



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B34574

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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

June 29, 2009

Board of Directors  
Community Action Program of  
Evansville and Vanderburgh County, Inc.  
27 Pasco Ave.  
Evansville, IN 47713

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

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

STATE BOARD OF ACCOUNTS

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

**Financial Statements  
for the Years Ended  
December 31, 2007 and 2006**



**COMER  
NOWLING And  
ASSOCIATES, INC.**

*Certified Public Accountants*

**COMMUNITY ACTION PROGRAM OF EVANSVILLE AND  
VANDERBURGH COUNTY, INC.  
(Evansville, Indiana)  
FINANCIAL STATEMENTS**

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS.....	5
STATEMENTS OF FUNCTIONAL EXPENSES .....	6
STATEMENTS OF CASH FLOWS .....	10
NOTES TO FINANCIAL STATEMENTS .....	11
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	21
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	23
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	24
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	25
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	29



BUSINESS PLANNING  
FINANCIAL STATEMENTS  
BUSINESS VALUATIONS  
TAX PLANNING  
TAX PREPARATION

## Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Community Action Program of Evansville and Vanderburgh County, Inc. as of December 31, 2007 and 2006 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Community Action Program of Evansville and Vanderburgh County, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2008 on our consideration of Community Action Program of Evansville and Vanderburgh County, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

*Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

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

Comer, Nowling And Associates, P.C.

July 11, 2008

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006**

<b>ASSETS</b>	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>Current assets</b>		
Cash	\$ 210,425	\$ 138,743
Grants receivable	1,912,134	1,502,983
Accounts receivable	4,223	17,079
Due from Southern Indiana Housing Corp.	3,200	3,200
Due from Brumfield Place, L.P.	83,304	83,304
Prepaid expenses	99,200	53,629
Total current assets	<u>2,312,486</u>	<u>1,798,938</u>
<b>Property and equipment</b>		
Vehicles and equipment	1,037,993	1,000,981
Buildings and improvements	1,681,422	1,395,934
Land	159,956	159,956
	<u>2,879,371</u>	<u>2,556,871</u>
Less accumulated depreciation	(944,991)	(858,301)
Total property and equipment, net	<u>1,934,380</u>	<u>1,698,570</u>
<b>Other assets</b>		
Single-family housing projects	193,463	122,551
Development fees receivable	156,185	156,185
Notes receivable - Brumfield Place, L.P.	425,000	425,000
Notes receivable - Paradise Estates Apartments	847,470	847,470
Total other assets	<u>1,622,118</u>	<u>1,551,206</u>
	<u>\$ 5,868,984</u>	<u>\$ 5,048,714</u>

See accompanying notes to financial statements.

**LIABILITIES AND NET ASSETS**

	<u>2007</u>	<u>2006</u>
Current liabilities		
Accounts payable	\$ 1,191,607	\$ 719,335
Accrued payroll and payroll expenses	310,045	304,177
Short-term notes payable	151,000	91,000
Current maturities of long-term debt	94,064	96,343
	<hr/>	<hr/>
Total current liabilities	1,746,716	1,210,855
Long-term liabilities		
Note payable - AHP Funds	264,170	264,170
Note payable - HOME Funds	375,000	375,000
Note payable - Section 202	633,300	633,300
Notes payable - other	821,137	827,852
	<hr/>	<hr/>
Total long-term liabilities	2,093,607	2,100,322
Total liabilities	3,840,323	3,311,177
Net assets - unrestricted	<hr/>	<hr/>
	2,028,661	1,737,537
Total liabilities and net assets	<hr/> <hr/>	<hr/> <hr/>
	\$ 5,868,984	\$ 5,048,714

(This page intentionally left blank)

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Support and revenue		
Grant revenue	\$ 10,316,476	\$ 8,847,930
Donations	7,267	20,712
Program revenue	49,623	86,282
Other	4,215	3,252
Interest	987	4,339
In-kind contributions	489,401	315,517
Total support and revenue	<u>10,867,969</u>	<u>9,278,032</u>
Housing payment assistance activity		
Proceeds from sale of housing assistance homes	-	526,300
Cost of homes and payment assistance	-	<u>(777,575)</u>
Net payment assistance activity	<u>-</u>	<u>(251,275)</u>
Total support, revenue and payment assistance activity	<u>10,867,969</u>	<u>9,026,757</u>
Expenses		
Childhood education	5,249,618	4,607,673
Child care	151,944	223,738
Nutrition	207,602	233,371
Literacy	74,302	121,757
Transportation	-	55,647
Senior volunteer	230,533	219,395
Utility assistance	2,941,057	2,000,488
Housing assistance	462,687	359,631
Home weatherization assistance	557,680	523,162
Emergency family service	169,762	191,799
Management and general	531,660	429,450
Total operating expenses	<u>10,576,845</u>	<u>8,966,111</u>
Increase in net assets	291,124	60,646
Net assets at beginning of year	1,737,537	1,746,595
Prior period adjustment	-	<u>(69,704)</u>
Net assets at end of year	<u>\$ 2,028,661</u>	<u>\$ 1,737,537</u>

See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Childhood Education	Child Care	Nutrition	Literacy	Transportation
<b>OPERATING EXPENSES</b>					
Personnel costs	\$ 3,690,055	\$ 114,549	\$ -	\$ 8,402	\$ -
Space costs	485,346	30,417	-	-	-
Communications	42,374	233	-	-	-
Contractual services	68,473	160	-	-	-
Materials and supplies	187,090	3,229	-	4,960	-
Travel and training	111,358	2,339	-	-	-
Customer assistance	192,266	64	207,602	-	-
Other	139,140	953	-	500	-
Partnership	-	-	-	60,440	-
In-kind expenses	333,516	-	-	-	-
<b>Total Expenses Reported by Function</b>	<b>\$ 5,249,618</b>	<b>\$ 151,944</b>	<b>\$ 207,602</b>	<b>\$ 74,302</b>	<b>\$ -</b>

See accompanying notes to financial statements.

Senior Volunteer	Utility Assistance	Housing Assistance	Home Weatherization Assistance	Emergency Family Service	Management and General	2007 Totals
\$ 32,770	\$ 228,260	\$ 49,735	\$ 196,228	\$ 1,501	\$ 140,353	\$ 4,461,853
-	18,552	614	40,508	32,896	170,597	778,930
448	5,807	456	12,630	125	24,557	86,630
3	7,864	-	2,993	60	31,333	110,886
449	15,504	519	29,975	3,432	86,792	331,950
1,612	2,158	292	2,953	-	10,345	131,057
161,680	2,661,649	411,049	251,617	7,764	34,158	3,927,849
749	1,263	22	20,776	921	33,525	197,849
-	-	-	-	-	-	60,440
32,822	-	-	-	123,063	-	489,401
<u>\$ 230,533</u>	<u>\$ 2,941,057</u>	<u>\$ 462,687</u>	<u>\$ 557,680</u>	<u>\$ 169,762</u>	<u>\$ 531,660</u>	<u>\$ 10,576,845</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Childhood Education	Child Care	Nutrition	Literacy	Transportation
<b>OPERATING EXPENSES</b>					
Personnel costs	\$ 3,564,372	\$ 205,053	\$ -	\$ 16,973	\$ 34,176
Space costs	432,779	15,019	-	-	-
Communications	34,516	78	-	-	8,413
Contractural services	72,122	241	-	-	-
Materials and supplies	127,213	1,738	-	249	-
Travel and training	79,682	758	-	25	-
Customer assistance	42,428	54	233,371	-	13,058
Other	129,492	797	-	2,608	-
Partnership	-	-	-	101,902	-
In-kind expenses	125,069	-	-	-	-
<b>Total Expenses Reported by Function</b>	<b>\$ 4,607,673</b>	<b>\$ 223,738</b>	<b>\$ 233,371</b>	<b>\$ 121,757</b>	<b>\$ 55,647</b>

See accompanying notes to financial statements.

Senior Volunteer	Utility Assistance	Housing Assistance	Home Weatherization Assistance	Emergency Family Service	Management and General	2006 Totals
\$ 38,018	\$ 330,057	\$ 55,186	\$ 245,065	\$ 1,424	\$ 197,789	\$ 4,688,113
1,671	28,497	-	21,958	18,135	46,895	564,954
1,025	9,760	594	7,114	317	27,089	88,906
797	9,345	1,750	3,639	80	21,151	109,125
1,237	34,113	834	15,890	324	77,053	258,651
198	6,460	820	4,527	265	15,932	108,667
145,143	1,573,859	206,384	209,176	8,140	-	2,431,613
1,324	8,397	94,063	15,793	2,648	29,303	284,425
-	-	-	-	-	14,238	116,140
29,982	-	-	-	160,466	-	315,517
<b>\$ 219,395</b>	<b>\$ 2,000,488</b>	<b>\$ 359,631</b>	<b>\$ 523,162</b>	<b>\$ 191,799</b>	<b>\$ 429,450</b>	<b>\$ 8,966,111</b>

(This page intentionally left blank)

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 291,124	\$ 60,646
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	86,071	78,865
(Increase) decrease in cash from changes in:		
Grants receivable	(409,151)	569,836
Accounts receivable	12,856	1,267
Prepaid expenses	(45,571)	24,774
Increase (decrease) in cash from changes in:		
Accounts payable	472,272	(417,924)
Accrued payroll and related expenses	5,868	18,827
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	413,469	336,291
Cash flows from investing activities		
Change in construction-in-progress	-	199,480
Purchase/sale of single-family housing projects	(70,912)	211,346
Purchase of fixed assets	(321,881)	(264,260)
	<hr/>	<hr/>
Net cash used by provided by (used in) investing activities	(392,793)	146,566
Cash flows from financing activities:		
Loan and note proceeds	60,000	-
Repayment of notes payable	(8,994)	(379,497)
	<hr/>	<hr/>
Net cash provided by financing activities	51,006	(379,497)
Net increase in cash	71,682	103,360
Cash at beginning of year	138,743	35,383
Cash at end of year	<u>\$ 210,425</u>	<u>\$ 138,743</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 80,037</u>	<u>\$ 74,437</u>

See accompanying notes to financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

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

**NATURE OF OPERATIONS**

Community Action Program of Evansville and Vanderburgh County, Inc. (CAPE or the Organization) was incorporated and commenced operations as a not-for-profit Organization in 1965, under the laws of the State of Indiana. The Organization was formed to develop and provide resources for the purpose of assisting low-income individuals in the City of Evansville and Vanderburgh County, Indiana through a variety of programs. The Organization is primarily supported through federal and state government grants.

**BASIS OF PRESENTATION**

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

**REVENUE RECOGNITION**

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

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost and depreciated over estimated useful lives of three to forty years using the straight-line method. The following is a summary of the lives for each class of asset:

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

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

Total depreciation expense for the years ended December 31, 2007 and 2006, was \$86,071 and \$78,865, respectively.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

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

**INCOME TAX STATUS**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization that is not a private foundation under Section 509(a)(2).

**USE OF ESTIMATES**

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

**CONTRIBUTIONS**

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

**CONTRIBUTED SERVICES**

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

**IN-KIND CONTRIBUTIONS**

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by a like amount. For the years ended December 31, 2007 and 2006, this adjustment amounted to approximately \$489,401 and \$315,517 and is included in in-kind contributions on the Statements of Activities and Changes in Net Assets.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

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

**IN-KIND CONTRIBUTIONS (continued)**

The Organization has recorded in-kind contributions for professional services on the Consolidated Statement of Activities in accordance with Statement of Financial Accounting Standards No. 116 (SFAS 116), Accounting for Contributions Received and Contributions Made. SFAS 116 requires that only contributions of services received that create or enhance non-financial assets or require specialized skill and would typically need to be purchased if not provided by donation be recorded. The requirements of SFAS 116 are different from the in-kind requirements of the Organization's grant funding sources.

Of the \$489,401 and \$315,517 of in-kind contributions and related expenses recorded in the Organization's Consolidated Statement of Activities for the years ended December 31, 2007 and 2006, contributed services meeting the requirements of SFAS 116 are \$55,171 and \$26,900, all related to Head Start. During 2007 and 2006, the Organization also received other in-kind contributions totaling \$1,191,079 and \$1,224,034 related to its Head Start program which includes services from non-professional volunteers which are not recorded in the Consolidated Statements of Activities.

During 2007 and 2006, the Organization also received in-kind donations including food, supplies, space and volunteer services for its Foster Grandparent and Emergency Shelter programs totaling \$188,428 and \$199,124, respectively. The table below details the in-kind contributions:

	<u>2007</u>	<u>2006</u>
Head Start In-Kind		
Professional Services	\$ 55,171	\$ 26,900
Supplies/Food/Space In-Kind	278,345	98,169
Foster Grandparents In-Kind		
Supplies/Food/Space	32,822	29,982
Emergency Shelter In-Kind		
Supplies/Food/Space	<u>123,063</u>	<u>160,466</u>
 Total In-Kind Reported on Financial Statements per SFAS 116	 489,401	 315,517
 Head Start Volunteer Services	 1,191,079	 1,224,034
Foster Grandparents Volunteer	6,832	311
Emergency Shelter Volunteer	<u>25,711</u>	<u>8,365</u>
Total In-Kind for All Programs	<u>\$1,713,023</u>	<u>\$1,548,227</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

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

**ALLOCATION OF COSTS**

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

*Administrative Personnel*

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

*Administrative Non-personnel Costs*

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

*Occupancy Costs*

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

**NOTE 2 – GRANTS RECEIVABLE**

The grants receivable balance represents amounts due from the various funding sources as follows:

	<u>2007</u>	<u>2006</u>
Federal Programs (Direct and pass-through)	\$ 1,844,675	\$ 1,462,133
State and Local Programs	<u>67,459</u>	<u>40,850</u>
Total	<u>\$ 1,912,134</u>	<u>\$ 1,502,983</u>

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**NOTE 3 - STATEMENT OF FINANCIAL ACCOUNTING STANDARD NO. 144**

SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

**NOTE 4 - DUE FROM AFFILIATES**

During the year ended December 31, 2003, the Organization advanced funds to Southern Indiana Housing Corporation, an Indiana corporation, for start-up monies related to the design and construction of a low-income senior housing project in Southern Indiana. The funds are repayable to the Organization at the end of the project. As of December 31, 2007 and 2006, the balance due from Southern Indiana Housing Corporation was \$3,200.

During the year ended December 31, 2003, the Organization advanced funds to Brumfield Place, L.P., an Indiana limited partnership, for the operation of a 24 unit low-income housing project in Princeton, Indiana, of which the Organization is the development sponsor. The funds will be repaid from the final payment of the syndicators. As of December 31, 2007 and 2006, the balance due from Brumfield Place, L.P. was \$83,304.

**NOTE 5 - EMPLOYEE BENEFITS**

The Organization has a 401(k) plan. The Organization provides contributions up to a maximum amount of 1% of employee compensation. Contributions to the plan are made for all permanent employees starting from the date of employment. Employee benefit expense under this plan was approximately \$34,860 and \$31,618 for 2007 and 2006, respectively.

**NOTE 6 - DEVELOPMENT FEES RECEIVABLE**

On March 15, 2002, the Organization, under the signature of its affiliate, CAPE Development Corporation, entered into a Limited Partnership agreement (Brumfield Place, L.P.) with the U.S.A. Institutional Tax Credit Fund XXVIII, L.P., a Delaware limited partnership, to develop and maintain a 24 unit low-income housing project in Princeton, Indiana. Upon completion of project construction, CAPE was scheduled to receive development fees for its time and effort in the project's development. Payments are to be made on a yearly basis as funds permit. As of December 31, 2007 and 2006, the balance due was \$156,185

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**NOTE 7 – NOTES RECEIVABLE**

The Organization has entered into a real estate mortgage agreement with Brumfield Place, L.P., an Indiana limited partnership, dated March 15, 2002 in the principal amount of \$200,000. The mortgage matures on December 21, 2018 and is payable in full at maturity along with any accrued interest. The note bears interest at a rate of 0.0% per annum. As of December 31, 2007 and 2006, the mortgage balance remained at \$200,000.

The Organization has entered into a real estate mortgage agreement with Brumfield Place, L.P., an Indiana limited partnership, dated March 15, 2002 in the principal amount of \$225,000. The mortgage matures on December 21, 2018 and is payable in full at maturity along with any accrued interest. The note bears interest at a rate of 0.0% per annum. As of December 31, 2007 and 2006, the mortgage balance remained at \$225,000.

During the year ended December 31, 2003, the Organization entered into a promissory note agreement with Brumfield Place, L.P., an Indiana limited partnership, dated January 14, 2003 in the principal amount of \$75,000. The purpose of the note was help fund the equity gap between Brumfield Place, L.P. and its limited partner. The note matured on September 1, 2003 and accrues interest at a rate of 10% per annum. No principal or interest is due until the earlier of 1) the note maturity date or 2) the date that Brumfield Place, L.P. receives the third equity installment from its limited partner. The third equity installment is due when the project achieves a "break-even" point as a result of its operations. The third equity installment has not been received by Brumfield Place, L.P. and therefore no interest or principal has been paid to the Organization. The balance on the promissory note including interest as of December 31, 2007 and 2006 was \$83,304.

The Organization under the signature of its affiliate, Southern Indiana Housing Corporation, has entered into a forgivable note receivable agreement with Paradise Estates Apartments, an Indiana not-for-profit, in the principal amount of \$633,300. The note matures on March 2045 and is forgiven if the apartments are used for affordable housing. The note bears interest at a rate of 0.0% per annum. As of December 31, 2007 and 2006, the note balance remained at and \$633,300.

The Organization under the signature of its affiliate, Southern Indiana Housing Corporation, has entered into a forgivable note receivable agreement with Paradise Estates Apartments, an Indiana not-for-profit, in the principal amount of \$150,000. The note matures on March 2020 and is forgiven if the apartments are used for affordable housing. The note bears interest at a rate of 0.0% per annum. As of December 31, 2007 and 2006, the note balance remained at \$150,000.

The Organization under the signature of its affiliate, Southern Indiana Housing Corporation, has entered into a forgivable note receivable agreement with Paradise Estates Apartments, an Indiana

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**NOTE 7 – NOTES RECEIVABLE (continued)**

not-for-profit, in the principal amount of \$64,170. The note matures on March 2020 and is forgiven if the apartments are used for affordable housing. The note bears interest at a rate of 0.0% per annum. As of December 31, 2007 and 2006, the note balance remained at \$64,170.

**NOTE 8 – OPERATING LEASES**

The Organization leases various facilities for operation of its programs. Rent expense for the year ended December 31, 2007 and 2006 were \$208,701 and \$251,442, respectively. Future minimum lease payments on leases having non-cancelable terms beyond December 31, 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 189,113
2009	90,002
2010	90,002
2011	90,002
2012	<u>30,002</u>
	<u>\$ 489,121</u>

**NOTE 9 – LONG-TERM DEBT**

In December of 2002, the Organization assumed a promissory note with Fifth Third Bank originally dated December 2, 1996 and used by Evansville Community Services, Inc., an affiliate of the Organization, for the purchase of a commercial building. In December 2002, the Organization also assumed the title of the building. The original note was for the principal amount of \$765,000, matures in October 17, 2016 and is secured by real estate. The loan is payable in monthly installments of \$5,629 including principal and interest. The Organization assumed the remaining balance on the note of \$715,666 as of December 17, 2002. The remaining balance on the note as of December 31, 2007 and 2006 was \$692,850 and \$697,504, respectively.

The Organization has entered into a promissory note with Fifth Third Bank dated December 17, 2002 in the principal amount of \$100,000 for the purpose of acquiring a building. The loan is payable in monthly installments of \$746 beginning in January 2003 which includes interest at 6.5% per annum with a maturity date of December 17, 2007. The note is secured by real estate. The remaining balance on the note as of December 31, 2007 and 2006 was \$86,381 and \$89,253, respectively.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**NOTE 9 – LONG-TERM DEBT (continued)**

The Organization has entered into a loan agreement with the United States Department of Agriculture, Rural Housing Service, dated February 26, 2004 in the principal amount of \$140,000 for the purpose of partially funding the construction of a new head start facility in Princeton, Indiana. The loan is payable in monthly installments of \$636 beginning March 26, 2005 which includes interest of 4.5% per annum with a maturity date of February 26, 2045. The remaining balance on the note as of December 31, 2007 and December 31, 2006 was \$135,960 and \$137,438, respectively.

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

<u>Year</u>	<u>Amount</u>
2008	\$ 94,064
2009	8,330
2010	9,034
2011	9,800
2012	10,633
Thereafter	<u>783,329</u>
	<u>\$ 915,190</u>

**NOTE 10 - BRUMFIELD PLACE L.P. AND PARADISE ESTATES APARTMENTS**

Brumfield Place L.P. (the "Project") was organized as a limited partnership in March 2002 to construct, own and operate a 24-unit apartment complex in Princeton, Indiana. Each building in the project has qualified and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Organization owns a 1/100<sup>th</sup> interest in the Project and has obtained HOME and AHP funds to assist with the development. The HOME and AHP Funds have in turn been loaned to the Project (see note 7). As of December 31, 2007 and 2006, the Organization had made no material contributions to the Project or incurred any material related costs.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**NOTE 10 - BRUMFIELD PLACE L.P. AND PARADISE ESTATES APARTMENTS  
(continued)**

Paradise Estates Apartments (the "Secondary Project") was organized as a separate not-for-profit in March 2003 to construct, own and operate a 9-unit apartment complex in Princeton, Indiana. The Organization, under the signature of its wholly owned affiliate, Southern Indiana Housing Corporation, obtained Section 202, HOME and AHP funds to assist with the development. The Section 202, HOME and AHP Funds have in turn been loaned to the Secondary Project (see note 7). As of December 31, 2007 and 2006, the Organization had made no material contributions to the Project or incurred any material related costs.

**NOTE 11 - NOTES PAYABLE - HOME AND AHP FUNDS**

The Organization, under the signature of its affiliate, CAPE Development Corporation, has entered into an agreement with the State of Indiana Housing Finance Authority (IHFA) for the use of \$225,000 of HOME Funds in the development of Brumfield Place (see note 7). In addition, the Organization has entered into an agreement for the use of \$200,000 of AHP Funds in the development. The term of both loans is for an initial period of 15 years and with both loans maturing on December 21, 2018. Repayment of the loans is contingent upon the availability of Brumfield Place's "residual receipts", as defined in the agreement. The loans bear an annual interest rate of 0.00%, of which, interest is payable from residual receipts prior to the payment of any principal.

The Organization, under the signature of its affiliate, Southern Indiana Housing Corporation, has entered into an agreement with the Department of Metropolitan Development of the City of Evansville, Indiana for the use of \$150,000 of HOME Funds in the development of Paradise Estates Apartments (see note 7). In addition, the Organization has entered into an agreement with the Federal Home Loan Bank for the use of \$64,170 of AHP Funds in the development. The term of both loans is for an initial period of 20 years and with both loans maturing on March 2020. These notes payable will be forgiven if Paradise Estates is used as affordable housing until March 2020.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**NOTE 12 – BUY/REHAB/SALE HOMES AND RELATED DEBT**

During 2005, the Organization purchased five single family homes to be remodeled and updated for sale to individuals eligible for purchase assistance. The Organization acquired the properties in December 2005 with short-term promissory notes which will be repaid with grant funds. During 2006, four of these properties were sold; the remaining property is 3026 Graham Avenue. The total acquisition and rehabilitation cost for this property totaled \$122,551 as of December 31, 2007 and 2006.

The Organization has entered into promissory notes with Old National Bank for each of the homes purchased. Each note allows the payment of interest only until the maturity date and is secured by real estate. Interest is to be accrued at prime plus 1%. As of December 31, 2007 and 2006, the outstanding loan balance on the 3026 Graham Avenue property totaled \$91,000 with a maturity date of June 14, 2008.

During 2007, the Organization purchased another single family home under the buy/rehab/sale program located at 757 Lincoln on October 5, 2007. The total acquisition cost for this property totaled \$60,000. The Organization entered into a promissory note with Evansville Commerce Bank for the acquisition cost with interest accrued at prime plus 1% and maturing on April 5, 2008. As of December 31, 2007, the outstanding loan balance on this property was \$60,000.

**NOTE 13 – CONCENTRATION OF RISK**

The Organization maintains its cash balances several banks. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The balance in excess of \$100,000 is collaterally secured by the bank with Treasury Bills. At December 31, 2007 and 2006, bank balances were \$452,867 and \$253,861, respectively, in excess of FDIC coverage.

**NOTE 14 – RECLASSIFICATIONS**

Certain reclassifications have been made to the 2007 financial statements to conform to the 2006 presentation.

**SINGLE AUDIT SECTION**

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Agency/Pass-Through Entity/ Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Child and Adult Care Food Program	10.558		\$ 207,602
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Indiana Housing and Community Development Authority (IHCDA):			
Emergency Shelter Grant	14.231	ES-006-019	44,945
Section 8 Housing	14.871	SH-006-016	440,834
Owner-Occupied Rehabilitation Program	14.239	OR-006-010	81,250
Subtotal			<u>567,029</u>
Direct Program:			
Section 202 Capital Grant - Paradise Estates	14.157		633,000
Community Block Grant - Paradise Estates	14.219		<u>64,170</u>
HOME Funds - Paradise Estates	14.239		150,000
HOME Funds - Mulberry Properties	14.239		160,000
HOME Funds - Brumfield Place	14.239		200,000
AHP Funds - Brumfield Place	14.239		225,000
Subtotal			<u>735,000</u>
Total U.S. Department of Housing and Urban Development			<u>1,999,199</u>
<b>U.S. Department of Health and Human Services</b>			
Direct Program:			
Head Start Program			
Full Day/ Part Day	93.600	05CH0741/42	4,831,745
Training and Technical Assistance	93.600	05CH0741/42	84,115
Subtotal			<u>4,915,860</u>
IDA Contract	93.602	IDA007-009A	<u>10,709</u>
Passed through the Indiana Housing and Community Development Authority:			
Community Services Block Grant	93.569	CS-007-010	<u>330,261</u>
Weatherization/ Energy Assistance for Low-Income Families:			
LIHEAP	93.568	LI-007-010	204,171
Energy Assistance Program	93.568	LI-007-010	2,935,943
Leverage Incentive Program	93.568	LI-007-010	5,113
SWEEP	93.568	WL-007-010	43,854
Subtotal			<u>3,189,081</u>

See accompanying note to Schedule of Expenditures of Federal Awards.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE  
AND VANDERBURGH COUNTY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor Agency/Pass-Through Entity/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Federal Emergency Management Administration</b> Emergency Food and Shelter	83.523	280000-006	<u>1,995</u>
<b>U.S. Department of Energy</b> Passed through the Indiana Housing and Community Development Authority (IHCD): Weatherization Assistance for Low-Income Persons	81.042	WX-006/007-010	<u>254,384</u>
<b>Corporation for National and Community Service</b> Foster Grandparent Program	94.011	06SFNIN005	<u>197,711</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 11,106,802</u>

See accompanying note to Schedule of Expenditures of Federal Awards.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE AND  
VANDERBURGH COUNTY, INC.  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2007**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action Program of Evansville and Vanderburgh County, Inc. (CAPE) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**COMMUNITY ACTION PROGRAM OF EVANSVILLE AND  
VANDERBURGH COUNTY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2007**

No findings were noted in the prior year audit report.



BUSINESS PLANNING  
FINANCIAL STATEMENTS  
BUSINESS VALUATIONS  
TAX PLANNING  
TAX PREPARATION

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

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

We have audited the financial statements of Community Action Program of Evansville and Vanderburgh County, Inc. (CAPE), a nonprofit organization, as of and for the year ended December 31, 2007, and have issued our report thereon dated July 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAPE's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CAPE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

Comer, Nowling And Associates, P.C.  
July 11, 2008



BUSINESS PLANNING  
FINANCIAL STATEMENTS  
BUSINESS VALUATIONS  
TAX PLANNING  
TAX PREPARATION

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Community Action Program of Evansville and Vanderburgh County, Inc. (CAPE), a nonprofit organization, with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to its major federal programs for the year ended December 31, 2007. CAPE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of CAPE's management. Our responsibility is to express an opinion on CAPE'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 CAPE'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 CAPE's compliance with those requirements.

In our opinion, CAPE complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of CAPE 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 CAPE's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program in a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects CAPE's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Organization's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

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

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

Comer, Nowling And Associates, P.C.

July 11, 2008

**COMMUNITY ACTION PROGRAM OF EVANSVILLE AND  
VANDERBURGH COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2007**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes \_\_\_ No x

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? Yes \_\_\_ No x
- Significant deficiency(ies) identified? Yes \_\_\_ No x

Type of auditors report issued: Unqualified

Any audit findings disclosed required to be reported in  
Accordance with Section 510(a) of Circular A-133 Yes \_\_\_ No x

Programs tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.157	Dept. of Housing & Urban Development—Section 202 Grant
14.871	Dept. of Housing & Urban Development—Section 8 Housing Choice Vouchers
93.600	Dept. of Health & Human Services—Head Start

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

Auditee qualified as low-risk auditee? Yes \_\_\_ No x

**Section II – Financial Statement Findings**

None.

**Section III – Federal Awards Findings**

None.