be made a part of the annual budgeting process.

*Management’s Corrective Action Plan:* The Agency will prepare a revised Cost Allocation Plan on an annual basis for review by the Finance Committee of the Board of Directors. This plan will then be presented every December and become effective upon approval by the Committee. Upon approval, the plan will be implemented with the new allocation percentages or, if the percentages have not changed, the new plan will document that fact. The percentages will be review whenever there is a substantial change in the application of the plan. At that time a revised percent will be prepared and maintained.

**Finding FA-2010-02 – CFDA 93.568 - Energy Assistance Program - Calculation errors in determining eligibility**

*Condition:* Two calculation errors were made in determining eligibility for EAP program. One of these did not change the benefit for the participant, but in the other instance the benefit was \$40 more than it should have been.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2010**

*Criteria:* Under U.S. Department of Health and Human Services regulations Grantees may provide assistance to: (a) households in which one or more individuals are receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), food stamps, or certain needs-tested veterans benefits; or (b) households with incomes which do not exceed the greater of 150 percent of the State's established poverty level, or 60 percent of the State median income. Grantees may establish lower income eligibility criteria, but no household may be excluded solely on the basis of income if the household income is less than 110 percent of the State's poverty level. Grantees may give priority to those households with the highest home energy costs or needs in relation to income (42 USC 8624(b)(2)).

*Context:* The Agency uses the Benefit Matrix provided by State of Indiana and assigns points to each participant to calculate amount of benefit. This is a manual process and subject to manual controls.

*Cause:* The Organization was reviewing and approving about 30% of the participant files. These two files were not selected for review and approval and the errors were not identified in a timely manner.

*Effect:* In one case, the benefit paid to participant was \$40 more than it should have been. However, the projection of this amount to the entire population did not cause the potential misstatement to be over \$10,000.

*Recommendation:* Due to the importance of eligibility calculations, we recommend approval of 100% of the eligibility calculations for program participants.

*Management's Corrective Action Plan:* Quality Assurance reviews have been increased to 100% for the 2010/2011 program year.

**Finding FA-2010-03 – CFDA 14.871 - Housing Choice Voucher Program (HCVP), Eligibility and Special Provisions**

*Condition:* During 2010, the Organization's HCVP funder, the Indiana Housing and Community Development Authority (IHCDA), conducted a monitoring review of the Housing Choice Voucher Program and identified deficiencies related to required client file documentation. In that review, twelve files were missing documentation required under various regulations and policy statements.

*Criteria:* U.S. Department of Housing and Urban Development regulations (24 CFR 982) and the IHCDA administrative plan provide guidance on materials and documentation that must be maintained in each recipient file to establish eligibility to receive assistance, the amount which a recipient is eligible to receive, and to document compliance with housing quality standards and privacy requirements. Such documentation includes: housing assistance contracts, leases, tenancy approval forms, rent reasonableness documentation, utility allowance calculations, inspection forms, and information release forms.

*Context:* During its review of the Organization during 2010 IHCDA identified thirteen instances where HCVP client files did not include all of the required documentation.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2010**

*Cause:* The Organization did not have a process to review and ensure that all HCVP client files were complete.

*Effect:* Individuals who were not eligible for HCVP assistance may have received assistance, eligible individuals may have received the incorrect amount of assistance. Additionally, housing quality and other documentation requirements may not have been met.

*Recommendation:* During 2011, the Organization ceased providing HCVP assistance, therefore no specific action is recommended.

*Management 's Response:* IHCDCA reviewed the program and found material weaknesses. As a result the Agency was able to identify an individual to monitor several programs within the Agency with ARRA/Stimulus funds. Upon review it was determined that program guidelines were not met. Three health issues (FMLA) and several resignations became an additional challenge. The Executive Director took the initiative to administer the program; but was not able to access customer information on the HAPPE system. The request for a view only or for hard copies of the files were denied and all access was removed by IHCDCA staff. The Executive Director then requested assistance from IHCDCA as most of the problems had been identified and monitoring and control systems were being established.

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IHCDCA arrived and did a "monitoring" of the program and fiscal files. They were told what to expect. It was explained by the Executive Director that the weaknesses were identified and the above steps were explained. There were no problems with the fiscal files. A request was again made for view only permission to allow for monitoring of the program. Request was denied. Executive Director inquired if there would be an exit interview. No there would not, but they would return for a face-to-face consultation. None occurred. Letter was received terminating the contract. We acknowledge weakness in the monitoring system. However it is difficult to do so without at least a view only access to the HAPPE site. Finally, we do not question the decision IHCDCA made.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Qualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes ☒ No ☐

**Federal Awards**

Internal control over major programs:

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

Type of auditor’s report issued: Qualified

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

Program tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600*	U.S. Dept. of Health and Human Services – Head Start
93.708*	U.S. Dept. of Health and Human Services – Head Start ARRA
93.568	U.S. Dept. of Health and Human Services – Energy Assistance
93.569	U.S. Dept. of Health and Human Services – Community Services Block Grant
14.871	U.S. Dept. of Housing and Urban Development – Section 8 Housing
81.042	U.S. Dept. of Energy – Weatherization and ARRA Weatherization
14.157	U.S. Dept. of Housing and Urban Development – Section 202 Grant
14.239	U.S. Dept. of Housing and Urban Development – Home Investment Partnership Program

\*Denotes a program cluster. A cluster of programs is treated as a single program for the purpose of meeting the audit requirements of OMB Circular A-133.

Dollar threshold used to distinguish between type A and type B programs \$429,876

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

# COMER NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

September 21, 2011

Ms. Sandra Thompson, Comptroller  
Community Action Program of Evansville  
and Vanderburgh County, Inc.  
27 Pasco Avenue  
Evansville, IN 47713

Dear Sandy:

Enclosed are twelve (12) copies (11 bound & 1 unbound) of Community Action Program of Evansville and Vanderburgh County, Inc.'s audited financial statements for the year ended December 31, 2010.

You will need to electronically certify your data collection form. You will receive an email from the clearinghouse that will have your report number and your electronic signature. You will also need our password which is: Comer&Nowling1.

We will be forwarding your 2010 federal and state tax returns forms to you within the next two weeks.

Once again we sincerely appreciate the opportunity of working with you and your staff. If you have any questions on the enclosed materials, please give me a call at (317) 841-3393.

Very truly yours,



Glenn R. Comer  
Partner

Enclosures