



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

B44286

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 10, 2014

Board of Directors
Community Action Program of Evansville and Vanderburgh County, Inc.
401 S.E. 6th Street, Suite 001
Evansville, IN 47713

We have reviewed the audit report prepared by Comer, Nowling and Associates, P.C., for the period January 1, 2011 to December 31, 2011. 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 Community Action Program of Evansville and Vanderburgh County, Inc., as of December 31, 2011, 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.

We call your attention to the findings in the report. The audit report included three audit findings. Please refer to the Schedule of Findings and Questioned Costs for complete details of the findings.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

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

**Consolidated Financial
Statements
for the Year Ended
December 31, 2011
(With Single Audit Section)**

COMER  NOWLING
INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

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

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	3
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS.....	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS.....	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.....	20
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	21
CONSOLIDATING STATEMENT OF ACTIVITIES.....	22
CONSOLIDATING STATEMENT OF CASH FLOWS	23
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	24
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD.....	26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	27
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	34
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	38



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

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, 2011 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.

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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action Program of Evansville and Vanderburgh County, Inc. and Subsidiary as of December 31, 2011, 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 July 22, 2012 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.

July 22, 2012

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

ASSETS

Current assets	
Cash	\$ 693,197
Grants receivable	658,650
Accounts receivable	220,454
Due from Southern Indiana Housing Corp.	3,200
Due from Brumfield Place, L.P.	83,304
Prepaid expenses	<u>45,268</u>
Total current assets	<u>1,704,073</u>
Property and equipment	
Land	295,126
Vehicles and equipment	1,156,715
Buildings and improvements	1,673,464
Construction-in-progress	<u>3,121,371</u>
Less accumulated depreciation	<u>6,246,676</u>
Total property and equipment, net	<u>4,996,444</u>
Other assets	
Development fees receivable	156,185
Notes receivable - Brumfield Place, L.P.	425,000
Notes receivable - Paradise Estates Apartments	<u>847,470</u>
Total other assets	<u>1,428,655</u>
	<u><u>\$ 8,129,172</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 150,719
Accrued payroll and payroll expenses	510,068
Deferred revenue	39,793
Retainage payable	253,718
Current maturities of long-term debt	<u>13,832</u>
Total current liabilities	<u>968,130</u>
Long-term liabilities	
Note payable - CDBG	322,500
Note payable - AHP Funds	264,170
Note payable - HOME Funds	375,000
Note payable - Section 202	633,300
Note payable - Section 1602	3,027,283
Notes payable - other	<u>858,210</u>
Total long-term liabilities	<u>5,480,463</u>
Total liabilities	<u>6,448,593</u>
Net assets - unrestricted	<u>1,680,579</u>
Total liabilities and net assets	<u><u>\$ 8,129,172</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, 2011**

Support and revenue	
Grant revenue	\$ 12,916,392
Donations	54,594
Program revenue	61,053
Other	692
Interest	19
In-kind contributions	<u>1,152,040</u>
Total support and revenue	<u>14,184,790</u>
Expenses	
Childhood education	6,159,492
Child care	380,923
Nutrition	266,789
Senior volunteer	146,001
Utility assistance	4,641,606
Housing assistance	317,318
Home weatherization assistance	1,433,412
Emergency family service	5,163
Other Program	198,817
Management and general	<u>999,878</u>
Total operating expenses	<u>14,549,399</u>
Decrease in net assets	(364,609)
Net assets at beginning of year	<u>2,045,188</u>
Net assets at end of year	<u>\$ 1,680,579</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, 2011**

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

See accompanying notes to financial statements.

Utility Assistance	Housing Assistance	Home Weatherization Assistance	Emergency Family Service	Other Program	Management and General	Subsidiary	Totals
\$ 385,469	\$ 117,920	\$ 492,078	\$ -	\$ 84,022	\$ 546,215	\$ -	5,874,074
19,380	1,930	48,246	-	38,513	265,040	-	755,205
15,555	576	11,651	-	-	17,031	-	97,707
14,979	1,712	23,612	-	15,130	31,098	-	196,794
9,828	4,168	15,000	-	19,134	60,239	-	142,273
3,367	4,919	4,995	-	1,085	39,152	-	146,105
-	5,649	-	-	-	-	-	5,649
4,189,824	178,111	799,520	5,163	36,512	2,299	-	5,970,425
3,204	2,333	38,310	-	4,421	38,804	-	209,127
-	-	-	-	-	-	1,695,667	1,695,667
-	4,500	-	-	-	44,089	-	56,584
-	-	-	-	-	-	-	1,152,040
4,641,606	321,818	1,433,412	5,163	198,817	1,043,967	1,695,667	16,301,651
-	(4,500)	-	-	-	(44,089)	(1,695,667)	(1,752,251)
\$ 4,641,606	\$ 317,318	\$ 1,433,412	\$ 5,163	\$ 198,817	\$ 999,878	\$ -	\$ 14,549,399

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

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (364,609)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	109,102
Contributions of fixed assets	(36,000)
(Increase) decrease in cash from changes in:	
Grants receivable	367,239
Accounts receivable	(134,358)
Prepaid expenses	4,018
Increase (decrease) in cash from changes in:	
Accounts payable	55,895
Accrued payroll and related expenses	5,634
Retainage payable	166,532
Deferred revenue	(9,922)
Construction payables to be converted to long-term	<u>(452,195)</u>
Net cash used in operating activities	<u>(288,664)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Payments for construction-in-progress	(1,404,855)
Purchase of fixed assets	<u>(57,159)</u>
Net cash used by used in investing activities	<u>(1,462,014)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Loan and note proceeds	2,022,042
Repayment of notes payable	<u>(12,782)</u>
Net cash provided by financing activities	<u>2,009,260</u>

NET INCREASE IN CASH	258,582
CASH, BEGINNING OF YEAR	434,615
CASH, END OF YEAR	<u>\$ 693,197</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for interest	<u>\$ 73,432</u>
--	------------------

See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

NATURE OF OPERATIONS

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

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

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

BASIS OF PRESENTATION

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

REVENUErecognition

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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

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

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

When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred.

Total depreciation expense for the year ended December 31, 2011, was \$109,102.

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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL STATEMENT PRESENTATION (continued)

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

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

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

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

USE OF ESTIMATES

The preparation of accrual basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CONTRIBUTIONS

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH EQUIVALENTS

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

IN-KIND CONTRIBUTIONS

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by a like amount. For the year ended December 31, 2011, this adjustment amounted to approximately \$1,152,040.

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 \$1,152,040 of in-kind contributions and related expenses recorded in the Organization's Statement of Activities for the year ended December 31, 2011, contributed services meeting the requirements of the aforementioned standard are \$706,389 all related to Head Start. During 2011, the Organization also received other in-kind contributions totaling \$390,296 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 2011, the Organization also received in-kind donations including food, supplies, and space for its Head Start program totaling \$445,651. The table below details the in-kind contributions for the year ended December 31, 2011:

Head Start in-kind	
Professional services	\$ 706,389
Supplies/food/space in-kind	<u>445,651</u>
 Total in-kind reported in financial statements	 1,152,040
 Head Start volunteer services	 369,120
Foster Grandparents volunteer	<u>21,176</u>
Total in-kind for all programs	<u>\$ 1,542,336</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 – CASH

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

Checking	\$ 692,797
Petty Cash	<u>400</u>
Total Cash	<u><u>\$ 693,197</u></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, 2011 consisted of:

Federal Programs (Direct and pass-through)	\$ 657,407
State and Local Programs	<u>1,243</u>
Total	<u><u>\$ 658,650</u></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, 2011, 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, 2011**

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, 2011, 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 \$42,858 for 2011.

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, 2011.

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

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, 2011, 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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 8 – NOTES RECEIVABLE (continued)

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, 2011, the mortgage balance remained at \$225,000.

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

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

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

NOTE 9 – OPERATING LEASES

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

<u>Year</u>	<u>Amount</u>
2012	\$ 178,225
2013	118,381
2014	111,481
2015	111,481
2016	110,117
Thereafter	<u>504,130</u>
	<u><u>\$1,133,815</u></u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011 was \$672,768.

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, 2011 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, 2011 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>
2012	\$ 13,832
2013	85,527
2014	12,527
2015	13,602
2016	626,651
Thereafter	<u>119,902</u>
	<u><u>\$ 872,043</u></u>

Interest expense amounted to \$66,846 for the year ended December 31, 2011.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

Brumfield Place L.P. (the "Project") was organized as a limited partnership in March 2002 to construct, own and operate a 24-unit apartment complex in Princeton, Indiana. Each building in the project has qualified and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Organization owns a 1/100th interest in the Project and has obtained HOME and AHP funds to assist with the development. The HOME and AHP Funds have in turn been loaned to the Project (see note 8). As of December 31, 2011 and 2010, the Organization had made no material contributions to the Project or incurred any material related costs.

Paradise Estates Apartments (the "Secondary Project") was organized as a separate not-for-profit in March 2003 to construct, own and operate a 9-unit apartment complex in Princeton, Indiana. The Organization, under the signature of its affiliate, Southern Indiana Housing Corporation, obtained Section 202, HOME and AHP funds to assist with the development. The Section 202, HOME and AHP Funds have in turn been loaned to the Secondary Project (see note 8). As of December 31, 2011 and 2010, 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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

The Organization, under the signature of its subsidiary, CAPE Place, LLC, has entered into an agreement with the Indiana Housing and Community Development Authority for the use of \$3,026,140 of ARRA Section 1602 Exchange funds in the development of 28 units of low-income housing. The loan is forgivable in 1/15th 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, 2011, the note balance was \$3,027,283.

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

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 57 mortgages with a total balance of \$497,703.

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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011. At times throughout the year, the balance in this account may exceed these limits. The balance in excess of FDIC coverage is collaterally secured by the bank with Treasury Bills.

Revenues from federal and state government agencies that provide grant and contract funding to the Organization represented 93% of the Organization's total revenue and support for the year ended December 31, 2011.

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, 2011 was \$4,500.

NOTE 16 – INDIVIDUAL DEVELOPMENT ACCOUNTS

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



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

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, 2011, 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.
July 22, 2012

SUPPLEMENTARY INFORMATION

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	Consolidated <u>Total</u>
Current assets				
Cash	\$ 190,233	\$ 502,964	\$ -	\$ 693,197
Grants receivable	658,650	-	-	658,650
Accounts receivable	573,797	-	(353,343)	220,454
Due from Southern Indiana Housing Corp.	3,200	-	-	3,200
Due from Brumfield Place, L.P.	83,304	-	-	83,304
Prepaid expenses	45,268	-	-	45,268
Total current assets	1,554,452	502,964	(353,343)	1,704,073
Property and equipment				
Land	235,126	60,000	-	295,126
Vehicles and equipment	1,156,715	-	-	1,156,715
Buildings and improvements	1,673,464	-	-	1,673,464
Construction-in-progress	-	3,299,244	(177,873)	3,121,371
Less accumulated depreciation	3,065,305	3,359,244	(177,873)	6,246,676
Total property and equipment, net	(1,250,232)	-	-	(1,250,232)
Total property and equipment, net	1,815,073	3,359,244	(177,873)	4,996,444
Other assets				
Development fees receivable	261,729	-	(105,544)	156,185
Investment in Subsidiary	153,063	-	(153,063)	-
Notes receivable - Brumfield Place, L.P.	425,000	-	-	425,000
Notes receivable - Paradise Estates Apartments	847,470	-	-	847,470
Total other assets	1,687,262	-	(258,607)	1,428,655
	\$ 5,056,787	\$ 3,862,208	\$ (789,823)	\$ 8,129,172
Current liabilities				
Accounts payable	\$ 150,719	\$ -	\$ -	\$ 150,719
Accrued payroll and payroll expenses	510,068	-	-	510,068
Deferred revenue	39,793	-	-	39,793
Developer fees due to CAPE	-	105,544	(105,544)	-
Retainage Payable	-	253,718	-	253,718
Current maturities of long-term debt	13,832	-	-	13,832
Total current liabilities	714,412	359,262	(105,544)	968,130
Long-term liabilities				
Construction payables to be converted to long-term	-	322,500	(322,500)	-
Note payable - CDBG	322,500	-	-	322,500
Note payable - AHP Funds	264,170	-	-	264,170
Note payable - HOME Funds	375,000	-	-	375,000
Note payable - Section 202	633,300	-	-	633,300
Note Payable - Section 1602	-	3,027,283	-	3,027,283
Notes payable - other	858,210	-	-	858,210
Total long-term liabilities	2,453,180	3,349,783	(322,500)	5,480,463
Total liabilities	3,167,592	3,709,045	(428,044)	6,448,593
Net assets - unrestricted	1,889,195	153,163	(361,779)	1,680,579
Total liabilities and net assets	\$ 5,056,787	\$ 3,862,208	\$ (789,823)	\$ 8,129,172

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, 2011**

	<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	Consolidated
Support and revenue				
Grant revenue	\$ 12,916,392	\$ -	\$ -	\$ 12,916,392
Contributions	54,594	-	-	54,594
Program revenue	61,053	-	-	61,053
Other	209,408	-	(208,716)	692
Interest	19	-	-	19
In-kind contributions	1,152,040	-	-	1,152,040
Total support and revenue	14,393,506	-	(208,716)	14,184,790
Expenses				
Childhood education	6,159,492	-	-	6,159,492
Child care	380,923	-	-	380,923
Nutrition	266,789	-	-	266,789
Senior volunteer	146,001	-	-	146,001
Utility assistance	4,641,606	-	-	4,641,606
Housing assistance	317,318	-	-	317,318
Home weatherization assistance	1,433,412	-	-	1,433,412
Emergency family service	5,163	-	-	5,163
Other program	198,817	-	-	198,817
Management and general	999,878	-	-	999,878
Total operating expenses	14,549,399	-	-	14,549,399
Increase (decrease) in net assets	(155,893)	-	(208,716)	(364,609)
Net assets at beginning of year	2,045,088	100	-	2,045,188
Investment in subsidiary	-	153,063	(153,063)	-
Net assets at end of year	\$ 1,889,195	\$ 153,163	\$ (361,779)	\$ 1,680,579

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, 2011**

	<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ (155,893)	\$ -	\$ (208,716)	\$ (364,609)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation	109,102	-	-	109,102
Contributions of fixed assets	(36,000)	-	-	(36,000)
(Increase) decrease in cash from changes in:				
Grants receivable	367,239	-	-	367,239
Accounts receivable	(527,823)	-	393,465	(134,358)
Development fees receivable	(38,044)	-	38,044	-
Prepaid expenses	4,018	-	-	4,018
Increase (decrease) in cash from changes in:				
Accounts payable	60,795	(4,900)	-	55,895
Accrued payroll and related expenses	5,634	-	-	5,634
Development fees due to CAPE	-	38,044	(38,044)	-
Retainage payable	-	166,532	-	166,532
Deferred revenue	(9,922)	-	-	(9,922)
Construction payables to be converted to long-term	-	(452,195)	-	(452,195)
Net cash used in operating activities	(220,894)	(252,519)	184,749	(288,664)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Payments for construction-in-progress	-	(1,695,669)	290,814	(1,404,855)
Investment in subsidiary	(153,063)	153,063	-	-
Purchase of fixed assets	(57,159)	-	-	(57,159)
Net cash used in investing activities	(210,222)	(1,542,606)	290,814	(1,462,014)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Loan and note proceeds	322,500	2,175,105	(475,563)	2,022,042
Repayment of notes payable	(12,782)	-	-	(12,782)
Net cash provided by financing activities	309,718	2,175,105	(475,563)	2,009,260
NET INCREASE (DECREASE) IN CASH	(121,398)	379,980	-	258,582
CASH, BEGINNING OF YEAR	311,631	122,984	-	434,615
CASH, END OF YEAR	\$ 190,233	\$ 502,964	\$ -	\$ 693,197
Supplemental Disclosures of Cash Flow Information				
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, 2011**

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CRDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Indiana Department of Education: Child and Adult Care Food Program	10.558	1820162	\$ 266,789
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the Indiana Housing and Community Development Authority (IHCDA): Section 8 Housing	14.871		199,371
CDBG Supplemental Disaster Appropriation-II	14.228	DR20R-009-024	71,506
Subtotal			<u>270,877</u>
Passed through the City of Evansville: CHDO	14.218	063-510-439050004	17,213
Down Payment Assistance	14.218	063-372-53905000	3,500
Emergency Needs Pantry	14.218	6305-00	5,163
Subtotal			<u>25,876</u>
Direct Program: Section 202 Capital Grant - Paradise Estates	14.157	073-BB081-NP-WAH	633,300
Community Block Grant - Paradise Estates	14.219	2004B0618	64,170
Subtotal			<u>697,470</u>
HOME funds - Paradise Estates	14.239	063-512-439050020	150,000
HOME funds - Mulberry Properties	14.239	063-512-539050004	160,000
AHP funds - Brunfield Place	14.239	98B0626	200,000
HOME funds - Brunfield Place	14.239	CH-001-007	225,000
Subtotal CFDA 14.239 direct funding			<u>735,000</u>
Total U.S. Department of Housing and Urban Development			<u>1,729,223</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program: Head Start Program			
Full Day / Part Day	93.600	05CH0741/45, 05CH0741/46	4,977,377
Training and Technical Assistance	93.600	05CH0741/45, 05CH0741/46	65,858
Subtotal Head Start cluster			<u>5,043,235</u>
IDA Contract	93.602	IDA010-008A, B, C	9,345
IDA Contract	93.602	IDA011-008A, B, C	5,910
			<u>15,255</u>
Passed through the Indiana Housing and Community Development Authority (IHCDA): Community Services Block Grant (CSBG)	93.569	CS-011-010	320,213
Subtotal CSBG cluster			<u>320,213</u>
Weatherization / Energy Assistance for Low-Income Families: LIHEAP	93.568	LI-009-010	4,641,606
Energy Assistance Program	93.568	WL-011-010, WL-012-010	235,604
Subtotal			<u>4,877,210</u>
Total U.S. Department of Health and Human Services			<u>10,255,913</u>

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**

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF ENERGY			
Passed through the Indiana Housing and Community Development Authority (IHEDA):			
Weatherization Assistance for Low-Income Persons	81.042	WX-010-010	29,266
ARRA Weatherization Assistance for Low-Income Persons	81.042	HEC-010-007	779,538
Sustainable Energy Resources	81.042	SE-011-007	236,597
			<u>1,045,401</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Foster Grandparent Program	94.011	09SFNIN003	<u>126,568</u>
Total Expenditures of Federal Awards			<u>\$ 13,423,894</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, 2011**

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Community Action Program of Evansville and Vanderburgh County, Inc. and is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 – Energy Assistance Payments

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$614,421 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, 2011.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2011**

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.

Auditor Update: Financial management staff prepared and provided necessary adjustment to properly present subsidiary activity in the current year.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

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.

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.

Auditor Update: Journal entries required for the proper presentation of the financials reports were proposed by the Organization's financial management staff.

**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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

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

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.

Management's Response: IHCDA 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 IHCDA staff. The Executive Director then requested assistance from IHCDA 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 (IHCDA 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 Director scheduled herself for the NAHRO training (June 2011).

IHCDA 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

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

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

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 IHCDA made.

Auditor Update: The Organization ceased providing HCVP assistance during 2011, and therefore the related compliance requirements noted in prior year are no longer applicable.

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.

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

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

Finding FA 2010-01 – Update cost allocation plan and document the percentages for allocation (continued)

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 reviewed whenever there is a substantial change in the application of the plan. At that time a revised percent will be prepared and maintained.

Auditor Update: Per the audit work performed, the Organization used appropriate allocation bases in the current year.

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.

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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

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

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.

Auditor Update: Per the audit work performed, no errors in the calculation of energy assistance benefits were noted.

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.

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.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

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

Management's Response: IHCDA 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 IHCDA staff. The Executive Director then requested assistance from IHCDA 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 (IHCDA 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 Director scheduled herself for the NAHRO training (June 2011).

IHCDA 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 IHCDA made.

Auditor Update: The Organization ceased providing HCVP assistance during 2011, and therefore the related compliance requirements noted in prior year are no longer applicable.

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

To the Board of Directors

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

We have audited the financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. (a nonprofit organization), as of and for the year ended December 31, 2011, and have issued our report thereon dated July 22, 2012. 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Program of Evansville and Vanderburgh County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Community Action Program of Evansville and Vanderburgh County, Inc.'s 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.

July 22, 2012



INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

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

To the Board of Directors
Community Action Program of Evansville and Vanderburgh County, Inc.
Evansville, 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, 2011. Community Action Program of Evansville and Vanderburgh County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community Action Program of Evansville and Vanderburgh County, Inc.'s management. Our responsibility is to express an opinion on Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance with those requirements.

In our opinion, Community Action Program of Evansville and Vanderburgh County, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with *OMB Circular A-133* and which are described in the accompanying schedule of findings and questioned costs as items FA-2011-1, FA-2011-2 and FA-2011-3.

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items FA-2011-1, FA-2011-2 and FA-2011-3. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
July 22, 2012

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
• Significant deficiencies identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
• Significant deficiencies identified?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

Type of auditor's report issued: Unqualified

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
93.568	U.S. Dept. of Health and Human Services – Energy Assistance
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 \$402,717

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, 2011**

Section II – Financial Statement Findings

There were no financial statement findings in the current year.

Section III – Federal Award Findings and Questioned Costs

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

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

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

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

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

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

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

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

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

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

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

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

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

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

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

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

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

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

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

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

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

**COMMUNITY ACTION PROGRAM OF EVANSVILLE
AND VANDERBURGH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

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

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

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

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

