



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

October 17, 2011

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

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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, 2008, 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. The Schedule of Findings and Questioned Costs contains one current audit finding and \$33,522 in questioned costs.

STATE BOARD OF ACCOUNTS

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

DECEMBER 31, 2008

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 12
Supplemental Information	
Statement of Revenue and Expenses Head Start Program	13



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, 2008, 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 CAPWI as of December 31, 2008, 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 14, 2009, 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 05CH4202/43 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 14, 2009

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

Cash and cash equivalents	\$ 1,095,372
Grants receivable (Note 8)	518,305
Investment in partnerships (Note 5)	1,763,873
Property under development	816,465
Property, net of accumulated depreciation (Note 10)	4,084,835
Loans receivable, net of allowance of \$502,016 (Note 6)	<u>669,918</u>
 Total Assets	 <u>\$ 8,948,768</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 270,897
Accrued payroll and vacation	179,132
Notes payable (Note 11)	<u>2,410,474</u>
 Total Liabilities	 <u>2,860,503</u>
 Unrestricted Net Assets	 <u>6,088,265</u>
 Total Liabilities and Net Assets	 <u>\$ 8,948,768</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, 2008

	Unrestricted	Temporarily Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions	\$ 131,201	\$ -	\$ 131,201
Grants (Note 8)	8,885,390	-	8,885,390
Medicaid revenue	182,280	-	182,280
Program revenue	39,715	-	39,715
Rental income	440,292	-	440,292
Interest	95,564	-	95,564
Development	54,047	-	54,047
Other	47,636	-	47,636
Revenues and other support	9,876,125	-	9,876,125
Revenues released from restriction	-	-	-
Total Revenues and Other Support	9,876,125	-	9,876,125
 <u>EXPENSES</u>			
Child education	2,504,251	-	2,504,251
Community service	2,700,069	-	2,700,069
Job training	1,992,601	-	1,992,601
Housing	1,229,547	-	1,229,547
Development	767,664	-	767,664
CAPWI properties	461,547	-	461,547
General and administrative	178,797	-	178,797
Total Expenses	9,834,476	-	9,834,476
Increase (decrease) in net assets	41,649	-	41,649
Net assets - beginning of year	6,046,616	-	6,046,616
Net assets - end of year	\$ 6,088,265	\$ -	\$ 6,088,265

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, 2008

	Child Education	Community Services	Job Training	Housing	Development	CAPWI Properties	Program Total	General and Administrative	Total
Personnel	\$1,854,099	\$ 836,999	\$ 1,009,989	\$ 493,253	\$ 154,016	\$ 8,663	\$ 4,357,019	\$ 25,641	\$ 4,382,660
Program services	41,380	1,513,080	805,200	522,433	73,085	8,428	2,963,606	-	2,963,606
Occupancy	175,527	117,859	60,017	14,229	9,778	99,221	476,631	38,278	514,909
Contracted services	7,935	28,532	3,750	19,707	481,075	1,225	542,224	6,454	548,678
Supplies program	183,964	149	23,810	108,219	33,814	14,590	364,546	273	364,819
Travel	54,758	46,387	25,199	5,687	4,077	918	137,026	18,444	155,470
Interest	-	-	-	-	-	88,855	88,855	2,757	91,612
Supplies general	27,269	55,453	3,350	17,899	1,076	31,576	136,623	30,812	167,435
Transportation	69,318	39,943	-	15,438	-	-	124,699	3,197	127,896
Depreciation	-	-	-	-	-	178,593	178,593	18,091	196,684
Insurance	30,639	14,145	625	15,615	2,545	20,159	83,728	3,853	87,581
Telephone	19,747	28,406	23,104	5,081	1,027	190	77,555	7,203	84,758
Printing	16,434	11,779	26,828	6,287	4,530	1,269	67,127	6,147	73,274
Training	12,185	1,507	4,043	595	-	-	18,330	5,783	24,113
Professional fees	10,996	5,830	6,686	5,104	2,641	7,860	39,117	11,864	50,981
	<u>\$2,504,251</u>	<u>\$2,700,069</u>	<u>\$ 1,992,601</u>	<u>\$1,229,547</u>	<u>\$ 767,664</u>	<u>\$ 461,547</u>	<u>\$9,655,679</u>	<u>\$ 178,797</u>	<u>\$ 9,834,476</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, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 41,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	196,684
Change in loans receivable allowance	403,436
Gain on sale of property under development	(54,047)
(Increases) decreases in operating assets:	
Grants receivable	(59,351)
Increases (decreases) in operating liabilities:	
Accounts payable	179,251
Accrued payroll and related liabilities	<u>41,454</u>
Net Cash Provided by (Used in) Operating Activities	<u>749,076</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of property under development	660,255
Increase in property under development	(923,673)
Investment in partnerships	(41,829)
Payments from partnerships	22,044
Increase in notes receivable	(514,103)
Payments on notes receivable	107,869
Purchase of property and equipment	<u>(58,605)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(748,042)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payment on debt	(45,306)
Proceeds from new debt	<u>236,050</u>
Net Cash Provided by (Used in) Financing Activities	<u>190,744</u>
Net increase (decrease) in cash	191,778
Cash - beginning of year	<u>903,594</u>
Cash - end of year	<u>\$ 1,095,372</u>
Interest paid during the year	<u>\$ 91,612</u>

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, 2008

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 2008, CAPWI was actively involved in:

- Child education
- Community services
- Job training and employment services
- Housing and property development

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 principal 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. The excess was approximately \$325,000 at December 31, 2008.

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 2008, CAPWI earned \$26,226 in interest from Highland Manor, L.P. and received payment of \$16,044 in deferred revenue.

During 2008, CAPWI earned \$15,603 in interest from Parke Place Apartments, and received payment of \$6,000 on a working capital advance.

5. 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, 2008, \$239,000 had been earned and \$8,856 remains unpaid. Accrued interest of \$29,974 on this developer fee remains unpaid at December 31, 2008. 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, 2008 of \$46,743, \$188,453, and \$83,572 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 Crawfordsville Community Housing, L.P. It is managed by an L.L.C. in which CAPWI is a member with 50% ownership. The purpose is to provide 72 residential units of affordable housing. As developer, CAPWI is entitled to 50% of the developer's fee. As of December 31, 2008, \$195,000 had been earned with \$195,000 remaining unpaid.

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, 2008, \$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, 2008, of \$97,362 and \$44,449 on these loans, respectively. The loans have deferred payments and are due after October 2028. CAPWI has also advanced the partnership funds totaling \$56,964 for various purposes.

6. 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, 2008, \$169,030 was recorded in deferred loans receivable (revolving grant funds). Interest payments are recorded as revenue when received.

CAPWI also holds \$1,002,904 in other mortgages and notes receivable related to community development and housing activities.

7. 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.

8. GRANT REVENUE, GRANTS RECEIVABLE, AND DEFERRED REVENUE

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

Grantor/Program Title	Grants Receivable 12/31/07	Grant Revenue 12/31/08	Collections 12/31/08	Grants Receivable 12/31/08
<i>U.S. Department of Agriculture</i>				
WIC	\$ -	\$ 314,058	\$ 290,773	\$ 23,285
IMPACT	-	44,600	44,600	-
RBEG	-	70,500	70,500	-
Child and Adult Care Food Program	-	115,298	115,298	-
<i>HUD</i>				
HOME	66,630	1,016,992	1,058,866	24,756
Section 8	-	413,096	413,096	-
<i>U.S. Department of Labor</i>				
WIA Adult	100,395	894,744	914,369	80,770
WIA Youth Activities	9,313	641,970	620,181	31,102
WIA Dislocated Workers	-	279,660	233,688	45,972
Rapid Response	93,125	1,914	93,125	1,914
<i>U.S. Department of Energy</i>				
Weatherization Assistance	-	276,654	267,851	8,803
<i>Homeland Security</i>				
FEMA	18,108	41,952	60,060	-
<i>HHS</i>				
TANF	-	62,750	62,750	-
LIHEAP	105,732	2,036,443	1,867,847	274,328
CCDF	1,536	21,057	19,095	3,498
CSBG	-	285,700	285,700	-
Head Start	7,581	2,171,443	2,179,024	-
Title III, Part D	-	27,464	27,464	-
Title III, Part B	-	2,000	2,000	-
<i>State and Other Programs</i>				
Choice / Homemaker	30,341	67,238	88,553	9,026
Lead Testing	-	10,783	10,783	-
Tobacco Prevention and Cessation	-	34,082	34,082	-
MUFFY	-	7,500	7,500	-
Other	26,193	47,492	58,834	14,851
Totals	\$ 458,954	\$ 8,885,390	\$ 8,826,039	\$ 518,305

9. 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 \$207,151 for the year ended December 31, 2008.

10. PROPERTY AND EQUIPMENT

CAPWI's property and equipment consisted of the following at December 31, 2008:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 237,444	\$ -	\$ 237,444
Building	5,108,309	1,569,617	3,538,692
Building improvements	378,783	105,685	273,098
Equipment	<u>64,127</u>	<u>28,526</u>	<u>35,601</u>
Total	<u>\$ 5,788,663</u>	<u>\$ 1,703,828</u>	<u>\$ 4,084,835</u>

Depreciation expense for the year totaled \$196,684.

11. NOTES PAYABLE

As of December 31, 2008, 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.	\$ 18,065
Promissory note from Montgomery Savings Association with interest at the rate of 6.97%. Monthly payments are \$316, with the outstanding balance due August 2028. The note is secured by real estate.	40,702
Promissory note from Old National Bank with interest at the rate of 5.5%. Monthly payments are \$397. The loan was repaid in August 2009.	3,107
Promissory note from Old National Bank with interest at the rate of 7.75%. Monthly payments are \$309, with the outstanding balance due July 2018. The note is secured by real estate.	23,428

(Continued)

11. NOTES PAYABLE – Continued

Promissory note from Fowler State Bank with interest at the rate of 8%. Monthly payments are \$1,017, with the outstanding balance due June 2018. The note is secured by real estate.	118,199
Promissory note from Farmers and Merchants Bank with interest at the rate of 7.75%. Monthly payments are \$692, with the outstanding balance due August 2026. The note is secured by assignment of rents.	79,963
Promissory note from Old National Bank with interest at the rate of 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.	275,154
Promissory note from Farmers and Merchants Bank with interest at the rate of 7.5%. Monthly payments are \$783, with the outstanding balance due September 2020. The note is secured by real estate.	73,432
Promissory note from First Parke State Bank with interest at the rate of 6%. Monthly payments are \$304, with the outstanding balance due August 2032. The note is secured by real estate.	65,266
Promissory note from First Financial Bank with interest at the rate of 7.25%. Monthly payments are \$246, with the outstanding balance due August 2032. The note is secured by real estate.	33,501
Promissory note from First Financial Bank with interest at the rate of 7.25%. Monthly payments are \$197, with the outstanding balance due February 2032. The note is secured by real estate.	26,526
Promissory note from First Financial Bank with interest at the rate of 6.25%. Monthly payments are \$357, with the outstanding balance due May 2035. The note is secured by real estate.	54,893
Promissory note from First Financial Bank with interest at the rate of 7.25%. Monthly payments of \$246 with the outstanding balance due February 2032. The note is secured by real estate.	33,157
Promissory note from the U.S. Department of Agriculture with interest at the rate of 4.25%. Monthly payments are \$1,224, with the outstanding balance due September 2043. The note is secured by real estate.	266,772
Promissory note from Indiana Housing Authority with interest at the rate of 1%. Payments are not required until construction draws are completed. The note is secured by real estate.	169,094

(Continued)

11. NOTES PAYABLE – Continued

Promissory note from Indiana Housing Authority with interest at the rate of 1%. Semi-annual payments are \$1,880, with the outstanding balance due April 2010. The note is secured by real estate.	47,383
Promissory note from Bank of Indiana with interest at the rate of 7.25%. Monthly payments are \$748 with the outstanding balance due May 2037. The note is secured by real estate.	107,636
Promissory note from Indiana Housing Authority with interest at the rate of 1%. Semi-annual payments are \$5,560, with the outstanding balance due June 2010. The note is secured by real estate.	158,916
Promissory note from Indiana Housing Authority with interest at the rate of 1%. Semi-annual payments are \$5,790, with outstanding balance due September 2019. The note is secured by real estate.	268,997
Promissory note from Indiana Housing Authority with interest at the rate of 1%. Semi-annual payments are \$5,400, with the outstanding balance due May 2022. The note is secured by real estate.	238,657
Promissory note from Bank of Indiana with interest at the rate of 7.25%. Monthly payments are \$2,411 with the outstanding balance due June 2037. The note is secured by real estate.	<u>307,626</u>
Total	<u>\$ 2,410,474</u>

Future principal maturities on the notes payable are as follows:

Year ending December 31,		
	2009	\$ 69,041
	2010	249,657
	2011	72,917
	2012	60,224
	2013	63,352
	Thereafter	<u>1,895,283</u>
	Total	<u>\$ 2,410,474</u>

SUPPLEMENTAL INFORMATION

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
HEAD START PROGRAM
GRANT NO. 05CH4202/43
STATEMENT OF REVENUE AND EXPENSES
FOR THE PROGRAM YEAR ENDED JANUARY 31, 2009

<u>REVENUE</u>	<u>Full Year Part-Day</u>	<u>Early Head Start</u>	<u>Total</u>
Grant award	\$ 1,763,218	\$ 418,116	\$ 2,181,334
Undrawn grant funds	(642)	-	(642)
Local cash	164,522	-	164,522
In-kind contributions	<u>439,829</u>	<u>281,934</u>	<u>721,763</u>
 Total Revenue	 <u>2,366,927</u>	 <u>700,050</u>	 <u>3,066,977</u>
 <u>EXPENSES</u>			
Personnel/fringe benefits	1,403,618	306,117	1,709,735
Rent/utilities	143,135	53,235	196,370
Telephone	14,176	6,422	20,598
Contractual	14,988	3,240	18,228
Program supplies	187,622	9,401	197,023
Travel/transportation	132,427	25,226	157,653
Training	8,070	2,224	10,294
Postage/printing	11,575	8,122	19,697
Other	8,524	1,531	10,055
In-kind expenses	439,829	281,934	721,763
Building improvements/repairs	<u>2,963</u>	<u>2,598</u>	<u>5,561</u>
 Total Expenses	 <u>2,366,927</u>	 <u>700,050</u>	 <u>3,066,977</u>
 Excess of Revenue Over Expenses	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

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

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

DECEMBER 31, 2008



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, 2008, and have issued our report thereon dated September 14, 2009. 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, others within the entity, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gauthier + Kimmeling, LLC

September 14, 2009



Gauthier & Kimmerling, LLC
accountants & advisors

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

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, 2008. 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-1.

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 CAPWI as of and for the year ended December 31, 2008, and have issued our report thereon dated September 14, 2009. 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.

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

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

Jauthin & Kimmick, LLC

September 14, 2009

Community Action Program, Inc. of Western Indiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

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	10.557	\$ 314,058
FSSA State Administrative Matching Grants for Food Stamp Program	10.561	44,600
USDA Rural Business Enterprise Grants	10.769	70,500
USDA Child and Adult Care Food Program	10.558	115,298
<i>U.S. Department of Housing and Urban Development:</i>		
Indiana Housing Finance Authority HOME Investment Partnerships Program	14.239	1,016,992
FSSA Lower Income Housing Assistance Program-Section 8	14.856	413,096
<i>U.S. Department of Labor:</i>		
Tecumseh Area Partnership WIA Adult Program	17.258	894,744
Tecumseh Area Partnership WIA Youth Activities	17.259	641,970
Tecumseh Area Partnership WIA Dislocated Workers	17.260	281,574
<i>U.S. Department of Energy:</i>		
FSSA Weatherization Assistance for Low-Income Persons	81.042	276,654
<i>U.S. Department of Homeland Security:</i>		
Emergency Food and Shelter Program Emergency Food and Shelter National Board Program	97.024	41,952
<i>U.S. Department of Health and Human Services:</i>		
FSSA Temporary Assistance for Needy Families	93.558	62,750
FSSA Low-Income Home Energy Assistance	93.568	2,036,443
FSSA Child Care Mandatory and Matching Funds of the CCDF	93.596	21,057
FSSA Community Services Block Grant	93.569	285,700
U.S. Department of Health and Human Services Head Start	93.600	2,171,443
Area IV Agency on Aging and Community Action Programs Special Programs for the Aging-Title III, Part D	93.043	27,464
Area IV Agency on Aging and Community Action Programs Special Programs for the Aging-Title III, Part B	93.044	<u>2,000</u>
Total Expenditure of Federal Awards		8,718,295
USDA Women, Infants, and Children - Non-Cash Assistance	10.557	<u>300,000</u>
Total Federal Awards - Including Non-Cash		<u>\$ 9,018,295</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, 2008

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 the 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 approximately \$300,000 in Women, Infants, and Children (WIC) nutrition vouchers during 2008.

Community Action Program, Inc. of Western Indiana
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2008

<u>ITEM NUMBER</u>	<u>AUDIT FINDING</u>
--------------------	----------------------

None reported.

Community Action Program, Inc. of Western Indiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

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? *No*

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? *Yes*

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
10.554	Special Supplemental Nutrition Program for WIC
93.600	Head Start
14.239	HOME Investment Partnership Program
14.856	Lower Income Housing Assistance Program - Section 8

Community Action Program, Inc. of Western Indiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Section I - Summary of Auditors' Results - continued

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2008-1: Cash Management

CFDA #14.239 HOME Investment Partnership Program

Criteria: Reimbursement Basis-31 CFR Section 205.12 requires program costs must be paid for by entity funds before reimbursement is requested.

Condition: CAPWI noted and brought to our attention that a contractor's invoice had been claimed twice, once the down payment portion was claimed, then the invoice total was claimed. Thirty-three thousand five-hundred and twenty-two dollars from the same invoice was claimed on both claim one and partially on claim two and three. CAPWI had \$33,522 of eligible expenses that were not claimed on later claims after the condition was discovered.

Questioned cost: \$33,522

Effect: Thirty-three thousand five-hundred and twenty-two dollars was reimbursed before expenses were paid.

Cause: An invoice was partially claimed when the deposit was paid on the work, then the entire invoice was reclaimed. There was no way the claim preparer would know the deposit portion of the invoice had been claimed.

Recommendation: Claim procedures should be modified.

Response: CAPWI reviewed its HOME claim process and initiated a 17-step control plan to eliminate the situation that led to the finding. This plan includes, but is not limited to, each invoice being assigned a claim number before payment, each invoice is tracked and compared to budget before a claim is prepared, and HOME payments are tracked on a Federal Cash Control Register to insure all HOME receipts are appropriately expended.