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October 23, 2014

Board of Directors
Community Action of Northeast Indiana, Inc.
227 E. Washington Blvd.
P.O. Box 10570
Fort Wayne, IN 46853

We have reviewed the audit report prepared by Wipfli LLP, for the period November 1, 2012 to October 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 of Northeast Indiana, Inc., as of October 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.

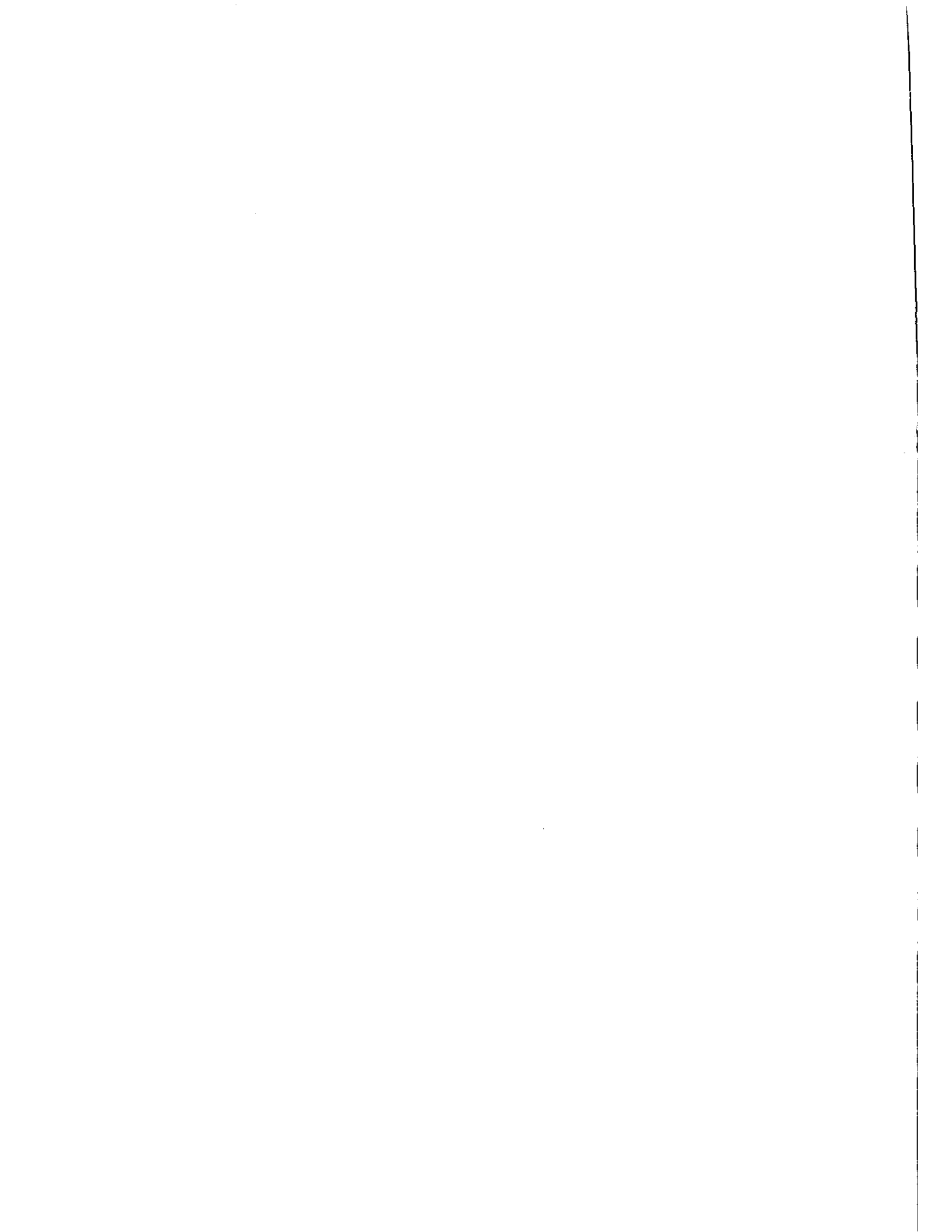
We call your attention to the findings in the report. The audit report disclosed one financial statement finding and one federal award finding. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

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

Community Action of Northeast Indiana, Inc. and Subsidiaries

Fort Wayne, Indiana

Consolidated Financial Statements and
Supplementary Information
Year Ended October 31, 2013

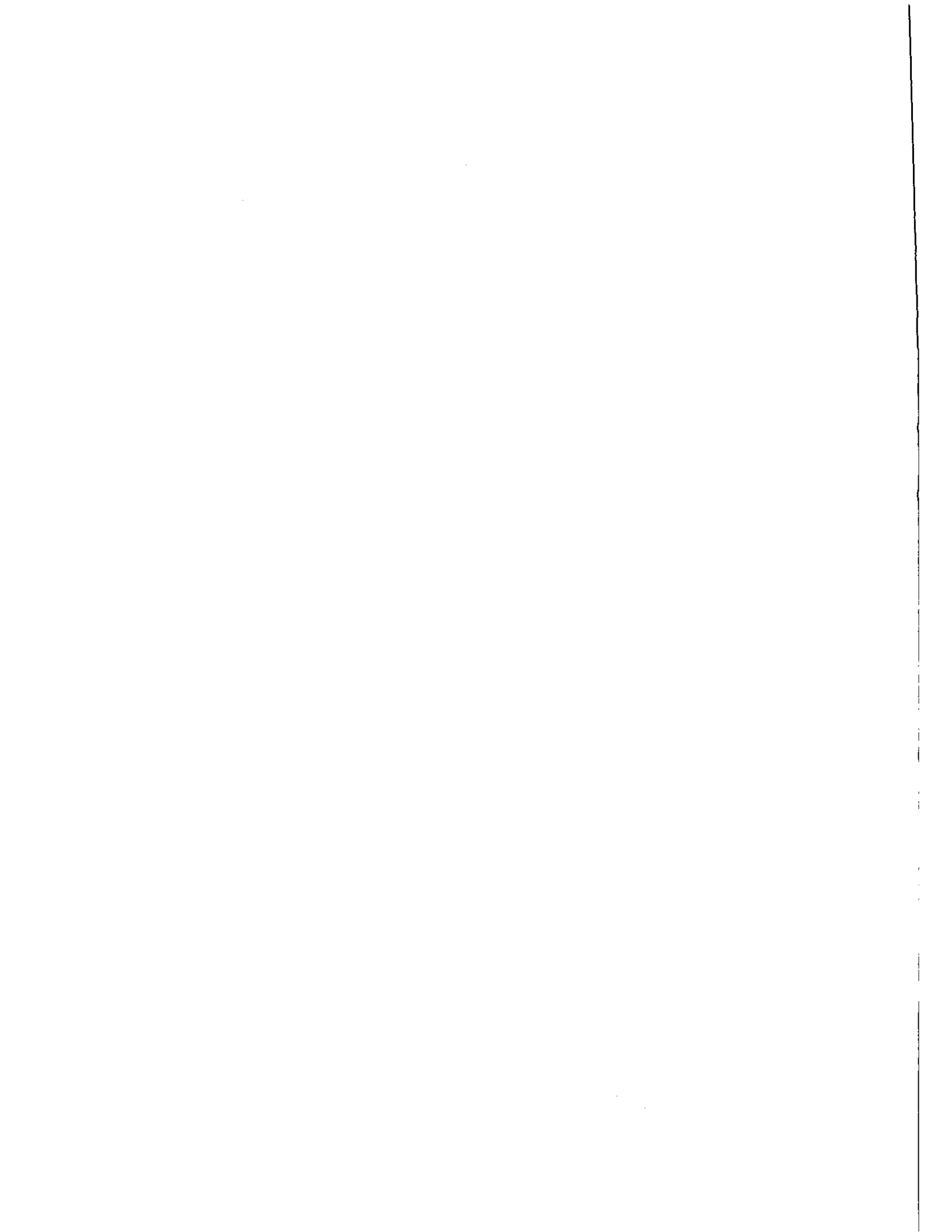


Community Action of Northeast Indiana, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information
Year Ended October 31, 2013

Table of Contents

Independent Auditor's Report.....	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities.....	4
Consolidated Statement of Cash Flows.....	5
Notes to Consolidated Financial Statements.....	6
Supplementary Information	
Schedule of Program Activity.....	19
Schedule of Expenditures of Federal Awards.....	26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	29
Independent Auditor's Report on Compliance With Requirements For Each Major Federal Program and on Internal Control Over Compliance.....	31
Schedule of Findings and Questioned Costs.....	34





Independent Auditor's Report

Board of Directors
Community Action of Northeast Indiana, Inc. and Subsidiaries
Fort Wayne, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Action of Northeast Indiana, Inc. (a nonprofit organization) and Subsidiaries which comprise the consolidated statement of financial position as of October 31, 2013, and the related consolidated statements of activities, and cash flows for the year then ended and the related notes to the consolidated 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 from material misstatement. The financial statements of Hopewell Pointe GP, Inc. and Energy Savers Consultants, LLC were not audited in accordance with *Government Auditing Standards*.

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 consolidated 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 of Northeast Indiana, Inc. and Subsidiaries as of October 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of program activity and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis, and are not a required part of the consolidated 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 audit 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 to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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 24, 2014, on our consideration of Community Action of Northeast Indiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action of Northeast Indiana, Inc.'s and internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

June 24, 2014
Madison, Wisconsin

Community Action of Northeast Indiana, Inc. and Subsidiaries

Consolidated Statement of Financial Position

October 31, 2013

Assets	
Current assets:	
Cash and cash equivalents	\$ 423,366
IDA fund cash	70,731
Grants receivable	1,520,536
Accounts receivable	53,531
Prepaid expenses	159,362
Loans receivable, net	74,436
Total current assets	2,301,962
Other assets:	
Interest in investment held by a community foundation	46,165
Investments	715,610
Housing loan receivable	400,000
Total other assets	1,161,775
Property and equipment, net	2,045,872
TOTAL ASSETS	\$ 5,509,609
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 316,974
Accrued payroll and related expenses	132,962
Accrued vacation	317,097
Grant funds received in advance	360,545
Due to other organizations	8,968
CSBG BEED loan liability	116,384
IDA fund liability	70,731
Total current liabilities	1,323,661
Long-term liabilities:	
Housing loan payable	400,000
Total liabilities	1,723,661
Unrestricted net assets:	
Unrestricted	3,595,199
Unrestricted - Board designated	46,165
Total unrestricted net assets	3,641,364
Temporarily restricted net assets	144,584
Total net assets	3,785,948
TOTAL LIABILITIES AND NET ASSETS	\$ 5,509,609

Community Action of Northeast Indiana, Inc. and Subsidiaries

Consolidated Statement of Activities Year Ended October 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 17,125,145	\$ 0	\$ 17,125,145
Donations	23,261	0	23,261
Investment income	103,232	0	103,232
Developer fee	46,125	0	46,125
Fee for service	0	124,626	124,626
Other income	246,758	0	246,758
In-kind contributions	1,150,424	0	1,150,424
Net assets released from restriction through satisfaction of program restrictions	182,644	(182,644)	0
Total revenue	18,877,589	(58,018)	18,819,571
Expenses:			
Program Activities			
Child care development	590,572	0	590,572
Child education	6,608,258	0	6,608,258
Housing	1,082,706	0	1,082,706
Linkages with other programs	781,669	0	781,669
Self-sufficiency	2,362,172	0	2,362,172
Nutrition	294,210	0	294,210
Weatherization and energy	6,028,301	0	6,028,301
Agency operations	78,393	0	78,393
Total program activities	17,826,281	0	17,826,281
Management and general	983,465	0	983,465
Fund-raising	43,323	0	43,323
Total expenses	18,853,069	0	18,853,069
Change in net assets	24,520	(58,018)	(33,498)
Net assets - Beginning of year	3,616,844	202,602	3,819,446
Net assets - End of year	\$ 3,641,364	\$ 144,584	\$ 3,785,948

See accompanying notes to consolidated financial statements.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended October 31, 2013

Increase (decrease) in:		
Cash flows from operating activities:		
Change in net assets	(\$	33,498)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized/unrealized gain on investments	(	85,661)
Depreciation		133,431
Change in interest in investment held by a community foundation	(	6,834)
Changes in operating assets and liabilities:		
IDA fund cash		8,546
Grants receivable	(	407,495)
Accounts receivable	(	32,093)
Prepaid expenses		2,921
Developer fee receivable		165,259
Accounts payable		34,411
Accrued payroll and related expenses		45,653
Accrued vacation		20,197
Grant funds received in advance		18,109
Due to other organizations	(	4,460)
CSBG BEED loan liability		116,384
IDA fund liability	(	8,546)
Net cash used in operating activities	(	33,676)
Cash flows from investing activities:		
Issuance of loans receivable	(	54,236)
Capital expenditures	(	17,739)
Purchase of investments	(	142,502)
Proceeds from sale of investments		131,167
Net cash used in investing activities	(	83,310)
Change in cash and cash equivalents	(	116,986)
Cash and cash equivalents - Beginning of year		540,352
Cash and cash equivalents - End of year	\$	423,366

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Activities

Community Action of Northeast Indiana, Inc. (CANI) was organized as a nonprofit corporation in 1965. CANI was formed to develop and provide resources for the purpose of assisting low-income individuals in six counties of northeast Indiana through a variety of programs. CANI is primarily supported through federal and state government grants. Approximately 33% of CANI's grant revenue was provided under a Head Start grant and 31% provided under a LIHEAP grant, both funded by the Department of Health and Human Services.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States.

Principles of Consolidation

The consolidated financial statements include the accounts of Hopewell Pointe GP, Inc., Energy Savers Consultants, LLC, and CANI's Center for Community and Economic Development, Inc., which are wholly owned subsidiaries of CANI. Collectively, the entities are referred to as the "Organizations." Hopewell Pointe, GP, Inc. was established for the purpose of assisting low- to moderate-income families obtain housing. Energy Savers Consultants, LLC was formed with the intention of performing energy and weatherization audits as a fee-for-service activity. CANI's Center for Community and Economic Development, Inc. was formed for the purposes of operating CANI's revolving loan program, for their consumer loan fund. All material intercompany transactions and accounts are eliminated in consolidation.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CANI and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of CANI and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Classification of Net Assets (Continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by CANI. Generally, the donors of these assets permit CANI to use all or part of the income earned on any related investments for general or specific purposes. Currently, CANI does not have permanently restricted net assets.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise to give to CANI. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized, except for specific fee for service voucher and loan programs. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as released from restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expense or asset acquisition is incurred. Amounts received in excess of expense or assets acquisition is reflected as grant funds received in advance.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Revenue Recognition (Continued)

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Fee for service revenue is recognized when earned and is restricted for specific use in the child care program.

Accounts Receivable

Accounts receivable represent amounts due from various entities for performance contracts. Amounts are reviewed for collectability by management, and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. Management considers these receivables to be collectible, and therefore, no allowance for uncollectible amounts has been recorded. If an amount becomes delinquent after all collection efforts have failed, the account is written off.

Loans Receivable

CANI operates a loan program funded by Indiana Housing and Community Development Authority (IHCDA) that provides capital to employees and small businesses. The employee loans are to be repaid over a time period of up to 18 months, and have a flat fee associated with them based on the loan amount. The small business loans are funded by IHCDA, and in part by the Indiana Commission on Hispanic/Latino Affairs. The small business loans can be startup, existing business or credit builder loans. The startup and existing business loans are to be repaid for up to five years and interest is charged at 8.25%. The credit builder loans have a term of two years and are charged a flat fee of \$60. The loans receivable balance represents the unpaid principal balance, net of reserve. CANI has established a loan loss reserve in the amount of \$14,000 at October 31, 2013. Amounts are reviewed for collectability by management, and a loan loss reserve is recorded as needed based on collection history and customer attributes. If an amount becomes delinquent after all collection efforts have failed, the account will be written off against this loan loss reserve.

Developer Fee Receivable

Developer fee receivable represents amounts earned by CANI in accordance with the development agreement with the Hopewell Pointe housing project. The developer fees are earned throughout the construction and rent-up of the housing facility. As of October 31, 2013, CANI has earned \$452,287 of which \$308,284 has been received and \$144,003 has been recorded as a receivable. CANI has assessed the likelihood of collection of the entire developer fee and has recorded an allowance in the amount of \$144,003 against the receivable.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents

CANI considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited or restricted. Cash and cash equivalents are stated at cost.

Investments

Investments in marketable securities with readily determinable market values and all investments in debt securities are reported at their fair values on the consolidated statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in unrestricted revenue unless the income or loss is restricted by donor or law. Investment in limited liability partnership in which CANI owns less than 1% is recorded on the equity method as it is a general partner or managing member in the partner or LLC. See related party note 15.

Fair Value Measurements

The Organizations measure the fair value of investments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations have the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 - If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Property and equipment are items with a cost of \$5,000 or more and a useful life of more than one year. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. If there are no donor restrictions regarding how long a donated asset must be maintained, CANI reports expirations of donor restrictions when the donated assets are placed in service. Estimated useful lives range from three to seven years for vehicles and major movable equipment and from 30 to 40 years for land improvements, buildings, and fixed equipment. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Property and equipment acquired with grant funds are owned by CANI while used in the programs for which they were purchased or in other future authorized programs. However, the funding sources have a reversionary interest in assets purchased with grant funds. Their disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of grant-funded property and equipment was \$557,691 at October 31, 2013.

Income Taxes

CANI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. CANI is also exempt from Indiana income taxes.

Hopewell Pointe GP, Inc. is a for-profit, wholly owned subsidiary, which is subject to federal and state income taxes. There is no tax provision for Hopewell Pointe GP, Inc. for the year ended October 31, 2013.

Energy Savers Consultants, LLC is a wholly owned limited liability company and, therefore, treated as a disregarded entity for tax purposes. CANI is the sole member and the activity of the LLC is included in CANI's annual federal return filed with the Internal Revenue Service (IRS).

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Income Taxes (Continued)

CANI's Center for Community and Economic Development, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. CANI's Center for Community and Economic Development, Inc. is also exempt from Indiana income taxes.

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the tax years 2009 and beyond remain subject to examination by the Internal Revenue Service.

In-Kind Contributions

CANI has recorded in-kind contributions for space, materials and professional services in the consolidated statement of activities in accordance with a financial accounting standard. This standard requires that only contributions of services received that create or enhance a non-financial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different than the in-kind requirements of several of CANI's grant awards. CANI received contributions of nonprofessional volunteers during the year with a value of \$359,694, for its Head Start program, which are not recorded in the consolidated statement of activities.

Cost Allocation

CANI utilizes various cost allocation formulas to distribute certain direct and indirect cost to its programs. Costs, which are common to more than one program, have been identified and classified into cost pools. These cost pools have been allocated to the programs based on formulas developed by CANI for each pool which approximate the benefits each program derives from the costs.

Due to Other Organizations

CANI acts as a fiscal agent for the Multi-Cultural Council, Mental Health America, and Multicultural Information Exchange. Due to other organization consists of funds held by the CANI for the other nonprofit organizations.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through June 24, 2014, which is the date the financial statements were available to be issued.

Note 2 Concentration of Credit Risk

CANI maintains cash balances at three banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. CANI has a daily sweep agreement with one of the banks to sweep the funds into an interest bearing money market account at the same bank. At times during the year, the balance in the other accounts may exceed federally insured limits. Management believes the financial institutions have a strong credit rating and credit risk related to these deposits is minimal.

Note 3 Investments

Investments recorded at fair value at October 31, 2013, are as follows:

Corporate bonds	\$ 4,586
International equity mutual funds	6,310
U.S. equity mutual funds	479,188
Bond mutual funds	225,426
Investment in limited partnership	100
<u>Total investments</u>	<u>\$ 715,610</u>

Investment income consisted of the following at October 31, 2013:

Interest and dividends	\$ 17,571
Net realized/unrealized gain	85,661
<u>Total investment income</u>	<u>\$ 103,232</u>

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Interest in Investment Held by a Community Foundation

In a prior year, CANI transferred \$10,000 to the Community Foundation of Greater Fort Wayne, Inc. (the "Foundation"). CANI's agreement with the Foundation states that the Foundation will hold and invest the funds for the sole benefit of CANI and may distribute a portion of the fund earnings annually.

CANI has granted variance power to the Foundation. As such, the Board of Directors of the Foundation has the power to modify any restriction or condition on the distribution of the funds if, in their judgment, such restrictions become inconsistent with the charitable needs of CANI or inconsistent with the charitable needs served by the Foundation. The interest in investment held by a community foundation is shown on the consolidated statement of financial position as unrestricted board designated net assets as it was transferred to the Foundation by CANI who specified themselves as the beneficiary. Any changes in the fund are included in other income, as a change in unrestricted net assets on the consolidated statement of activities.

Note 5 Endowment

CANI's endowment consists of a fund established by the Board of Directors to benefit CANI for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed stipulations. Unrestricted - board designated net assets represent the fair value of the original gift as of the gift date, adjusted each year by the change in the value of the fund, plus any additional contributions made by CANI. The goal of the endowment fund is to attract legacy-type gifts from outside donors, which can be restricted based on the donor stipulations, at which time those donor-restricted gifts will be recorded as permanently restricted net assets in accordance with the stipulations of the fund.

The Board of Directors of CANI has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Indiana state legislature, as requiring CANI to preserve the fair value of the donor's original gift, as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, CANI classifies as permanently restricted net assets (a) the original value of the donor's gifts to the permanent endowment, (b) the original value of a donor's subsequent gifts to the permanent restricted endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CANI in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, CANI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5 **Endowment (Continued)**

and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of CANI, and (7) CANI's investment policies.

CANI can receive up to 4% of the investment earnings each year to be appropriated by the Board of Directors or the amount can remain in the endowment fund and reinvested. In addition, the Foundation at which the funds are held may match a certain percentage of the third-party contributions made during each year up to \$10,000, and that decision is made on an annual basis. There were no material third-party contributions or matching contributions during the year ended October 31, 2013.

The Foundation has variance power over CANI's endowment fund. CANI's endowment fund is subject to the Foundation's investment strategies. The Foundation's asset allocation policy is to diversify investments to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. The investment policies of the Foundation are to provide sufficient total return to support community activities of the Foundation, preserve principal in terms of its real purchasing power so the Foundation may serve the community over the long-term and to provide a long-term total return exceeding the rate of inflation plus 3.6% to 5% for grant making, plus the cost of investment management services and Foundation administrative services.

Interest, dividends, and net appreciation in fair value of endowment funds are classified as unrestricted net assets. Interest and dividends on donor-restricted endowment funds would be recorded as temporarily restricted net assets in accordance with UPMIFA and appropriated for distribution at the discretion of the Board of Directors.

See Note 6 for current year activity of the investment held by a community foundation.

Note 6 **Fair Value Measurements**

The following describes a fair value hierarchy that includes three levels of inputs to be used to measure fair value. In general, the Organizations determine fair values for international equity mutual funds, U.S. equity mutual funds, and bond mutual funds utilizing quoted market prices in active markets. Corporate bonds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. Interest in investment held by a community foundation/endowment is valued based on the market value of the underlying assets, consisting mainly of equity securities and fixed income securities which are valued based on quoted market prices, based on recent trading activity and other observable market data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Organizations believe its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6 Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a recurring basis as of October 31, 2013, is as follows:

	Total Assets Measured at Fair Value	Recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	\$ 4,586	\$ 0	\$ 4,586	\$ 0
International equity mutual funds	6,310	6,310	0	0
US equity mutual funds	479,188	479,188	0	0
Bond mutual funds	225,426	225,426	0	0
Interest in investment held by a community foundation	46,165	0	0	46,165
Totals	\$ 761,675	\$ 710,924	\$ 4,586	\$ 46,165

CANI reclassified the interest in investment held by a community foundation/endowment account from a Level 2 to Level 3 investment, based on industry practice.

Information regarding the changes in the fair value of the Organizations' Level 3 investments for the years ended October 31 follows:

Level 3 investments at beginning	\$ 39,331
Purchases	1,877
Realized gains - Interest and dividends	1,299
Unrealized gains - Appreciation	3,945
Fees	(287)
Total	\$ 46,165

The Organizations do not have any liabilities measured at fair value on a recurring basis nor any assets or liabilities measured at fair value on a nonrecurring basis.

Note 7 Grants Receivable

Grants receivable consisted of the following at October 31, 2013:

Direct federal programs	\$ 403,405
Pass through federal and state programs	1,088,025
Other programs	29,106
Total	\$ 1,520,536

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 Property and Equipment

Property and equipment consisted of the following at October 31, 2013:

Land	\$ 264,713
Building and improvements	2,445,207
Equipment	200,954
Vehicles	437,367
<hr/>	
Total property and equipment	3,348,241
Less - Accumulated depreciation	1,302,369
<hr/>	
<u>Property and equipment - Net</u>	<u>\$ 2,045,872</u>

Note 9 Individual Development Accounts

CANI administers an Individual Development Account (IDA) program. Low-income, eligible participants accumulate savings in a joint account in their name and CANI's name. Upon approval by CANI, these amounts are matched 4:1 by the Assets for Independence Program, which has a federal designation and flows through the Indiana Department of Commerce. The funding stream matches up to \$400 of the participant's savings. Participants can use the funds for the following purposes:

- Purchase of a home
- Starting a business
- Post-secondary education

Match funds are deposited in the joint account directly by the funding source and are not recorded as revenue or expense on CANI's general ledger as they are treated as a fiscal agent. To access the funds, the participant needs authorization from CANI. The balance of match funds in these accounts as of October 31, 2013, was \$70,731. This is recorded as IDA fund cash and IDA fund liability on the consolidated statement of financial position.

Note 10 Line of Credit

CANI has an unsecured line of credit for \$100,000 with PNC Bank. This line of credit has a variable interest rate of 1% over the bank's index rate (which is equal to the prime rate, and was 3.25% as of October 31, 2013) and matures October 22, 2013. There was no outstanding balance at October 31, 2013.

Subsequent to year end, CANI renewed this line of credit under the same terms, with a new maturity of October 22, 2014.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11 Retirement Plan

CANI has a defined contribution plan under Section 403(b) of the Internal Revenue Code. Employees are eligible to participate in deferral to the plan upon hire. Employees are eligible for employer match after they have been employed by CANI for one year and are at least 21 years of age. Employees are fully vested after five years of service. Contributions to the plan are at the discretion of CANI. CANI's contribution for the year ended October 31, 2013, was \$104,879.

Note 12 Operating Leases

CANI leases various facilities and equipment for the operation of its programs. The operating lease payments for the year ended October 31, 2013, were \$488,742.

Minimum future rental payments under these lease agreements consisted of the following at October 31, 2013:

2014	\$ 452,801
2015	397,059
2016	340,248
2017	308,715
2018	308,715
Thereafter	1,430,755
<u>Total</u>	<u>\$ 3,238,293</u>

Note 13 Grant Awards

At October 31, 2013, CANI had commitments under various grants of approximately \$4,757,000. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

Note 14 Temporarily Restricted Net Assets

CANI has a temporarily restricted net asset balance at October 31, 2013, of \$144,584 relating to the state Child Care Development Fund to be used in the child care program.

Community Action of Northeast Indiana, Inc. and Subsidiaries

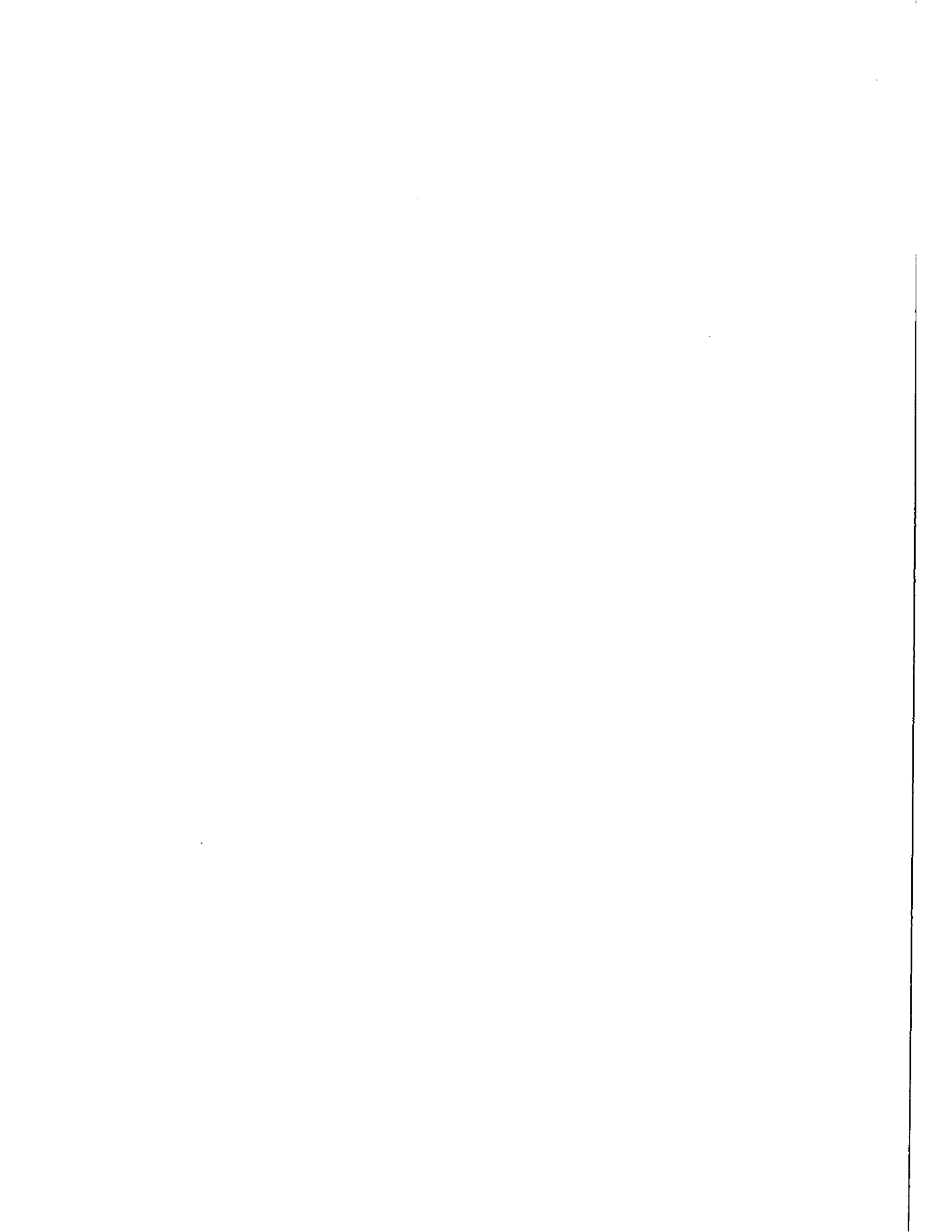
Notes to Consolidated Financial Statements

Note 15 Related Party and Housing Loan Receivable/Payable

CANI has formed a wholly owned subsidiary, Hopewell Pointe GP, Inc., for the purpose of assisting low- to moderate-income families obtain housing. Hopewell Pointe GP, Inc. is developing a 35 single-family home project, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code. Hopewell Pointe GP, Inc. has invested in Hopewell Pointe Limited Partnership (HPLP) to accomplish this objective. Hopewell Pointe GP, Inc.'s investment in HPLP was \$100 as of October 31, 2013, and represents a .09% ownership in HPLP as the general partner.

CANI was awarded a \$400,000 deferred forgivable loan from Tower Bank & Trust Company from Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds. CANI in turn signed a promissory note and loaned \$400,000 to HPLP at 3% interest annually, with principal and interest due at maturity in March 2041. In accordance with the award to CANI, HPLP agrees to retain ownership of the property throughout the affordability period of 15 years. In the event that HPLP defaults on any of the contractual arrangements or sells the property, the loan will be immediately due and payable.

Supplementary Information



Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule A-1
 Schedule of Program Activity
 Year Ended October 31, 2013

		FEDERAL PROGRAMS							
		Department of Housing and Urban Development							
		US Dept. of Agriculture	14,231	14,238	14,267	14,871			
		10,558						14,871	
		Child and Adult Care Food Program	Emergency Solutions Grant - Allert Co.	Emergency Solutions Grant - Elkart & Kosciusko Co.	City ESG Ready to Rent	14,231 Subtotal	Shelter Plus Care	Permanent Supportive Housing	Section 8 Housing Choice Vouchers
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Total									
REVENUE									
Grant revenue	\$ 17,125,145	\$ 311,156	\$ 289,979	\$ 66,915	\$ 44,221	\$ 401,115	\$ 212,391	\$ 21,656	\$ 732,378
Donations	23,261	0	0	0	0	0	0	0	0
Investment income	103,232	0	0	0	0	0	0	0	0
Developer fee	46,125	0	0	0	0	0	0	0	0
Fee for service	124,626	0	0	0	0	0	0	0	0
Other income	246,758	0	0	0	0	0	0	0	0
In-kind contributions	1,150,424	0	0	0	0	0	0	0	0
Total Revenue	18,819,571	311,156	289,979	66,915	44,221	401,115	212,391	21,656	732,378
EXPENSES									
Personnel	6,409,252	0	52,703	25,674	11,617	89,994	15,865	2,358	84,201
Consultants and contract labor	1,290,146	0	6	0	0	6	592	0	2,891
Travel	297,624	0	2,553	3,041	99	5,693	1,696	440	3,092
Occupancy	595,518	0	8,194	1	0	8,195	1,391	124	6,398
Depreciation	133,431	0	0	0	0	0	0	0	0
Minor equipment	7,883	0	0	0	0	0	0	0	0
Client assistance	6,185,478	310,950	199,327	32,983	42,738	275,028	189,419	17,913	660,844
Materials and supplies	911,381	206	1,662	417	0	2,079	40	8	2,635
Telephone and postage	153,225	0	1,261	32	0	1,293	791	68	3,462
Other	210,807	0	286	60	0	346	217	1	967
Shared costs	1,507,900	0	23,987	4,727	1,300	30,014	7,309	746	26,189
Transfers	0	0	0	0	(11,533)	(11,533)	(4,929)	0	(58,301)
In-kind expenses	1,150,424	0	0	0	0	0	0	0	0
Total Expenses	18,853,069	311,156	289,979	66,915	44,221	401,115	212,391	21,656	732,378
Change in Net Assets	(33,498)	0	0	0	0	0	0	0	0
Net assets - Beginning of year	3,819,446	0	0	0	0	0	0	0	0
NET ASSETS - End of year	\$ 3,785,948	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See Independent Auditor's Report.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule A-3
 Schedule of Program Activity
 Year Ended October 31, 2013

FEDERAL PROGRAMS									
Department of Health and Human Services									
CNCS									
	93.569	93.576	93.596	93.500	93.602	93.912	94.006		
	Community Services Block Grant - BEED (16)	Microenterprise Development Program (17)	Child Care Development Fund (18)	Head Start Program (19)	Assets for Independence Program (20)	Noble County Outreach Project (21)	AmeriCorps (22)		
	Community Services Block Grant (15)	93.569 Subtotal	93.576 Subtotal	93.596 Subtotal	93.500 Subtotal	93.602 Subtotal	93.912 Subtotal	94.006 Subtotal	Total Federal Funds
REVENUE									
Grant revenue	\$ 710,309	\$ 760,309	\$ 72,828	\$ 504,112	\$ 5,707,960	\$ 967	\$ 57,553	\$ 118,199	\$ 16,065,694
Donations	0	0	0	0	55	0	0	0	55
Investment income	0	0	0	0	0	0	0	0	0
Developer fee	0	0	0	0	0	0	0	0	0
Fee for service	0	0	0	0	0	0	0	0	0
Other income	0	4,217	0	0	0	0	0	0	4,217
In-kind contributions	0	0	0	0	1,510,118	0	0	0	1,510,118
Total Revenue	710,309	764,526	72,828	504,112	7,218,133	967	57,553	118,199	17,580,084
EXPENSES									
Personnel	331	5,073	36,953	252,246	3,773,909	3,560	42,085	182,420	5,807,525
Consultants and contract labor	10,461	10,461	16,371	2,500	632,100	0	343	(82,139)	1,194,584
Travel	136	136	1,471	11,193	107,842	4	3,193	11,362	239,304
Occupancy	0	0	1,450	61,659	354,953	0	142	2,331	534,835
Depreciation	0	0	0	0	0	0	0	0	0
Minor equipment	0	0	0	35	4,846	0	0	0	5,045
Client assistance	17,523	116,384	0	62	101,027	0	0	295	5,673,884
Materials and supplies	0	0	4,030	25,771	129,830	0	5,227	2,341	756,780
Telephone and postage	48	48	219	29,247	46,983	9	70	1,647	128,247
Other	10,664	374	56	5,316	100,115	0	1,135	4,600	164,644
Shared costs	127,049	2,094	12,228	116,083	498,509	25	5,358	14,311	1,340,361
Transfers	544,097	(7,481)	(1,950)	0	(42,099)	(2,631)	0	(18,969)	286,924
In-kind expenses	0	0	0	0	1,510,118	0	0	0	1,510,118
Total Expenses	710,309	116,384	72,828	504,112	7,218,133	967	57,553	118,199	17,642,251
Change in Net Assets	0	(62,167)	0	0	0	0	0	0	(62,167)
Net assets - Beginning of year	0	62,167	0	0	0	0	0	0	62,167
NET ASSETS - End of year	0	0	0	0	0	0	0	0	0

See Independent Auditor's Report.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule A-4
 Schedule of Program Activity
 Year Ended October 31, 2013

STATE AND LOCAL PROGRAMS

	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
	Family Development	Family Support UW	Family Development UW	NIPSCO Weatherization	Furnace for Low-Income Individuals	CSBG Community Action Program	CDBG Weatherization	Case Coordination System	Central Site Program	Head Start Other
REVENUE										
Grant revenue	0	0	0	141	0	0	25,735	12,455	6,340	0
Donations	1,040									1,500
Investment income	0									0
Developer fee	0									0
Fee for service	0									0
Other income	6,500									13,661
In-kind contributions	0									0
Total Revenue	7,540	28,539	53,682	141	0	91,974	25,735	12,455	6,340	15,161
EXPENSES										
Personnel	2,431	26,081	42,642	0	0	0	29,744	1,804	0	0
Consultants and contract labor	530	76	169	0	1,699	0	703	0	0	0
Travel	2,522	0	2,007	0	0	0	1,230	5,348	0	7,298
Occupancy	7,451	0	3,470	0	0	(245)	108	0	0	0
Depreciation	0									0
Minor equipment	0									375
Client assistance	263									46
Materials and supplies	1,683	0	596	0	2,920	99,592	26,177	1,325	0	7,202
Telephone and postage	8,645	6	519	0	0	288	25	971	0	0
Other	2,542	1	797	1	0	33	980	2,550	12,490	974
Shared costs	7,403	2,375	3,482	140	0	0	444	457	0	0
Transfers	(25,930)	0	0	0	0	(7,694)	(33,698)	0	0	0
In-kind expenses	0									0
Total Expenses	7,540	28,539	53,682	141	4,619	91,974	25,735	12,455	12,490	15,895
Change in Net Assets	0	0	0	0	(4,619)	0	0	0	(6,150)	(734)
Net assets - Beginning of year	0	0	0	0	45,210	0	0	0	6,150	11,808
NET ASSETS - End of year	0	0	0	0	40,591	0	0	0	0	11,074

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule A-5 Schedule of Program Activity Year Ended October 31, 2013

STATE AND LOCAL PROGRAMS

	Hanna Creighton Building Fund (33)	Covering Kids and Families of Indiana (34)	CHIPRA III (35)	Weatherization (35)	CCDF UJW (36)	Family Development Lincoln Foundation (37)	Child Restraint Distribution (38)	Youth (39)	Lead Screening (40)
REVENUE									
Grant revenue	\$ 0	\$ 218,300	\$ 4,054	\$ 0	\$ 103,799	\$ 22,302	\$ 8,344	\$ 0	\$ 0
Donations	0	0	0	0	0	0	220	0	0
Investment income	0	0	0	0	0	0	0	0	0
Developer fee	0	0	0	0	0	0	0	0	0
Fee for service	0	0	0	0	0	0	0	0	0
Other income	0	23,501	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0	0
Total Revenue	0	241,801	4,054	0	103,799	22,302	8,564	0	0
EXPENSES									
Personnel	0	156,530	3,612	0	14,981	19,824	(285)	0	0
Consultants and contract labor	0	17,254	0	825	0	1	0	0	0
Travel	0	14,372	94	0	0	667	459	0	0
Occupancy	0	14,610	0	0	0	1,255	0	0	0
Depreciation	76,321	0	0	0	0	0	0	0	0
Minor equipment	0	134	0	0	0	0	0	0	0
Client assistance	0	1,077	0	124,945	85,658	0	8,153	0	0
Materials and supplies	0	19,936	154	0	0	207	0	0	0
Telephone and postage	0	9,349	0	631	0	207	0	0	0
Other	0	2,922	0	1,162	0	145	0	0	0
Shared costs	0	16,847	194	0	3,160	1,345	(21)	(568)	0
Transfers	0	0	0	0	(1,349)	0	258	568	0
In-kind expenses	0	0	0	0	0	0	0	0	0
Total Expenses	76,321	253,031	4,054	127,563	103,799	22,302	8,564	0	0
Change in Net Assets	(76,321)	(11,230)	0	(127,563)	0	0	0	0	0
Net assets - Beginning of year	1,912,351	19,232	0	127,563	0	0	0	0	3,950
NET ASSETS - End of year	\$ 1,836,030	\$ 8,002	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,950

See Independent Auditor's Report.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule A-6
 Schedule of Program Activity
 Year Ended October 31, 2013

STATE AND LOCAL PROGRAMS

	IDA Youth United Way (41)	CDBG City of Fort Wayne (42)	CCDF (43)	State EAP (44)	State LIHEAP (45)	Quality of Life Planning (46)	Inspire (47)	Family Development Kosciusko UW (48)	DeKalb County Community Foundation (49)	Foelinger Foundation (50)	Total State and Local Activity
REVENUE											
Grant revenue	\$ 4,448	\$ 56,478	\$ 0	\$ 158,794	\$ 80,602	\$ 13	\$ 9,862	\$ 12,155	\$ 2,813	\$ 156,371	\$ 1,057,201
Donations	0	0	0	0	0	0	0	0	0	0	2,760
Investment income	0	0	0	0	0	0	0	0	0	0	0
Developer fee	0	0	0	0	0	0	0	0	0	0	0
Fee for service	0	0	124,626	0	0	0	0	0	0	0	124,626
Other income	0	0	0	0	0	0	0	0	0	0	43,662
In-kind contributions	0	0	0	0	0	0	0	0	0	0	0
Total Revenue	4,448	56,478	124,626	158,794	80,602	13	9,862	12,155	2,813	156,371	1,229,249
EXPENSES											
Personnel	0	69,423	31,086	10,327	22,403	0	0	9,510	0	48,440	488,553
Consultants and contract labor	0	0	0	0	20,978	0	0	1	0	10,445	52,681
Travel	4	1,359	0	6	108	0	563	406	0	1,051	37,494
Occupancy	0	0	50	0	227	0	0	1,033	0	16,072	44,031
Depreciation	0	0	3,853	0	0	0	0	0	0	0	80,174
Minor equipment	0	0	0	0	0	0	0	0	0	0	509
Client assistance	4,434	0	0	149,033	0	0	0	0	2,813	0	503,516
Materials and supplies	0	0	7,412	2	29,029	0	0	118	0	75,132	145,675
Telephone and postage	0	0	0	4	54	0	0	118	0	450	20,005
Other	10	0	1,705	0	3	0	9,299	21	0	252	35,887
Shared costs	0	597	76,371	657	7,800	13	0	948	0	4,529	126,173
Transfers	0	(14,901)	0	(1,235)	0	0	0	0	0	0	(83,981)
In-kind expenses	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	4,448	56,478	120,477	158,794	80,602	13	9,862	12,155	2,813	156,371	1,450,717
Change in Net Assets											
Net assets - Beginning of year	0	0	4,149	0	0	0	0	0	0	0	(222,468)
Net assets - End of year	0	0	140,435	0	0	0	0	0	0	0	2,266,699
NET ASSETS - End of year	\$ 0	\$ 0	\$ 144,584	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,044,231

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule A-7
 Schedule of Program Activity
 Year Ended October 31, 2013

		DISCRETIONARY									
		OTHER									
	GAAP Adjustments (51)	Total Program Activity	Hopewell Pointe (52)	Hillcrest Pointe (53)	IT Services (54)	Social Enterprise (55)	Agency Operations (56)	Energy Savers Consultants, LLC (57)	CANI's Center for Community and Economic Development (58)	Total Discretionary	
REVENUE											
Grant revenue	\$ 0	\$ 17,122,895	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,250	\$ 0	\$ 2,250	
Donations	0	2,815	0	0	0	0	20,446	0	0	20,446	
Investment income	0	0	0	0	0	0	103,232	0	0	103,232	
Developer fee	0	0	46,125	0	0	0	0	0	0	46,125	
Fee for service	0	124,626	0	0	0	0	0	0	0	0	
Other income	0	47,879	1,098	0	13,573	0	168,186	9,676	6,346	198,879	
In-kind contributions	(359,694)	1,150,424	0	0	0	0	0	0	0	0	
Total Revenue	(359,694)	18,448,639	47,223	0	13,573	0	291,864	11,926	6,346	370,932	
EXPENSES											
Personnel	0	6,296,078	0	0	0	0	1,049	3,768	108,357	113,174	
Consultants and contract labor	0	1,247,265	0	10,479	0	0	4,367	(719)	28,754	42,881	
Travel	0	276,798	0	0	105	0	4,149	520	16,052	20,826	
Occupancy	0	578,666	0	0	0	0	0	3,900	12,752	16,652	
Depreciation	51,924	132,098	0	0	0	0	1,333	0	0	1,333	
Minor equipment	0	5,554	0	0	0	0	0	2,329	0	2,329	
Client assistance	0	6,177,400	0	0	0	0	8,078	0	0	8,078	
Materials and supplies	0	902,455	1,058	0	1	0	6,124	0	1,743	8,926	
Telephone and postage	0	148,252	0	0	0	0	1,156	750	3,067	4,973	
Other	(17,741)	182,790	0	0	66	1,002	7,035	125	19,789	28,017	
Shared costs	0	1,486,534	40	0	9,305	0	18,564	1,028	12,429	41,366	
Transfers	0	202,943	0	0	0	0	0	0	(202,943)	(202,943)	
In-kind expenses	(359,694)	1,150,424	0	0	0	0	0	0	0	0	
Total Expenses	(325,511)	18,767,457	1,098	10,479	9,477	1,002	51,855	11,701	0	85,612	
Change in Net Assets	(34,183)	(318,818)	46,125	(10,479)	4,096	(1,002)	240,009	225	6,346	285,320	
Net assets - Beginning of year	664,543	2,993,409	167,447	0	9,370	1,002	414,687	22,827	210,704	826,037	
NET ASSETS - End of year	\$ 630,360	\$ 2,674,591	\$ 213,572	(\$ 10,479)	\$ 13,466	\$ 0	\$ 654,696	\$ 23,052	\$ 217,050	\$ 1,111,357	

See Independent Auditor's Report.

Community Action of Northeast Indiana, Inc.

Schedule B-1

Schedule of Expenditures of Federal Awards

Year Ended October 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed-Through Indiana Department of Education</u>			
(1) Child and Adult Care Food Program	10.558	1020006	<u>\$ 311,156</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed-Through Indiana Housing and Community Development Authority</u>			
(2) Emergency Solutions Grant Program - Allen County	14.231	ESRR-011-03	289,979
(3) Emergency Solutions Grant Program - Elkart & Kosciusko Counties		ESRR-012-02	66,915
<u>Passed-Through City of Fort Wayne</u>			
(4) Emergency Solutions Grant Program - Ready to Rent		N/A	44,221
		Subtotal CFDA #14.231	<u>401,115</u>
<u>Passed-Through Indiana Housing and Community Development Authority</u>			
(5) Shelter Plus Care	14.238	SC-012-0019	<u>212,391</u>
(6) Permanent Supportive Housing	14.267	SC-013-0019	<u>21,656</u>
<u>Passed-Through Indiana Housing and Community Development Authority</u>			
(7) Section 8 Housing Choice Vouchers	14.871	SH012	136,432
		SH013	595,946
		Subtotal CFDA #14.871	<u>732,378</u>
U.S. DEPARTMENT OF LABOR			
<u>Passed-Through Northeast Indiana Regional Workforce Investment Board</u>			
(8) Jobs for America's Graduates	17.259	Youth 2012-CANI-01	442,350
		Youth 2013-CANI-01	353,125
		Subtotal CFDA #17.259	<u>795,475</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
<u>Direct</u>			
(9) Supportive Services for Veteran Families (including \$79,428 of delegated expenses)	64.033	12-IN-539	356,705
		14-IN-106	34,815
		Subtotal CFDA #64.033	<u>391,520</u>
U.S. DEPARTMENT OF ENERGY			
<u>Passed-Through Indiana Housing and Community Development Authority</u>			
(10) Weatherization Assistance for Low-Income Persons	81.042	WX-010-007	479,201
		WX-013-007	25,354
(11) Weatherization Assistance for Low-Income Persons Carry Over		WX-013-007-C	37,156
		Subtotal CFDA #81.042	<u>541,711</u>

Community Action of Northeast Indiana, Inc.

Schedule B-2

Schedule of Expenditures of Federal Awards

Year Ended October 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed-Through Indiana Housing and Community Development Authority</u>			
(12) Low-Income Home Energy Assistance Weatherization	93.568	WL-013-007	1,132,814
		WL-014-007	52,152
(13) Low-Income Home Energy Assistance		LI-013-007	4,155,479
		LI-014-007	69,432
(14) Residential Energy Assistance Challenge Options Program		RE-013-007	26,487
		Subtotal CFDA #93.568	5,436,364
<u>Passed-Through Indiana Housing and Community Development Authority</u>			
(15) Community Services Block Grant	93.569	CS-012-007	63,536
		CS-013-007	646,773
(16) Community Services Block Grant - BEED		CS-10-024CSBG	50,000
		Subtotal CFDA #93.569	760,309
<u>Direct Grant</u>			
(17) Microenterprise Development Program	93.576	90RG0093/02	72,828
<u>Passed-Through Indiana Family and Social Services Administration</u>			
(18) Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	F1-2-02-12-34-1671	504,112
<u>Direct Grant</u>			
(19) Head Start (including \$432,469 of delegated expenses)	93.600	05CH4038/47	5,707,960

Community Action of Northeast Indiana, Inc.

Schedule B-3

Schedule of Expenditures of Federal Awards

Year Ended October 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<u>Passed-Through Indiana Housing and Community Development Authority</u>			
(20) Assets for Independence Demonstration Program	93.602	IDA011-005B	<u>967</u>
<u>Passed-Through Indiana Department of Commerce and Indiana Rural Health Association</u>			
(21) Noble County Outreach Project	93.912	HRSA-12-083	<u>57,553</u>
 Corporation for National and Community Service			
<u>Passed-Through the Office of Faith Based Initiatives</u>			
(22) AmeriCorps	94.006	F20-3-12-AC-001	106,147
		F20-3-12-AC-002	12,052
		Subtotal CFDA #94.006	<u>118,199</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 16,065,694</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Action of Northeast Indiana, Inc. under programs of the federal government for the year ended October 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Community Action of Northeast Indiana, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action of Northeast Indiana, Inc.

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.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Community Action of Northeast Indiana, Inc. and Subsidiaries
Fort Wayne, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States 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 of Northeast Indiana, Inc. and Subsidiaries, which comprise the statement of financial position as of October 31, 2013, and the related statements of activities and cash flows for the year ended October 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2014. The financial statements of Hopewell Pointe GP, Inc. and Energy Savers Consultants, LLC were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Hopewell Pointe GP, Inc. and Energy Savers Consultants, LLC.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Action of Northeast Indiana, Inc.'s internal control over financial reporting (internal control) to determine the auditing 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 of Northeast Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Action of Northeast Indiana, Inc.'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 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. 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 the attention of 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. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and questioned costs as item 2013-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action of Northeast Indiana, 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*.

Responses to Findings

Community Action of Northeast Indiana, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Community Action of Northeast Indiana, Inc.'s response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Community Action of Northeast Indiana, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action of Northeast Indiana, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

June 24, 2014
Madison, Wisconsin



Independent Auditor's Report on Compliance With Requirements For Each Major Federal Program and on Internal Control Over Compliance

Board of Directors
Community Action of Northeast Indiana, Inc.
Fort Wayne, Indiana

Report on Compliance for Each Major Federal Program

We have audited Community Action of Northeast Indiana, Inc.'s compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2013. Community Action of Northeast Indiana, 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 for Compliance

Management of Community Action of Northeast Indiana, Inc. 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 of Northeast Indiana, 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; 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 of Northeast Indiana, 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 on Community Action of Northeast Indiana, Inc.'s compliance.

Basis for Qualified Opinion on Compliance for Low-Income Home Energy Assistance Program

As described in item 2013-002 in the accompanying schedule of findings and questioned costs, Community Action of Northeast Indiana, Inc. did not comply with requirements regarding eligibility that are applicable to its Low-Income Home Energy Assistance (LIHEAP) program. Compliance with such requirements is necessary, in our opinion, for Community Action of Northeast Indiana, Inc. to comply with requirements applicable to that program.

Qualified Opinion on Compliance for Low-Income Home Energy Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Community Action of Northeast Indiana, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low-Income Home Energy Assistance program for the year ended October 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Community Action of Northeast Indiana, 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended October 31, 2013.

Report on Internal Control Over Compliance

Management of Community Action of Northeast Indiana, 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 of Northeast Indiana, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a 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 of Northeast Indiana, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness as described in the accompanying schedule of findings and questioned costs as item 2013-002.

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 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 the attention of those charged with governance.

Community Action of Northeast Indiana, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Community Action of Northeast Indiana, Inc.'s response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report 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.

Wipfli LLP

Wipfli LLP

June 24, 2014
Madison, Wisconsin

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be a material weakness?	No
Type of auditor’s report issued on compliance for major programs	Modified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major federal programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.231	Emergency Solutions Grant Program
14.871	Housing Choice Voucher Program
64.033	Supportive Services for Veteran Families
93.568	Low-Income Home Energy Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs	\$481,971
Auditee qualified as low-risk auditee?	No

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

Section II – Financial Statement Findings

AUDIT ADJUSTMENTS (2013-001)

Condition

During our audit, Wipfli LLP proposed multiple adjusting journal entries which we deem to be significant in relation to the consolidated financial statements. These entries were subsequently recorded by management. Since Community Action of Northeast Indiana, Inc.'s internal controls did not detect and correct these adjustments prior to the audit, a significant deficiency exists in Community Action of Northeast Indiana, Inc.'s controls over year end close and financial statement preparation.

Criteria

OMB Circular A-110, Subpart C.21(b)(1), and Department of Health and Human Services Regulation 45 CFR, Part 74.21(b)(1), require that . . . *the grant recipient have a financial system that provides for accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program.* In addition, OMB Circular A-110, Subpart C.21(b)(3), and Department of Health and Human Services Regulation 45 CFR, Part 74.21(b)(3), require . . . *Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.*

Effect

As a result of not performing the necessary adjustment to significant account balances, a significant deficiency exists in internal controls.

Recommendation

We recommend Community Action of Northeast Indiana, Inc. implement procedures to provide sufficient internal controls to identify and correct any misstatements in the general ledger on a monthly basis.

Management Response

These audit adjustments were the result of a one-time transaction between CANI and CANI's Center for Community and Economic Development. CANI has reviewed their internal control processes relating to account reconciliation and reporting and has implemented procedures to ensure accurate reporting in the future.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

Section III – Federal Award Findings and Questioned Costs

FILE DOCUMENTATION AND ELIGIBILITY(2013-002)

DEPARTMENT OF HEALTH AND HUMAN SERVICES, LOW-INCOME HOME ENERGY ASSISTANCE WEATHERIZATION PROGRAM, CFDA #93.568, GRANT #WL-013-007, GRANT PERIOD 10/01/12 - 09/30/13

DEPARTMENT OF HEALTH AND HUMAN SERVICES, LOW-INCOME HOME ENERGY ASSISTANCE WEATHERIZATION PROGRAM, CFDA #93.568, GRANT #WL-014-007, GRANT PERIOD 10/01/13 - 09/30/14

DEPARTMENT OF HEALTH AND HUMAN SERVICES, LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM, CFDA #93.568, GRANT #LI-013-007, GRANT PERIOD 10/01/12 - 09/30/13

DEPARTMENT OF HEALTH AND HUMAN SERVICES, LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM, CFDA #93.568, GRANT #LI-014-007, GRANT PERIOD 10/01/13 - 09/30/14

Questioned Costs: None

Condition

During the audit, there was evidence that the internal control systems in place related to the Low-Income Home Energy Assistance Program and the HHS Weatherization Program failed to provide reasonable assurance that Community Action of Northeast Indiana, Inc. is managing the program in compliance with the provisions of the grant agreement. Specifically, we noted the following:

- 11 out of 30 files selected for testing had income calculation and documentation errors.
- It was determined that in 2 out of these 11 files with errors, that there is not enough clear documentation of the income calculation to determine if the participants were eligible to receive benefits.

These issues indicate there is a material weakness in internal control over file documentation and the inability to support eligibility determinations in accordance with program guidelines.

Criteria

OMB Circular A-133, Subpart C Sec. 300 (b), requires that . . . the grant recipient shall maintain internal control over federal programs that provides reasonable assurance that the auditee in managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

Effect

Because of the missing or incomplete eligibility documentation noted in our audit, Community Action of Northeast Indiana, Inc. is not in compliance with federal regulations. We consider this to be a material noncompliance and a material weakness in internal control over compliance.

Recommendation

We recommend that Community Action of Northeast Indiana, Inc. review existing controls to determine the cause for the issues. Management should determine if the weaknesses were due to personnel or ineffective internal control systems. Management should make modifications to personnel and existing controls as necessary to ensure compliance with the grant requirements.

Management Response

CANI has reorganized the department that administers Energy Assistance to create increased focus on eliminating errors. While we are already putting in extra funds for personnel beyond what the grant provides, we will add again in the coming year to ensure that we have the staff capacity to focus on error reduction. Extra training will be provided to personnel doing Energy Assistance applications. We will significantly increase the percentage of files that are audited internally as well.

Contact Person: Stephen Hoffman, President/CEO

Corrective Action Period: Fiscal year 2014

Section IV – Prior Year Findings and Questioned Costs

AUDIT ADJUSTMENTS (103112-01)

Condition

During our audit, Wipfli LLP proposed multiple adjusting journal entries which we deem to be significant in relation to the consolidated financial statements. These entries were subsequently recorded by management. Since Community Action of Northeast Indiana, Inc.'s internal controls did not detect and correct these adjustments prior to the audit, a significant deficiency exists in Community Action of Northeast Indiana, Inc.'s controls over year end close and financial statement preparation.

Criteria

OMB Circular A-110, Subpart C.21(b)(1), and Department of Health and Human Services Regulation 45 CFR, Part 74.21(b)(1), require that . . . *the grant recipient have a financial system that provides for accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program.* In addition, OMB Circular A-110, Subpart C.21(b)(3), and Department of Health and Human Services Regulation 45 CFR, Part 74.21(b)(3), require . . . *Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.*

Community Action of Northeast Indiana, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

Effect

As a result of not performing the necessary adjustment to significant account balances, a significant deficiency exists in internal controls.

Recommendation

We recommend Community Action of Northeast Indiana, Inc. implement procedures to provide sufficient internal controls to identify and correct any misstatements in the general ledger on a monthly basis.

Management Response's to the Prior Year Finding

CANI failed to book revenue earned and an accrued expense for its subsidiary, Hopewell Pointe, as outlined in the terms of the Development agreement. Management has implemented a process whereas Management and Fiscal will meet to discuss the terms of all financial agreements of CANI and its subsidiaries in order to ensure accurate reporting.

Current Year Status of Prior Year Finding

There is a repeat finding in the current year.