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July 7, 2009

Board of Directors
Community Action of East
Central Indiana, Inc.
1845 W. Main St.
Richmond, IN 47374

We have reviewed the audit report prepared by Krueger & Associates, CPA's, LLC, 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 East Central Indiana, 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.

We call your attention to the finding in the report. The management letter contains one comment.

STATE BOARD OF ACCOUNTS

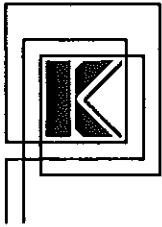
**COMMUNITY ACTION OF EAST
CENTRAL INDIANA, INC.
Richmond, Indiana**

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2007 and 2006**

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

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Krueger & Associates, CPA's, LLC

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Community Action of East Central Indiana, Inc. (a nonprofit organization) as of December 31, 2007 and 2006 and the related statements of activities 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 the 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 of East Central Indiana, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2008 on our consideration of Community Action of East Central Indiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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.

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

This report is intended solely for the information and use of the Board of Directors Management, and for filing with the Indiana Family and Social Services Administration, Department of Health and Human Services, Department of Energy, Indiana Housing and Community Development Authority, Indiana Department of Education and Indiana State Board of Accounts, and should not be used for any other purpose.

Kreigh & Associates, CPA's, LLC
Certified Public Accountants

Jasper, IN
September 23, 2008

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
Richmond, Indiana

EXHIBIT A

STATEMENTS OF FINANCIAL POSITION

	<i>ASSETS</i>	
	<u>December 31</u>	<u>December 31</u>
	2007	2006
Current Assets		
Cash	\$231,228	\$227,555
Grants receivable	210,081	191,849
Total Current Assets	<u>441,309</u>	<u>419,404</u>
Long-term Assets		
Property (Note B)	755,851	796,267
Total Long-term Assets	<u>755,851</u>	<u>796,267</u>
TOTAL ASSETS	<u>\$1,197,160</u>	<u>\$1,215,671</u>
 <i>LIABILITIES AND NET ASSETS</i>		
Current Liabilities		
Accounts payable	\$413,632	\$356,762
Accruals	46,051	44,517
Current portion of long-term debt (Note C)	20,101	18,357
Total Current Liabilities	<u>479,784</u>	<u>419,636</u>
Long-term Liabilities		
Long-term portion of debt (Note C)	463,590	483,068
Total Long-term Liabilities	<u>463,590</u>	<u>483,068</u>
Net Assets		
Unrestricted	245,665	312,967
Temporarily restricted	8,121	0
Total Net Assets	<u>253,786</u>	<u>312,967</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,197,160</u>	<u>\$1,215,671</u>

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

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
Richmond, Indiana

EXHIBIT B

STATEMENT OF ACTIVITIES
For the year ended December 31, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue			
Grant revenue:			
Current year awards	\$0	\$4,503,036	\$4,503,036
Net Grant Revenue	0	4,503,036	4,503,036
Interest income	355	0	355
Other income	9,308	0	9,308
In kind donations	241,671	0	241,671
Net assets released from restriction through satisfaction of program restrictions	4,494,915	(4,494,915)	0
 Total Revenue	 4,746,249	 8,121	 4,754,370
Expenses			
Personnel	1,472,695	0	1,472,695
Occupancy	361,768	0	361,768
Telephone and postage	28,581	0	28,581
Contractual	140,544	0	140,544
Materials and supplies	369,549	0	369,549
Equipment purchases/maintenance	60,465	0	60,465
Travel	81,985	0	81,985
Training	6,251	0	6,251
Insurance	40,977	0	40,977
Printing	15,892	0	15,892
Client assistance	1,884,995	0	1,884,995
In kind expense	241,671	0	241,671
Other	108,178	0	108,178
Total Expenses	4,813,551	0	4,813,551
 (Decrease) Increase in Net Assets	 (67,302)	 8,121	 (59,181)
Net assets - Beginning of year	312,967	0	312,967
 Net assets - End of year	 \$245,665	 \$8,121	 \$253,786

The accompanying notes are an integral part of the financial statements

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
Richmond, Indiana

EXHIBIT B

STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

	Unrestricted	Temporarily Restricted	Total
Revenue			
Grant revenue:			
Current year awards	\$0	\$3,711,356	\$3,711,356
Net Grant Revenue	0	3,711,356	3,711,356
Interest income	568	0	568
Other income	27,696	0	27,696
In kind donations	442,246	0	442,246
Net assets released from restriction through satisfaction of program restrictions	3,711,356	(3,711,356)	0
 Total Revenue	 4,181,866	 0	 4,181,866
Expenses			
Personnel	1,568,710	0	1,568,710
Occupancy	303,701	0	303,701
Telephone and postage	24,380	0	24,380
Contractual	65,253	0	65,253
Materials and supplies	254,137	0	254,137
Equipment purchases/maintenance	58,773	0	58,773
Travel	54,230	0	54,230
Training	6,342	0	6,342
Insurance	44,794	0	44,794
Printing	12,065	0	12,065
Client assistance	1,362,390	0	1,362,390
In kind expense	442,246	0	442,246
Other	51,707	0	51,707
Total Expenses	4,248,728	0	4,248,728
 (Decrease) Increase in Net Assets	 (66,862)	 0	 (66,862)
Net assets - Beginning of year	379,829	0	379,829
 Net assets - End of year	 \$312,967	 \$0	 \$312,967

The accompanying notes are an integral part of the financial statements

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
Richmond, Indiana

EXHIBIT C

STATEMENTS OF CASH FLOWS
For the Years Ended

	December 31, 2007	December 31, 2006
Cash Flows from Operation Activities:		
Increase (decrease) in net assets	(\$59,181)	(\$66,862)
Adjustments to reconcile increase in net assets to net cash provided by operating activities-		
Depreciation	80,131	79,289
(Increase) decrease in:		
Grants receivable	(18,232)	32,193
Prepaid expenses	0	14,049
Increase (decrease) in:		
Accounts payable	56,869	8,001
Accruals	1,537	(3,483)
 Total Adjustments	 120,305	 130,049
 Net Cash Used by Operating Activities	 61,124	 63,187
 Cash Flows from Investing Activities:		
Equipment purchases	(39,716)	0
Net Cash Provided by Investing Activities	(39,716)	0
 Cash Flows from Financing Activities:		
Payments of long term debt	(17,735)	(16,196)
Net Cash Provided by Financing Activities	(17,735)	(16,196)
 Net Increase in Cash	 3,673	 46,991
 Cash - Beginning of Year	 227,555	 180,564
 CASH - END OF YEAR	 \$231,228	 \$227,555
 Supplemental Disclosures:		
Cash paid for:		
Interest	\$50,823	\$47,210

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

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Program Services

Community Action of East Central Indiana, Inc. (the Agency), a nonprofit corporation, which was incorporated September 13, 1965 receives federal and state funds in order 1) to provide the planning and development of programs that will intervene at critical points in the cause of poverty and will enable families and individuals to become more self-sufficient; 2) to provide continuing research related to the problems of poverty; and 3) to provide coordination for community efforts focused on poverty and community development. Among the programs that the Agency offers are: Energy Assistance, Weatherization, Housing, Community Services Block Grant and Headstart.

Basis of Presentation

The basic financial statements are prepared using the accrual basis of accounting.

The organization reports information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The classification of temporarily restricted net assets includes grant awards as the grant funds are restricted to specific programs/expenses as defined in the awards. Also included in temporarily restricted net assets is program income that is generated as part of the grant activity. When expenses are incurred against grant funds and related program income, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenue, expenses, and changes in net assets as net assets released from restriction.

Inventory

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

Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful life of the asset. Community Action of East Central Indiana, Inc. considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment.

Property and equipment purchased with grant funds is owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations.

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Income Taxes

Community Action of East Central Indiana, Inc. is exempt from Federal and State income taxes under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Code. Therefore, no Federal or State income tax provision or liability is included in these financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers all highly liquid debt instruments purchased with a maturity of one year or less to be cash equivalents.

Concentration of Credit Risk

The Agency's cash is deposited at one financial institution. Cash accounts at banks are insured by the FDIC for up to \$100,000. Amounts in excess of insured limits were approximately \$267,666 and \$233,147 at December 31, 2007 and 2006, respectively.

NOTE B - PROPERTY

The Agency's property consist of the following:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 534,559	\$ 519,076
Land	28,000	28,000
Building	494,415	494,415
Building improvements	<u>323,072</u>	<u>323,072</u>
	1,380,046	1,364,563
Accumulated depreciation	<u>(624,195)</u>	<u>(568,296)</u>
Net book value	<u>\$ 755,851</u>	<u>\$ 796,267</u>

Depreciation expense for the years ended December 31, 2007 and 2006 was \$80,131 and \$79,289, respectively.

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

NOTE C - LOAN PAYABLE:

At December 31, the Agency's loans payable consisted of the following:

	<u>2007</u>	<u>2006</u>
9.11% note payable to U.S. Bank in monthly payments of \$5,274, maturing in May 2016	\$483,691	\$501,425
LESS: Current maturities	<u>20,101</u>	<u>18,357</u>
Total	<u>\$463,590</u>	<u>\$483,068</u>

The next five years maturities of the loan payable is as follows:

2008	\$ 20,101
2009	22,011
2010	24,102
2011	26,392
2012	26,392
2013 and thereafter	<u>364,693</u>
	<u>\$ 483,691</u>

NOTE D - THIRD PARTY REIMBURSEMENTS

Community Action of East Central Indiana, Inc. receives reimbursements from the Department of Health and Human Services and the State of Indiana Family and Social Services Administration. The Agency must submit claims to these parties for approval and payment. Community Action of East Central Indiana, Inc. depends significantly on these third parties to carry out their program services.

NOTE E - GRANTS RECEIVABLE

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

	<u>2007</u>	<u>2006</u>
Federal Programs	<u>\$210,081</u>	<u>\$191,849</u>

Since the majority of receivables are due from government sources, the amount deemed uncollectible is nil. Therefore, no allowance for uncollectible is considered necessary.

**COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

NOTE F - LEASES:

Community Action of East Central Indiana, Inc. has several operating leases for office space and equipment. The payments under these leases range from \$200 to \$1,102 per month and expire at various times. Future minimum lease payments at December 31, 2007, under noncancellable operating leases with initial terms of more than one year are as follows:

<u>Year Ending December 31,</u>	
2008	\$ 18,840
2009	14,640
2010	13,440
2011	4,480
Thereafter	<u>-</u>
Total future payments	<u>\$ 51,400</u>

NOTE G - REVENUES:

In Kind Contributions

Community Action of East Central Indiana, Inc. has recorded in kind contributions for professional services on the statement of activities in accordance with Financial Accounting Standards No. 116 (FAS 116), *Accounting for Contributions Received and Contributions Made*. FAS 116 requires that only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of FAS 116 are different than the in kind requirements of Community Action of East Central Indiana, Inc. grant awards. Community Action of East Central Indiana, Inc. received contributions of nonprofessional volunteers during the years ended December 31, 2007 and 2006 with a value of \$188,513 and \$39,201, respectively, primarily for its Head Start program which are not recorded on the statement of activities.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to Community Action of East Central Indiana, Inc. that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support.

Contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as released from restrictions.

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

NOTE G - REVENUES: (continued)

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

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

Grants are recorded as contributions based on criteria contained in the grant award.

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred.

NOTE H - COST ALLOCATION:

Joint costs are allocated to benefitting 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, but which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Personnel

Agency administrative and financial personnel (executive director, deputy director, fiscal director, financial assistants, etc.) record the time they spend working on specific programs and general agency matters on their time sheets. The time specifically identifiable to a particular program is charged to that program. The time spent on general agency matters is charged to programs using a percentage based on the direct labor charges to programs.

Supplies

All supplies are inventoried and signed out to specific programs when needed. The supplies are expensed to specific programs monthly on a first-in, first-out basis.

Building

Space costs (maintenance costs, supplies, depreciation, etc.) are allocated based on the number of square feet of space each program occupies. Space occupied by administrative staff is allocated based upon the allocation of the administrative staff's time.

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

NOTE H - COST ALLOCATION: (continued)

Copy Costs

A record is maintained of copies made for each program. Copy costs are charged to programs based on the number of copies in the month.

Insurance

Insurance is allocated to benefitting programs depending on the equipment, space or people covered by the insurance.

Other Joint Costs

Other joint costs (telephone, computer usage, etc.) are allocated to agency programs based on the amounts used by each program.

NOTE I - CONTINGENCIES:

The Organization has received federal financial awards in the form of grants that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursements by the grantor agency for expenditures disallowed under terms and conditions specified in the grant agreements.

NOTE J - FUNCTIONAL CLASSIFICATION OF EXPENSES:

The following program and supporting services are reflected in the statement of activities for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Program activity:		
Child care and education	\$2,243,081	\$ 2,184,878
Weatherization	339,237	291,842
Energy assistance	1,545,360	1,273,479
Other programs	<u>587,292</u>	<u>406,825</u>
Total program activities	4,714,970	4,157,024
Support services:		
Management and general	<u>98,581</u>	<u>91,704</u>
Total expenses	<u>\$4,813,551</u>	<u>\$ 4,248,728</u>

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

NOTE K - EMPLOYEE BENEFIT PLANS:

Community Action of East Central Indiana, Inc. maintains a Section 403 (b) Annuity Plan for employees with one year of full-time (at least 30 hours per week) service. Employees can generally defer a portion of their gross salary into the plan, not to exceed \$15,500 for 2007 and \$15,000 for 2006. The employer makes a discretionary contribution for each employee, either \$50 or \$360 per month to cover the annuity. Employer contributions for the year ended December 31, 2007 and 2006, were \$135,838 and \$147,655, respectively.

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
Richmond, Indiana

SUPPLEMENTARY INFORMATION

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.
Richmond, Indiana

SCHEDULE OF PROGRAM ACTIVITY
For the year ended December 31, 2007

	Program Services											2007 Total	2006 Total	
	C.S.B.G	Energy Assistance	D.O.E WX	LHEAP SWEHP	OOR Housing	Head Start	CACFP	Other Programs	Total Program	Management and General	Subtotal			GAAP Adjustments
Grant awards	\$207,852	\$1,545,360	\$180,027	\$156,061	\$375,154	\$1,880,415	\$120,995	\$37,172	4,503,036	\$0	4,503,036	\$0	4,503,036	3,711,356
Interest income	355	0	0	0	0	0	0	0	355	0	355	0	355	568
Other income	0	0	3,149	0	0	0	0	7,661	10,810	0	9,308	0	9,308	27,696
Inkind donations	0	0	0	0	0	430,184	0	0	430,184	0	430,184	(188,513)	241,671	442,246
	208,207	1,545,360	183,176	156,061	375,154	2,310,599	120,995	44,833	4,944,385	(1,502)	4,942,883	(188,513)	4,754,370	4,181,866
Personnel	107,375	111,630	46,801	25,776	16,020	1,163,560	0	0	1,471,162	1,533	1,472,695	0	1,472,695	1,568,710
Occupancy	4,981	8,248	2,815	4,399	199,846	88,027	0	599	308,915	52,853	361,768	0	361,768	303,701
Telephone and postage	5,625	6,072	1,701	580	381	13,665	0	503	28,527	54	28,581	0	28,581	24,380
Contractual	17,886	26,413	8,215	6,196	9,290	71,554	0	1,190	140,544	0	140,544	0	140,544	66,253
Materials and supplies	0	0	114,946	112,779	128,074	0	0	13,750	369,549	0	369,549	0	369,549	254,137
Equipment purchases/maintenance	7,482	5,915	1,989	743	549	43,784	0	3	60,465	0	60,465	0	60,465	58,773
Travel	256	2,047	72	2	590	79,018	0	0	81,985	0	81,985	0	81,985	54,230
Training	2,758	283	381	0	796	2,033	0	0	6,251	0	6,251	0	6,251	6,342
Insurance	1,713	2,388	2,736	3,478	286	30,375	0	1	40,977	0	40,977	0	40,977	44,794
Printing	6,362	4,102	130	152	161	4,987	0	(2)	15,892	0	15,892	0	15,892	12,065
Client Assistance	33,511	1,371,265	3,167	1,849	10,994	381,029	0	1	1,922,811	0	1,922,811	(37,816)	1,884,995	1,362,390
Inkind expense	0	0	0	0	0	430,184	0	0	430,184	0	430,184	(188,513)	241,671	442,246
Other	20,458	6,997	223	107	107	2,383	0	33,762	64,037	44,141	108,178	0	108,178	51,707
	208,207	1,545,360	183,176	156,061	367,094	2,310,599	120,995	49,807	4,941,299	98,581	5,039,880	(226,329)	4,813,551	4,248,728
Change in net assets	0	0	0	0	8,060	0	0	(4,974)	3,086	(100,083)	(96,997)	37,616	(59,181)	(66,862)
Net assets - Beginning of year	0	0	0	0	61	0	0	12,066	12,127	300,840	312,967	0	312,967	379,829
Net Assets - End of year	\$0	\$0	\$0	\$0	\$8,121	\$0	\$0	\$7,092	\$15,213	\$200,757	\$215,970	\$37,616	\$253,786	\$312,967

The accompanying notes are an integral part of the financial statements

COMMUNITY ACTION OF EAST CENTRAL INDIANA, 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 X no
 Reportable condition(s) identified
 not considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? yes X no
 Reportable condition(s) identified
 not considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance
 for major programs: unqualified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.600	Head Start

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

Auditee qualified as low-risk auditee? X yes no

SECTION II--FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS
 No matters reported

CURRENT YEAR FINDINGS
 No matters reported

SECTION III--FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported

COMMUNITY ACTION OF EAST CENTRAL INDIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

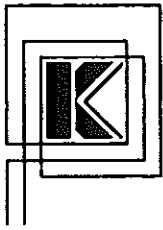
For the Year Ended December 31, 2007

<u>CFDA NUMBER</u>	<u>PROGRAM NAME</u>	<u>GRANTOR/ AGENCY</u>	<u>GRANT REVENUE</u>	<u>EXPENDITURES</u>
93.600	Head Start	U.S Department of Health and Human Services	\$1,880,415	\$1,880,415
	Total Major Program Federal Assistance		1,880,415	1,880,415
93.568	LIHEAP	IHCDA	125,264	125,264
93.568	EAP	IHCDA	1,545,360	1,545,360
93.568	SWEEP	IHCDA	30,797	30,797
81.042	DOE Wx	Department of Energy	180,027	180,027
93.569	Community Services Block Grant	IHCDA	207,852	207,852
10.558	USDA School Lunch	Indiana State Department of Education	120,995	120,995
14.855	Housing Service Section 8	IHCDA	223,654	223,654
	Total Non-major Program Federal Assistance		2,433,949	2,433,949
	Total Federal Assistance		\$4,314,364	\$4,314,364

See accountants' report on schedule of expenditures of federal awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action of East Central Indiana, Inc. 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.



Krueger & Associates, CPA's, LLC

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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 East Central Indiana, Inc.

We have audited the financial statements of Community Action of East Central Indiana, Inc. as of and for the year ended December 31, 2007 and have issued our report thereon dated September 23, 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 Community Action of East Central Indiana, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

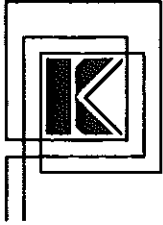
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action of East Central Indiana, Inc.'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*.

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

Kruyer & Associates, CPAs, LLC
Certified Public Accountants

Jasper, IN
September 23, 2008



Krueger & Associates, CPA's, LLC

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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 East Central Indiana, Inc.

Compliance

We have audited the compliance of Community Action of East Central Indiana, Inc.. (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 each of its major federal programs for the year ended December 31, 2007. Community Action of East Central Indiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community Action of East Central Indiana, Inc.'s management. Our responsibility is to express an opinion on Community Action of East Central Indiana, Inc.'s compliance based on our audit.

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

In our opinion, Community Action of East Central Indiana, Inc.'s 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.

Internal Control Over Compliance

The management of Community Action of East Central Indiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Community Action of East Central Indiana, Inc.'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 over compliance in accordance with OMB Circular A-133.

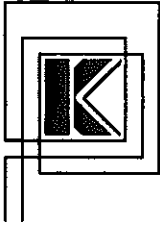
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Kruetz & Associates, CPA's, LLC

Certified Public Accountants

Jasper, IN
September 23, 2008



Krueger & Associates, CPA's, LLC

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MANAGEMENT LETTER

To the Senior Management and
The Board of Directors of
Community Action of East Central Indiana, Inc.

In planning and performing our audit of the financial statements of Community Action of East Central Indiana, Inc. for the year ended December 31, 2007, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We have reviewed the status of comments during our next audit engagement. The Organization has reported to these comments and has followed up on the recommendations.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

We wish to thank the Fiscal Director and his departments for their support and assistance during our audit.

This report is intended solely for the information and the use of the Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Krueger & Associates, CPA's, LLC
Certified Public Accountants

Jasper, IN
September 23, 2008