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October 10, 2014

Board of Directors  
Community Action Program of Evansville and Vanderburgh County, Inc.  
401 S.E. 6<sup>th</sup> 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, 2013 to December 31, 2013. 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, 2013, 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.

*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 Years Ended  
December 31, 2013 and 2012  
(With Single Audit Section)**

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*Certified Public Accountants*

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

**CONTENTS**

INDEPENDENT AUDITOR'S REPORT.....	1
<b>FINANCIAL STATEMENTS</b>	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	3
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS.....	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES .....	5
CONSOLIDATED STATEMENTS OF CASH FLOWS .....	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	10
<b>SUPPLEMENTARY INFORMATION</b>	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.....	23
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION .....	24
CONSOLIDATING STATEMENTS OF ACTIVITIES.....	26
CONSOLIDATING STATEMENTS OF CASH FLOWS .....	28
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	30
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD .....	32
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	33
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	36
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY <i>OMB CIRCULAR A-133</i> .....	38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	40

# COMER NOWLING

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## **Independent Auditor's Report**

Board of Directors

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

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. (a nonprofit organization) and CAPE Place, LLC (Subsidiary), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Cape Place, LLC, as of, and for the year ended December 31, 2012 which statements reflect total assets of \$3,939,668 as of December 31, 2012 and total support and revenues of \$272,579 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned organization, is based solely on the report of the other auditors. We did audit the financial statements of Cape Place, LLC, as of, and for the year ended December 31, 2013. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action Program of Evansville and Vanderburgh County, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 consolidated financial statements or the consolidated 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 respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2014, 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 and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Program of Evansville and Vanderburgh County, Inc.'s internal control over financial reporting and compliance.

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

Comer, Nowling And Associates, P.C.  
Indianapolis, Indiana  
June 12, 2014

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

**ASSETS**

	<u>2013</u>	<u>2012</u>
<b>Current assets</b>		
Cash	\$ 357,471	\$ 193,287
Certificates of deposit	113,343	116,000
Grants receivable	643,892	673,007
Accounts receivable	173,977	158,012
Due from Southern Indiana Housing Corp.	3,200	3,200
Due from Brumfield Place, L.P.	83,304	83,304
Prepaid expenses	135,277	207,485
Total current assets	<u>1,510,464</u>	<u>1,434,295</u>
<b>Property and equipment</b>		
Land	316,026	309,826
Vehicles and equipment	1,329,717	1,279,765
Buildings and improvements	5,081,252	5,117,252
	<u>6,726,995</u>	<u>6,706,843</u>
Less accumulated depreciation	<u>(1,613,891)</u>	<u>(1,399,218)</u>
Total property and equipment, net	<u>5,113,104</u>	<u>5,307,625</u>
<b>Other assets</b>		
Development fees receivable	156,185	156,185
Notes receivable - Brumfield Place, L.P.	425,000	425,000
Notes receivable - Paradise Estates Apartments	847,470	847,470
Capitalized costs, net	115,626	147,160
Total other assets	<u>1,544,281</u>	<u>1,575,815</u>
	<u>\$ 8,167,849</u>	<u>\$ 8,317,735</u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>		
Accounts payable	\$ 127,808	\$ 124,443
Accrued payroll and payroll expenses	549,381	523,349
Deferred revenue	165,105	152,041
Current maturities of long-term debt	16,743	85,461
Total current liabilities	<u>859,037</u>	<u>885,294</u>
<b>Long-term liabilities</b>		
Note payable - CDBG	400,000	400,000
Note payable - AHP Funds	264,170	264,170
Note payable - HOME Funds	375,000	375,000
Note payable - Section 202	633,300	633,300
Note payable - Section 1602	2,575,988	2,824,397
Notes payable - other	827,764	773,600
Total long-term liabilities	<u>5,076,222</u>	<u>5,270,467</u>
Total liabilities	<u>5,935,259</u>	<u>6,155,761</u>
Net assets - unrestricted	<u>2,232,590</u>	<u>2,161,974</u>
Total liabilities and net assets	<u>\$ 8,167,849</u>	<u>\$ 8,317,735</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Support and revenue		
Grant revenue	\$ 9,844,303	\$ 10,050,734
Donations	69,325	79,972
Program revenue	54,223	55,163
Rent income	145,358	70,836
Other	13,319	510,405
Interest	1,395	16
Section 1602 forgiveness	248,409	201,743
Gain on sale of property and equipment	52,301	-
In-kind contributions	803,207	866,260
	<hr/>	<hr/>
Total support and revenue	11,231,840	11,835,129
	<hr/>	<hr/>
Expenses		
Childhood education	5,557,437	5,779,502
Child care	418,572	547,960
Nutrition	296,339	333,755
Senior volunteer	191,443	177,032
Utility assistance	2,744,311	2,552,567
Housing assistance	204,495	391,869
Home weatherization assistance	917,011	755,031
Emergency family service	8,169	-
Management and general	537,011	657,801
Subsidiary	286,436	153,217
	<hr/>	<hr/>
Total operating expenses	11,161,224	11,348,734
	<hr/>	<hr/>
Increase (decrease) in net assets	70,616	486,395
Net assets at beginning of year	2,161,974	1,680,579
Payment of syndication costs	-	(5,000)
	<hr/>	<hr/>
Net assets at end of year	\$ 2,232,590	\$ 2,161,974
	<hr/>	<hr/>

See accompanying notes to consolidated financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Childhood Education</u>	<u>Child Care</u>	<u>Nutrition</u>	<u>Senior Volunteer</u>	<u>Utility Assistance</u>
<b>OPERATING EXPENSES</b>					
Personnel costs	\$ 3,736,247	\$ 351,164	\$ -	\$ 32,407	\$ 286,630
Space costs	423,103	7,711	-	-	29,871
Communications	46,334	-	-	-	9,406
Contractual services	65,339	39,226	-	-	14,934
Supplies	65,249	219	-	295	14,360
Travel and training	95,338	-	-	1,015	4,395
Equipment	-	-	-	-	-
Customer assistance	244,192	18,916	296,339	132,357	2,383,954
Other	125,453	1,336	-	-	761
Renovations	-	-	-	-	-
Partnership	-	-	-	-	-
In-kind expenses	771,638	-	-	25,369	-
Total program expenses by function prior to GAAP adjustment	5,572,893	418,572	296,339	191,443	2,744,311
Capital expenditures	(15,456)	-	-	-	-
Total operating expenses after GAAP adjustment	<u>\$ 5,557,437</u>	<u>\$ 418,572</u>	<u>\$ 296,339</u>	<u>\$ 191,443</u>	<u>\$ 2,744,311</u>

See accompanying notes to consolidated financial statements.



<u>Housing Assistance</u>	<u>Home Weatherization Assistance</u>	<u>Emergency Family Services</u>	<u>Management and General</u>	<u>Subsidiary</u>	<u>2013 Totals</u>
\$ 128,712	\$ 257,400	\$ -	\$ 297,197	\$ -	\$ 5,089,757
11,466	24,568	-	156,716	-	653,435
838	6,818	-	11,976	-	75,372
9,646	12,914	-	28,025	-	170,084
7,441	23,575	-	35,064	-	146,203
17,926	5,564	-	5,081	-	129,319
-	12,600	-	-	-	12,600
5,723	414,256	8,169	2,653	-	3,506,559
5,842	30,041	-	299	-	163,732
16,901	141,875	-	-	-	158,776
-	-	-	-	286,436	286,436
-	-	-	-	-	797,007
204,495	929,611	8,169	537,011	286,436	11,189,280
-	(12,600)	-	-	-	(28,056)
<u>\$ 204,495</u>	<u>\$ 917,011</u>	<u>\$ 8,169</u>	<u>\$ 537,011</u>	<u>\$ 286,436</u>	<u>\$ 11,161,224</u>

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

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

See accompanying notes to consolidated financial statements.

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

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<u>2013</u>	<u>2012</u>
Change in net assets	\$ 70,616	\$ 486,395
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	229,696	188,719
Amortization	31,534	10,511
Gain on sale of property and equipment	(52,301)	-
Contributions of fixed assets	(6,200)	-
Section 1602 loan forgiveness	(248,409)	(201,743)
Increase (decrease) in cash from changes in:		
Grants receivable	29,881	(14,357)
Accounts receivable	(16,731)	207,069
Prepaid expenses	72,208	(162,217)
Accounts payable	3,365	(26,276)
Accrued payroll and related expenses	26,032	13,281
Retainage payable	-	(253,718)
Deferred revenue	13,064	112,248
Construction payables to be converted to long-term	-	(322,500)
Net cash provided by (used in) operating activities	<u>152,755</u>	<u>37,412</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of certificates of deposit	2,657	(116,000)
Payment of syndication costs	-	(5,000)
Proceeds from sale of property and equipment	88,145	-
Purchases of property and equipment	(64,819)	(480,841)
Net cash provided by (used in) investing activities	<u>25,983</u>	<u>(601,841)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan and note proceeds	70,707	77,500
Repayment of notes payable	(85,261)	(12,981)
Net cash provided by (used in) financing activities	<u>(14,554)</u>	<u>64,519</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>164,184</u>	<u>(499,910)</u>
<b>CASH, BEGINNING OF YEAR</b>	<u>193,287</u>	<u>693,197</u>
<b>CASH, END OF YEAR</b>	<u>\$ 357,471</u>	<u>\$ 193,287</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 68,992</u>	<u>\$ 76,171</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

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

**PRINCIPLES OF CONSOLIDATION**

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

**NATURE OF OPERATIONS**

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

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

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

**BASIS OF PRESENTATION**

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

**REVENUE RECOGNITION**

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

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

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

**PROPERTY AND EQUIPMENT**

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

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

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

The Organization's total depreciation expense for the years ended December 31, 2013 and 2012, was \$114,694 and \$113,568, respectively. The Subsidiary's depreciation expense was \$115,002 and \$75,151, respectively for the years ended December 31, 2013 and 2012.

**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:

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

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

**FINANCIAL STATEMENT PRESENTATION (continued)**

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

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

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

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

For the years ended December 31, 2013 and 2012 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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

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

**CONTRIBUTED SERVICES**

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

**TAX BENEFITS**

The Organization and Subsidiary recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded.

**ALLOCATION OF COSTS**

The Organization allocates joint costs to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective. The Organization's cost allocation methods are as follows:

*Administrative Personnel*

Agency administrative and financial personnel (Executive Director, Director of Administration, accounting personnel, etc.) record the time they spend working on specific programs on their time sheets. The time specifically identifiable to a particular program is charged to that program.

*Administrative Non-personnel Costs*

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

*Occupancy Costs*

Occupancy costs (maintenance costs, utilities, insurance, rent, repair costs, etc.) are allocated based on the number of square feet of space each program occupies.

**GRANTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The grants receivable represent amounts the Organization has filed claims for the years ended and were awaiting payment. A substantial majority of receivables are due from government sources. The amount deemed uncollectible is zero. Therefore, no bad debt allowance is considered necessary.



**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

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

**ACCOUNTS RECEIVABLE**

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

**CASH EQUIVALENTS**

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

**IN-KIND CONTRIBUTIONS**

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by a like amount. For the years ended December 31, 2013 and 2012, this adjustment amounted to approximately \$803,207 and \$866,260, respectively.

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

Of the \$803,207 and \$866,260 of in-kind contributions and related expenses recorded in the Organization's Statement of Activities for the years ended December 31, 2013 and 2012, contributed services meeting the requirements of the aforementioned standard are \$444,893 and \$415,465, respectively, related to Head Start. During 2013 and 2012, the Organization also received other in-kind contributions totaling \$338,749 and \$703,746, respectively, related to its Head Start and Foster Grandparent programs, which includes services from non-professional volunteers which are not recorded in the Consolidated Statements of Activities.

During 2013 and 2012, the Organization also received in-kind donations including food, supplies, and space for its Head Start program totaling \$352,114 and \$450,795, respectively.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

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

**IN-KIND CONTRIBUTIONS (continued)**

The table below details the in-kind contributions for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Head Start/Foster Grandparent in-kind		
Professional services	\$ 444,893	\$ 415,465
Donated property	6,200	-0-
Supplies/food/space in-kind	<u>352,114</u>	<u>450,795</u>
 Total in-kind reported in financial statements	 803,207	 866,260
Head Start volunteer services	327,928	686,346
Foster Grandparents volunteer	10,822	17,400
Total in-kind for all programs	<u>\$ 1,141,957</u>	<u>\$ 1,570,006</u>

**NOTE 2 – CASH**

Cash consisted of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Checking - Parent	\$ 322,646	\$ 117,414
Checking - Subsidiary	34,425	75,473
Petty Cash	400	400
Total Cash	<u>\$ 357,471</u>	<u>\$ 193,287</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, 2013 and 2012 consisted of:

	<u>2013</u>	<u>2012</u>
Federal Programs (Direct and pass-through)	\$ 636,949	\$ 653,252
State and Local Programs	<u>6,943</u>	<u>19,755</u>
Total	<u>\$ 643,892</u>	<u>\$ 673,007</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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, 2013 and 2012, the balance due from Southern Indiana Housing Corporation was \$3,200 for both years.

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, 2013 and 2012, the balance due from Brumfield Place, L.P. was \$83,304, for both years.

**NOTE 6 – EMPLOYEE BENEFITS**

The Organization has a 401(k) plan. The Organization provides contributions up to a maximum amount of 1% of employee compensation. Contributions to the plan are made for all permanent employees starting from the date of employment. Employee benefit expense under this plan was approximately \$41,063 and \$43,471 for the years ended December 31, 2013 and 2012, respectively.

**NOTE 7 – DEVELOPMENT FEES RECEIVABLE**

On March 15, 2002, the Organization, under the signature of its affiliate, CAPE Development Corporation, entered into a Limited Partnership agreement (Brumfield Place, L.P.) with the U.S.A. Institutional Tax Credit Fund XXVIII, L.P., a Delaware limited partnership, to develop and maintain a 24 unit low-income housing project in Princeton, Indiana. Upon completion of project construction, CAPE was scheduled to receive development fees for its time and effort in the project's development. Payments are to be made on a yearly basis as funds permit. The balance due was \$156,185 as of December 31, 2013 and 2012.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**NOTE 7 – DEVELOPMENT FEES RECEIVABLE (continued)**

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 based on meeting specific milestones described in the agreement. As of December 31, 2013 and 2012, the balance due was \$251,046 and \$292,500, respectively.

**NOTE 8 – NOTES RECEIVABLE**

The Organization has entered into a real estate mortgage agreement with Brumfield Place, L.P., an Indiana limited partnership, dated March 15, 2002 in the principal amount of \$200,000. The mortgage matures on December 21, 2018 and is payable in full at maturity along with any accrued interest. The note bears interest at a rate of 0.0% per annum. As of December 31, 2013 and 2012, the mortgage balance remained at \$200,000.

The Organization has entered into a real estate mortgage agreement with Brumfield Place, L.P.; an Indiana limited partnership, dated March 15, 2002 in the principal amount of \$225,000. The mortgage matures on December 21, 2018 and is payable in full at maturity along with any accrued interest. The note bears interest at a rate of 0.0% per annum. As of December 31, 2013 and 2012, 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, 2013 and 2012, the note balance remained at and \$633,300.

The Organization under the signature of its affiliate, Southern Indiana Housing Corporation, has entered into a forgivable note receivable agreement with Paradise Estates Apartments, an Indiana not-for-profit, in the principal amount of \$150,000. The note matures on March 2020 and is forgiven if the apartments are used for affordable housing. The note bears interest at a rate of 0.0% per annum. As of December 31, 2013 and 2012 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, 2013 and 2012 the note balance remained at \$64,170.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**NOTE 9 – OPERATING LEASES**

The Organization leases various facilities for operation of its programs. Rent expense for the years ended December 31, 2013 and 2012 was \$196,938 and \$225,172, respectively. Future minimum lease payments on leases having non-cancelable terms beyond December 31, 2013 are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 145,820
2015	120,197
2016	113,334
2017	112,710
2018	112,710
Thereafter	<u>291,164</u>
	<u>\$ 895,935</u>

**NOTE 10 – LONG-TERM DEBT**

In December of 2002, the Organization assumed a promissory note with Fifth Third Bank originally dated December 2, 1996 and used by Evansville Community Services, Inc., an affiliate of the Organization, for the purchase of a commercial building. In December 2002, the Organization also assumed the title of the building. The original note was for the principal amount of \$765,000, matures in October 17, 2016 and is secured by real estate. The loan is payable in monthly installments of \$5,629 including principal and interest. The Organization assumed the remaining balance on the note of \$715,666 as of December 17, 2002. The remaining balance on the note as of December 31, 2013 and 2012 was \$648,755 and \$657,651 respectively.

During 2008 the Organization obtained a loan from Evansville Community Bank dated February 1, 2008 which was used to pay off a previous loan with Fifth Third. The principal amount of the loan was \$87,659 and was payable in monthly installments of \$772 including principal and interest. The interest rate was 7.04% and the note, which was secured by real estate, Bank matured on February 1, 2013. The remaining balance on the note as of December 31, 2012 was \$73,221. During 2013 the Organization refinanced the loan with Evansville Community Bank with a loan dated October 2, 2013, which is secured by the same real estate as the previous loan, with a principal amount of \$70,707 and a maturity date of October 2, 2018. The loan has an interest rate fixed at 4.02% and is payable in monthly installments of \$526, including principal and interest. The remaining balance on the note as of December 31, 2013 was \$69,498.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

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

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, 2013 and 2012 was \$125,554 and \$127,489, respectively.

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

<u>Year</u>	<u>Amount</u>
2014	\$ 16,743
2015	17,265
2016	632,337
2017	6,127
2018	56,795
Thereafter	<u>15,240</u>
	<u>\$ 844,507</u>

Interest expense amounted to \$68,992 and \$76,171 for the years ended December 31, 2013 and 2012, respectively.

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

Brumfield Place L.P. (the "Project") was organized as a limited partnership in March 2002 to construct, own and operate a 24-unit apartment complex in Princeton, Indiana. Each building in the project has qualified and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Organization owns a 1/100<sup>th</sup> interest in the Project and has obtained HOME and AHP funds to assist with the development. The HOME and AHP Funds have in turn been loaned to the Project (see note 8). As of December 31, 2013 and 2012, 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, 2013 and 2012, the Organization had made no material contributions to the Project or incurred any material related costs.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 bears an annual interest rate of 0.00%, of which, interest is payable from residual receipts prior to the payment of any principal.

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

The Organization, under the signature of its subsidiary, CAPE Place, LLC, has entered into an agreement with the Indiana Housing and Community Development Authority for the use of \$3,026,140 of ARRA Section 1602 Exchange funds in the development of 28 units of low-income housing. The loan is forgivable in 1/15<sup>th</sup> equal annual amounts over the 15 year term of the note beginning on the first anniversary of the earlier of December 1, 2011 or the date the project is put into service. The note bears interest at a rate of 0.0% per annum. As of December 31, 2013 and 2012, the note balance was \$2,575,988 and \$2,824,397, respectively.

The Organization entered into an agreement with the Indiana Housing and Community Development Authority for the \$400,000 of Community Development Block Grant Disaster Relief II funds in the development of 28 units of low-income housing. The note bears interest at a rate of 0.0% per annum and matures on November 24, 2027. As of December 31, 2013 and 2012, the note balance was \$400,000 for both years.

**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.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**NOTE 13 – CONTINGENT LIABILITY (continued)**

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, 2013, the Organization held 94 mortgages with a total balance of \$1,091,757. As of December 31, 2012, the Organization held 104 mortgages in the amount of \$1,217,843.

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.

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**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, 2013 and 2012. 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 90% and 85% of the Organization's total revenue and support for the years ended December 31, 2013 and 2012, respectively.

**NOTE 15 – 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 \$569,143 and \$581,309 for the years ended December 31, 2013 and 2012. These balances are not included in the Organization's financial statements.



**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**NOTE 16 – ADVERTISING COSTS**

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2013 and 2012 was \$2,797 and \$5,369.

**NOTE 17 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 12, 2014, which is the date the financial statements were available to be issued. On January 24, 2014, the Organization sold property located at 312 South Bedford Avenue in Evansville, Indiana. The Organization will recognize the disposal of this property in the financial statements for the year ended December 31, 2014.

## **SUPPLEMENTARY INFORMATION**

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# COMER NOWLING

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## Independent Auditor's Report on Supplementary Information

Board of Directors

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

Our report on our audits of the consolidated financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. and Subsidiary as of December 31, 2013 and 2012 appears on page one. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information (shown on pages 24, 25, 26, 27, 28 and 29) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the statements of financial position, results of activities, and cash flows of the individual organizations. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We did not audit the financial statements of Cape Place, LLC as of, and for the year ended December 31, 2012, which statements reflect total assets of \$3,939,668 as of December 31, 2012 and total support and revenues of and \$272,579 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned organization, is based solely on the report of the other auditors. We did audit the financial statements of Cape Place, LLC, as of, and for the year ended December 31, 2013. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole for the years ended December 31, 2013 and 2012.

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

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

June 12, 2014

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 201 AND 2012**

	ASSETS			
	2013			
	Parent	Subsidiary	Eliminations	Consolidated Total
<b>Current assets</b>				
Cash	\$ 323,046	\$ 34,425	\$ -	\$ 357,471
Certificates of deposit	-	113,343	-	113,343
Grants receivable	643,892	-	-	643,892
Accounts receivable	171,463	2,514	-	173,977
Due from Southern Indiana Housing Corp.	3,200	-	-	3,200
Due from Brumfield Place, L.P.	83,304	-	-	83,304
Prepaid expenses	69,684	65,593	-	135,277
Total current assets	<u>1,294,589</u>	<u>215,875</u>	<u>-</u>	<u>1,510,464</u>
<b>Property and equipment</b>				
Land	256,026	60,000	-	316,026
Vehicles and equipment	1,155,660	174,057	-	1,329,717
Buildings and improvements	1,673,127	3,408,125	-	5,081,252
	3,084,813	3,642,182	-	6,726,995
Less accumulated depreciation	<u>(1,423,738)</u>	<u>(190,153)</u>	<u>-</u>	<u>(1,613,891)</u>
Total property and equipment, net	<u>1,661,075</u>	<u>3,452,029</u>	<u>-</u>	<u>5,113,104</u>
<b>Other assets</b>				
Development fees receivable	407,231	-	(251,046)	156,185
Investment in Subsidiary	523,084	-	(523,084)	-
Notes receivable - Brumfield Place, L.P.	425,000	-	-	425,000
Notes receivable - Paradise Estates Apartments	847,470	-	-	847,470
Notes receivable - Cape Place LLC	400,000	-	(400,000)	-
Capitalized costs, net	-	115,626	-	115,626
Total other assets	<u>2,602,785</u>	<u>115,626</u>	<u>(1,174,130)</u>	<u>1,544,281</u>
	<u>\$ 5,558,449</u>	<u>\$ 3,783,530</u>	<u>\$ (1,174,130)</u>	<u>\$ 8,167,849</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 99,036	\$ 28,772	\$ -	\$ 127,808
Accrued payroll and payroll expenses	549,381	-	-	549,381
Deferred revenue and deposits	160,565	4,540	-	165,105
Developer fees due to CAPE	-	251,046	(251,046)	-
Retainage Payable	-	-	-	-
Current maturities of long-term debt	16,743	-	-	16,743
Total current liabilities	<u>825,725</u>	<u>284,358</u>	<u>(251,046)</u>	<u>859,037</u>
<b>Long-term liabilities</b>				
Note payable - CDBG	400,000	400,000	(400,000)	400,000
Note payable - AHP Funds	264,170	-	-	264,170
Note payable - HOME Funds	375,000	-	-	375,000
Note payable - Section 202	633,300	-	-	633,300
Note Payable - Section 1602	-	2,575,988	-	2,575,988
Notes payable - other	827,764	-	-	827,764
Total long-term liabilities	<u>2,500,234</u>	<u>2,975,988</u>	<u>(400,000)</u>	<u>5,076,222</u>
Total liabilities	<u>3,325,959</u>	<u>3,260,346</u>	<u>(651,046)</u>	<u>5,935,259</u>
Net assets - unrestricted	<u>2,232,490</u>	<u>523,184</u>	<u>(523,084)</u>	<u>2,232,590</u>
Total liabilities and net assets	<u>\$ 5,558,449</u>	<u>\$ 3,783,530</u>	<u>\$ (1,174,130)</u>	<u>\$ 8,167,849</u>

See independent auditors' report on supplementary information.

## 2012

<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$ 117,814	\$ 75,473	\$ -	\$ 193,287
-	116,000	-	116,000
673,007	766	-	673,773
157,246	-	-	157,246
3,200	-	-	3,200
83,304	-	-	83,304
137,485	70,000	-	207,485
<u>1,172,056</u>	<u>262,239</u>	<u>-</u>	<u>1,434,295</u>
249,826	60,000	-	309,826
1,142,470	137,295	-	1,279,765
<u>1,709,127</u>	<u>3,408,125</u>	<u>-</u>	<u>5,117,252</u>
3,101,423	3,605,420	-	6,706,843
<u>(1,324,067)</u>	<u>(75,151)</u>	<u>-</u>	<u>(1,399,218)</u>
<u>1,777,356</u>	<u>3,530,269</u>	<u>-</u>	<u>5,307,625</u>
448,685	-	(292,500)	156,185
414,362	-	(414,362)	-
425,000	-	-	425,000
847,470	-	-	847,470
400,000	-	(400,000)	-
-	147,160	-	147,160
<u>2,535,517</u>	<u>147,160</u>	<u>(1,106,862)</u>	<u>1,575,815</u>
<u>\$ 5,484,929</u>	<u>\$ 3,939,668</u>	<u>\$ (1,106,862)</u>	<u>\$ 8,317,735</u>
\$ 119,859	\$ 4,584	\$ -	\$ 124,443
523,349	-	-	523,349
148,316	3,725	-	152,041
-	292,500	(292,500)	-
-	-	-	-
<u>85,461</u>	<u>-</u>	<u>-</u>	<u>85,461</u>
<u>876,985</u>	<u>300,809</u>	<u>(292,500)</u>	<u>885,294</u>
400,000	400,000	(400,000)	400,000
264,170	-	-	264,170
375,000	-	-	375,000
633,300	-	-	633,300
-	2,824,397	-	2,824,397
<u>773,600</u>	<u>-</u>	<u>-</u>	<u>773,600</u>
<u>2,446,070</u>	<u>3,224,397</u>	<u>(400,000)</u>	<u>5,270,467</u>
3,323,055	3,525,206	(692,500)	6,155,761
<u>2,161,874</u>	<u>414,462</u>	<u>(414,362)</u>	<u>2,161,974</u>
<u>\$ 5,484,929</u>	<u>\$ 3,939,668</u>	<u>\$ (1,106,862)</u>	<u>\$ 8,317,735</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013			Consolidated Total
	Parent	Subsidiary	Eliminations	
Support and revenue				
Grant revenue	\$ 9,844,303	\$ -	\$ -	\$ 9,844,303
Contributions	69,325	-	-	69,325
Program revenue	54,223	-	-	54,223
Rent income	-	145,358	-	145,358
Other	13,319	-	-	13,319
Earnings from subsidiary	108,722	-	(108,722)	-
Interest	4	1,391	-	1,395
Section 1602 forgiveness	-	248,409	-	248,409
Gain on sale of property and equipment	52,301	-	-	52,301
In-kind contributions	803,207	-	-	803,207
Total support and revenue	<u>10,945,404</u>	<u>395,158</u>	<u>(108,722)</u>	<u>11,231,840</u>
Expenses				
Childhood education	5,557,437	-	-	5,557,437
Child care	418,572	-	-	418,572
Nutrition	296,339	-	-	296,339
Senior volunteer	191,443	-	-	191,443
Utility assistance	2,744,311	-	-	2,744,311
Housing assistance	204,495	-	-	204,495
Home weatherization assistance	917,011	-	-	917,011
Emergency family service	8,169	-	-	8,169
Management and general	537,011	-	-	537,011
Subsidiary	-	286,436	-	286,436
Total operating expenses	<u>10,874,788</u>	<u>286,436</u>	<u>-</u>	<u>11,161,224</u>
Increase (decrease) in net assets	70,616	108,722	(108,722)	70,616
Net assets at beginning of year	2,161,874	414,462	(414,362)	2,161,974
Investment in subsidiary	-	-	-	-
Payment of syndication costs	-	-	-	-
Net assets at end of year	<u>\$ 2,232,490</u>	<u>\$ 523,184</u>	<u>\$ (523,084)</u>	<u>\$ 2,232,590</u>

See independent auditors' report on supplementary information.

## 2012

<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$ 10,050,734	\$ -	\$ -	\$ 10,050,734
79,972	-	-	79,972
55,163	-	-	55,163
-	70,836	-	70,836
301,689	-	208,716	510,405
114,362	-	(114,362)	-
16	-	-	16
-	201,743	-	201,743
-	-	-	-
866,260	-	-	866,260
<u>11,468,196</u>	<u>272,579</u>	<u>94,354</u>	<u>11,835,129</u>
5,779,502	-	-	5,779,502
547,960	-	-	547,960
333,755	-	-	333,755
177,032	-	-	177,032
2,552,567	-	-	2,552,567
391,869	-	-	391,869
755,031	-	-	755,031
-	-	-	-
657,801	-	-	657,801
-	153,217	-	153,217
<u>11,195,517</u>	<u>153,217</u>	<u>-</u>	<u>11,348,734</u>
272,679	119,362	94,354	486,395
1,889,195	153,163	(361,779)	1,680,579
-	146,937	(146,937)	-
-	(5,000)	-	(5,000)
<u>\$ 2,161,874</u>	<u>\$ 414,462</u>	<u>\$ (414,362)</u>	<u>\$ 2,161,974</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC. AND SUBSIDIARY  
CONSOLIDATING STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013			
	<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Change in net assets	\$ 70,616	\$ 108,722	\$ (108,722)	\$ 70,616
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				
Depreciation	114,694	115,002	-	229,696
Amortization	-	31,534	-	31,534
Gain on sale of property and equipment	(52,301)	-	-	(52,301)
Contributions of fixed assets	(6,200)	-	-	(6,200)
Earnings on subsidiary	(108,722)	-	108,722	-
Section 1602 loan forgiveness	-	(248,409)	-	(248,409)
Increase (decrease) in cash from changes in:				
Grants receivable	29,115	766	-	29,881
Accounts receivable	(14,217)	(2,514)	-	(16,731)
Prepaid expenses	67,801	4,407	-	72,208
Development fees receivable	41,454	-	-	41,454
Accounts payable	(20,823)	24,188	-	3,365
Accrued payroll and related expenses	26,032	-	-	26,032
Deferred revenue and deposits	12,249	815	-	13,064
Development fees due to CAPE	-	(41,454)	-	(41,454)
Retainage payable	-	-	-	-
Construction payables to be converted to long-term	-	-	-	-
Net cash provided by (used in) operating activities	159,698	(6,943)	-	152,755
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment in subsidiary	-	-	-	-
Net change in certificates of deposit	-	2,657	-	2,657
Notes issued to subsidiary	-	-	-	-
Payment of syndication costs	-	-	-	-
Proceeds from sale of property and equipment	88,145	-	-	88,145
Purchases of property and equipment	(28,057)	(36,762)	-	(64,819)
Net cash provided by (used in) investing activities	60,088	(34,105)	-	25,983
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Loan and note proceeds	70,707	-	-	70,707
Repayment of notes payable	(85,261)	-	-	(85,261)
Net cash provided by (used in) financing activities	(14,554)	-	-	(14,554)
<b>NET INCREASE (DECREASE) IN CASH</b>	205,232	(41,048)	-	164,184
<b>CASH, BEGINNING OF YEAR</b>	117,814	75,473	-	193,287
<b>CASH, END OF YEAR</b>	<u>\$ 323,046</u>	<u>\$ 34,425</u>	<u>\$ -</u>	<u>\$ 357,471</u>
<b>Supplemental Disclosures of Cash Flow Information</b>				
Cash paid during the year for interest	<u>\$ 68,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,992</u>

See independent auditors' report on supplementary information.



## 2012

<u>Parent</u>	<u>Subsidiary</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
\$ 272,679	\$ 119,362	\$ 94,354	\$ 486,395
113,568	75,151	-	188,719
-	10,511	-	10,511
-	-	-	-
-	-	-	-
(114,362)	-	114,362	-
-	(201,743)	-	(201,743)
(14,357)	-	-	(14,357)
416,551	(766)	(208,716)	207,069
(92,217)	(70,000)	-	(162,217)
(186,956)	-	186,956	-
(30,860)	4,584	-	(26,276)
13,281	-	-	13,281
108,523	3,725	-	112,248
-	186,956	(186,956)	-
-	(253,718)	-	(253,718)
-	(322,500)	-	(322,500)
485,850	(448,438)	-	37,412
(146,937)	146,937	-	-
-	(116,000)	-	(116,000)
(400,000)	-	400,000	-
-	(5,000)	-	(5,000)
-	-	-	-
(75,851)	(404,990)	-	(480,841)
(622,788)	(379,053)	400,000	(601,841)
77,500	400,000	(400,000)	77,500
(12,981)	-	-	(12,981)
64,519	400,000	(400,000)	64,519
(72,419)	(427,491)	-	(499,910)
190,233	502,964	-	693,197
\$ 117,814	\$ 75,473	\$ -	\$ 193,287
\$ 76,171	\$ -	\$ -	\$ 76,171

**SINGLE AUDIT SECTION**

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**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2013**

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Indiana Department of Education: Child and Adult Care Food Program	10.558	1820162	\$ 296,339
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through the Indiana Housing and Community Development Authority (IHCD): Community Development Block Grants	14.228	DR2OR-011-026	94,272
Passed through the City of Evansville:			
Community Housing Development Organization (CHDO)	14.218	none	936
Down Payment Assistance	14.218	none	5,723
Owner Occupied Rehabilitation	14.218	none	142,582
Emergency Needs Pantry	14.218	none	6,169
Subtotal			155,410
Direct Program:			
Housing Counseling Assistance Program	14.169	HC12-0421-144	7,367
Housing Counseling Assistance Program	14.169	HC13-0421-022	9,449
Subtotal			16,816
Direct Program:			
Section 202 Capital Grant - Paradise Estates	14.157	073-EE081-NP-WAH	633,300
Community Block Grant - Paradise Estates	14.219	2004B0618	64,170
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			735,000
Total U.S. Department of Housing and Urban Development			1,698,968
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Program:			
Head Start Program			
Full Day / Part Day	93.600	05CH0741/47, 05CH0741/48	4,740,868
Training and Technical Assistance	93.600	05CH0741/47, 05CH0741/48	74,539
Subtotal Head Start cluster			4,815,407
Assets for Independence Demonstration Program	93.602	IDA012-008A, IDA012-008B IDA012B-008A, IDA012B-008B	2,482
Passed through the Indiana Housing and Community Development Authority (IHCD):			
Community Services Block Grant	93.569	CS-013-010	304,399
Low-Income Home Energy Assistance	93.568	WL-013-010	407,915
Low-Income Home Energy Assistance	93.568	WL-014-010	69,702
Low-Income Home Energy Assistance	93.568	LI-013-010	1,609,416
Low-Income Home Energy Assistance	93.568	LI-014-010	988,868
Subtotal			3,075,901
Total U.S. Department of Health and Human Services			8,198,189

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, 2013**

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF ENERGY</b>			
Passed through the Indiana Housing and Community Development Authority (IHCDA):			
Weatherization Assistance for Low-Income Persons	81.042	WX-010-010	38,027
Weatherization Assistance for Low-Income Persons	81.042	WX-013-010-C	27,536
Weatherization Assistance for Low-Income Persons	81.042	WX-013-010	20,223
Weatherization Assistance for Low-Income Persons	81.042	SE-013-007	78,000
			163,786
<b>U.S. FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION</b>			
Emergency Food and Shelter	97.024	LRO ID: 280000-006	2,000
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Foster Grandparent Program	94.011	12SFNIN003 - 7/1/2012-6/30/2013	80,408
Foster Grandparent Program	94.011	12SFNIN003 - 7/1/2013 -6/30/2014	85,665
			166,073
<b>Total Expenditures of Federal Awards</b>			<b>\$ 10,525,355</b>

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, 2013**

**Note 1 – Basis of Presentation**

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

**Note 2 - Summary of Significant Accounting Policies**

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

**Note 3 – Energy Assistance Payments**

The Energy Assistance Payments expenditures under CFDA Number 93.568 include \$2,241,734 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, 2013.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2013**

**Section II – Financial Statement Findings**

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

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

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

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

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

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

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

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

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013**

**Section II – Financial Statement Findings (continued)**

**FS-2012-01 – Update of financial policies and procedures (continued)**

*Auditor's Update:* Finance Policy and Procedures Manual was updated during the year ended December 31, 2013.

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

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

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

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

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

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

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

*Auditor's Update:* All tested in-kind calculations were properly posted to the accounting records for the year ended December 31, 2013.

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

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

*Condition:* During the examination of weatherization client files, we noted the forms required by the "Weatherization Assistance Program Policy Guide" were either incomplete or missing. In addition,

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013**

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

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

information or documentation necessary to determine compliance with state documentation requirements was not available at the time of our audit. Specifically, we noted four (4) client files in which the Moisture Assessment forms were incomplete, and two (2) files in which the Certificate of Insulation forms were incomplete. Also, we noted one (1) file for which there was no documentation of the type of cook stove in the home which is necessary to determine whether a gas cook stove form is required.

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

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

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

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

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

*Auditor's Update:* All tested files included complete Moisture Assessment Forms and Certificates of Insulation for the year ended December 31, 2013.





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**INDEPENDENT AUDITOR'S 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.

We have audited, in accordance with the 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, the financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Action Program of Evansville and Vanderburgh County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action Program of Evansville and Vanderburgh County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

June 12, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

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, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Community Action Program of Evansville and Vanderburgh County, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Community Action Program of Evansville and Vanderburgh County, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Community Action Program of Evansville and Vanderburgh County, Inc. complied, in all material respects, with the types of 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, 2013.

### **Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action Program of Evansville and Vanderburgh County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Comer, Nowling And Associates, P.C.  
Indianapolis, Indiana  
June 12, 2014

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2013**

**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  No
- Significant deficiencies identified? Yes  No

Noncompliance material to financial statements noted? Yes  No

**Federal Awards**

Internal control over major programs:

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

Type of auditor’s report issued: 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 – Low-income Home Energy Assistance
93.569	U.S. Dept. of Health and Human Services – Community Services Block Grant
14.157	U.S. Dept. of Housing and Urban Development – Supportive Housing for the Elderly (Section 202)
14.239	U.S. Dept. of Housing and Urban Development – Home Investment Partnerships Program

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

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, 2013**

**Section II – Financial Statement Findings**

There were no financial statement findings for the year ended December 31, 2013.

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

There were no federal award findings for the year ended December 31, 2013.