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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

February 2, 2010

Board of Directors
Community Action Program, Inc.
of Western Indiana
418 Washington St.
P.O. Box 188
Covington, IN 47932-0188

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, Independent Public Accountants, for the period January 1, 2006 to December 31, 2006. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Community Action Program, Inc. of Western Indiana, as of December 31, 2006, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**COMMUNITY ACTION PROGRAM, INC.
OF WESTERN INDIANA**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

DECEMBER 31, 2006

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

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Gauthier & Kimmerling, LLC

Accountants & Advisors

One Jackson Square • 233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

Independent Auditors' Report

Board of Directors
Community Action Program, Inc.
Of Western Indiana
Covington, Indiana

We have audited the accompanying statement of financial position of Community Action Program, Inc. of Western Indiana (CAPWI) as of December 31, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of CAPWI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Program, Inc. of Western Indiana as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2007, on our consideration of CAPWI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying statement of revenue and expenses for the Head Start Program grant number 05CH4202141 is presented for purposes of additional analysis and is 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gauthier & Kimmerling, LLC

September 12, 2007

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006**

ASSETS

Cash and cash equivalents	\$ 509,268
Grants receivable (Note 9)	662,621
Investment in partnerships (Note 6)	1,728,118
Property under development	156,658
Property, net of accumulated depreciation (Note 11)	4,392,508
Loans receivable (net of allowance of \$130,256) (Note 7)	<u>571,142</u>
Total Assets	<u>\$ 8,020,315</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 324,887
Accrued payroll and vacation	177,023
Notes payable (Note 12)	<u>2,262,947</u>
Total Liabilities	<u>2,764,857</u>
Unrestricted Net Assets	<u>5,255,458</u>
Total Liabilities and Net Assets	<u>\$ 8,020,315</u>

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

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>REVENUES AND OTHER SUPPORT</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 124,452	\$ -	\$ 124,452
Grants (Note 9)	7,104,344	-	7,104,344
Medicaid revenue	118,129	-	118,129
Program revenue	281,958	-	281,958
Rental income	380,380	-	380,380
Interest	8,712	-	8,712
Development fees	139,153	-	139,153
Other	334,986	-	334,986
	<hr/>	<hr/>	<hr/>
Revenues and other support	8,492,114	-	8,492,114
Revenues released from restriction	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues and Other Support	8,492,114	-	8,492,114
	<hr/>	<hr/>	<hr/>
<u>EXPENSES</u>			
Child education	1,984,452	-	1,984,452
Job training and employment	1,065,686	-	1,065,686
Weatherization and energy services	1,666,400	-	1,666,400
Housing rehabilitation	1,849,792	-	1,849,792
Senior services	338,722	-	338,722
Food programs	361,455	-	361,455
Community service	248,639	-	248,639
Other programs	178,982	-	178,982
General and administrative	147,354	-	147,354
	<hr/>	<hr/>	<hr/>
Total Expenses	7,841,482	-	7,841,482
	<hr/>	<hr/>	<hr/>
Increase (decrease) in net assets	650,632	-	650,632
Net Assets - beginning of year	4,604,826	-	4,604,826
	<hr/>	<hr/>	<hr/>
Net assets - end of year	\$ 5,255,458	\$ -	\$ 5,255,458

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

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Child education	Job training and employment	Weatherization and energy services					Senior services	Food programs	Community service	Other programs	Program Total	General and administrative	Total
			Weatherization and energy services	Housing	Senior services	Food programs	Community service							
Personnel	\$1,322,356	\$ 694,879	\$ 409,948	\$ 249,171	\$233,733	\$214,412	\$ 73,524	\$ 35,461	\$3,233,484	\$119,938	\$3,353,422			
Program services	9,751	208,773	1,152,815	943,264	1,560	7,240	62,967	15,221	2,401,591	-	2,401,591			
Occupancy	182,816	53,969	28,707	90,453	9,761	37,521	30,623	58,238	492,088	5,404	497,492			
Contracted services	12,425	2,883	3,298	297,947	7,425	3,500	7,163	12,260	346,901	-	346,901			
Supplies program	190,793	7,237	1,121	13	115	-	-	1,129	200,408	-	200,408			
Travel	62,260	18,160	5,560	19,983	17,462	16,234	21,213	5,664	166,536	70	166,606			
Interest	-	-	-	70,880	-	-	-	31,880	102,760	12,199	114,959			
Supplies general	25,592	-	18,420	10,398	14,751	8,494	26,424	4,968	109,047	274	109,321			
Miscellaneous	23,710	-	23	15,348	883	59,808	1,083	4,131	104,986	9,170	114,156			
Transportation	59,404	-	7,966	60	31,768	-	-	-	99,198	-	99,198			
Depreciation	-	-	-	98,002	-	-	-	-	98,002	-	98,002			
Insurance	19,366	-	6,751	35,955	11,878	649	4,664	6,783	86,046	-	86,046			
Telephone	17,952	-	10,276	4,320	4,671	8,157	7,696	436	65,021	34	65,055			
Printing	18,429	10,899	7,789	2,818	2,285	3,039	4,668	574	50,501	-	50,501			
Fees	3,951	29,570	-	1,294	-	-	7,417	336	42,568	-	42,568			
Equipment	6,026	21,336	7,062	946	-	1,262	-	-	36,632	265	36,897			
Training	21,115	981	654	54	1,035	-	-	-	23,839	-	23,839			
Professional fees	4,755	2,288	3,263	5,098	570	767	-	1,082	17,823	-	17,823			
Postage	3,751	3,198	2,747	3,788	825	372	1,197	819	16,697	-	16,697			
	<u>\$1,984,452</u>	<u>\$1,065,686</u>	<u>\$1,666,400</u>	<u>\$1,849,792</u>	<u>\$338,722</u>	<u>\$361,455</u>	<u>\$248,639</u>	<u>\$178,982</u>	<u>\$7,694,128</u>	<u>\$147,354</u>	<u>\$7,841,482</u>			

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

**COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 650,632
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	98,002
Change in bad debt allowance	(19,694)
(Increases) decreases in operating assets:	
Grants receivable	(253,458)
Increases (decreases) in operating liabilities:	
Accounts payable	72,439
Accrued payroll and related liabilities	14,244
Net Cash Provided by (Used in) Operating Activities	562,165

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in property under development	(40,700)
Investment in partnerships	(40,501)
Payments from partnerships	28,000
Increase in notes receivable	(93,376)
Payments on notes receivable	43,627
Purchase of property and equipment	(362,994)
Disposal of property and equipment	28,510
Net Cash Provided by (Used in) Investing Activities	(437,434)

CASH FLOWS FROM FINANCING ACTIVITIES

Payment on debt	(234,243)
Proceeds from new debt	254,015
Net Cash Provided by (Used in) Financing Activities	19,772
Net increase (decrease) in cash	144,503
Cash - beginning of year	364,815
Cash - end of year	\$ 509,318
Interest paid during the year	\$ 109,949

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

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. NATURE OF THE ORGANIZATION

Community Action Program, Inc. of Western Indiana (CAPWI) was established in February 1967 to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs in Benton, Fountain, Montgomery, Parke, Vermillion, and Warren counties in Indiana.

During 2006, CAPWI was actively involved in:

- Child education
- Weatherization and energy services
- Job training and employment services
- Housing rehabilitation

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

In accordance with Statement of Financial Accounting Standards (SFAS) 117, Financial Statements of Not-for-Profit Organizations, unrestricted net assets include all assets over which CAPWI has full discretion as to use. Temporarily restricted net assets include net assets whose use by CAPWI is limited by donor-imposed restrictions that either expire by the passage of time or are fulfilled by CAPWI. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets.

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

Federal and state grant awards are recognized as unrestricted revenue subject to compliance with grant restrictions. Unexpended funds are reported as temporarily restricted revenue.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. Actual amounts may differ from these estimates.

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

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

CAPWI is exempt from income taxation under the Internal Revenue Code Section 501(c)(3).

CAPWI's investment in rental housing partnerships is recorded using the equity method of accounting. The investment is increased by CAPWI's pro-rata share of income and contributions of cash and property and reduced by its pro-rata share of losses and distributions.

Although CAPWI, through the general partner, has responsibility for the operation of the rental housing partnerships, partnership control effectively rests with the limited partner through its ability to remove the general partner in certain circumstances. Therefore, the partnerships are not consolidated in the financial statements.

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

Loans receivable are stated at the amount of the unpaid principle balance, reduced by an allowance for possible loan losses. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). The allowance is determined based on known and inherent risks, adverse situations that may affect borrower's ability to repay, estimated value of any underlying collateral, estimated forgiveness rates, and current economic conditions.

3. FINANCIAL INSTRUMENTS

CAPWI maintains its cash in deposit accounts that, at times, may exceed federally insured limits. As of December 31, 2006, such excess totaled approximately \$180,000.

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

4. RELATED PARTY TRANSACTIONS

In September 1996, CAPWI entered into a lease agreement with Highland Manor, L.P. for a portion of the building not included in the rehabilitation tax credit for the purpose of opening a medical clinic. The lease amount is \$1 per year and is renewed on a year-by-year basis.

During 2006, CAPWI earned \$26,257 in interest from Highland Manor, L.P. and received payment of \$12,000 in accrued developer fee.

During 2006 CAPWI earned \$40,501 in interest from Parke Place Apartments, L.P. and received principle payment on an advance of \$16,000.

5. EMPLOYEE GROUP HEALTH INSURANCE

CAPWI offers a self-insured health plan for eligible employees. They maintain a stop-loss policy for claims that exceed \$25,000. CAPWI pays claims from eligible employees through a contracted third-party processor for 100% of the claim costs minus employee deductible limits.

6. INVESTMENT IN PARTNERSHIPS

CAPWI serves as general partner for three partnerships that provide rental housing to qualified low-income individuals. Partners are entitled to income tax credits under Section 42 of the Internal Revenue Code.

CAPWI established a partnership known as Highland Manor, L.P. The partnership's purpose is to provide 25 residential units of affordable housing. CAPWI owns 79% of the stock of the corporation that serves as the partnership's general partner. As developer, CAPWI is entitled to a developer's fee. As of December 31, 2006, \$239,000 had been earned and at December 31, 2006, \$50,756 consisting of a \$24,900 unpaid developer fee and a \$25,856 deferred developer fee, remains unpaid. Accrued interest of \$28,477 on this developer fee remains unpaid at December 31, 2006. CAPWI's investment in the partnership also consists of \$126,000 of Federal Home Loan Affordable Housing Funds and \$500,000 of Indiana Housing Finance Authority HOME funds. CAPWI also holds a first mortgage on the partnership's property for \$93,000. CAPWI's investment also includes accrued interest at December 31, 2006, of \$39,183, \$158,453, and \$70,180 on these loans, respectively. Payments on these loans and interest are deferred until partnership cash flow permits payment or until 2015.

CAPWI established a partnership known as Athena Center, L.P. It is managed by an L.L.C. in which CAPWI is a member with 50% ownership. The purpose of the partnership is to facilitate the fund raising and development of low-income housing.

CAPWI established a partnership known as Parke Place Apartments, L.P. The partnership's purpose is to provide 15 units of affordable housing. CAPWI owns 100% of the corporation that serves as the partnership's general partner. As developer, CAPWI is entitled to a developer's fee. As of December 31, 2006, \$225,000 had been earned and remained unpaid. CAPWI's investment in the partnership also consists of \$190,000 of HOME funds and \$73,500 of Affordable Housing Funds. CAPWI's investment also includes accrued interest at December 31, 2006, of \$74,180 and \$36,425 on these loans, respectively. The loans have deferred payments and are due after October 2028. CAPWI has also advanced the partnership \$62,964 for various expenses.

7. LOANS RECEIVABLE

CAPWI operates a Rural Business Enterprise grant program that provides loans to low-income business owners. The loans are at 6% and 10% interest and are repayable on an installment basis over various loan maturities. Repaid loans and interest are used by the Agency for similar purposes. As of December 31, 2006, \$135,978 was recorded in deferred loans receivable (revolving grant funds). Interest payments are recorded as revenue when received. CAPWI had loaned \$114,852 in excess of original grant funds at December 31, 2006.

CAPWI also holds \$565,420 in other mortgages and notes receivable related to community development and housing activities.

8. CONTINGENCIES

CAPWI has executed guaranty agreements for Highland Manor, L.P. and Parke Place Apartments, L.P. It has guaranteed that the general partner of each partnership will perform its duties and obligations in accordance with the partnership agreement.

9. GRANT REVENUE, GRANTS RECEIVABLE, AND DEFERRED REVENUE

CAPWI's grant revenue and grants receivable consist of the following at December 31, 2006:

Grantor/Program Title	Grants Receivable 12/31/05	Grant Revenue 12/31/06	Collections 12/31/06	Grants Receivable 12/31/06
U.S. Department of Agriculture				
WIC	\$ 77,464	\$ 286,925	\$ 308,160	\$ 56,229
IMPACT	7,045	98,032	93,350	11,727
Child and Adult Care Food Program	-	109,159	109,159	-
HUD				
HOME	1,268	1,131,273	1,098,137	34,404
Section 8	2,425	71,507	73,932	-
U.S. Department of Labor				
WIA Adult	5,552	354,680	333,415	26,817
WIA Youth Activities	3,217	255,208	213,191	45,234
WIA Dislocated Workers	-	337,480	266,297	71,183
U.S. Department of Energy				
Weatherization Assistance	29,498	177,445	184,251	22,692
Homeland Security				
FEMA	-	43,269	43,269	-
HHS				
TANF	3,517	106,699	102,700	7,516
LIHEAP	191,680	1,476,657	1,424,968	243,369
CCDF	-	19,418	15,164	4,254
CSBG	35,545	210,406	222,530	23,421
Head Start	40,330	2,182,879	2,129,000	94,209
Title III, Part D	-	2,600	2,600	-
Title III, Part B	-	27,755	27,755	-
State and Other Programs				
Step Ahead	6,760	3,637	9,000	1,397
Choice / Homemaker	-	67,275	47,106	20,169
Lead Testing	-	8,975	8,975	-
Tobacco Prevention and Cessation	-	54,413	54,413	-
MUFFY	-	9,000	9,000	-
MAC	4,862	19,752	24,614	-
Other	-	49,900	49,900	-
Totals	\$ 409,163	\$ 7,104,344	\$ 6,850,886	\$ 662,621

10. EMPLOYEE RETIREMENT PLAN

CAPWI offers a 401(k) retirement plan. An employee must be 21 years of age and have completed one year of employment to be eligible. CAPWI contributes \$500 for all eligible participants. CAPWI also makes a matching contribution equal to 100% of the first \$1,000 contributed by the employee. Contributions and matching contributions made by CAPWI were \$220,292, for the year ended December 31, 2006.

11. PROPERTY AND EQUIPMENT

CAPWI's property and equipment consist of the following at December 31, 2006:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 237,444	\$ -	\$ 237,444
Building	5,108,309	1,205,872	3,902,437
Building improvements	313,420	77,943	235,477
Equipment	<u>24,500</u>	<u>7,350</u>	<u>17,150</u>
Total	<u>\$ 5,683,673</u>	<u>\$ 1,291,165</u>	<u>\$ 4,392,508</u>

Depreciation expense for the year totaled \$98,002.

12. NOTES PAYABLE

As of December 31, 2006, notes payable consisted of the following:

Promissory note from Old National Bank in the original amount of \$23,000 to improve certain rental properties. The note bears interest at the rate of 6.75% per annum and calls for monthly payments of \$205. A balloon payment of unpaid principal and accrued interest is due October 2011. The note is secured by real estate.	\$ 20,360
Promissory note from Montgomery Savings Association with interest at 6.97%. Monthly payments are \$316, with the outstanding balance due August 2028. The note is secured by real estate.	42,505
Promissory note from Old National Bank with interest at 5.5%. Monthly payments are \$397, with the outstanding balance due August 2009. The note is secured by real estate.	11,508
Promissory note from Old National Bank with interest at 7.75%. Monthly payments are \$309, with the outstanding balance due July 2018. The note is secured by real estate.	27,971

(Continued)

12. NOTES PAYABLE - Continued

As of December 31, 2006, notes payable consisted of the following:

Promissory note from Fowler State Bank with interest at 8%. Monthly payments are \$1,017, with the outstanding balance due June 2018. The note is secured by real estate.	124,017
Promissory note from Centre Bank of Indiana with interest at a variable rate. Monthly payments are \$2,486, with the outstanding balance due February 2029. The note is secured by real estate.	304,029
Promissory note from Farmers and Merchants Bank with interest at 7.75%. Monthly payments are \$692, with the outstanding balance due August 2026. The note is secured by assignment of rents.	85,036
Promissory note from Old National Bank with interest at 7.52%. Monthly payments are \$2,307, with the outstanding balance due January 2028. The note is secured by real estate and assignment of rents.	289,802
Promissory note from Farmers and Merchants Bank with interest at 7.5%. Monthly payments are \$783, with the outstanding balance due September 2020. The note is secured by real estate.	80,666
Promissory note from First Parke State Bank with interest at 6%. Monthly payments are \$304, with the outstanding balance due August 2032. The note is secured by real estate.	46,302
Promissory note from First Financial Bank with interest at 7.25%. Monthly payments are \$246, with the outstanding balance due August 2032. The note is secured by real estate.	34,503
Promissory note from First Financial Bank with interest at 7.25%. Monthly payments are \$197, with the outstanding balance due February 2032. The note is secured by real estate.	27,700
Promissory note from First Financial Bank with interest at 6.25%. Monthly payments are \$357, with the outstanding balance due May 2035. The note is secured by real estate.	57,200
Promissory note from First Financial Bank with interest at 7.25%. Monthly payments of \$246 with the outstanding balance due February 2032. The note is secured by real estate.	34,182
Promissory note from Fountain Trust Bank with an original balance of \$169,229. Note is secured by vacant land. Payments are made as lots are developed and sold to eligible individuals. The note was repaid in 2006.	-

(Continued)

12. NOTES PAYABLE - Continued

Promissory note from the U.S. Department of Agriculture with interest at 4.25%. Monthly payments are \$1,224, with the outstanding balance due September 2043. The note is secured by real estate.	272,588
Promissory note from Indiana Housing Authority with interest at 1%. Semi-annual payments are \$1,880, with the outstanding balance due April 2010. The note is secured by real estate.	53,876
Promissory note from Indiana Housing Authority with interest at 1%. Semi-annual payments are \$4,511, with the outstanding balance due May 2007. The note is secured by real estate. The note was repaid in 2007.	113,658
Promissory note from Indiana Housing Authority with interest at 1%. Semi-annual payments are \$5,560, with the outstanding balance due June 2010. The note is secured by real estate.	177,803
Promissory note from Indiana Housing Authority with interest at 1%. Semi-annual payments are \$5,790, with outstanding balance due September 2019. The note is secured by real estate.	286,557
Promissory note from Indiana Housing Authority with interest at 1%. Semi-annual payments are \$5,400, with the outstanding balance due May 2022. The note is secured by real estate.	<u>172,684</u>
Total	<u>\$ 2,262,947</u>

Future principle maturities on the notes payable are as follows:

Year ending December 31,	
2007	\$ 94,286
2008	178,401
2009	85,102
2010	86,655
2011	107,570
Thereafter	<u>1,710,933</u>
Total	<u>\$ 2,262,947</u>

SUPPLEMENTAL INFORMATION

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
HEAD START PROGRAM
GRANT NO. 05CH4202/41
STATEMENT OF REVENUE AND EXPENSES
FOR THE PROGRAM YEAR ENDED JANUARY 31, 2007

	<u>Training and Technical Assistance</u>	<u>Full Year Part-Day</u>	<u>Early Head Start</u>	<u>Total</u>
<u>REVENUE</u>				
Grant award	\$ 26,967	\$ 1,722,109	\$ 401,890	\$ 2,150,966
Undrawn grant funds	-	-	(882)	(882)
Local cash	-	63,810	-	63,810
In-kind contributions	-	453,714	217,847	671,561
	<u>26,967</u>	<u>2,239,633</u>	<u>618,855</u>	<u>2,885,455</u>
Total Revenue	26,967	2,239,633	618,855	2,885,455
<u>EXPENSES</u>				
Personnel/fringe benefits	-	1,412,908	278,174	1,691,082
Rent/utilities	-	124,541	50,208	174,749
Telephone	-	10,927	4,856	15,783
Contractual	-	30,903	2,332	33,235
Program supplies	3,205	59,189	19,565	81,959
Travel/transportation	9,615	120,327	25,741	155,683
Training	9,616	-	9,107	18,723
Postage/printing	-	15,393	6,364	21,757
Other	4,531	7,760	4,640	16,931
In-kind expenses	-	453,714	217,847	671,561
Building improvements/repairs	-	3,971	21	3,992
	<u>26,967</u>	<u>2,239,633</u>	<u>618,855</u>	<u>2,885,455</u>
Total Expenses	26,967	2,239,633	618,855	2,885,455
Excess of Revenue Over Expenses	\$ -	\$ -	\$ -	\$ -

**COMMUNITY ACTION PROGRAM, INC.
OF WESTERN INDIANA**

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

DECEMBER 31, 2006



Gauthier & Kimmerling, LLC

Accountants & Advisors

One Jackson Square • 233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

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

Board of Directors
Community Action Program, Inc.
of Western Indiana
Covington, Indiana

We have audited the financial statements of Community Action Program, Inc. of Western Indiana (CAPWI) as of and for the year ended December 31, 2006, and have issued our report thereon dated September 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial reporting contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered CAPWI'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 CAPWI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CAPWI'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether CAPWI'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 CAPWI's Board of Directors, management, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gauthier & Kummeling, LLC

September 12, 2007



Gauthier & Kimmerling, LLC

Accountants & Advisors

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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

Board of Directors
Community Action Program, Inc.
of Western Indiana
Covington, Indiana

COMPLIANCE

We have audited the compliance of Community Action Program, Inc. of Western Indiana (CAPWI) 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, 2006. CAPWI's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CAPWI's management. Our responsibility is to express an opinion on CAPWI's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CAPWI'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 CAPWI's compliance with those requirements.

In our opinion, CAPWI 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, 2006.

INTERNAL CONTROL OVER COMPLIANCE

The management of CAPWI 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 CAPWI'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CAPWI's internal control over compliance.

A control deficiency in an entity'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 entity'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 entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of Community Action Program, Inc. of Western Indiana as of and for the year ended December 31, 2006, and have issued our report thereon dated September 12, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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 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 of CAPWI's Board of Directors, management, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gauthier + Zimmerman, LLC

September 12, 2007

Community Action Program, Inc. of Western Indiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures
<i>U.S. Department of Agriculture:</i>		
Indiana State Dept. of Health Special Supplemental Nutrition Program for WIC FSSA	10.557	\$ 286,925
State Administrative Matching Grants for Food Stamp Program USDA	10.561	98,032
Child and Adult Care Food Program	10.558	109,159
<i>U.S. Department of Housing and Urban Development:</i>		
Indiana Housing Finance Authority HOME Investment Partnerships Program FSSA	14.239	1,131,273
Lower Income Housing Assistance Program-Section 8	14.856	71,507
<i>U.S. Department of Labor:</i>		
Tecumseh Area Partnership WIA Adult Program	17.258	354,680
Tecumseh Area Partnership WIA Youth Activities	17.259	255,208
Tecumseh Area Partnership WIA Dislocated Workers	17.260	337,480
<i>U.S. Department of Energy:</i>		
FSSA Weatherization Assistance for Low-Income Persons	81.042	177,445
<i>U.S. Department of Homeland Security:</i>		
Emergency Food and Shelter Program Emergency Food and Shelter National Board Program	97.024	43,269
<i>U.S. Department of Health and Human Services:</i>		
FSSA Temporary Assistance for Needy Families	93.558	106,699
FSSA Low-Income Home Energy Assistance	93.568	1,476,657
FSSA Child Care Mandatory and Matching Funds of the CCDF	93.596	19,418
FSSA Community Services Block Grant	93.569	210,406
U.S. Department of Health and Human Services Head Start	93.600	2,182,879
Area IV Agency on Aging and Community Action Programs Special Programs for the Aging-Title III, Part D	93.043	2,600
Area IV Agency on Aging and Community Action Programs Special Programs for the Aging-Title III, Part B	93.044	<u>27,755</u>
Total Expenditure of Federal Awards		6,891,392
USDA Women, Infants, and Children - Non-Cash Assistance	10.557	<u>1,200,000</u>
Total Federal Awards - Including Non-Cash		<u>\$ 8,091,392</u>

The accompanying notes are an integral part of this schedule.

Community Action Program, Inc. of Western Indiana
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006

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

Basis of Accounting – CAPWI maintains its financial records in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources are classified for internal accounting purposes into funds that are associated with specific activities or objectives. CAPWI maintains these records on a cash basis. These records have been converted to accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related goods or services are received in its preparation of the schedule of expenditures of federal awards. 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.

The following details non-cash federal assistance distributed to recipients by CAPWI.

CAPWI distributed \$1,200,000 in Women, Infants, and Children (WIC) nutrition vouchers during 2006.

Community Action Program, Inc. of Western Indiana
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2006

ITEM NUMBER

AUDIT FINDING

None reported.

Community Action Program, Inc. of Western Indiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2006

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditor report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: *No*

Federal Awards:

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? *No*

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.558	Temporary Assistant for Needy Families
81.042	Weatherization Assistance for Low-Income Persons
93.600	Head Start

Community Action Program, Inc. of Western Indiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2006

Section I - Summary of Auditors' Results - continued

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.