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February 2, 2010

Board of Directors  
Community Action Program, Inc.  
of Western Indiana  
418 Washington St.  
P.O. Box 188  
Covington, IN 47932-0188

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Community Action Program, Inc. of Western Indiana, as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**COMMUNITY ACTION PROGRAM, INC.  
OF WESTERN INDIANA**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

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**Gauthier & Kimmerling, LLC**  
accountants & advisors

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Independent Auditors' Report

Board of Directors  
Community Action Program, Inc.  
of Western Indiana  
Covington, Indiana

We have audited the accompanying statement of financial position of Community Action Program, Inc. of Western Indiana (CAPWI) as of December 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of CAPWI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 CAPWI's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 CAPWI as of December 31, 2007, 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 29, 2008, on our consideration of CAPWI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying statement of revenue and expenses for the Head Start Program grant number 05CH4202/42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gauthier & Kimmerling, LLC*

September 29, 2008

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007

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**ASSETS**

Cash and cash equivalents	\$ 903,594
Grants receivable (Note 9)	458,954
Investment in partnerships (Note 6)	1,744,088
Property under development	499,000
Property, net of accumulated depreciation (Note 11)	4,222,914
Loans receivable, net of allowance of \$98,580 (Note 7)	<u>667,120</u>
 Total Assets	 <u>\$ 8,495,670</u>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable	\$ 91,646
Accrued payroll and vacation	137,678
Notes payable (Note 12)	<u>2,219,730</u>
 Total Liabilities	 <u>2,449,054</u>
 Unrestricted Net Assets	 <u>6,046,616</u>
 Total Liabilities and Net Assets	 <u>\$ 8,495,670</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>REVENUES AND OTHER SUPPORT</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 140,095	\$ -	\$ 140,095
Grants (Note 9)	8,117,310	-	8,117,310
Medicaid revenue	118,471	-	118,471
Program revenue	412,338	-	412,338
Rental income	795,816	-	795,816
Interest	19,442	-	19,442
Development	107,402	-	107,402
Other	73,399	-	73,399
Revenues and other support	9,784,273	-	9,784,273
Revenues released from restriction	-	-	-
Total Revenues and Other Support	<u>9,784,273</u>	<u>-</u>	<u>9,784,273</u>
 <u>EXPENSES</u>			
Child education	2,387,737	-	2,387,737
Job training and employment	1,821,434	-	1,821,434
Weatherization and energy services	2,274,703	-	2,274,703
Housing rehabilitation	1,273,228	-	1,273,228
Senior services	360,491	-	360,491
Food programs	363,487	-	363,487
Community service	245,136	-	245,136
Other programs	141,054	-	141,054
General and administrative	125,845	-	125,845
Total Expenses	<u>8,993,115</u>	<u>-</u>	<u>8,993,115</u>
Increase (decrease) in net assets	791,158	-	791,158
Net assets - beginning of year	<u>5,255,458</u>	<u>-</u>	<u>5,255,458</u>
Net assets - end of year	<u>\$ 6,046,616</u>	<u>\$ -</u>	<u>\$ 6,046,616</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Child Education	Community Services	Food Programs	Housing	Job Training	Other Programs	Senior Services	Weatherization	Program Total	General and Administrative	Total
Personnel	\$1,692,074	\$ 72,860	\$ 234,650	\$ 200,750	\$ 953,885	\$ 49,439	\$ 255,632	\$ 526,342	\$ 3,985,632	\$ 7,930	\$ 3,993,562
Program services	5,020	66,373	160	125,587	322,039	5,076	40	1,626,397	2,150,692	3,919	2,154,611
Occupancy	183,841	40,119	66,843	69,379	61,902	50,338	13,473	34,393	520,288	22,248	542,536
Contracted services	14,580	1,084	723	182,656	5,645	22,980	659	11,351	239,678	729	240,407
Supplies	194,394	250	998	2,999	174,236	-	-	1,100	373,977	-	373,977
Program	111,303	21,399	28,247	4,595	30,085	5,161	56,818	14,183	271,791	329	272,120
Travel	-	-	-	90,983	-	-	-	-	90,983	32,531	123,514
Interest	36,154	12,744	7,914	5,678	7,605	4,692	10,737	18,511	104,035	4,167	108,202
Supplies general	5,124	134	-	1,617	11	-	25	93	7,004	-	7,004
Miscellaneous	-	-	2,450	-	146,209	-	-	-	148,659	-	148,659
Transportation	-	-	-	143,477	-	-	-	-	143,477	35,532	179,009
Depreciation	26,189	-	790	19,185	1,493	-	13,479	15,046	76,182	2,730	78,912
Insurance	19,469	6,402	17,601	2,218	20,962	1,496	6,838	10,640	85,626	127	85,753
Telephone	17,901	3,929	2,372	2,581	10,895	955	1,491	5,771	45,895	5,100	50,995
Printing	7,602	8,828	-	18,458	59,416	76	61	56	94,497	10,500	104,997
Fees	53,346	-	213	64,609	20,750	-	-	5,299	144,217	-	144,217
Equipment	16,084	8,855	144	18	306	-	156	126	25,689	-	25,689
Training	3,681	2,159	382	4,196	5,995	841	1,082	2,840	21,176	3	21,179
Professional fees	975	-	-	334,242	-	-	-	2,555	337,772	-	337,772
Rental property expense	\$2,387,737	\$245,136	\$ 363,487	\$1,273,228	\$1,821,434	\$ 141,054	\$ 360,491	\$2,274,703	\$ 8,867,270	\$ 125,845	\$8,993,115

The accompanying notes are an integral part of the financial statements.

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 791,158
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	179,009
Change in bad debt allowance	(31,676)
(Increases) decreases in operating assets:	
Grants receivable	203,667
Increases (decreases) in operating liabilities:	
Accounts payable	(233,241)
Accrued payroll and related liabilities	<u>(39,345)</u>
Net Cash Provided by (Used in) Operating Activities	<u>869,572</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Increase in property under development	(342,342)
Investment in partnerships	(41,826)
Payments from partnerships	25,856
Increase in notes receivable	(157,647)
Payments on notes receivable	93,345
Purchase of property and equipment	(39,627)
Disposal of property and equipment	<u>30,212</u>
Net Cash Provided by (Used in) Investing Activities	<u>(432,029)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payment on debt	(297,232)
Proceeds from new debt	<u>254,015</u>
Net Cash Provided by (Used in) Financing Activities	<u>(43,217)</u>
Net increase (decrease) in cash	394,326
Cash - beginning of year	<u>509,268</u>
Cash - end of year	<u>\$ 903,594</u>
Interest paid during the year	<u>\$ 107,733</u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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1. NATURE OF THE ORGANIZATION

Community Action Program, Inc. of Western Indiana (CAPWI) was established in February 1967 to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs in Benton, Fountain, Montgomery, Parke, Vermillion, and Warren counties in Indiana.

During 2007, CAPWI was actively involved in:

- Child education
- Weatherization and energy services
- Job training and employment services
- Housing rehabilitation

CAPWI receives funding from many organizations, but its primary sources of revenue are state and federal government grants.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared using the accrual basis of accounting, as described below.

In accordance with Statement of Financial Accounting Standards (SFAS) 117, Financial Statements of Not-for-Profit Organizations, unrestricted net assets include all assets over which CAPWI has full discretion as to use. Temporarily restricted net assets include net assets whose use by CAPWI is limited by donor-imposed restrictions that either expire by the passage of time or are fulfilled by CAPWI. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Contributions for which the restrictions are met in the same period in which the contribution is received are also recorded as unrestricted. Permanently restricted net assets include net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of CAPWI.

Federal and state grant awards are recognized as unrestricted revenue subject to compliance with grant restrictions. Unexpended funds are reported as temporarily restricted revenue.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. Actual amounts may differ from these estimates.

CAPWI allocates its expenses on a functional basis among various programs. Expenses directly related to certain programs are expensed to those programs. Other expenses that are common to several programs are allocated based upon a rational and systematic method.

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

CAPWI is exempt from income taxation under the Internal Revenue Code Section 501(c)(3).

CAPWI's investment in rental housing partnerships is recorded using the equity method of accounting. The investment is increased by CAPWI's pro-rata share of income and contributions of cash and property and reduced by its pro-rata share of losses and distributions.

Although CAPWI, through the general partner, has responsibility for the operation of the rental housing partnerships, partnership control effectively rests with the limited partner through its ability to remove the general partner in certain circumstances. Therefore, the partnerships are not consolidated in the financial statements.

All liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

Loans receivable are stated at the amount of the unpaid principal balance, reduced by an allowance for possible loan losses. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). The allowance is determined based on known and inherent risks, adverse situations that may affect borrower's ability to repay, estimated value of any underlying collateral, estimated forgiveness rates, and current economic conditions.

3. FINANCIAL INSTRUMENTS

CAPWI maintains its cash in deposit accounts that, at times, may exceed federally insured limits. As of December 31, 2007, such excess totaled approximately \$580,000.

CAPWI has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

4. RELATED PARTY TRANSACTIONS

In September 1996, CAPWI entered into a lease agreement with Highland Manor, L.P. for a portion of the building not included in the rehabilitation tax credit for the purpose of opening a medical clinic. The lease amount is \$1 per year and is renewed on a year-by-year basis.

During 2007, CAPWI earned \$26,223 in interest from Highland Manor, L.P. and received payment of \$25,856 in deferred revenue.

During 2007, CAPWI earned \$15,603 in interest from Parke Place Apartments.

5. EMPLOYEE GROUP HEALTH INSURANCE

CAPWI offered a self-insured health plan for eligible employees. They maintained a stop-loss policy for claims that exceed \$25,000. CAPWI paid claims for eligible employees through a contracted third-party processor for 100% of the claim costs minus employee deductible limits. As of October 31, 2007, CAPWI purchased insurance coverage for their employees and is no longer self-insuring.

## 6. INVESTMENT IN PARTNERSHIPS

CAPWI serves as general partner for three partnerships that provide rental housing to qualified low-income individuals. Partners are entitled to income tax credits under Section 42 of the Internal Revenue Code.

CAPWI established a partnership known as Highland Manor, L.P. The partnership's purpose is to provide 25 residential units of affordable housing. CAPWI owns 79% of the stock of the corporation that serves as the partnership's general partner. As developer, CAPWI is entitled to a developer's fee. As of December 31, 2007, \$239,000 had been earned and \$24,900 remains unpaid. Accrued interest of \$29,224 on this developer fee remains unpaid at December 31, 2007. CAPWI's investment in the partnership also consists of \$126,000 of Federal Home Loan Affordable Housing Funds and \$500,000 of Indiana Housing Finance Authority HOME funds. CAPWI also holds a first mortgage on the partnership's property for \$93,000. CAPWI's investment also includes accrued interest at December 31, 2007, of \$42,963, \$173,453, and \$76,876 on these loans, respectively. Payments on these loans and interest are deferred until partnership cash flow permits payment or until 2015.

CAPWI established a partnership known as Athena Center, L.P. It is managed by an L.L.C. in which CAPWI is a member with 50% ownership. The purpose of the partnership is to facilitate the fund raising and development of low-income housing.

CAPWI established a partnership known as Parke Place Apartments, L.P. The partnership's purpose is to provide 15 units of affordable housing. CAPWI owns 100% of the corporation that serves as the partnership's general partner. As developer, CAPWI is entitled to a developer's fee. As of December 31, 2007, \$225,000 had been earned and remained unpaid. CAPWI's investment in the partnership also consists of \$190,000 of HOME funds and \$73,500 of Affordable Housing Funds. CAPWI's investment also includes accrued interest at December 31, 2007, of \$85,772 and \$40,436 on these loans, respectively. The loans have deferred payments and are due after October 2028. CAPWI has also advanced the partnership funds totaling \$62,964 for various purposes.

## 7. LOANS RECEIVABLE

CAPWI operates a Rural Business Enterprise grant program that provides loans to low-income business owners. The loans are at 6% and 10% interest and are repayable on an installment basis over various loan maturities. Repaid loans and interest are used by the Agency for similar purposes. As of December 31, 2007, \$86,133 was recorded in deferred loans receivable (revolving grant funds). Interest payments are recorded as revenue when received.

CAPWI also holds \$679,567 in other mortgages and notes receivable related to community development and housing activities.

8. CONTINGENCIES

CAPWI has executed guaranty agreements for Highland Manor, L.P. and Parke Place Apartments, L.P. It has guaranteed that the general partner of each partnership will perform its duties and obligations in accordance with the partnership agreement.

9. GRANT REVENUE, GRANTS RECEIVABLE, AND DEFERRED REVENUE

CAPWI's grant revenue and grants receivable consist of the following at December 31:

Grantor/Program Title	Grants Receivable 12/31/06	Grant Revenue 12/31/07	Collections 12/31/07	Grants Receivable 12/31/07
<b>U.S. Department of Agriculture</b>				
WIC	\$ 56,229	\$ 289,895	\$ 346,124	\$ -
IMPACT	11,727	69,892	81,619	-
Child and Adult Care Food Program	-	80,396	80,396	-
<b>HUD</b>				
HOME	34,404	599,624	567,398	66,630
Section 8	-	42,845	42,845	-
<b>U.S. Department of Labor</b>				
WIA Adult	26,817	676,309	602,731	100,395
WIA Youth Activities	45,234	746,842	782,763	9,313
WIA Dislocated Workers	71,183	301,692	372,875	-
Rapid Response	-	112,000	18,875	93,125
<b>U.S. Department of Energy</b>				
Weatherization Assistance	22,692	207,391	230,083	-
<b>Homeland Security</b>				
FEMA	-	46,645	28,537	18,108
<b>HHS</b>				
TANF	7,516	89,094	96,610	-
LIHEAP	243,369	1,932,556	2,070,193	105,732
CCDF	4,254	14,482	17,200	1,536
CSBG	23,421	244,111	267,532	-
Head Start	94,209	2,272,101	2,358,729	7,581
Title III, Part D	-	2,825	2,825	-
Title III, Part B	-	2,000	2,000	-
<b>State and Other Programs</b>				
Step Ahead	1,397	-	1,397	-
Choice / Homemaker	20,169	73,851	63,679	30,341
Lead Testing	-	8,524	8,524	-
Tobacco Prevention and Cessation	-	61,528	61,528	-
MUFFY	-	9,000	9,000	-
MAC	-	32,475	32,475	-
Other	-	201,232	175,039	26,193
<b>Totals</b>	<b>\$ 662,621</b>	<b>\$ 8,117,310</b>	<b>\$ 8,320,977</b>	<b>\$ 458,954</b>

10. EMPLOYEE RETIREMENT PLAN

CAPWI offers a 401(k) retirement plan. An employee must be 21 years of age and have completed one year of employment to be eligible. CAPWI contributes \$500 for all eligible participants. CAPWI also makes a matching contribution equal to 100% of the first \$1,000 contributed by the employee. Contributions and matching contributions made by CAPWI were \$208,500 for the year ended December 31, 2007.

11. PROPERTY AND EQUIPMENT

CAPWI's property and equipment consisted of the following at December 31, 2007:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 237,444	\$ -	\$ 237,444
Building	5,108,309	1,393,491	3,714,818
Building improvements	313,420	91,814	221,606
Equipment	<u>64,127</u>	<u>15,081</u>	<u>49,046</u>
Total	<u>\$ 5,723,300</u>	<u>\$ 1,500,386</u>	<u>\$ 4,222,914</u>

Depreciation expense for the year totaled \$179,009.

12. NOTES PAYABLE

As of December 31, 2007, notes payable consisted of the following:

Promissory note from Old National Bank in the original amount of \$23,000 to improve certain rental properties. The note bears interest at the rate of 6.75% per annum and calls for monthly payments of \$205. A balloon payment of unpaid principal and accrued interest is due October 2011. The note is secured by real estate.	\$ 19,328
Promissory note from Montgomery Savings Association with interest at the rate of 6.97%. Monthly payments are \$316, with the outstanding balance due August 2028. The note is secured by real estate.	41,295
Promissory note from Old National Bank with interest at the rate of 5.5%. Monthly payments are \$397, with the outstanding balance due August 2009. The note is secured by real estate.	7,372
Promissory note from Old National Bank with interest at the rate of 7.75%. Monthly payments are \$309, with the outstanding balance due July 2018. The note is secured by real estate.	25,269

(Continued)

12. NOTES PAYABLE – Continued

Promissory note from Fowler State Bank with interest at the rate of 8%. Monthly payments are \$1,017, with the outstanding balance due June 2018. The note is secured by real estate.	120,690
Promissory note from Centre Bank of Indiana with interest at a variable rate. The note was refinanced with a note from Bank of Indiana with interest at the rate of 7%. Monthly payments are \$2,411 with the outstanding balance due April 2027. The note is secured by real estate.	307,884
Promissory note from Farmers and Merchants Bank with interest at the rate of 7.75%. Monthly payments are \$692, with the outstanding balance due August 2026. The note is secured by assignment of rents.	82,164
Promissory note from Old National Bank with interest at the rate of 7.52%. Monthly payments are \$2,307, with the outstanding balance due January 2028. The note is secured by real estate and assignment of rents.	284,652
Promissory note from Farmers and Merchants Bank with interest at the rate of 7.5%. Monthly payments are \$783, with the outstanding balance due September 2020. The note is secured by real estate.	77,184
Promissory note from First Parke State Bank with interest at the rate of 6%. Monthly payments are \$304, with the outstanding balance due August 2032. The note is secured by real estate.	46,058
Promissory note from First Financial Bank with interest at the rate of 7.25%. Monthly payments are \$246, with the outstanding balance due August 2032. The note is secured by real estate.	34,018
Promissory note from First Financial Bank with interest at the rate of 7.25%. Monthly payments are \$197, with the outstanding balance due February 2032. The note is secured by real estate.	27,299
Promissory note from First Financial Bank with interest at the rate of 6.25%. Monthly payments are \$357, with the outstanding balance due May 2035. The note is secured by real estate.	56,089
Promissory note from First Financial Bank with interest at the rate of 7.25%. Monthly payments of \$246 with the outstanding balance due February 2032. The note is secured by real estate.	33,683
Promissory note from the U.S. Department of Agriculture with interest at the rate of 4.25%. Monthly payments are \$1,224, with the outstanding balance due September 2043. The note is secured by real estate.	269,423

(Continued)

12. NOTES PAYABLE – Continued

Promissory note from Indiana Housing Authority with interest at the rate of 1%. Semi-annual payments are \$1,880, with the outstanding balance due April 2010. The note is secured by real estate.	50,646
Promissory note from Bank of Indiana with interest at the rate of 7.25%. Monthly payments are \$748 with the outstanding balance due May 2037. The note is secured by real estate.	108,790
Promissory note from Indiana Housing Authority with interest at the rate of 1%. Semi-annual payments are \$5,560, with the outstanding balance due June 2010. The note is secured by real estate.	168,645
Promissory note from Indiana Housing Authority with interest at the rate of 1%. Semi-annual payments are \$5,790, with outstanding balance due September 2019. The note is secured by real estate.	286,557
Promissory note from Indiana Housing Authority with interest at the rate of 1%. Semi-annual payments are \$5,400, with the outstanding balance due May 2022. The note is secured by real estate.	<u>172,684</u>
Total	<u>\$ 2,219,730</u>

Future principal maturities on the notes payable are as follows:

Year ending December 31,		
	2008	\$ 67,772
	2009	69,041
	2010	249,657
	2011	72,917
	2012	60,224
	Thereafter	<u>1,700,119</u>
	Total	<u>\$ 2,219,730</u>

**SUPPLEMENTAL INFORMATION**

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**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA**  
**HEAD START PROGRAM**  
**GRANT NO. 05CH4202/42**  
**STATEMENT OF REVENUE AND EXPENSES**  
**FOR THE PROGRAM YEAR ENDED JANUARY 31, 2008**

<b><u>REVENUE</u></b>	<u>Full Year Part-Day</u>	<u>Early Head Start</u>	<u>Total</u>
Grant award	\$ 1,765,057	\$ 418,067	\$ 2,183,124
Undrawn grant funds	(9,249)	-	(9,249)
Local cash	172,310	-	172,310
In-kind contributions	<u>425,723</u>	<u>247,504</u>	<u>673,227</u>
 Total Revenue	 <u>2,353,841</u>	 <u>665,571</u>	 <u>3,019,412</u>
 <b><u>EXPENSES</u></b>			
Personnel/fringe benefits	1,424,138	307,279	1,731,417
Rent/utilities	149,633	52,639	202,272
Telephone	12,474	5,818	18,292
Contractual	14,666	2,745	17,411
Program supplies	183,244	10,461	193,705
Travel/transportation	95,257	22,468	117,725
Training	10,600	5,342	15,942
Postage/printing	14,100	9,469	23,569
Other	10,662	1,840	12,502
In-kind expenses	425,723	247,504	673,227
Building improvements/repairs	<u>13,344</u>	<u>6</u>	<u>13,350</u>
 Total Expenses	 <u>2,353,841</u>	 <u>665,571</u>	 <u>3,019,412</u>
 Excess of Revenue Over Expenses	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

**COMMUNITY ACTION PROGRAM, INC.  
OF WESTERN INDIANA**

**REPORTS PRESCRIBED BY  
OMB CIRCULAR A-133**

**DECEMBER 31, 2007**

Report on Internal Control Over Financial Reporting and Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

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Board of Directors  
Community Action Program, Inc.  
of Western Indiana  
Covington, Indiana

We have audited the financial statements of Community Action Program, Inc. of Western Indiana (CAPWI) as of and for the year ended December 31, 2007, and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial reporting 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 CAPWI'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 CAPWI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CAPWI's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting 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 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether CAPWI'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of CAPWI's Board of Directors, management, others within the entity, and the 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.

*Gauthier + Kinnear, LLC*

September 29, 2008

Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133

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Board of Directors  
Community Action Program, Inc.  
of Western Indiana  
Covington, Indiana

COMPLIANCE

We have audited the compliance of Community Action Program, Inc. of Western Indiana (CAPWI) 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 each of its major federal programs for the year ended December 31, 2007. CAPWI's major federal programs are identified in the summary of auditors' 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 CAPWI's management. Our responsibility is to express an opinion on CAPWI'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 CAPWI'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 CAPWI's compliance with those requirements.

In our opinion, CAPWI 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, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of CAPWI 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 CAPWI's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 CAPWI's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of CAPWI as of and for the year ended December 31, 2007, and have issued our report thereon dated September 29, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of CAPWI's Board of Directors, management, others within the entity, and the 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.

*Jawhara & Associates, LLC*

September 29, 2008

Community Action Program, Inc. of Western Indiana  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2007

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Agriculture:</b>		
Indiana State Dept. of Health Special Supplemental Nutrition Program for WIC FSSA	10.557	\$ 289,895
State Administrative Matching Grants for Food Stamp Program USDA	10.561	69,892
Child and Adult Care Food Program	10.558	80,396
<b>U.S. Department of Housing and Urban Development:</b>		
Indiana Housing Finance Authority HOME Investment Partnerships Program FSSA	14.239	599,624
Lower Income Housing Assistance Program-Section 8	14.856	42,845
<b>U.S. Department of Labor:</b>		
Tecumseh Area Partnership WIA Adult Program	17.258	676,309
Tecumseh Area Partnership WIA Youth Activities	17.259	746,842
Tecumseh Area Partnership WIA Dislocated Workers	17.260	301,692
Tecumseh Area Partnership Rapid Response	17.258	112,000
<b>U.S. Department of Energy:</b>		
FSSA Weatherization Assistance for Low-Income Persons	81.042	207,391
<b>U.S. Department of Homeland Security:</b>		
Emergency Food and Shelter Program Emergency Food and Shelter National Board Program	97.024	46,645
<b>U.S. Department of Health and Human Services:</b>		
FSSA Temporary Assistance for Needy Families	93.558	89,094
FSSA Low-Income Home Energy Assistance	93.568	1,932,556
FSSA Child Care Mandatory and Matching Funds of the CCDF	93.596	14,482
FSSA Community Services Block Grant	93.569	244,111
U.S. Department of Health and Human Services Head Start	93.600	2,272,101
Area IV Agency on Aging and Community Action Programs Special Programs for the Aging-Title III, Part D	93.043	2,825
Area IV Agency on Aging and Community Action Programs Special Programs for the Aging-Title III, Part B	93.044	2,000
<b>Total Expenditure of Federal Awards</b>		<b>7,730,700</b>
USDA Women, Infants, and Children - Non-Cash Assistance	10.557	1,225,000
<b>Total Expenditure of Federal Awards - Including Non-Cash</b>		<b>\$ 8,955,700</b>

The accompanying notes are an integral part of this schedule.

Community Action Program, Inc. of Western Indiana  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2007

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The following describes the significant accounting policies used in the preparation of the schedule of expenditures of federal awards:

Basis of Accounting – CAPWI maintains its financial records in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources are classified for internal accounting purposes into funds that are associated with specific activities or objectives. CAPWI maintains these records on a cash basis. These records have been converted to the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related goods or services are received in its preparation of the schedule of expenditures of federal awards. The information in this schedule 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.

The following details non-cash federal assistance distributed to recipients by CAPWI.

CAPWI distributed \$1,225,000 in Women, Infants, and Children (WIC) nutrition vouchers during 2007.

Community Action Program, Inc. of Western Indiana  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2007

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ITEM NUMBER

AUDIT FINDING

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None reported.

Community Action Program, Inc. of Western Indiana  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2007

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**Section I - Summary of Auditors' Results**

Financial Statements:

Type of auditor report issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified? *No*

Significant deficiency(ies) identified that are not  
considered to be material weaknesses? *None reported*

Noncompliance material to financial statements noted: *No*

Federal Awards:

Internal control over major programs:

Material weakness(es) identified: *No*

Significant deficiency(ies) identified that are not  
considered to be material weaknesses? *None reported*

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a)  
of Circular A-133? *No*

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.600	Head Start
93.568	Low-income Home Energy Assistance

Community Action Program, Inc. of Western Indiana  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2007

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**Section I - Summary of Auditors' Results - continued**

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**Section II - Financial Statement Findings**

*No matters were reported.*

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

*No matters were reported.*