



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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June 23, 2015

Board of Directors
Community Action of East Central Indiana, Inc.
P.O. Box 1314
Richmond, IN 47375

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, for the period January 1, 2010 to December 31, 2010. 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 East Central Indiana, Inc., as of December 31, 2010, 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 OF EAST
CENTRAL INDIANA, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

DECEMBER 31, 2010

COMMUNITY ACTION OF EAST CENTRAL INDIANA

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Independent Auditors' Report

Board of Directors
Community Action of East Central
Indiana, Inc.
Richmond, Indiana

We have audited the accompanying statement of financial position of Community Action of East Central Indiana, Inc. (CAECI) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of CAECI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by CAECI's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAECI as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that CAECI will continue as a going concern. As discussed in Note 10 to the financial statements, CAECI has a liquidity shortfall. This condition raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 10. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should CAECI be unable to continue as a going concern.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2011 on our consideration of CAECI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Gauthier & Kimmerling, LLC

November 15, 2011

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

Cash and cash equivalents	\$ 18,116
Grants receivable (Note 5)	249,367
Property, net of accumulated depreciation (Note 6)	<u>934,043</u>
 Total Assets	 <u>\$ 1,201,526</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 455,477
Accrued expenses	197,793
Note payable (Note 7)	<u>421,954</u>
 Total Liabilities	 <u>1,075,224</u>
 Unrestricted Net Assets	 <u>126,302</u>
 Total Liabilities and Net Assets	 <u>\$ 1,201,526</u>

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

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>			
Grants (Note 5)	\$ -	\$ 5,708,812	\$ 5,708,812
Contributions	9,430	-	9,430
Interest Income	12	-	12
Other income	2,046	-	2,046
Inkind donations	61,358	-	61,358
	<u>72,846</u>	<u>5,708,812</u>	<u>5,781,658</u>
Revenues and other support	72,846	5,708,812	5,781,658
Revenues released from restriction	<u>5,737,828</u>	<u>(5,737,828)</u>	<u>-</u>
Total Revenues and Other Support	<u>5,810,674</u>	<u>(29,016)</u>	<u>5,781,658</u>
<u>EXPENSES</u>			
Early education	2,696,250	-	2,696,250
Energy assistance	1,166,686	-	1,166,686
Community service	669,047	-	669,047
Weatherization	635,871	-	635,871
Housing	320,702	-	320,702
	<u>5,488,556</u>	<u>-</u>	<u>5,488,556</u>
Total Program	5,488,556	-	5,488,556
Management and general	<u>238,175</u>	<u>-</u>	<u>238,175</u>
Total Expenses	<u>5,726,731</u>	<u>-</u>	<u>5,726,731</u>
Increase (decrease) in net assets	83,943	(29,016)	54,927
Net assets - beginning of year	<u>42,359</u>	<u>29,016</u>	<u>71,375</u>
Net assets - end of year	<u>\$ 126,302</u>	<u>-</u>	<u>\$ 126,302</u>

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

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Community Services	Housing	Energy Assistance	Early Education	Weatherization	Program Total	Management and General	Total Expenses
Personnel	\$ 142,860	\$ 39,511	\$ 239,569	\$ 1,549,076	\$ 131,879	\$ 2,102,895	\$ 137,994	\$ 2,240,889
Occupancy	4,585	5,344	8,004	129,199	8,550	155,682	7,434	163,116
Telephone and postage	8,996	509	15,617	20,540	2,263	47,925	2,225	50,150
Professional fees	4,858	298	5,627	165,901	2,049	178,733	8,550	187,283
Contractual	10,784	1,057	10,216	49,877	2,002	73,936	3,462	77,398
Materials and supplies	-	919	9,630	65,373	6,179	82,101	3,564	85,665
Equipment	374	1,987	13,954	36,143	12,384	64,842	3,097	67,939
Travel	-	1,902	1,660	6,432	68	10,062	447	10,509
Insurance	3,687	1,407	7,862	49,990	6,614	69,560	3,305	72,865
Printing	2,153	60	4,114	7,037	388	13,752	642	14,394
Program services	484,439	267,147	846,722	436,431	453,042	2,487,781	-	2,487,781
Depreciation	1,084	561	3,146	19,315	1,628	25,734	25,393	51,127
Interest	-	-	-	-	-	-	36,624	36,624
In-Kind	-	-	-	61,358	-	61,358	-	61,358
Other	3,136	-	565	3,726	84	7,511	335	7,846
Training	2,091	-	-	95,852	8,741	106,684	5,103	111,787
Total	\$ 669,047	\$ 320,702	\$ 1,166,686	\$ 2,696,250	\$ 635,871	\$ 5,488,556	\$ 238,175	\$ 5,726,731

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

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 54,927
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	51,127
(Increases) decreases in operating assets:	
Grants receivable	308,704
Increases (decreases) in operating liabilities:	
Accounts payable	(270,175)
Accrued expenses	<u>102,089</u>
Net Cash Provided by (Used in) Operating Activities	<u>246,672</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(280,401)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(280,401)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payment on debt	<u>(21,385)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(21,385)</u>
Net increase (decrease) in cash	(55,114)
Cash - beginning of year	<u>73,230</u>
Cash - end of year	<u>\$ 18,116</u>
Interest paid during the year	<u>\$ 36,624</u>

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

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. NATURE OF THE ORGANIZATION

Community Action of East Central Indiana Program, Inc. (CAECI) was established in September 1965 to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs in Fayette, Union, and Wayne counties in Indiana.

During 2010, CAECI was actively involved in:

- Child education
- Housing
- Community services
- Energy assistance
- Weatherization

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

In accordance with Accounting Standards, Financial Statements of Not-for-Profit Organizations, unrestricted net assets include all assets over which CAECI has full discretion as to use. Temporarily restricted net assets include net assets whose use by CAECI is limited by donor-imposed restrictions that either expire by the passage of time or are fulfilled by CAECI. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets.

Contributions for which the restrictions are met in the same period in which the contribution is received are also recorded as unrestricted. Permanently restricted net assets include net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of CAECI.

Federal and state grant awards are recognized as temporarily restricted revenue subject to compliance with grant restrictions. Unexpended funds are reported as temporarily restricted revenue. When expenses are incurred against grant funds temporarily restricted net assets are released from restriction.

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

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

CAECI is exempt from income taxation under the Internal Revenue Code Section 501(c)(3). Management believes that CAECI has addressed all relevant tax positions and that there are no unrecorded tax liabilities. CAECI believes it is no longer subject to tax examination for the years prior to 2007.

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

Property and equipment used in operations is recorded at cost if the value exceeds \$5,000. Depreciation is recognized over the estimated useful life of 3 to 30 years using the straight-line method.

CAECI reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There were no impairment losses recognized in 2010.

3. FINANCIAL INSTRUMENTS

CAECI maintains its cash in deposit accounts that, at times, may exceed federally insured limits. There was no excess at December 31, 2010.

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

4. PROPERTY AND EQUIPMENT

CAECI's property and equipment consisted of the following at December 31, 2010:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 28,000	\$ -	\$ 28,000
Building	494,415	167,556	326,859
Building improvements	470,748	104,862	365,886
Equipment	<u>768,128</u>	<u>554,830</u>	<u>213,298</u>
Total	<u>\$ 1,761,291</u>	<u>\$ 827,248</u>	<u>\$ 934,043</u>

Depreciation expense for the year totaled \$51,127.

5. GRANT REVENUE, GRANTS RECEIVABLE, AND DEFERRED REVENUE

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

Grantor/Program Title	Receivable 12/31/09	Grant Revenue 12/31/10	Collections 12/31/10	Grants Receivable 12/31/10
<i>U.S. Department of Agriculture</i>				
Child and Adult Care Food Program	\$ 12,303	\$ 125,376	\$ 111,798	\$ 25,881
Housing Preservation	22,000	-	22,000	-
<i>HUD</i>				
Section 8	-	310,016	310,016	-
<i>U.S. Department of Energy</i>				
Weatherization Assistance	69,739	149,494	219,032	201
<i>Homeland Security</i>				
FEMA EFS	-	5,118	5,118	-
<i>HHS</i>				
EAP	203,477	1,374,927	1,527,109	51,295
LIHEAP	97,489	240,549	326,514	11,524
CSBG ARRA	-	316,282	316,282	-
CSBG	-	392,014	342,925	49,089
Head Start	68,542	1,853,711	1,840,546	81,707
Head Start ARRA T/TA	-	147,282	117,782	29,500
Early Head Start ARRA	2,600	743,243	745,673	170
<i>State and Other Programs</i>				
Supplemental Environmental	-	50,800	50,800	-
Totals	\$ 476,150	\$ 5,708,812	\$ 5,935,595	\$ 249,367

6. EMPLOYEE RETIREMENT PLAN

CAECI offers a 403(b) annuity plan. Any employee who has completed one year of employment is eligible. CAECI contributes \$50 for those with health insurance benefits or \$410 a month for members of the bargaining unit without employer provided health coverage. Contributions made by CAECI were \$166,007 for the year ended December 31, 2010.

7. NOTE PAYABLE

As of December 31, 2010, notes payable consisted of the following:

CAECI obtained a promissory note from U.S. Bank with interest at the rate of 5.789%. Monthly payments are \$5,274, with the outstanding balance due May 2016.

Future principal maturities on the note payable are as follows:

Year ending December 31,		
2011	\$	26,410
2012		28,913
2013		31,666
2014		34,674
2015		37,968
Thereafter		<u>262,323</u>
Total	\$	<u>421,954</u>

8. FAIR VALUE MEASUREMENT

In accordance with Accounting Standards Codification (ASC) 820, CAECI measures its assets and liabilities valued on a recurring basis at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that entities maximize the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels of inputs used are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Quoted prices for similar assets or liabilities in active markets
- Level 3 – Unobservable inputs for the asset or liability based on the best available information

At December 31, 2010, there were no assets or liabilities valued on a recurring basis.

The fair value of short-term financial instruments, including cash and cash equivalents, grants receivable, accounts payable and other accrued liabilities approximate the carrying value in the accompanying financial statements due to the short maturity of such instruments.

The fair value of long-term assets, including property, approximates the carrying value in the accompanying financial statements based on evaluation of impairment as described in Note 2.

The carrying value of notes payable approximates the fair value based on current borrowing rates.

All methods of assessing fair value result in a general approximation of value and such value may never be realized.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

10. GOING CONCERN

In late 2009, early 2010, CAECI incurred approximately \$400,000 in weatherization expenses beyond available grant funding. Cash from valid energy assistance program claims was used to pay these liabilities, leaving a cash shortfall to pay the utility vendors. \$325,000 of those obligations remains unpaid and is included in accounts payable at year-end. This situation results in material noncompliance with the EAP grant and unpaid vendors which could lead to judgments against CAECI. Unrestricted revenues are insufficient to cover these payables and noncompliance with grants could lead to a reduction in future grant funding.

Management has replaced the staff responsible for coordinating compliance and program budgeting. New financial controls have been implemented to control purchasing. Staff has been trained to identify budget problems and the Board has been trained to improve fiscal oversight. CAECI also plans to implement capital campaigns and develop other revenue sources to repay its obligations. CAECI believes these efforts will restore reasonable liquidity to the organization.

**COMMUNITY ACTION OF EAST
CENTRAL INDIANA, INC.**

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

DECEMBER 31, 2010



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

Board of Directors
Community Action
of East Central Indiana
Richmond, Indiana

We have audited the financial statements of Community Action of East Central Indiana (CAECI) as of and for the year ended December 31, 2010, and have issued our report thereon dated November 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial reporting contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of CAECI is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CAECI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CAECI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CAECI's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether CAECI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2010-1

CAECI's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit CAECI's response and accordingly, we express no opinion on it.

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

Garth M. Kennedy, LLC

November 15, 2011



Gauthier & Kimmerling, LLC
accountants & advisors

7340 Shadeland Station • Suite 100 • Indianapolis, IN 46256 • (317) 572-1130

Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Community Action
of East Central Indiana
Richmond, Indiana

COMPLIANCE

We have audited the compliance of Community Action Of East Central Indiana (CAECI) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of CAECI's major federal programs for the year ended December 31, 2010. CAECI's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CAECI's management. Our responsibility is to express an opinion on CAECI's compliance based on our audit.

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

As described in item 2010-1 in the accompanying schedule of findings and questioned costs, CAECI did not comply with requirements regarding cash management that are applicable to its Low-Income Housing Energy Assistance program. Compliance with such requirements is necessary, in our opinion, for CAECI to comply with requirements applicable to that program. The Low-Income Housing Assistance program was not tested as a major program, but other procedures discovered the noncompliance.

In our opinion, except for the noncompliance described in the previous paragraph, CAECI complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-01.

INTERNAL CONTROL OVER COMPLIANCE

The management of CAECI is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CAECI's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 CAECI'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 significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

CAECI's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit CAECI's response and, accordingly, we express no opinion on the response.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of CAECI as of and for the year ended December 31, 2010, and have issued our report dated November 15, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB circular A-133 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects to the financial statements as a whole.

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

Jonathan K. Kinsley, LLC

November 15, 2011

Community Action of East Central Indiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture:			
Child and Adult Care Food Program	10.558	N/A	\$ 125,376
Total U.S. Department of Agriculture			<u>125,376</u>
U.S. Department of Housing and Urban Development:			
Indiana Housing and Community Development Authority Lower Income Housing Assistance Program-Section 8	14.871	N/A	<u>310,016</u>
Total U.S. Department of Housing and Urban Development			<u>310,016</u>
U.S. Department of Energy:			
Indiana Housing and Community Development Authority Weatherization Assistance for Low-Income Persons	81.042	WX 010-005	<u>149,494</u>
Total U.S. Department of Energy			<u>149,494</u>
U.S. Department of Homeland Security:			
Emergency Food and Shelter Program Emergency Food and Shelter National Board Program	97.024	N/A	<u>5,118</u>

(Continued)

Community Action of East Central Indiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010
(Continued)

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Indiana Housing and Community Development Authority			
Low-Income Home Energy Assistance	93.558	WL-010-005	205,120
Low-Income Home Energy Assistance		WL-010-005	<u>35,429</u>
Total Low-Income Home Energy Assistance			<u>240,549</u>
Indiana Housing and Community Development Authority			
Low-Income Home Energy Assistance	93.568	LI-009-005	1,100,400
Low-Income Home Energy Assistance		LI-009-005-2	<u>274,527</u>
Total Low-Income Home Energy Assistance			<u>1,374,927</u>
Community Services Block Grant	93.569	CS-010-005	392,014
ARRA Community Services Block Grant	93.710	CS-ARRA-005	316,282
Head Start	93.600	05CH4014/44	394,666
Head Start		05CH4014/45	<u>1,459,045</u>
Total Head Start - CFDA 97.600			<u>1,853,711</u>
ARRA Head Start	93.708	05SA4014/01	147,282
ARRA Early Head Start expansion	93.709	05SA4014/01	<u>743,243</u>
Total U.S. Department of Health and Human Services:			<u>5,068,008</u>
Total Expenditure of Federal Awards			<u>\$ 5,658,012</u>

The accompanying notes are an integral part of this schedule.

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Community Action of East Central Indiana
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

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

Basis of Presentation – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of CAECI under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a select portion of the operations of CAECI, it is not intended to and does not present the financial position, changes in net assets of cash flows of CAECI.

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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Community Action of East Central Indiana
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2010

ITEM NUMBER

AUDIT FINDING

None

Community Action of East Central Indiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditor report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses? *None reported*

Noncompliance material to financial statements noted: *No*

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified: *Yes*
- Significant deficiency(ies) identified that are not considered to be material weaknesses? *None reported*

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? *Yes*

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.569	CSBG
93.710	ARRA CSBG
14.871	Section 8 Housing
93.600	Head Start
93.708	ARRA Head Start
93.709	ARRA Early Head Start

Community Action of East Central Indiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Section I - Summary of Auditors' Results - continued

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2010-1:	Cash Management
CFDA #93.568	Low-Income Home Energy Assistance
Criteria:	OMB Circular A-110 (2 CFR section 215.22)(a) Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants or payments by other means by the recipients.
Condition:	LIHEAP Energy Assistance funds claimed for valid incurred expenses in 2010 were drawn but not used to pay the utility vendors that provided services to recipients of the assistance. Many of these obligations remain unpaid beyond the issuance of this report. Funds were instead used to pay a related program's allowable expenses that had exceeded its annual funding. The agency is left with liabilities that it has difficulty paying.
Questioned Costs:	It is estimated that approximately \$400,000 of obligations saw payment delayed significantly including approximately \$325,000 that is still unpaid.
Effect:	Vendors saw delayed payment and dissatisfaction with the program. Vendor participation is vital for the success of this type of assistance.
Cause:	Lack of entity wide financial reporting and budget monitoring combined with a lack of budget control over program activities allows agency personnel to obligate CAECI beyond available grant funding. The problem is compounded by slow reporting causing alternative funding to not be available for those obligations due to periodicity.
Recommendation:	CAECI needs to improve and implement controls over program spending and controls over use of cost reimbursement funds

(Continued)

Community Action of East Central Indiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

Section III - Federal Award Findings and Questioned Costs - Continued

Finding 2010-1: Cash Management

CFDA #93.569 Low-Income Home Energy Assistance

Management Response: Staff directly responsible for cash management compliance was replaced. New controls over compliance, staff training and board oversight have been implemented. CAECI is also actively developing a capital campaign for repayment of its obligations and pursuing other revenue sources, including rental of unutilized building space. CAECI believes the new controls will prevent future noncompliance and new revenue will allow them to repay the obligations.