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STATE OF INDIANA

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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

June 23, 2009

Board of Directors
Community Action of Greater
Indianapolis, Inc. and Subsidiary
2445 N. Meridian St.
Indianapolis, IN 46208

We have reviewed the audit report prepared by Agresta & 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 of Greater Indianapolis, Inc. and Subsidiary, 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.

We call your attention to the findings in the report. Pages 29 through 34 contain six current audit findings. The status of four prior audit findings can be found on pages 35 and 36.

STATE BOARD OF ACCOUNTS

Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments L.P. and 21st Street Seniors, L.P.

Consolidated Financial Statements

Year Ended December 31, 2007

Community Action of Greater Indianapolis, Inc. and Subsidiary
Franklin School Apartments, L.P. and 21st Street Seniors, L.P.

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Agresta & Associates, PC
Certified Public Accountants & Business Consultants

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Board of Directors
Community Action of Greater
Indianapolis, Inc. and Subsidiary
Indianapolis, Indiana

We have audited the accompanying consolidated statement of financial position of Community Action of Greater Indianapolis, Inc. and Subsidiary (a nonprofit organization), Franklin School Apartments, L.P. and 21st Street Seniors, L.P. as of December 31, 2007, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Franklin School Apartments, L.P. and 21st Street Seniors, L.P., which statements reflect total assets of $11,875,275 as of December 31, 2007 and total revenue of $516,860 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Franklin School Apartments, L.P. and 21st Street Seniors, L.P., is based solely on the reports of the other auditors.

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. The financial statements of Franklin School Apartments, L.P. and 21st Street Seniors, L.P. were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P. and 21st Street Seniors, L.P. as of December 31, 2007, 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 September 12, 2008, on our consideration of Community Action of Greater Indianapolis, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

1459 E. Brunswick
Indianapolis, IN 46227

Phone: 317-780-9850
Fax: 317-780-9852

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 19 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 consolidated financial statements. The consolidating statements of financial position and activities on pages 22 through 23 are presented for purposes of additional analysis rather than to present the financial position and activities of the individual companies and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Azteta & Associates P.C.

Indianapolis, Indiana
September 12, 2008

Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P. and 21st Street Seniors, L.P.

Consolidated Statement of Financial Position

December 31, 2007

Assets	
Current assets:	
Cash and cash equivalents	$ 1,136,357
Accounts receivable	4,580,116
Other assets	23,943
Total current assets	5,740,416
Property and equipment:	
Land and land improvements	1,826,055
Property and equipment	12,161,089
	13,987,144
Less: Accumulated depreciation	(1,306,115)
Net property and equipment	12,681,029
Other assets:	
Deferred costs, net of accumulated amortization	130,788
Total assets	$ 18,552,233
Liabilities and Net Assets	
Current liabilities:	
Current portion of long-term debt	$ 73,864
Accounts payable	4,217,491
Deferred revenue	690,715
Short-term debt	135,000
Construction loan payable	1,450,354
Other liabilities	410,372
Total current liabilities	6,977,796
Long-term debt, net of current portion	2,512,133
Minority interests	7,309,456
Net assets:	
Unrestricted net assets	1,752,848
Total net assets	1,752,848
Total liabilities and net assets	$ 18,552,233

The consolidated financial statements should be read only in conjunction with the accompanying summary of significant accounting policies (as described in Note 1) and notes to consolidated financial statements.

Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P. and 21st Street Seniors, L.P.

Consolidated Statement of Activities

Year Ended December 31, 2007

Changes in unrestricted net assets:	
Revenues and other support:	
Grant revenue	$ 17,855,035
Day care center revenue	209,965
In-kind revenue	22,744
Other revenue	870,990
Rental income	650,716
Interest	1,294
Total unrestricted revenues and other support	19,610,744
Net assets released from restrictions	306,007
Total unrestricted revenues and support and reclassifications	19,916,751
Expenses:	
Program services:	
Energy and Weatherization	12,858,564
Children and Youth	1,185,779
Housing and Welfare	3,129,159
Other	127,254
	17,300,756
Supporting services:	
General and administrative	2,768,917
Total expenses	20,069,673
Decrease in unrestricted net assets before minority interest	(152,922)
Minority interest loss	(590,522)
Increase in unrestricted net assets	437,600
Changes in temporarily restricted net assets:	
Net assets released from restriction	(306,007)
Decrease in temporarily restricted net assets	(306,007)
Increase in net assets	131,593
Net assets, beginning of year	1,504,901
Correction of an error	116,354
Net assets, end of year	$ 1,752,848

The consolidated financial statements should be read only in conjunction with the accompanying summary of significant accounting policies (as described in Note 1) and notes to consolidated financial statements.

Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P. and 21st Street Seniors, L.P.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2007

	Energy and Weatherization	Children and Youth	Housing and Welfare	Other	Program Services Totals	General and Administrative	Total
Advertising	$ 6,549	$ 6,776	$ 2,029	$ -	$ 15,354	$ 26,892	$ 42,246
Amortization	-	-	-	-	-	3,820	3,820
Bad debt	-	-	-	-	-	10,905	10,905
Bank charges	-	-	-	920	920	791	1,711
Benefit payments	12,199,669	7,538	2,954,969	-	15,162,176	-	15,162,176
Community relations	2,283	5,393	162	30	7,868	23,581	31,449
Depreciation	-	49,222	7,751	-	56,973	413,940	470,913
Dues and subscriptions	1,076	2,075	19	323	3,493	3,736	7,229
Employee benefits	22,597	69,544	10,190	(1,948)	100,383	127,861	228,244
Employee meals	-	6,226	-	-	6,226	-	6,226
Employee training	2,198	2,456	-	-	4,654	3,473	8,127
Insurance	13,251	24,169	7,873	2,547	47,840	81,838	129,678
Interest	-	65,783	-	-	65,783	315,904	381,687
Lease	8,953	8,166	1,445	-	18,564	41,198	59,762
Maintenance	5,380	59,332	6,894	8	71,614	69,189	140,803
Miscellaneous	(206)	2,889	1,484	266	4,433	63,335	67,768
Occupancy	1,495	-	5,980	1,495	8,970	5,980	14,950
Payroll taxes	35,580	41,567	7,815	774	85,736	88,687	174,423
Postage	4,708	424	169	100	5,401	7,222	12,623
Professional fees	26,867	16,129	14,160	160	57,316	135,956	193,272
Salaries and wages	390,803	571,012	92,118	13,559	1,067,492	983,969	2,051,461
Security	1,770	65	2,464	-	4,299	9,372	13,671
Student meals	-	72,262	-	-	72,262	-	72,262
Subsidy	-	-	-	103,859	103,859	-	103,859
Supplies	31,941	51,422	1,986	1,141	86,490	136,756	223,246
Taxes and licenses	150	97	-	(31)	216	31,182	31,398
Travel	39,060	43,716	3,096	3,696	89,568	18,552	108,120
Utilities	56,202	71,193	8,519	355	136,269	162,738	299,007
Vehicle	8,238	8,323	36	-	16,597	2,040	18,637
	$ 12,858,564	$ 1,185,779	$ 3,129,159	$ 127,254	$ 17,300,756	$ 2,768,917	$ 20,069,673

The consolidated financial statements should be read only in conjunction with the accompanying summary of significant accounting policies (as described in Note 1) and notes to consolidated financial statements.

Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P. and 21st Street Seniors, L.P.

Consolidated Statement of Cash Flows

Year Ended December 31, 2007

Cash flow from operating activities:	
Increase in net assets	$ 131,593
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	474,733
Minority interest loss	(590,522)
Changes in assets and liabilities:	
Increase in accounts receivable	(2,342,199)
Decrease in other assets	17,129
Increase in accounts payable	1,431,136
Decrease in deferred revenue	(4,159)
Increase in other liabilities	41,548
Net cash used in operating activities	(840,741)
Cash flow from investing activities:	
Capital expenditures	(258,946)
Net cash used in investing activities	(258,946)
Cash flow from financing activities:	
Repayments on long-term debt	(69,438)
Repayments on construction loan	(3,549,674)
Capital contributions from minority interest	3,819,489
Net cash provided by financing activities	200,377
Net decrease in cash	(899,310)
Cash and cash equivalents, beginning of year	2,035,667
Cash and cash equivalents, end of year	$ 1,136,357
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 381,687

The consolidated financial statements should be read only in conjunction with the accompanying summary of significant accounting policies (as described in Note 1) and notes to consolidated financial statements.

Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P. and 21st Street Seniors, L.P.

Notes to Consolidated Financial Statements

Year Ended December 31, 2007

1. Summary of Significant Accounting Policies

Nature of Activities

Community Action of Greater Indianapolis, Inc. ("CAGI"), a not-for-profit organization, exists to develop, mobilize, stimulate and utilize resources for the purpose of eliminating the causes of poverty and combating existing poverty in the metropolitan area of Indianapolis, Indiana. CAGI also seeks to plan and develop programs which are designed to enable low-income families and individuals to become more self-sufficient. Programs include assistance in finding employment, job training and counseling, improvement of health, home management, housing and welfare, vocational rehabilitation, and special remedial and other noncurricular educational assistance. The majority of program services are energy related. The operations also include CAGI Housing, Inc. ("Housing"), CAGI 21st Street, LLC ("CAGI 21st Street"), a wholly owned subsidiary of Housing, Franklin School Apartments, L.P. ("FSA") and 21st Street Seniors, L.P. ("21st Street Seniors"). Housing and CAGI 21st Street, wholly owned by CAGI, facilitate the development and operations of FSA and 21st Street Seniors affordable housing developments. Housing and CAGI 21st Street had no activity during 2007. See Notes 2 and 3.

Principles of Consolidation

The consolidated financial statements include the accounts of CAGI, Housing, FSA and 21st Street Seniors (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation. Effective January 1, 2005, the Organization adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46(R), *Consolidation of Variable Interest Entities,* requiring the consolidation of FSA and 21st Street Seniors.

Basis of Presentation

CAGI reports its activities in the following expense categories: program services and general and administrative expenses, which consist of all other nonprogram expenses. Program services include Energy and Weatherization, which provides low-income area residents financial assistance with energy costs; Children and Youth, which provides children with after-school activities at the Boone County Academy and includes the Foster Grandparent Program; and Housing and Welfare, which helps fund various basic repairs to eligible homes. Expenses that are common to these two categories are allocated based upon management's estimate. For example, salaries and wages expense is allocated based on management's estimate of employee time spent on program services and general and administrative activities. Housing, FSA, and 21st Street Seniors do not report information in this manner, as they are "for-profit" enterprises and are not program driven. Accordingly, all expenses for Housing, FSA and 21st Street Seniors are included in general and administrative expenses.

CAGI reports information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Housing, FSA, and 21st Street Seniors do not report their information in such classes as they are "for-profit" enterprises.

Unrestricted net assets include resources which are not subject to donor-imposed restrictions and those resources for which donor-imposed restrictions have been satisfied. Donor-restricted contributions and grants whose restrictions were met in the same year are reported as unrestricted support. Temporarily restricted net assets include assets of CAGI related to contributions with explicit donor-imposed restrictions that may or will be met either by action of CAGI and/or the passage of time. Permanently restricted net assets include assets subject to donor-imposed stipulations in that they are to be maintained permanently by CAGI.

Revenue and support are reported as increases in the appropriate category of net assets for CAGI. Expenses are reported as decreases in unrestricted net assets for CAGI. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. CAGI had no temporarily or permanently restricted net assets at December 31, 2007.

Basis of Accounting

The consolidated financial statements for CAGI are prepared in conformity with the basis of accounting prescribed or permitted by the federal grantors, as listed in the schedule of expenditures of federal awards. This basis of accounting differs from accounting principles generally accepted in the United States of America. Except as described in the following paragraphs, CAGI's, Housing's, FSA's and 21st Street Seniors' financial statements are prepared using the accrual basis of accounting whereby revenues and assets are recorded when earned and expenses and liabilities are recorded when incurred.

Inventory

Materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the accompanying financial statements.

Property and Equipment

Property not purchased by CAGI with federal or state money is recorded at cost, or at fair market value as of the date received, if donated. Major expenses incurred which substantially increase the useful lives of existing assets are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. CAGI depreciates buildings and related improvements over its estimated useful life of 40 years using the straight-line method. Equipment is depreciated over its estimated useful life of five years using the straight-line method.

Equipment purchased by CAGI with federal and state grant funds is charged to expense in the period in which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the accompanying financial statements include the cost of equipment purchased with federal and state grant funds during the year rather than a provision for depreciation on equipment. The equipment purchased is used in the program for which it was purchased or in other future authorized programs. Funding agencies have a reversionary interest in any proceeds from the sale of equipment when the original acquisition was paid with federal or state grant funds.

Property and equipment received by CAGI without donor-imposed restrictions is classified as unrestricted net assets.

FSA and 21st Street Seniors record building and improvements at the initial purchase price plus the cost of the renovation. Construction period interest and certain holding costs have been capitalized. The buildings, site improvements, and personal property are depreciated using the straight-line method over lives of 40 years, 15 to 20 years, and 5 to 10 years, respectively. Repair and maintenance costs are expensed as incurred.

Long-lived Assets

The Organization reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Any long-lived assets held for sale are reported at the lower of their carrying amounts or fair value less the estimated cost to sell. There was no impairment loss recorded in 2007 nor were there any long-lived assets held for sale at December 31, 2007.

Compensated Absences

Compensated absences are charged to expense when paid instead of being accrued as a liability when earned by the employee.

Revenue Recognition

CAGI recognizes revenues from cost-reimbursement grants in the period in which the related expenses are incurred. Reimbursements requested for grant funds under cost-reimbursement programs prior to related expenses being incurred are recognized as deferred revenue. Revenues for Housing, FSA, and 21st Street Seniors are recognized when earned.

Income Taxes

CAGI is a not-for-profit organization incorporated under the laws of the State of Indiana and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Housing, a C corporation, accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, ("SFAS 109") as required. SFAS 109 provides for current and deferred tax liabilities and assets utilizing an asset and liability approach. No current or deferred taxes were recorded at December 31, 2007.

FSA and 21st Street Seniors are organized as limited partnerships under the Internal Revenue Code. Income, gains, losses and credits are recognized by individual partners. Accordingly, no provision for federal and state taxes on revenue and net income has been recognized in the accompanying consolidated financial statements.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Variable Interest Entities

In December 2003, the Financial Accounting Standards Board ("FASB") revised Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46(R)"). FIN 46(R) requires that if a company is the primary beneficiary of a variable interest entity, the assets, liabilities, and results of operations of the variable interest entity be consolidated into the financial statements of the company. CAGI and Housing adopted the provisions of FIN 46 (R) as of January 1, 2005 and, accordingly, has consolidated the assets, liabilities, and results of operations of FSA and 21st Street Seniors.

At December 31, 2007 and for the year then ended, FSA and 21st Street Seniors had assets of $5,028,432 and $6,846,843, respectively; liabilities of $2,652,278 and $1,778,370, respectively; and a net loss of $218,240 and $372,282, respectively.

Advertising Costs

The Organization incurs advertising costs in the normal course of business, which are expensed as incurred. Advertising costs totaled $42,246 during the year ended December 31, 2007.

2. Franklin School Apartments L.P

Organizational

FSA, an Indiana limited partnership organized in 2001, was formed to acquire, develop, and operate a 48-unit affordable housing development ("Apartment Complex I") in compliance with Section 42 of the Internal Revenue Code of 1986. The units are rented to low-income individuals yielding federal income tax credits to investors.

At its inception, FSA's general and limited partners were Housing and CAGI, respectively. In 2003, FSA entered into an Amended and Restated Agreement of Limited Partnership ("FSA Agreement") with outside investors. Among other things, the FSA Agreement stipulated the withdrawal of CAGI as a limited partner and the admission of an investor limited partner, Alliant Tax Credit Fund XX, Ltd., and an administrative limited partner, Alliant Tax Credit XX, Inc. in exchange for capital contributions of $3,669,231 and $100, respectively, subject to the attainment of certain dates and milestones. The capital contribution amount was based on the value of low-income housing credits and historic tax credits that FSA would be able to generate annually. The initial contribution of $100 from the general partner (Housing) was received in 2006.

In accordance with the FSA Agreement, 99.98% of the profits, losses, and tax credits are distributed to the Alliant Tax Credit Fund XX, Ltd. and .01% is distributed each to Alliant Tax Credit XX, Inc. and the general partner. The sponsor and developer of the project continue to be CAGI, the parent of the general partner, Housing.

Financing

The FSA Agreement required certain performance guarantees by Housing related to financing including construction financing, permanent financing, and grants. At December 31, 2007, FSA had the following long-term obligations:

- Mortgage note in the amount of $675,000. The mortgage accrues interest at the rate of $7.63% per annum and matures on December 31, 2020. Payments of $5,045 are due monthly. This note is collateralized by certain FSA real estate. At December 31, 2007, the outstanding balance on this note was $654,874.

- Affordable Housing Grant in the amount $500,000. The grant is to be repaid to CAGI to the extent of 75% of annual cash flow generated by FSA with any unpaid amounts due on December 31, 2032. The note is interest free and is secured by a second mortgage on Apartment Complex I. At December 31, 2007, the intercompany receivable/payable balances between FSA and CAGI have been eliminated in consolidation.

- HOME Investment Program Grant in the amount of $700,000. The grant is to be repaid to CAGI on the earlier of December 31, 2033 or on the date of sale of Apartment Complex I. This note bears interest at the rate of 4.9% per annum. The note is secured by a third mortgage on Apartment Complex I. At December 31, 2007, the intercompany receivable/payable balances between FSA and CAGI have been eliminated in consolidation.

- CDBG Grant in the amount of $25,000. This note is to be repaid to CAGI on December 31, 2032. The note bears interest at the rate of 5.69% per annum. The note is secured by a fourth mortgage on Apartment Complex I. At December 31, 2007, the intercompany receivable/payable balances between FSA and CAGI have been eliminated in consolidation.

Operations

The operations of FSA are separate and distinct from the operations of CAGI and Housing. However, CAGI and Housing have entered into management and guaranty agreements for the development and management of Apartment Complex I. Included in these agreements and in the Amended and Restated Agreement of Limited Partnership are construction commencement and completion dates, contributions to cover development deficits, lease-up of the residential units, and maintenance and funding of any operating and replacement reserve accounts.

Development Fee

In accordance with the terms of the FSA Agreement, CAGI is also due a development fee from FSA in the amount of $475,000 for services rendered. The development fee is to be paid to CAGI from available cash flow of Apartment Complex I as defined in the FSA Agreement. Through December 31, 2007, no payments had been made to CAGI. At December 31, 2007, the intercompany development fee payable/receivable between FSA and CAGI and related capitalized costs have been eliminated in consolidation.

Other Terms

The FSA Agreement provides for the sale of Apartment Complex I to third parties at the administrative and limited partner's option, after completion of the compliance period (defined as 15 taxable years beginning with the first taxable year or 2004). The FSA Agreement also gives CAGI the right of first refusal to acquire the administrative and limited investor partners' interest at the end of the compliance period for a sum equal to the minimum purchase price as defined in the FSA Agreement. Furthermore, in the event of noncompliance, Housing and CAGI are required to return the limited partners' contributions in accordance with the terms of the FSA Agreement. At December 31, 2007, CAGI and Housing have satisfied the terms and conditions as stipulated in the FSA Agreement, and the limited partners' rescission rights have expired.

3. 21st Street Seniors L.P.

Organizational

21st Street Seniors, an Indiana limited partnership organized in 2005, was formed to acquire, develop, and operate a 60-unit affordable housing development ("Apartment Complex II") in compliance with Section 42 of the Internal Revenue Code of 1986. At December 31, 2007, the Project is 100% complete.

At its inception, 21st Street Seniors' general and limited partners were unrelated entities. In March 2005, 21st Street Seniors entered into its First Amended and Restated Limited Partnership Agreement which stipulated the withdrawal of the original general partner and the admission of CAGI 21st Street, LLC (an Indiana limited liability company wholly owned by Housing). In November 2005, 21st Street Seniors entered into the Second Amended and Restated Limited Partnership Agreement ("21st Agreement") with outside investors. Among other things, the 21st Agreement stipulated the withdrawal of NRP Properties, LLC as limited partner and the admission of an investor limited partner, Great Lakes Capital Fund for Housing Limited Partnership XII in exchange for a capital contribution of $5,802,540 to be contributed based on the passage of time and the attainment of certain milestones as defined in the 21st Agreement. In addition, the 21st Agreement required a $100 capital contribution from it new general partner. In accordance with the terms of the 21st Agreement, 99.99% of the profits, losses, and tax credits are to be distributed to the limited partner with the remainder being distributed to the general partner. At December 31, 2007, the general and limited partners' capital contributions were $100 and $5,634,489, respectively.

Financing

The 21st Agreement required certain performance guarantees by CAGI related to the construction and permanent financing. 21st Street Seniors entered into a promissory note effective November 21, 2005 to secure a construction loan with maximum borrowings of the lesser of $5,075,408 or 80% of the appraised value of the project. At December 31, 2007, the outstanding balance pursuant to the promissory note was $1,450,354. The note accrues interest at 8.25% per annum and matured on December 1, 2007. See note 14.

Operational

The operations of 21st Street Seniors are separate and distinct from the operations of CAGI and Housing. However, CAGI and CAGI 21st Seniors, LLC have entered into management and guaranty agreements for the development and management of Apartment Complex II. Included in these agreements and in the Amended and Restated Agreement of Limited Partnership are construction commencement and completion dates, maintenance of financial covenants, contributions to cover development deficits, lease-up of the residential units, and maintenance of any operating and replacement reserve accounts. At December 31, 2007, Apartment Complex II is 100% complete.

Development Fee

In accordance with the terms of the Amended and Restated Development Agreement dated November 23, 2005 and the 21st Street Agreement, CAGI and a third-party developer will be paid a development fee for services rendered in the amount of $356,000 and $534,000, respectively. The development fee is to be paid simultaneous with the capital contribution received from the investor limited partner as follows:

- $500,000 upon admission of the investor limited partner ("LP"), due 2005; $0 was outstanding at December 31, 2007;
- $100,000 upon receipt of the second capital contribution from LP , due 2006; $0 was outstanding at December 31, 2007;
- $200,000 upon receipt of the third capital contribution from LP, due 2006; $190,351 was outstanding at December 31, 2007;
- $70,000 upon receipt of the fourth capital contribution from LP, due 2007; $70,000 was outstanding at December 31, 2007; and
- $20,000 upon receipt of the fifth capital contribution from LP, due 2007; $20,000 was outstanding at December 31, 2007;

Through December 31, 2007, CAGI and the third-party developer were paid $193,164 and $416,485, respectively. The outstanding development fee payable to CAGI and the third-party developer is $162,836 and $117,515, respectively at December 31, 2007. The intercompany development fee payable/receivable between 21st Street Seniors and CAGI and related revenue and capitalized costs have been eliminated in consolidation.

Other Terms

The 21st Street Agreement provides for the sale of Apartment Complex II to third parties at the administrative and limited partner's option, after completion of the compliance period (defined as 15 taxable years beginning with the first taxable year). The 21st Street Agreement also gives CAGI the right of first refusal to acquire the administrative and limited investor partners' interest at the end of the compliance period for a sum equal to the minimum purchase price as defined in the FSA Agreement. Furthermore, in the event of noncompliance of certain performance guarantees by CAGI, 21st Seniors and the contractor, the investor limited partner can require CAGI and 21st Seniors to purchase its interest in accordance with the terms of the 21st Street Agreement.

4. Related Parties

The Organization has three additional corporations affiliated with it: Community Economic Development Corporation, CAAP Housing, Inc., and Community Action of Greater Indianapolis Foundation, Inc.

Community Economic Development Corporation and CAAP Housing, Inc. require that their Board members also be Board members of the Organization.

From time to time, the Organization purchases and provides contracted services on behalf of CAAP Housing, Inc. There were no revenues or expenses related to these activities for the year ended December 31, 2007.

Community Economic Development Corporation and Community Action of Greater Indianapolis Foundation, Inc. had no activity during the year ended December 31, 2007.

5. Property and Equipment

CAGI owns three buildings and five houses. The houses are used in the Organization's Transitional Housing Program. Property and equipment for CAGI, FSA and 21st Street Seniors consist of the following:

	December 31, 2007				
	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	Consolidating Entries	Consolidated
Land and land improvements	$ 8,500	$ 50,000	$ 1,767,555	$ -	$ 1,826,055
Building and building improvements, low-income housing apartments	-	5,472,665	4,682,645	(831,000)	9,324,310
Administrative buildings	752,710	-	-	-	752,710
Daycare center building	765,861	-	-	-	765,861
Houses	128,485	-	-	-	128,485
Building improvements, daycare center	463,456	-	-	-	463,456
Personal property	9,342	47,782	608,518	-	665,642
Vehicles	60,625	-	-	-	60,625
	2,188,979	5,570,447	7,058,718	(831,000)	13,987,144
Less accumulated depreciation	(373,350)	(594,413)	(338,352)	-	(1,306,115)
	$ 1,815,629	$ 4,976,034	$ 6,720,366	$ (831,000)	$ 12,681,029

6. Notes Payable

	December 31, 2007
Note payable, bank, in 119 monthly installments of $8,892 and one balloon payment of $455,988, including interest at 7.080%. Due October 1, 2015. Secured by substantially all of the assets of CAGI.	$ 892,940
Note payable, bank, noninterest-bearing. Forgivable by bank on the 15th anniversary of the completion date of the construction of the FSA low-income housing apartment building if provisions of the agreement are complied with through the date of the note and no demand for payment is made prior to the 15th anniversary. Secured by a mortgage on the FSA apartment building. See Note 2.	500,000
Note payable, bank, in 59 monthly installments of $4,623 and one balloon payment of $469,212, including interest at 8.55%. Due June 10, 2011. Secured by a mortgage on certain CAGI real estate.	509,730
Note payable, bank, in 61 monthly installments of $724 with interest at 2.44%. Due April 1, 2011. Collateralized by two vehicles.	28,453
Mortgage payable, bank, in monthly installments of $5,045, with interest at 7.63% per annum. Due December 2020. Secured by a mortgage on certain FSA real estate. See Note 2.	654,874
	2,585,997
Less current portion	(73,864)
Long-term portion	$ 2,512,133

Scheduled minimum annual principal repayments of long-term debt in each of the next five years are as follows:

Year Ending December 31,	
2008	$ 73,864
2009	77,682
2010	83,312
2011	535,273
2012	69,152
Thereafter	1,746,714
	$ 2,585,997

7. Pension Plan

CAGI has a 403(b) Plan (the "Plan") in which employees who have completed 1,000 hours of service may participate. Participants may contribute up to 20% of their pretax annual compensation to the Plan and CAGI may make discretionary contributions to the Plan on behalf of the employees. The participants are 100% vested after five years of credited service in the discretionary contributions and immediately vested in any participant contributions. CAGI made no contributions to the Plan during the year ended December 31, 2007.

8. Concentrations

Funding

CAGI is substantially funded by grants awarded by the federal government. The majority of the agreements contain provisions which permit the arrangements to be terminated or the funds provided to be reduced if the unit of government does not appropriate an adequate amount of funds to maintain the current funding levels. Any deferred revenue or excess funds on hand under cost reimbursement grants at the termination date would be subject to refund if such funds exceeded the accrued expenditures allowable under the grants and contracts at that date.

In the normal course of operations, CAGI receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes that any liability for reimbursement which may arise as the result of these audits would not be material.

Credit Risk

CAGI, FSA, and 21st Street Seniors maintain substantially all its temporary cash investments at high credit quality financial institutions. From time to time, such balances may exceed federally insured limits. At December 31, 2007, cash accounts in excess of federally insured amounts totaled $1,211,349. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The State of Indiana accounted for approximately 98% of accounts receivable of CAGI at December 31, 2007. Therefore, management believes no allowance for doubtful accounts is necessary as of December 31, 2007.

9. Lease Commitment

CAGI leases office space in two surrounding counties. These leases, requiring monthly payments of $550 and $600, respectively, have expired as of December 31, 2007, however, CAGI continues to lease these facilities on a month-to-month basis. CAGI also leases various office equipment with monthly payments ranging from $70 to $1,179, which expire through 2009. Lease and occupancy expense related to the above leases totaled $63,713 for the year ended December 31, 2007.

The minimum lease commitments for the above leases are as follows:

Year Ending December 31,	
2008	$ 22,225
2009	10,321
	$ 32,546

10. Line of Credit

CAGI has a line of credit with a bank with maximum availability in the amount of $150,000. Interest is payable monthly at the Bank's prime lending rate plus 0.50% (8.00% at December 31, 2007). This line of credit is due on demand and is secured by substantially all assets of CAGI. The line of credit had borrowings outstanding totaling $0 as of December 31, 2007.

11. Commitments and Contingencies

CAGI is a party to action and claims arising in the ordinary course of business. In the opinion of management and legal counsel, the claims and actions can be resolved in a manner which will not result in a material liability to CAGI.

12. Deferred Costs

Deferred costs represent mortgage financing and low-income housing tax credit monitoring costs that are being amortized over their estimated useful lives of 15 to 20 years. Amortization expense for the year ended December 31, 2007 totaled $3,820.

The following represents deferred costs and related accumulated amortization as of December 31, 2007:

Description	2007
Mortgage finance costs	$ 98,000
Low-income housing tax credit monitoring costs	38,892
Accumulated amortization	(6,104)
Total deferred costs, net	$ 130,788

13. Temporarily Restricted Net Assets

During the year ended December 31, 2006 and in prior years, the Organization received grants containing various provisions restricting the purpose of the expenditures. Accordingly, these grant proceeds were classified as temporarily restricted net assets, with yearly reclassifications for actual expenditures made in accordance with the grant agreements. During the year ended December 31, 2007, $306,007 was expended for its restricted purpose and, accordingly, has been reclassified from temporarily restricted net assets. CAGI had no temporarily restricted net assets as of December 31, 2007.

14. Subsequent Events

On January 4, 2008, 21st Street Seniors entered into a loan agreement in the amount of $1,450,354 to refinance its construction loan. The note is due in monthly installments of $10,121 with interest at 7.48% per annum commencing in March 2008 and is due in February, 2038.

15. Correction of an Error

During the year ended December 31, 2007, CAGI discovered that interest earned in prior years on a related party note receivable had not been recorded on its books. Accordingly, the financial statements for the year ended December 31, 2006 have been restated to reflect the interest earned and the appropriate amount of related interest receivable from the related party. The effect of this restatement on the financial statements was to increase unrestricted net assets and other receivable, related party by $116,354, respectively.

Supplemental Information

Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P. and 21st Street Seniors, L.P.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Expenditures
Department of Health and Human Services:		
Passed through Indiana Housing and Community Development Authority:		
Community Services Block Grant	93.569	$ 1,206,742
Low Income Home Energy Assistance	93.568	13,134,524
Passed through Indiana Family and Social Services Administration:		
Child Care Development Fund	93.596	110,709
Total Department of Health and Human Services		14,451,975
Department of Energy:		
Passed through Indiana Housing and Community Development Authority:		
Weatherization Assistance for Low-income Persons	81.042	662,003
Department of Housing and Urban Development:		
Passed through City of Indianapolis:		
Community Development Block Grant	14.218	292,396
Passed through Indiana Housing and Community Development Authority:		
Lower Income Housing Assistance Program - Section 8	14.871	1,315,186
Passed through City of Indianapolis and Marion County Health Department:		
LEAD Based Paint Hazard Control Program	14.900	583,849
Passed through Indiana Housing and Community Development Authority:		
HOME Investment Partnerships Program	14.239	287,277
Total Department of Housing and Urban Development		2,478,708
Corporation for National Service:		
Direct Program:		
Foster Grandparents	94.011	219,048
United States Department of Agriculture:		
Passed through Indiana Department of Education:		
Child and Adult Care Food Program	10.558	24,771
Total federal awards expended		$17,836,505

Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P. and 21st Street Seniors, L.P.

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2007

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the federal award expenditures disbursed by Community Action of Greater Indianapolis, Inc. received from the federal government for the year ended December 31, 2007.

For the purpose of the Schedule, federal awards include pass-through funds from grants and contracts entered into directly between the CAGI and state or local agencies and departments of the federal government. Expenditures for these federal pass-through programs, as well as nonpass-through programs, are recognized on the accrual basis of accounting.

Equipment

Equipment purchased with federal and state grant funds is charged to expense in the period in which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the accompanying financial statements include the cost of equipment purchased with federal and state grant funds during the year rather than a provision for depreciation on equipment.

The equipment acquired is used in the program for which it was purchased or in other future authorized programs. Funding agencies have a reversionary interest in any proceeds from the sale of equipment when the original acquisition was paid with federal or state grant funds.

Property and equipment received without donor-imposed restrictions is classified as unrestricted net assets.

Inventory

Materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the accompanying financial statements.

Compensated Absences

Compensated absences are charged to expense when paid instead of being accrued as a liability when earned by the employee.

2. Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures consist of direct and indirect costs. Direct costs are those that can be readily identified with an individual federally sponsored program. Benefit payments made on behalf of an eligible recipient and the materials consumed by the program are examples of direct costs.

Unlike direct costs, indirect costs cannot be readily identified with an individually sponsored project. Indirect costs are the costs of services and resources that benefit many projects as well as nonsponsored projects and activities. Indirect costs primarily consist of expenses incurred for administration, payroll taxes and fringe benefits.

3. Management Use of Estimates

The above basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities reported in the Schedule of Expenditures of Federal Awards. Actual results could differ from those estimates.

Community Action of Greater Indianapolis, Inc. and Subsidiary

Details of Consolidating Statement of Financial Position

December 31, 2007

	Community Action of Greater Indianapolis, Inc.	CAGI Housing, Inc. and Subsidiary	Consolidating Entries	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	Eliminating Entries	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	$ 1,116,408	$ -	$ -	$ 1,116,408	$ 13,414	$ 6,535	$ -	$ 1,136,357
Accounts receivable	4,805,620	-	-	4,805,620	2,020	2,175	(229,699)	4,580,116
Other assets	135,000	171	-	135,171	21,427	2,516	(135,171)	23,943
Total current assets	6,057,028	171	-	6,057,199	36,861	11,226	(364,870)	5,740,416
Property and equipment:								
Land and land improvements	8,500	-	-	8,500	50,000	1,767,555	-	1,826,055
Property and equipment	2,180,479	-	-	2,180,479	5,520,447	5,291,163	(831,000)	12,161,089
	2,188,979	-	-	2,188,979	5,570,447	7,058,718	(831,000)	13,987,144
Less: Accumulated depreciation	(373,350)	-	-	(373,350)	(594,413)	(338,352)	-	(1,306,115)
Net property and equipment	1,815,629	-	-	1,815,629	4,976,034	6,720,366	(831,000)	12,681,029
Other assets:								
Notes receivable, related party	1,225,000	-	-	1,225,000	-	-	(1,225,000)	-
Other receivable, related party	637,836	-	-	637,836	-	-	(637,836)	-
Deferred cost, net of accumulated amortization	-	-	-	-	15,537	115,251	-	130,788
Total other assets	1,862,836	-	-	1,862,836	15,537	115,251	(1,862,836)	130,788
Total assets	$ 9,735,493	$ 171	$ -	$ 9,735,664	$5,028,432	$6,846,843	$(3,058,706)	$18,552,233

Liabilities and Net Assets								
Current liabilities:								
Current portion of long-term debt	$ 66,159	$ -	$ -	$ 66,159	$ 7,705	$ -	$ -	$ 73,864
Accounts payable	4,179,777	-	-	4,179,777	102,616	11,696	(76,598)	4,217,491
Deferred revenue	690,715	-	-	690,715	-	-	-	690,715
Short-term debt	135,000	-	-	135,000	-	-	-	135,000
Contruction loan payable	-	-	-	-	-	1,450,354	-	1,450,354
Other liabilities	215,201	-	-	215,201	669,788	316,320	(790,937)	410,372
Total current liabilities	5,286,852	-	-	5,286,852	780,109	1,778,370	(867,535)	6,977,796
Long-term debt, net of current portion	1,864,964	-	-	1,864,964	1,872,169	-	(1,225,000)	2,512,133
Minority interests	-	-	-	-	-	-	7,309,456	7,309,456
Net assets and partners' equity:								
Unrestricted net assets	2,583,677	171	-	2,583,848	-	-	(831,000)	1,752,848
Partners' equity	-	-	-	-	2,376,154	5,068,473	(7,444,627)	-
Total net assets and partners' equity	2,583,677	171	-	2,583,848	2,376,154	5,068,473	(8,275,627)	1,752,848
Total liabilities and net assets	$ 9,735,493	$ 171	$ -	$ 9,735,664	$5,028,432	$6,846,843	$(3,058,706)	$18,552,233

Community Action of Greater Indianapolis, Inc. and Subsidiary

Details of Consolidating Statement of Activities

Year Ended December 31, 2007

	Community Action of Greater Indianapolis, Inc.	CAGI Housing Inc. and Subsidiary	Consolidating Entries	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	Eliminating Entries	Consolidated
Changes in unrestricted net assets:								
Revenues and other support:								
Grant revenue	$ 17,855,035	$ -	$ -	$ 17,855,035	$ -	$ -	$ -	$ 17,855,035
Day care center revenue	209,965	-	-	209,965	-	-	-	209,965
In-kind revenue	22,744	-	-	22,744	-	-	-	22,744
Other revenue	846,826	-	-	846,826	13,365	10,799	-	870,990
Rental income	158,544	-	-	158,544	180,068	312,104	-	650,716
Interest	36,427	-	-	36,427	-	524	(35,657)	1,294
Total unrestricted revenues and other support	19,129,541	-	-	19,129,541	193,433	323,427	(35,657)	19,610,744
Net assets released from restrictions	306,007	-	-	306,007	-	-	-	306,007
Total unrestricted revenues and support and reclassifications	19,435,548	-	-	19,435,548	193,433	323,427	(35,657)	19,916,751
Expenses:								
Program services:								
Energy and Weatherization	12,858,564	-	-	12,858,564	-	-	-	12,858,564
Children and Youth	1,185,779	-	-	1,185,779	-	-	-	1,185,779
Housing and Welfare	3,129,159	-	-	3,129,159	-	-	-	3,129,159
Other	127,254	-	-	127,254	-	-	-	127,254
	17,300,756	-	-	17,300,756	-	-	-	17,300,756
Supporting services:								
General and administrative	1,697,192	-	-	1,697,192	411,673	695,709	(35,657)	2,768,917
Total expenses	18,997,948	-	-	18,997,948	411,673	695,709	(35,657)	20,069,673

Increase (decrease) in unrestricted net assets before minority interest	437,600	-	-	437,600	(218,240)	(372,282)	-	(152,922)
Minority interest loss	-	-	-	-	-	-	(590,522)	(590,522)
Increase (decrease) in unrestricted net assets	437,600	-	-	437,600	(218,240)	(372,282)	590,522	437,600
Changes in temporarily restricted net assets:								
Net assets released from restrictions	(306,007)	-	-	(306,007)	-	-	-	(306,007)
Decrease in temporarily restricted net assets	(306,007)	-	-	(306,007)	-	-	-	(306,007)
Increase (decrease) in net assets	131,593	-	-	131,593	(218,240)	(372,282)	590,522	131,593
Net assets and partners' equity, beginning of year	2,335,730	171	-	2,335,901	2,594,394	1,621,266	(5,046,660)	1,504,901
Correction of an error	116,354	-	-	116,354	-	-	-	116,354
Capital contribution	-	-	-	-	-	3,819,489	(3,819,489)	-
Net assets and partners' equity, end of year	$ 2,583,677	$ 171	$ -	$ 2,583,848	$ 2,376,154	$5,068,473	$(8,275,627)	$ 1,752,848

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 of Community Action of
Greater Indianapolis, Inc. and Subsidiary
(an Indiana Not-For-Profit Corporation)
Indianapolis, Indiana

We have audited the consolidated financial statements of Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P., and 21st Street Seniors, L.P. as of and for the year ended December 31, 2007, and have issued our report thereon dated September 12, 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. The financial statements of Franklin School Apartments, L.P. and 21st Street Seniors, L.P. were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization'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 the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A 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 generally accepted accounting principles 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. However, we noted other matters involving internal control and its operation that we have reported to the management of the Organization in a separate letter dated September 12, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to management in a separate letter dated September 12, 2008.

This report is intended solely for the information and use of the audit committee, 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.

Indianapolis, Indiana
September 12, 2008

Agresta & Associates, PC

Certified Public Accountants & Business Consultants

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 of Community Action of
Greater Indianapolis, Inc. and Subsidiary
(an Indiana Not-For-Profit Corporation)
Indianapolis, Indiana

Compliance

We have audited the compliance of Community Action of Greater Indianapolis, Inc. and Subsidiary 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 each of its major federal programs for the year ended December 31, 2007. The Organization'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 programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization'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 the 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 the Organization'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 on the Organization's compliance with those requirements.

As described in items 07-01 through 07-05 in the accompanying schedule of findings and questioned costs, Community Action of Greater Indianapolis, Inc. and Subsidiary did not comply with requirements regarding eligibility, allowable costs consideration and documentation that are applicable to the, LEAD Based Paint Hazard Control, Weatherization Assistance for Low-Income Persons, and Section 8 Housing Choice Vouchers programs and eligibility consideration and documentation that are applicable to the Energy Assistance program. Compliance with such requirements is necessary, in our opinion, for Community Action of Greater Indianapolis, Inc. and Subsidiary to comply with requirements applicable to those programs.

In our opinion, except for noncompliance described in the preceding paragraph, Community Action of Greater Indianapolis, Inc. and Subsidiary complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

1459 E. Brunswick
Indianapolis, IN 46227

Phone: 317-780-9850
Fax: 317-780-9852

Internal Control over Compliance

The management of Community Action of Greater Indianapolis, Inc. and Subsidiary 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 the Organization'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 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 Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency in an Organization's internal control over compliance 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 on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to administer a 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 Organization's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 07-1 through 07-6 to be significant deficiencies.

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 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 fifth 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 over compliance that we consider to be material weaknesses, as defined above.

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

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.

Agresta & Associates P.C.

Indianapolis, Indiana
September 12, 2008

Community Action of Greater Indianapolis, Inc.
and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	X no
Noncompliance material to the financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses?	X yes	____ no
Type of auditor's report issued on compliance for major programs	Qualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	X yes	____ no

Identification of major programs

CFDA #	Name of Federal Program or Cluster
93.569	Community Services Block Grant
93.568	Low Income Home Energy Assistance
81.042	Weatherization Assistance for Low-Income Persons
14.871	Section 8 Housing Choice Vouchers
14.900	Lead Based Paint Hazard Control

Dollar threshold used to distinguish between Type A and Type B programs:	$535,095	
Auditee qualified as a low-risk auditee?	____ yes	X no

SECTION II—FINANCIAL STATEMENT FINDINGS

No matters were reported

Community Action of Greater Indianapolis, Inc.
and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

COMPLIANCE FINDINGS

Department of Housing and Urban Development

CFDA 14.900 Lead Based Paint Hazard Control

FINDING NO. 07-01

Statement of Condition: Files were not properly completed and maintained for 4 of the files selected for testing. In addition, the Organization did not properly withhold 25% of the amount of one contract selected for testing. Documentation and other deficiencies noted were:

- Proof of income for all residents was not retained in 2 files.
- Copies of contractor certifications were not retained in 3 files.
- A payment was erroneously disbursed to a contractor prior to the receipt of a certified lead test.

Criteria: The Organization is required to obtain proof of income for all tenants in a multifamily dwelling to ensure that the building is a qualifying property under the grant provisions. The Organization is also required to obtain contractor certifications and keep copies in each file to ensure that only qualified contractors are used to perform work under the grant. The Organization is required to withhold 25% of a contract until a certified lead test is received.

Effect: Eligibility for the receipt of benefits cannot be verified without proof of income which could result in assistance being awarded incorrectly. Without obtaining proper certification from all contractors, work might be performed by unqualified contractors or payments might be disbursed for incomplete or improper work.

Cause: The control procedures over compliance did not operate effectively.

Questioned costs: None

Recommendation: Control procedures over compliance should be reviewed by management to determine their effectiveness.

Management response: Management is implementing procedures to ensure that all necessary documents are included in the client files. Management is also in the process of updating its compliance procedures.

Community Action of Greater Indianapolis, Inc.
and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

Department of Housing and Urban Development

CFDA 14.900 Lead Based Paint Hazard Control

FINDING NO. 07-02

Statement of Condition:	A proper lead violation letter was not present in one file tested. There also appears to be a potential conflict of interest with the contract being awarded to the property owner.
Criteria:	The Organization is required to obtain a notification that lead samples tested exceed EPA standards before work may be performed on a particular property. Contracts should be awarded in compliance with conflict of interest policies defined in form HUD-51915-A.
Effect:	Work may be performed on property that does not qualify for benefits under this grant.
Cause:	The Organization does not have control over approval of contracts and the related compliance requirements associated with the project. Certain responsibilities of the Organization as noted in the contract are effectively performed by the passthrough entity. The Organization is facilitating the grant money while the passthrough entity is managing many aspects of the project.
Questioned costs:	Unknown
Recommendation:	The Organization should either perform all of the procedures that have been assigned to them in the contract or renegotiate the contract to assign responsibility for the project management to the passthrough organization.
Management response:	Management is currently working with the passthrough entity in matching the contract responsibilities with the entity performing those duties.

Community Action of Greater Indianapolis, Inc.
and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

Department of Health and Human Services

CFDA 93.568 Energy Assistance

FINDING NO. 07-03

Statement of Condition:	Files were not properly completed and maintained for 2 of the 44 files selected for testing. Documentation deficiencies noted were: • Proper documentation was not included in 2 files to support a crisis assistance benefit.
Criteria:	According to the Energy Assistance Program manual, a crisis assistance benefit should be awarded only if the client is in imminent danger of disconnection or the utility has already been shut-off.
Effect:	The lack of documentation to support an imminent disconnection or a utility shut-off could result in crisis assistance benefits being awarded to clients who do not qualify.
Cause:	The control procedures over the intake and intake quality control procedures did not operate effectively. Also, personnel responsible for quality control do not possess the knowledge necessary to perform effective reviews and provide timely feedback.
Questioned costs:	None
Recommendation:	Control procedures over the intake and intake quality control procedures should be reviewed by management to determine if they are adequate.
Management response:	The Organization continues to maintain an in-house quality control system to monitor and maintain the accuracy and completeness of eligibility files. The Organization is in the process of updating its training materials and quality control procedures.

Community Action of Greater Indianapolis, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

Department of Energy

CFDA 81.042 Weatherization Assistance for Low-income Persons

FINDING NO. 07-04

Statement of Condition:	Files were not properly completed and maintained for a sample of files selected for testing. Documentation deficiencies noted were: • 3 files selected did not contain proof of income documentation. • 6 files selected did not contain proof of home ownership or rental documentation. • 1 file selected did not include the client's signature to confirm receipt of the lead based paint pamphlet. The Organization also received a Weatherization Monitoring report from the oversight passthrough organization that contained a number of concerns and findings. These concerns and findings included lack of proper documentation in the files, inconsistencies with calculations, and not procuring all necessary initials and signatures as required.
Criteria:	The Organization is required to keep client files maintained in accordance with the Weatherization Assistance Program Policies and Procedures Manual. According to the manual, certain documentation is required to be included in the file, including income documentation, proof of ownership/rental agreement, and a signed lead paint hazards notification.
Effect:	Undocumented proof of income and proof of home ownership/rental agreement could result in benefits being received by persons who do not meet the qualification standards.
Cause:	The control procedures and quality control procedures did not operate effectively. Also, certain personnel did not perform their assigned duties integral to the quality control function.
Questioned costs:	None
Recommendation:	Control procedures and quality control procedures should be reviewed by management to determine if they are adequate.
Management response:	The Organization is in the process of updating quality control procedures. Management has also terminated or reassigned personnel who were not performing their assigned duties effectively.

Community Action of Greater Indianapolis, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

Department of Housing and Urban Development

CFDA 14.871 Section 8 Housing Choice Vouchers

FINDING NO. 07-05

Statement of Condition:	Written policies and procedures are not in place for interim reexaminations. In addition, tenant files tested did not contain all appropriate documentation for interim reexaminations.
Criteria:	HUD requires written interim reporting requirements and policies. The policies must include guidance on when a family recipient is to report changes in family composition or income. In addition, personnel should be trained and monitored to ensure that tenant interim recertifications are performed in accordance with written policies and that documentation is proper.
Effect:	The Project has a risk that tenants and HUD may not be charged the proper amount of rent.
Cause:	Management has not adopted a written policy for interim reexaminations. In addition, proper documentation requirements and procedures have not been communicated to personnel.
Questioned costs:	None
Recommendation:	Action should be taken to ensure that written policies and procedures for interim reexaminations are adopted and that personnel are trained and monitored.
Management response:	Management is in the process of implementing written policies and procedures for interim reexaminations in accordance with HUD guidelines.

Community Action of Greater Indianapolis, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2007

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY

FINDING NO. 07-06

Statement of Condition:	The Organization's internal control system over payroll lacks an adequate monitoring function.
Criteria:	Appropriate internal controls are required to ensure that personnel expenses are proper and charged to the appropriate fund or grant.
Effect:	The Organization has a risk that payroll charges may be improper or be posted to an improper fund or grant and not be identified and corrected on a timely basis.
Cause:	The Organization does not have an adequate review process of payroll journal entries. In addition, obsolete funds and grants are not marked "Inactive" in the accounting system on a timely basis.
Questioned costs:	None
Recommendation:	Action should be taken to ensure that procedures are in place to review payroll entries. In addition, management should implement procedures to timely inactivate obsolete grants and funds in the accounting software in order to prevent improper posting.
Management response:	Management is in the process of implementing procedures to ensure that appropriate internal controls over payroll are in place and working properly. The Organization has selected a new accounting software to address internal control and management information systems. Management expects the new accounting software to be fully functioning in 2008.

Community Action of Greater Indianapolis, Inc. and Subsidiary

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2006

Finding No. 06-01, CFDA 93.569, Community Services Block Grant

Statement of Condition:	Supporting documentation (vendor invoice or other external supporting documentation) was not available for 3 of the 56 expenditures selected for testing.
Recommendation:	Control policies and procedures over cash disbursements and grant claims should be reviewed by management to determine if they are adequate.
Current status:	CAGI retains supporting documentation for all expenditures of the Organization. The above expenditure was an exception to the existing procedures of the Organization due to the type of expenditure incurred which related to a vendor which did not provide any third-party supporting documentation.

Finding No. 06-02, CFDA 14.900, Lead Based Paint Hazard Control

Statement of condition:	A contract amount with a contractor for services to be provided did not agree with the related contractor's estimate submitted during the bid process for one of two contracts selected for testing.
Recommendation:	Control procedures over the bidding and contracting procedures should be reviewed by management to determine if they are adequate to verify that amounts contracted for services agree to amount of contractor's bid estimate submitted.
Current status:	Procedures related to bidding and contracting procedures are no longer being performed by the Organization. These responsibilities are now being performed by the passthrough entity. (See current year finding 07-02.)

Community Action of Greater Indianapolis, Inc. and Subsidiary

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2006

Finding No. 06-03, CFDA 93.568, Energy Assistance

Statement of condition:	Files were not properly completed and maintained for 2 of the 55 files selected for testing. Documentation deficiencies noted were: • Utility bill verifications were not retained in two files.
Recommendation:	Control procedures over the intake and intake quality control procedures should be reviewed by management to determine if they are adequate.
Current status:	The Organization continues to maintain an in-house quality control system to monitor and maintain the accuracy and completeness of eligibility files. The Organization has also instituted a review log system which requires all reviewed files to be logged, and the Program Director is now responsible for conducting a random sampling of the reviewed files on a monthly basis to ensure compliance with internal review procedures. The Program Director is required to report review results to executive management. (See current year finding 07-03.)

Finding No. 06-04, CFDA 14.871, Section 8 Housing Choice Vouchers

Statement of condition:	Expenditure amounts recorded in the general ledger did not agree to housing assistance payments made for 2 of the 58 expenditures selected for testing.
Recommendation:	Control policies and procedures over recording expenditure activity into the general ledger and related review procedures should be reviewed by management to determine if they are adequate.
Current status:	The Organization appropriately records activity for all expenditures of the Organization. The above expenditures were exceptions to the existing procedures of the Organization due to isolated cases of human input error.