

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

Consolidated Financial Statements

Year Ended December 31, 2008

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

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AS & O

Agresta, Storms & O'Leary, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying consolidated statement of financial position of Community Action of Greater Indianapolis, Inc. and Subsidiary (a nonprofit organization), Franklin School Apartments, L.P. and 21st Street Seniors, L.P. as of December 31, 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Franklin School Apartments, L.P. and 21st Street Seniors, L.P., which statements reflect total assets of \$9,234,423 as of December 31, 2008 and total revenue of \$555,579 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Franklin School Apartments, L.P. and 21st Street Seniors, L.P., is based solely on the reports of the other auditors.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P. and 21st Street Seniors, L.P. as of December 31, 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 9, 2009, on our consideration of Community Action of Greater Indianapolis, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 22 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic consolidated financial statements. The consolidating statements of financial position and activities on pages 25 through 26 are presented for purposes of additional analysis rather than to present the financial position and activities of the individual companies and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Agesta, Steens & O'Leary, PC

Indianapolis, Indiana
September 9, 2009

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

Consolidated Statement of Financial Position

December 31, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 1,705,873
Accounts receivable	7,267,488
Other assets	<u>13,021</u>

Total current assets 8,986,382

Property and equipment:

Land and land improvements	1,826,055
Property and equipment	<u>9,997,430</u>

11,823,485

Less: Accumulated depreciation (1,784,742)

Net property and equipment **10,038,743**

Other assets:

Restricted deposits and funded reserves	173,802
Deferred costs, net of accumulated amortization	<u>105,128</u>

Total other assets 278,930

Total assets **\$ 19,304,055**

Liabilities and Net Assets

Current liabilities:

Current portion of long-term debt	\$ 94,128
Accounts payable	7,544,518
Deferred revenue	608,992
Short-term debt	135,000
Other liabilities	<u>496,677</u>

Total current liabilities 8,879,315

Long-term debt, net of current portion 3,855,249

Minority interests 4,504,264

Net assets:

Unrestricted net assets	2,015,227
Temporarily restricted net assets	<u>50,000</u>

Total net assets 2,065,227

Total liabilities and net assets **\$ 19,304,055**

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

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

Consolidated Statement of Activities

Year Ended December 31, 2008

Changes in unrestricted net assets:	
Revenues and other support:	
Grant revenue	\$ 22,292,734
Day care center revenue	272,544
Other revenue	842,829
Rental income	682,879
Interest	<u>472</u>
Total unrestricted revenues and other support	24,091,458
Net assets released from restrictions	<u>-</u>
Total unrestricted revenues and support and reclassifications	<u>24,091,458</u>
Expenses:	
Program services:	
Energy and Weatherization	16,591,483
Children and Youth	1,259,904
Housing and Welfare	3,667,126
Other	<u>205,524</u>
	21,724,037
Supporting services:	
General and administrative	<u>2,748,101</u>
Total expenses	<u>24,472,138</u>
Asset impairment loss	<u>2,294,886</u>
Decrease in unrestricted net assets before minority interest	(2,675,566)
Minority interest loss	<u>(2,937,945)</u>
Increase in unrestricted net assets	<u>262,379</u>
Changes in temporarily restricted net assets:	
Grant revenue	<u>50,000</u>
Increase in temporarily restricted net assets	<u>50,000</u>
Increase in net assets	312,379
Net assets, beginning of year	<u>1,752,848</u>
Net assets, end of year	<u>\$ 2,065,227</u>

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

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

Consolidated Statement of Functional Expenses

Year Ended December 31, 2008

	Energy and Weatherization	Children and Youth	Housing and Welfare	Other	Program Services Totals	General and Administrative	Total
Advertising	\$ 9,567	\$ 1,611	\$ 2,028	\$ 130	\$ 13,336	\$ 19,311	\$ 32,647
Amortization	-	-	-	-	-	8,031	8,031
Bad debt	-	-	-	-	-	8,394	8,394
Bank charges	-	91	-	-	91	2,846	2,937
Benefit payments	15,517,338	17,506	3,486,169	-	19,021,013	1,607	19,022,620
Community relations	4,355	35	1,664	1,023	7,077	14,892	21,969
Depreciation	-	49,222	3,211	-	52,433	426,195	478,628
Dues and subscriptions	936	3,186	664	35	4,821	5,277	10,098
Employee benefits	38,086	71,951	14,833	26,619	151,489	115,456	266,945
Employee training	1,943	4,458	332	1,030	7,763	4,236	11,999
Insurance	15,776	13,612	6,589	930	36,907	62,705	99,612
Interest	-	63,395	-	-	63,395	205,043	268,438
Lease	15,280	9,453	2,338	756	27,827	37,615	65,442
Maintenance	25,022	45,844	22,793	2,919	96,578	185,639	282,217
Miscellaneous	443	15,793	(2,050)	1,192	15,378	82,317	97,695
Occupancy	4,117	-	11,386	-	15,503	9,219	24,722
Payroll taxes	56,677	46,021	4,776	5,152	112,626	87,502	200,128
Postage	5,844	752	1,731	-	8,327	12,834	21,161
Professional fees	22,868	14,573	28,609	6,378	72,428	121,166	193,594
Salaries and wages	608,478	628,803	55,878	41,285	1,334,444	945,563	2,280,007
Security	2,532	1	1,404	117	4,054	6,174	10,228
Student meals	-	79,937	-	-	79,937	-	79,937
Subsidy	-	-	-	108,341	108,341	-	108,341
Supplies	127,066	61,965	9,820	5,832	204,683	129,602	334,285
Taxes and licenses	328	444	551	-	1,323	46,989	48,312
Travel	32,708	64,140	3,863	2,264	102,975	40,044	143,019
Utilities	102,119	62,494	10,447	1,521	176,581	169,354	345,935
Vehicle	-	4,617	90	-	4,707	90	4,797
	<u>\$ 16,591,483</u>	<u>\$ 1,259,904</u>	<u>\$ 3,667,126</u>	<u>\$ 205,524</u>	<u>\$ 21,724,037</u>	<u>\$ 2,748,101</u>	<u>\$ 24,472,138</u>

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

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

Consolidated Statement of Cash Flows

Year Ended December 31, 2008

Cash flow from operating activities:	
Increase in net assets	\$ 312,379
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	486,659
Asset impairment loss	2,294,886
Minority interest loss	(2,937,945)
Changes in assets and liabilities:	
Increase in accounts receivable	(2,687,372)
Decrease in other assets	(162,880)
Increase in accounts payable	3,327,027
Decrease in deferred revenue	(81,723)
Increase in other liabilities	<u>(37,571)</u>
Net cash provided by operating activities	<u>513,460</u>
Cash flow from investing activities:	
Capital expenditures	(7,353)
Proceeds from refund of deferred costs	29,000
Capital expenditures for deferred costs	<u>(11,371)</u>
Net cash provided by investing activities	<u>10,276</u>
Cash flow from financing activities:	
Repayments on long-term debt	(86,974)
Borrowings on long-term debt	1,450,354
Repayments on construction loan	(1,450,354)
Capital contributions from minority interest	<u>132,754</u>
Net cash provided by financing activities	<u>45,780</u>
Net increase in cash	569,516
Cash and cash equivalents, beginning of year	<u>1,136,357</u>
Cash and cash equivalents, end of year	<u>\$ 1,705,873</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 263,606</u>

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

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

1. Summary of Significant Accounting Policies

Nature of Activities

Community Action of Greater Indianapolis, Inc. ("CAGI"), a not-for-profit organization, exists to develop, mobilize, stimulate and utilize resources for the purpose of eliminating the causes of poverty and combating existing poverty in the metropolitan area of Indianapolis, Indiana. CAGI also seeks to plan and develop programs which are designed to enable low-income families and individuals to become more self-sufficient. Programs include assistance in finding employment, job training and counseling, improvement of health, home management, housing and welfare, vocational rehabilitation, and special remedial and other noncurricular educational assistance. The majority of program services are energy related. The operations also include CAGI Housing, Inc. ("Housing"), CAGI 21st Street, LLC ("CAGI 21st Street"), a wholly owned subsidiary of Housing, Franklin School Apartments, L.P. ("FSA") and 21st Street Seniors, L.P. ("21st Street Seniors"). Housing and CAGI 21st Street, wholly owned by CAGI, facilitate the development and operations of FSA and 21st Street Seniors affordable housing developments. Housing and CAGI 21st Street had no activity during 2008. See Notes 2 and 3.

Principles of Consolidation

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

Basis of Presentation

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

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

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

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

Revenue and support are reported as increases in the appropriate category of net assets for CAGI. Expenses are reported as decreases in unrestricted net assets for CAGI. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. CAGI had no permanently restricted net assets at December 31, 2008.

Basis of Accounting

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

Inventory

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

Property and Equipment

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

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

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

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

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

Long-lived Assets

The Organization reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Any long-lived assets held for sale are reported at the lower of their carrying amounts or fair value less the estimated cost to sell. Recoverability for FSA and 21st Street Seniors is measure by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property, including the low-income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. An impairment loss of \$2,294,886 has been recognized in the Organization's 2008 consolidated financial statements for impairment of FSA real estate.

Compensated Absences

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

Revenue Recognition

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

Income Taxes

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

Housing, a C corporation, accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, ("SFAS 109") as required. SFAS 109 provides for current and deferred tax liabilities and assets utilizing an asset and liability approach. No current or deferred taxes were recorded at December 31, 2008.

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

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

Estimates

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

Cash and Cash Equivalents

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

Variable Interest Entities

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

At December 31, 2008 and for the year then ended, FSA and 21st Street Seniors had assets of \$2,350,645 and \$6,883,778, respectively; liabilities of \$2,689,888 and \$1,905,100, respectively; and a net loss of \$2,715,397 and \$222,548, respectively.

Advertising Costs

The Organization incurs advertising costs in the normal course of business, which are expensed as incurred. Advertising costs totaled \$32,647 during the year ended December 31, 2008.

2. Franklin School Apartments L.P

Organizational

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

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

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

annually. The initial contribution of \$100 from the general partner (Housing) was received in 2006.

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

Financing

The FSA Agreement required certain performance guarantees by Housing related to financing including construction financing, permanent financing, and grants. At December 31, 2008, FSA had the following long-term obligations:

- Mortgage note in the amount of \$675,000. The mortgage accrues interest at the rate of 7.63% per annum and matures on December 31, 2020. Payments of \$5,045 are due monthly. This note is collateralized by certain FSA real estate. At December 31, 2008, the outstanding balance on this note was \$642,575.
- Affordable Housing Grant in the amount \$500,000. The grant is to be repaid to CAGI to the extent of 75% of annual cash flow generated by FSA with any unpaid amounts due on December 31, 2032. The note is interest free and is secured by a second mortgage on Apartment Complex I. At December 31, 2008, the intercompany receivable/payable balances between FSA and CAGI have been eliminated in consolidation.
- HOME Investment Program Grant in the amount of \$700,000. The grant is to be repaid to CAGI on the earlier of December 31, 2033 or on the date of sale of Apartment Complex I. This note bears interest at the rate of 4.9% per annum. The note is secured by a third mortgage on Apartment Complex I. At December 31, 2008, the intercompany receivable/payable balances between FSA and CAGI have been eliminated in consolidation.
- CDBG Grant in the amount of \$25,000. This note is to be repaid to CAGI on December 31, 2032. The note bears interest at the rate of 5.69% per annum. The note is secured by a fourth mortgage on Apartment Complex I. At December 31, 2008, the intercompany receivable/payable balances between FSA and CAGI have been eliminated in consolidation.

Operations

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

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

Development Fee

In accordance with the terms of the FSA Agreement, CAGI is also due a development fee from FSA in the amount of \$475,000 for services rendered. The development fee is to be paid to CAGI from available cash flow of Apartment Complex I as defined in the FSA Agreement. Through December 31, 2008, no payments had been made to CAGI. At December 31, 2008, the intercompany development fee payable/receivable between FSA and CAGI and related capitalized costs have been eliminated in consolidation.

Other Terms

The FSA Agreement provides for the sale Apartment Complex I to third parties at the administrative and limited partner's option, after completion of the compliance period (defined as 15 taxable years beginning with the first taxable year or 2004). The FSA Agreement also gives CAGI the right of first refusal to acquire the administrative and limited investor partners' interest at the end of the compliance period for a sum equal to the minimum purchase price as defined in the FSA Agreement. Furthermore, in the event of noncompliance, Housing and CAGI are required to return the limited partners' contributions in accordance with the terms of the FSA Agreement. At December 31, 2008, CAGI and Housing have satisfied the terms and conditions as stipulated in the FSA Agreement, and the limited partners' rescission rights have expired.

3. 21st Street Seniors L.P.

Organizational

21st Street Seniors, an Indiana limited partnership organized in 2005, was formed to acquire, develop, and operate a 60-unit affordable housing development ("Apartment Complex II") in compliance with Section 42 of the Internal Revenue Code of 1986. At December 31, 2008, the Project is 100% complete.

At its inception, 21st Street Seniors' general and limited partners were unrelated entities. In March 2005, 21st Street Seniors entered into its First Amended and Restated Limited Partnership Agreement which stipulated the withdrawal of the original general partner and the admission of CAGI 21st Street, LLC (an Indiana limited liability company wholly owned by Housing). In November 2005, 21st Street Seniors entered into the Second Amended and Restated Limited Partnership Agreement ("21st Agreement") with outside investors. Among other things, the 21st Agreement stipulated the withdrawal of NRP Properties, LLC as limited partner and the admission of an investor limited partner, Great Lakes Capital Fund for Housing Limited Partnership XII in exchange for a capital contribution of \$5,802,540 to be contributed based on the passage of time and the attainment of certain milestones as defined in the 21st Agreement. In addition, the 21st Agreement required a \$100 capital contribution from its new general partner. In accordance with the terms of the 21st Agreement, 99.99% of the profits, losses, and tax credits are to be distributed to the limited partner with the remainder being distributed to the general partner. At December 31, 2008, the general and limited partners' capital contributions were \$100 and \$5,767,243, respectively.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

Financing

The 21st Agreement required certain performance guarantees by CAGI related to the construction and permanent financing. 21st Street Seniors entered into a promissory note effective November 21, 2005 to secure a construction loan with maximum borrowings of the lesser of \$5,075,408 or 80% of the appraised value of the project. On January 4, 2008, the outstanding balance of the construction loan of \$1,450,354 was repaid with proceeds from permanent financing. The permanent financing is evidenced by a multi-family note in the amount of \$1,450,354. The note is due in monthly payments of \$10,121 and accrues interest at 7.48% per annum. The note is due February 1, 2026 and is collateralized by 21st Street Seniors' property and equipment and by assignment of rents and leases.

Operational

The operations of 21st Street Seniors are separate and distinct from the operations of CAGI and Housing. However, CAGI and CAGI 21st Seniors, LLC have entered into management and guaranty agreements for the development and management of Apartment Complex II. Included in these agreements and in the Amended and Restated Agreement of Limited Partnership are construction commencement and completion dates, maintenance of financial covenants, contributions to cover development deficits, lease-up of the residential units, and maintenance of any operating and replacement reserve accounts. At December 31, 2008, Apartment Complex II is 100% complete.

Development Fee

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

- \$500,000 upon admission of the investor limited partner ("LP"), due 2005; \$3,158 was outstanding at December 31, 2008;
- \$100,000 upon receipt of the second capital contribution from LP, due 2006; \$100,000 was outstanding at December 31, 2008;
- \$200,000 upon receipt of the third capital contribution from LP, due 2006; \$200,000 was outstanding at December 31, 2008;
- \$70,000 upon receipt of the fourth capital contribution from LP, due 2007; \$70,000 was outstanding at December 31, 2008; and
- \$20,000 upon receipt of the fifth capital contribution from LP, due 2007; \$20,000 was outstanding at December 31, 2008;

Through December 31, 2008, CAGI and the third-party developer have been paid \$198,736 and \$298,106, respectively. The outstanding development fee payable to CAGI and the third-party developer is \$157,264 and \$235,894, respectively at December 31, 2008. The intercompany development fee payable/receivable between 21st Street Seniors and CAGI and related revenue and capitalized costs have been eliminated in consolidation. See Note 14.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

Other Terms

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

4. Related Parties

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

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

From time to time, the Organization purchases and provides contracted services on behalf of CAAP Housing, Inc. There were no revenues or expenses related to these activities for the year ended December 31, 2008.

Community Economic Development Corporation and Community Action of Greater Indianapolis Foundation, Inc. had no activity during the year ended December 31, 2008.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

5. Property and Equipment

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

	December 31, 2008				
	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	Consolidating Entries	Consolidated
Land and land improvements	\$ 8,500	\$ 50,000	\$ 1,767,555	\$ -	\$ 1,826,055
Building and building improvements, low-income housing apartments	-	2,957,194	4,806,520	(610,415)	7,153,299
Administrative buildings	752,710	-	-	-	752,710
Daycare center building	765,861	-	-	-	765,861
Houses	128,485	-	-	-	128,485
Building improvements, daycare center	463,456	-	-	-	463,456
Personal property	16,694	47,782	608,518	-	672,994
Vehicles	60,625	-	-	-	60,625
	<u>2,196,331</u>	<u>3,054,976</u>	<u>7,182,593</u>	<u>(610,415)</u>	<u>11,823,485</u>
Less accumulated depreciation	<u>(447,722)</u>	<u>(743,116)</u>	<u>(593,904)</u>	<u>-</u>	<u>(1,784,742)</u>
	<u>\$ 1,748,609</u>	<u>\$ 2,311,860</u>	<u>\$ 6,588,689</u>	<u>\$ (610,415)</u>	<u>\$ 10,038,743</u>

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

6. Notes Payable

	<u>December 31, 2008</u>
Note payable, bank, in 119 monthly installments of \$8,892 and one balloon payment of \$455,988, including interest at 7.080%. Due October 1, 2015. Secured by substantially all of the assets of CAGI.	\$ 849,078
Note payable, bank, noninterest-bearing. Forgivable by bank on the 15th anniversary of the completion date of the construction of the FSA low-income housing apartment building if provisions of the agreement are complied with through the date of the note and no demand for payment is made prior to the 15th anniversary. Secured by a mortgage on the FSA apartment building. See Note 2.	500,000
Note payable, bank, in 59 monthly installments of \$4,623 and one balloon payment of \$469,212, including interest at 8.55%. Due June 10, 2011. Secured by a mortgage on certain CAGI real estate.	498,102
Note payable, bank, in 61 monthly installments of \$724 with interest at 2.44%. Due April 1, 2011. Collateralized by two vehicles.	20,369
Mortgage payable, bank, in monthly installments of \$5,045, with interest at 7.63% per annum. Due December 2020. Secured by a mortgage on certain FSA real estate. See Note 2.	642,575
Mortgage payable, bank, in monthly installments of \$10,121, with interest at 7.48% per annum. Due February 2026. Secured by a mortgage on certain 21st Street Seniors real estate. See Note 3.	<u>1,439,253</u>
	3,949,377
Less current portion	<u>(94,128)</u>
Long-term portion	<u>\$ 3,855,249</u>

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

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

<u>Year Ending December 31,</u>	
2009	\$ 94,128
2010	100,241
2011	555,358
2012	88,822
2013	95,652
Thereafter	<u>3,015,176</u>
	<u>\$ 3,949,377</u>

7. Pension Plan

CAGI has a 403(b) Plan (the "Plan") in which employees who have completed 1,000 hours of service may participate. Participants may contribute up to 20% of their pretax annual compensation to the Plan and CAGI may make discretionary contributions to the Plan on behalf of the employees. The participants are 100% vested after five years of credited service in the discretionary contributions and immediately vested in any participant contributions. CAGI made no contributions to the Plan during the year ended December 31, 2008.

8. Concentrations

Funding

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

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

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

Credit Risk

CAGI, FSA, and 21st Street Seniors maintain substantially all temporary cash investments at high credit quality financial institutions. From time to time, such balances may exceed federally insured limits. At December 31, 2008, cash accounts in excess of federally insured amounts totaled \$1,248,930. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The State of Indiana accounted for approximately 98% of accounts receivable of CAGI at December 31, 2008. Therefore, management believes no allowance for doubtful accounts is necessary as of December 31, 2008.

9. Lease Commitment

CAGI leases office space in two surrounding counties. These leases, requiring monthly payments of \$550 and \$600, respectively, have expired as of December 31, 2008, however, CAGI continues to lease these facilities on a month-to-month basis. CAGI also leases various office equipment with monthly payments ranging from \$230 to \$1,328, which expire through October, 2012. Lease and occupancy expense related to the above leases totaled \$88,999 for the year ended December 31, 2008.

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

<u>Year Ending December 31,</u>	
2009	\$ 63,295
2010	52,974
2011	52,974
2012	<u>44,145</u>
	<u>\$ 213,388</u>

10. Line of Credit

CAGI has a line of credit with a bank with maximum availability in the amount of \$150,000. Interest is payable monthly at the Bank's prime lending rate plus 0.50% (3.75% at December 31, 2008). This line of credit is due on demand and is secured by substantially all assets of CAGI. The line of credit had borrowings outstanding totaling \$0 as of December 31, 2008.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

11. Deferred Costs

Deferred costs represent mortgage financing and low-income housing tax credit monitoring costs that are being amortized over their estimated useful lives of 15 to 20 years. Amortization expense for the year ended December 31, 2008 totaled \$8,031.

The following represents deferred costs and related accumulated amortization as of December 31, 2008:

<u>Description</u>	<u>2008</u>
Mortgage finance costs	\$ 80,371
Low-income housing tax credit monitoring costs	38,892
Accumulated amortization	<u>(14,135)</u>
Total deferred costs, net	<u>\$ 105,128</u>

12. Temporarily Restricted Net Assets

During the year ended December 31, 2008, the Organization received grants containing various provisions restricting the purpose of the expenditures totaling \$50,000. Accordingly, these grant proceeds are classified as temporarily restricted net assets, with yearly reclassifications for actual expenditures made in accordance with the grant agreements. Temporarily restricted net assets totaling \$50,000 as of December 31, 2008 are available to provide basic human services as defined the related Community Economic Relief Fund agreement.

13. Subsequent Events

In June, 2009 CAGI 21st Street II, LLC ("CAGI 21st Street II"), a wholly-owned subsidiary of Housing, entered into a limited partnership agreement to form 21st Street Seniors II, L.P. ("21st Street Seniors II") to acquire, develop, maintain and operate a 60-unit multi-family affordable housing development ("Apartment Complex II"). CAGI 21st Street II is the general partner and the limited partner, the special limited partner, and the special interest limited partner are unrelated entities. The partnership agreement requires various capital contributions of \$10 from the general partner, \$7,060,000 from the limited partner, \$10 from the special limited partner, and \$10 from the special interest limited partner, respectively, at various phases throughout the project.

In June, 2009, 21st Street Seniors II entered into a promissory note effective June 1, 2009 to secure a construction loan in the amount of \$6,200,000. Interest on the note is due in monthly installments at prime plus 2.0% and the note is due in June, 2011 and is guaranteed by CAGI, Housing and the limited and special interest limited partner. The 21st Street Seniors II agreement requires certain performance guarantees by CAGI and Housing related to the construction, permanent financing, operating deficits and tax credit compliance. The agreement also contains certain repurchase obligations that could require the general partner to purchase the interest of the limited partner at a price equal to 110% of the limited partner capital contributions in the event of noncompliance with certain performance guarantees.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

14. Correction of an Error

During the year ended December 31, 2008, 21st Street Seniors discovered that the development fee payable to the third-party developer in prior years was not correct. Accordingly, the financial statements for the year ended December 31, 2007 have been restated to reflect the appropriate amount of development fee payable to the third-party developer of \$407,090. The effect of this restatement on the financial statements was to increase other liabilities payable and property and equipment by \$126,739, respectively.

15. Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement." SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements.

In February 2008, the FASB released FASB Staff Position ("FSP") 157-2, "Effective Date of FASB Statement No. 157", which delayed the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The Organization adopted SFAS No. 157 for financial assets and liabilities during the year ended December 31, 2008.

SFAS establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that the Organization maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

As of December 31, 2008, the Organization held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. The following table presents information on these assets and liabilities as well as the fair value hierarchy used to determine their fair value:

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2008

	Level 1: Quoted Prices In Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Total Fair Value at December 31, 2008
Assets			
Cash and cash equivalents	\$ 1,705,873	\$ -	\$ 1,705,873
Restricted deposits and funded reserves	<u>173,802</u>	<u>-</u>	<u>173,802</u>
Total	<u>\$ 1,879,675</u>	<u>\$ -</u>	<u>\$ 1,879,675</u>
Liabilities			
Short-term debt	\$ -	\$ 135,000	\$ 135,000
Long-term debt, including current portion	<u>-</u>	<u>3,949,377</u>	<u>3,949,377</u>
Total	<u>\$ -</u>	<u>\$ 4,084,377</u>	<u>\$ 4,084,377</u>

The carrying value for these assets and liabilities approximated their fair value at December 31, 2008.

16. Recent Accounting Pronouncements

In June 2006, FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which is effective for fiscal years and interim periods beginning after December 15, 2008 for non-public companies and organizations. FIN 48 is intended to clarify the accounting for uncertainty in income taxes recognized in an entity's financial statements and to improve disclosures to provide more information about the uncertainty related to income taxes. Management is currently evaluating the impact the adoption of FIN 48 will have on the Organization's financial statements and disclosures.

In May 2009, FASB issued Statement No. 165, "Subsequent Events", which is intended to establish general standards of accounting for disclosure of events that occur after the balance sheet date but before the statements are issued or are available to be issued. FASB 165 is effective for interim or annual financial periods ending after June 15, 2009. Management is currently evaluating the impact the adoption of FASB 165 will have on the Organization's financial statements and disclosures.

17. Commitments and Contingencies

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

Supplemental Information

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

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

	Federal CFDA Number	Grant Expenditures
Federal Grantor/Pass-through Grantor/Program Title		
Department of Health and Human Services:		
Passed through Indiana Housing and Community Development Authority:		
Community Services Block Grant	93.569	\$ 1,248,354
Low Income Home Energy Assistance	93.568	16,650,939
Passed through Indiana Family and Social Services Administration:		
Child Care Development Fund	93.596	<u>166,601</u>
Total Department of Health and Human Services		<u>18,065,894</u>
Department of Energy:		
Passed through Indiana Housing and Community Development Authority:		
Weatherization Assistance for Low-income Persons	81.042	636,245
Department of Housing and Urban Development:		
Passed through City of Indianapolis:		
Community Development Block Grant	14.218	279,842
Passed through Indiana Housing and Community Development Authority:		
Lower Income Housing Assistance Program - Section 8	14.871	1,573,331
Passed through City of Indianapolis and Marion County Health Department:		
LEAD Based Paint Hazard Control in Privately-Owned Housing Program	14.900	514,116
Passed through City of Indianapolis and Marion County Health Department:		
LEAD Hazard Reduction Demonstration Grant Program	14.905	<u>734,239</u>
Total Department of Housing and Urban Development		<u>3,101,528</u>
Corporation for National Service:		
Direct Program:		
Foster Grandparents	94.011	225,857
United States Department of Agriculture:		
Passed through Indiana Department of Education:		
Child and Adult Care Food Program	10.558	<u>50,877</u>
Total federal awards expended		<u>\$ 22,080,401</u>

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the federal award expenditures disbursed by Community Action of Greater Indianapolis, Inc. received from the federal government for the year ended December 31, 2008.

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

Equipment

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

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

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

Inventory

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

Compensated Absences

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

2. Summary of Significant Accounting Policies for Federal Award Expenditures

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

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

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

3. Management Use of Estimates

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

Community Action of Greater Indianapolis, Inc. and Subsidiary

Details of Consolidating Statement of Financial Position

December 31, 2008

Assets	Community Action of Greater Indianapolis, Inc.	CAGI Housing, Inc. and Subsidiary	Consolidating Entries	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	Eliminating Entries	Consolidated	Consolidated
Current assets:									
Cash and cash equivalents	\$ 1,663,748	\$ -	\$ -	\$ 1,663,748	\$ 8,504	\$ 33,621	\$ -	\$ 1,705,873	
Accounts receivable	7,575,674	-	-	7,575,674	445	1,311	(309,942)	7,267,488	
Other assets	136,958	171	-	137,129	2,288	8,775	(135,171)	13,021	
Total current assets	9,376,380	171	-	9,376,551	11,237	43,707	(445,113)	8,986,382	
Property and equipment:									
Land and land improvements	8,500	-	-	8,500	50,000	1,767,555	-	1,826,055	
Property and equipment	2,187,831	-	-	2,187,831	3,004,976	5,415,038	(610,415)	9,997,430	
Less: Accumulated depreciation	2,196,331	-	-	2,196,331	3,054,976	7,182,593	(610,415)	11,823,485	
	(447,722)	-	-	(447,722)	(743,116)	(593,904)	-	(1,784,742)	
Net property and equipment	1,748,609	-	-	1,748,609	2,311,860	6,588,689	(610,415)	10,038,743	
Other assets:									
Notes receivable, related party	1,225,000	-	-	1,225,000	-	-	(1,225,000)	-	
Other receivable, related party	632,264	-	-	632,264	-	-	(632,264)	-	
Restricted deposits and funded reserves	-	-	-	-	13,238	160,564	-	173,802	
Deferred cost, net of accumulated amortization	-	-	-	-	14,310	90,818	-	105,128	
Total other assets	1,857,264	-	-	1,857,264	27,548	251,382	(1,857,264)	278,930	
Total assets	\$ 12,982,253	\$ 171	\$ -	\$ 12,982,424	\$ 2,350,645	\$ 6,883,778	\$ (2,912,792)	\$ 19,304,055	

Liabilities and Net Assets														
Current liabilities:														
Current portion of long-term debt	\$	70,979	\$	-	\$	70,979	\$	8,502	\$	14,647	\$	-	\$	94,128
Accounts payable		7,509,674		-		7,509,674		137,436		2,487		(105,079)		7,544,518
Deferred revenue		608,992		-		608,992		-		-		-		608,992
Short-term debt		135,000		-		135,000		-		-		-		135,000
Other liabilities		185,567		-		185,567		684,877		463,360		(837,127)		496,677
Total current liabilities		8,510,212		-		8,510,212		830,815		480,494		(942,206)		8,879,315
Long-term debt, net of current portion		1,796,570		-		1,796,570		1,859,073		1,424,606		(1,225,000)		3,855,249
Minority interests		-		-		-		-		-		4,504,264		4,504,264
Net assets and partners' equity:														
Unrestricted net assets		2,625,471		171		2,625,642		-		-		(610,415)		2,015,227
Temporarily restricted net assets		50,000		-		50,000		-		-		-		50,000
Partners' equity		-		-		-		(339,243)		4,978,678		(4,639,435)		-
Total net assets and partners' equity		2,675,471		171		2,675,642		(339,243)		4,978,678		(5,249,850)		2,065,227
Total liabilities and net assets		\$12,982,253		\$ 171		\$12,982,424		\$2,350,645		\$6,883,778		\$(2,912,792)		\$19,304,055

Community Action of Greater Indianapolis, Inc. and Subsidiary

Details of Consolidating Statement of Activities

Year Ended December 31, 2008

	Community Action of Greater Indianapolis, Inc.	CAGI Housing Inc. and Subsidiary	Community Action of Greater Indianapolis, Inc. and Subsidiary Entries	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	Eliminating Entries	Consolidated
Changes in unrestricted net assets:							
Revenues and other support:							
Grant revenue	\$ 22,292,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,292,734
Day care center revenue	272,544	-	272,544	-	-	-	272,544
Other revenue	812,626	-	812,626	21,142	9,061	-	842,829
Rental income	157,503	-	157,503	181,359	344,017	-	682,879
Interest	36,115	-	36,115	-	-	(35,643)	472
Total unrestricted revenues and other support	23,571,522	-	23,571,522	202,501	353,078	(35,643)	24,091,458
Net assets released from restrictions	-	-	-	-	-	-	-
Total unrestricted revenues and support and reclassifications	23,571,522	-	23,571,522	202,501	353,078	(35,643)	24,091,458
Expenses:							
Program services:							
Energy and Weatherization	16,591,483	-	16,591,483	-	-	-	16,591,483
Children and Youth	1,259,904	-	1,259,904	-	-	-	1,259,904
Housing and Welfare	3,667,126	-	3,667,126	-	-	-	3,667,126
Other	205,524	-	205,524	-	-	-	205,524
	21,724,037	-	21,724,037	-	-	-	21,724,037
Supporting services:							
General and administrative	1,805,691	-	1,805,691	402,427	575,626	(35,643)	2,748,101
Total expenses	23,529,728	-	23,529,728	402,427	575,626	(35,643)	24,472,138
Asset impairment loss	-	-	-	2,515,471	-	(220,585)	2,294,886

Increase (decrease) in unrestricted net assets before minority interest	41,794	-	41,794	(2,715,397)	(222,548)	220,585	(2,675,566)
Minority interest loss	-	-	-	-	-	(2,937,945)	(2,937,945)
Increase (decrease) in unrestricted net assets	41,794	-	41,794	(2,715,397)	(222,548)	3,158,530	262,379
Changes in temporarily restricted net assets:							
Grant revenue	50,000	-	50,000	-	-	-	50,000
Increase in temporarily restricted net assets	50,000	-	50,000	-	-	-	50,000
Increase (decrease) in net assets	91,794	-	91,794	(2,715,397)	(222,548)	3,158,530	312,379
Net assets and partners' equity, beginning of year	2,583,677	171	2,583,848	2,376,154	5,068,472	(8,275,626)	1,752,848
Capital contribution	-	-	-	-	132,754	(132,754)	-
Net assets and partners' equity, end of year	<u>\$ 2,675,471</u>	<u>\$ 171</u>	<u>\$ 2,675,642</u>	<u>\$ (339,243)</u>	<u>\$ 4,978,678</u>	<u>\$ (5,249,850)</u>	<u>\$ 2,065,227</u>

AS & O

Agresta, Storms & O'Leary, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the consolidated financial statements of Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P., and 21st Street Seniors, L.P. as of and for the year ended December 31, 2008, and have issued our report thereon dated September 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Franklin School Apartments, L.P. and 21st Street Seniors, L.P. were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

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

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

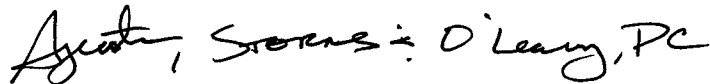
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we noted other matters involving internal control and its operation that we have reported to the management of the Organization in a separate letter dated September 9, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to management in a separate letter dated September 9, 2009.

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

A handwritten signature in black ink that reads "Agatha, Siobhán O'Leary, PC". The signature is written in a cursive style.

Indianapolis, Indiana
September 9, 2009

AS & O

Agresta, Storms & O'Leary, PC

CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Community Action of Greater Indianapolis, Inc. and Subsidiary with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

As described in items 08-01 through 08-02 in the accompanying schedule of findings and questioned costs, Community Action of Greater Indianapolis, Inc. and Subsidiary did not comply with requirements regarding eligibility, allowable costs consideration and documentation that are applicable to the, LEAD Based Paint Hazard Control and eligibility consideration and documentation that are applicable to the Energy Assistance program. Compliance with such requirements is necessary, in our opinion, for Community Action of Greater Indianapolis, Inc. and Subsidiary to comply with requirements applicable to those programs.

In our opinion, except for noncompliance described in the preceding paragraph, Community Action of Greater Indianapolis, Inc. and Subsidiary complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control over Compliance

The management of Community Action of Greater Indianapolis, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

A control deficiency in an Organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 08-01 through 08-03 to be significant deficiencies.

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

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

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

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



Indianapolis, Indiana
September 9, 2009

**Community Action of Greater Indianapolis, Inc.
and Subsidiary**

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	_____	X	no
Significant deficiencies identified that are not considered to be material weaknesses?	_____	yes	_____	X	no
Noncompliance material to the financial statements noted?	_____	yes	_____	X	no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	yes	_____	X	no
Significant deficiencies identified that are not considered to be material weaknesses?	_____	X	yes	_____	no

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

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

Identification of major programs

CFDA #	Name of Federal Program or Cluster
93.569	Community Services Block Grant
93.568	Low Income Home Energy Assistance
14.871	Section 8 Housing Choice Vouchers
14.905	Lead Hazard Reduction Demonstration Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 662,412

Auditee qualified as a low-risk auditee? _____ X _____ yes no

SECTION II—FINANCIAL STATEMENT FINDINGS

No matters were reported

**Community Action of Greater Indianapolis, Inc.
and Subsidiary**

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

COMPLIANCE FINDINGS

Department of Housing and Urban Development

CFDA 14.905 Lead Hazard Reduction Demonstration Grant Program

FINDING NO. 08-01

Statement of Condition: Files were not properly completed and maintained in accordance with regulations. Documentation and other deficiencies noted in the sample were:

- Proof of income for residents was not available.
- Proper lead violation letters were not present.
- Adequate documentation supporting the waiver of the 25% withholding requirement was not available.
- There appears to be potential conflicts of interest, as the contracts may have been awarded to parties related to the property. Documentation of competitive bids was lacking in one of these files.

Criteria: The Organization is required to obtain proof of income for all tenants in a multifamily dwelling to ensure that the building is a qualifying property under the grant provisions. The Organization is required to withhold 25% of a contract until a certified lead test is received. The Organization is required to obtain a notification that lead samples tested exceed EPA standards before work may be performed on a particular property. Contracts should be awarded in compliance with conflict of interest policies defined in form HUD-51915-A.

Effect: Eligibility for the receipt of benefits cannot be verified without proof of income which could result in assistance being awarded incorrectly. Work may be performed on property that does not qualify for benefits under this grant.

Cause: The Organization does not have control over approval of contracts and the related compliance requirements associated with the project. Certain responsibilities of the Organization as noted in the contract are effectively performed by the passthrough entity. The Organization is facilitating the grant money while the passthrough entity is managing many aspects of the project.

Questioned costs: Unknown

**Community Action of Greater Indianapolis, Inc.
and Subsidiary**

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

Recommendation: The Organization should either perform all of the procedures that have been assigned to them in the contract or renegotiate the contract to assign responsibility for the project management to the passthrough organization. In addition, control procedures over compliance should be reviewed by management to determine their effectiveness.

Management response: Management is currently working with the passthrough entity in matching the contract responsibilities with the entity performing those duties. Management is implementing procedures to ensure that all necessary documents are included in the client files. Management is also in the process of updating its compliance procedures.

Department of Health and Human Services

CFDA 93.568 Energy Assistance

FINDING NO. 08-02

Statement of Condition: Income verification documentation provided by certain clients appears to be incomplete. Proper documentation was not included in files to support the amount of assistance calculated.

Criteria: Eligibility files are required to be maintained and include certain information including: applicant and dependent identification; properly completed applications; income verification and utility bill verifications.

Effect: Eligibility for the recipients cannot be verified and the amount of assistance awarded may not be correct due to the potential of too many matrix points being awarded.

Cause: The control procedures over the intake and intake quality control procedures did not operate effectively. In addition, accepted income verification from a state agency may not contain current and accurate information.

Questioned costs: Unknown

Recommendation: Control procedures over the intake and intake quality control procedures should be reviewed by management to determine if they are adequate. In addition, management should evaluate the use of certain income documentation to ensure that an accurate income figure is used for recipients.

**Community Action of Greater Indianapolis, Inc.
and Subsidiary**

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

Management response: The Organization continues to maintain an in-house quality control system to monitor and maintain the accuracy and completeness of eligibility files. Management will evaluate its income verification procedures to ensure accurate income reporting.

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY

FINDING NO. 08-03

Statement of Condition: Certain aspects of the Organization's internal control system did not function properly during the transition to its new accounting and management information systems software.

Criteria: Appropriate internal control procedures are required to ensure that expenditures are charged to the appropriate fund or grant in the correct period.

Effect: The Organization has a risk that expenditures may be posted in the wrong period or be charged to an improper fund or grant and not be identified and corrected on a timely basis.

Cause: The Organization implemented a new accounting software package. The implementation took place in December, 2008, resulting in a transition period from the old accounting system near the close of the fiscal year.

Questioned costs: None

Recommendation: Action should be taken to ensure that procedures associated with the new software package are reviewed for effectiveness and revised, as necessary.

Management response: Management acknowledges the issues associated with the transition to the new accounting software package. The Organization asserts that the new accounting software package will address internal control and compliance deficiencies noted in prior years. As part of the implementation, Management has modified procedures and personnel roles in the Fiscal Department. Management expects the new accounting software and management information systems package will assist the Organization in operating more effectively.

**Community Action of Greater Indianapolis, Inc.
and Subsidiary**

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2007

Finding No. 07-01, CFDA 14.900, Lead Based Paint Hazard Control

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

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

Current status: See current year Finding 08-01

Finding No. 07-02, CFDA 14.900, Lead Based Paint Hazard Control

Statement of condition: A proper lead violation letter was not present in one file tested. There also appears to be a potential conflict of interest with the contract being awarded to the property owner.

Recommendation: The Organization should either perform all of the procedures that have been assigned to them in the contract or renegotiate the contract to assign responsibility for the project management to the passthrough organization.

Current status: See current year Finding 08-01

**Community Action of Greater Indianapolis, Inc.
and Subsidiary**

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2007

Finding No. 07-03, CFDA 93.568, Energy Assistance

Statement of Condition: Files were not properly completed and maintained for 2 of the 44 files selected for testing. Documentation deficiencies noted were:

- Proper documentation was not included in 2 files to support a crisis assistance benefit.

Recommendation: Control procedures over the intake and intake quality control procedures should be reviewed by management to determine if they are adequate.

Current status: The Organization continues to maintain an in-house quality control system to monitor and maintain the accuracy and completeness of eligibility files. The Organization has also instituted a review log system which requires all reviewed files to be logged, and the Program Director is now responsible for conducting a random sampling of the reviewed files on a monthly basis to ensure compliance with internal review procedures. The Program Director is required to report review results to executive management. (See current year finding 08-02.)

Finding No. 07-04, CFDA 81.042, Weatherization Assistance for Low-income Persons

Statement of condition: Files were not properly completed and maintained for a sample of files selected for testing. Documentation deficiencies noted were:

- 3 files selected did not contain proof of income documentation.
- 6 files selected did not contain proof of home ownership or rental documentation.
- 1 file selected did not include the client's signature to confirm receipt of the lead based paint pamphlet.

The Organization also received a Weatherization Monitoring report from the oversight passthrough organization that contained a number of concerns and findings. These concerns and findings included lack of proper documentation in the files, inconsistencies with calculations, and not procuring all necessary initials and signatures as required.

Recommendation: Control procedures and quality control procedures should be reviewed by management to determine if they are adequate.

Current status: Management has implemented new quality control procedures. Management has also terminated or reassigned underperforming personnel and hired qualified personnel to oversee the Weatherization and Lead programs.

**Community Action of Greater Indianapolis, Inc.
and Subsidiary**

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2007

Finding No. 07-05, CFDA 14.871, Section 8 Housing Choice Vouchers

Statement of condition: Written policies and procedures are not in place for interim reexaminations. In addition, tenant files tested did not contain all appropriate documentation for interim reexaminations

Recommendation: Action should be taken to ensure that written policies and procedures for interim reexaminations are adopted and that personnel are trained and monitored.

Current status: In 2008, management implemented policies and procedures for interim reexaminations in accordance with HUD guidelines.

Finding No. 07-06, Internal Control, Significant Deficiency

Statement of condition: The Organization's internal control system over payroll lacks an adequate monitoring function.

Recommendation: Action should be taken to ensure that procedures are in place to review payroll entries. In addition, management should implement procedures to timely inactivate obsolete grants and funds in the accounting software in order to prevent improper posting.

Current status: In December 2008, management implemented a new accounting system to address deficiencies in internal control and management information systems.