

**COMMUNITY ACTION OF
GREATER INDIANAPOLIS, INC. AND
SUBSIDIARY,
FRANKLIN SCHOOL APARTMENTS L.P.,
21ST STREET SENIORS, L.P.,
21ST STREET SENIORS II, L.P. AND
COMMONS AT SPRING MILL, L.P.**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

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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., 21st Street Seniors, L.P., 21st Street Seniors II, L.P. and Commons at Spring Mill, L.P. as of December 31, 2011, 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 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., 21st Street Seniors, L.P. and 21st Street Seniors II, 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., 21st Street Seniors, L.P., 21st Street Seniors II, L.P., and Commons at Spring Mill, L.P. as of December 31, 2011, 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 21, 2012, 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 28 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 also not a required part of the basic consolidated financial statements. The consolidating statements of financial position and activities on pages 31 through 32 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Aresta, Spoons & O'Leary, PC

Indianapolis, Indiana
September 21, 2012

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

Consolidated Statement of Financial Position

December 31, 2011

Assets

Current assets:

Cash and cash equivalents (\$254,727 related to variable interest entities)	\$ 1,228,008
Accounts receivable (\$4,694 related to variable interest entities)	744,537
Other assets (\$10,732 related to variable interest entities)	<u>11,824</u>

Total current assets 1,984,369

Property and equipment:

Land and land improvements	3,268,439
Property and equipment	<u>16,353,513</u>

Less: Accumulated depreciation (3,283,576)

Net property and equipment (\$14,824,095 related to variable interest entities) 16,338,376

Other assets:

Construction in progress	4,557,555
Restricted deposits and funded reserves	511,413
Deferred costs, net of accumulated amortization	<u>244,271</u>

Total other assets (\$5,313,239 related to variable interest entities) 5,313,239

Total assets \$ 23,635,984

Liabilities and Net Assets

Current liabilities:

Current portion of long-term debt (\$38,517 related to variable interest entities)	\$ 136,262
Accounts payable (\$20,517 related to variable interest entities)	526,588
Short-term debt (\$743,000 related to variable interest entities)	743,000
Other current liabilities (\$214,271 related to variable interest entities)	<u>518,924</u>

Total current liabilities 1,924,774

Long-term liabilities:

Other long-term liabilities (\$605,944 related to variable interest entities)	605,944
Construction loan payable (\$2,975,464 related to variable interest entities)	2,975,464
Long-term debt, net of current portion (\$4,339,325 related to variable interest entities)	<u>5,977,746</u>

Total long-term liabilities 9,559,154

Net assets:

Unrestricted net assets	2,225,204
Temporarily restricted net assets	35,096
Noncontrolling interests	<u>9,891,756</u>

Total net assets 12,152,056

Total liabilities and net assets \$ 23,635,984

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., 21st Street Seniors, L.P.,
21st Street Seniors II, L.P. and Commons at Spring Mill, L.P.**

Consolidated Statement of Activities

Year Ended December 31, 2011

Changes in unrestricted net assets:	
Revenues and other support:	
Grant revenue	\$ 20,431,232
Day care center revenue	165,078
Other revenue	602,387
Gain on disposal of assets	248,194
Rental income	1,138,499
Interest income	<u>1,959</u>
Total unrestricted revenues and other support	22,587,349
Net assets released from restrictions	<u>19,686</u>
Total unrestricted revenues and support and reclassifications	<u>22,607,035</u>
Expenses:	
Program services:	
Energy and Weatherization	13,980,734
Children and Youth	777,965
Housing and Welfare	2,989,710
Other	<u>569,955</u>
	18,318,364
Supporting services:	
General and administrative	<u>4,746,927</u>
Total expenses	<u>23,065,291</u>
Decrease in unrestricted net assets before noncontrolling interests	(458,256)
Add back: Loss attributable to noncontrolling interests	<u>(582,015)</u>
Increase in unrestricted net assets	<u>123,759</u>
Changes in temporarily restricted net assets:	
Grant revenue	35,096
Net assets released from restrictions	<u>(19,686)</u>
Increase in temporarily restricted net assets	<u>15,410</u>
Increase in net assets	<u>\$ 139,169</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., 21st Street Seniors, L.P.,
21st Street Seniors II, L.P. and Commons at Spring Mill, L.P.**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2011

	Energy and Weatherization	Children and Youth	Housing and Welfare	Other	Program Services Totals	General and Administrative	Total
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,319	\$ 1,319
Amortization	-	-	-	-	-	13,004	13,004
Bad debt	-	-	-	-	-	8,729	8,729
Bank charges	-	-	-	-	-	4,011	4,011
Benefit payments	13,238,859	3,770	2,972,571	177,456	16,392,656	(4,371)	16,388,285
Community relations	692	3,466	1,300	19,165	24,623	25,431	50,054
Contract labor	10,754	149,238	-	22,862	182,854	10,564	193,418
Depreciation	-	40,347	3,212	-	43,559	621,231	664,790
Dues and subscriptions	1,414	359	-	103	1,876	9,507	11,383
Employee benefits	42,952	72,308	-	57,055	172,315	279,083	451,398
Employee training	2,269	1,849	-	20	4,138	6,856	10,994
Insurance	23,754	35,741	18	7,365	66,878	129,832	196,710
Interest	-	9,099	-	33	9,132	320,098	329,230
Lease	5,216	7,854	293	2,074	15,437	65,381	80,818
Loss on disposal	-	-	-	-	-	936	936
Maintenance	14,930	29,433	4,648	3,794	52,805	257,583	310,388
Miscellaneous	30	1,976	-	(11)	1,995	10,049	12,044
Occupancy	18,311	152	(2,400)	3,386	19,449	88,196	107,645
Other Expense	-	31,806	-	-	31,806	74,364	106,170
Payroll taxes	37,304	25,473	-	19,744	82,521	159,182	241,703
Postage	3,123	909	-	886	4,918	18,384	23,302
Professional fees	36,372	20,680	-	16,436	73,488	317,235	390,723
Salaries and wages	419,603	203,981	-	206,947	830,531	1,580,569	2,411,100
Security	1,586	-	1,263	1,064	3,913	42,716	46,629
Student meals	-	25,252	-	-	25,252	-	25,252
Supplies	70,922	27,305	5,509	13,303	117,039	284,778	401,817
Taxes and licenses	1,594	132	1,819	-	3,545	82,439	85,984
Travel	22,029	30,722	-	4,520	57,271	51,123	108,394
Utilities	29,020	56,113	1,477	13,753	100,363	288,698	389,061
	<u>\$ 13,980,734</u>	<u>\$ 777,965</u>	<u>\$ 2,989,710</u>	<u>\$ 569,955</u>	<u>\$ 18,318,364</u>	<u>\$ 4,746,927</u>	<u>\$ 23,065,291</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., 21st Street Seniors, L.P.,
21st Street Seniors II, L.P. and Commons at Spring Mill, L.P.**

Consolidated Statement of Changes in Net Assets

Year Ended December 31, 2011

	Controlling Interest			Noncontrolling Interest	Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Totals		
Balance, December 31, 2010	\$ 2,101,445	\$ 19,686	\$ 2,121,131	\$ 7,919,927	\$ 10,041,058
Increase (decrease) in net assets	123,759	15,410	139,169	(582,015)	(442,846)
Capital contributions	-	-	-	2,553,844	2,553,844
Balance, December 31, 2011	<u>\$ 2,225,204</u>	<u>\$ 35,096</u>	<u>\$ 2,260,300</u>	<u>\$ 9,891,756</u>	<u>\$ 12,152,056</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., 21st Street Seniors, L.P.,
21st Street Seniors II, L.P., and Commons at Spring Mill, L.P.**

Consolidated Statement of Cash Flows

Year Ended December 31, 2011

Cash flow from operating activities:	
Increase in net assets	\$ 139,169
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	677,794
Loan forgiveness	(42,262)
Net gain on disposal of assets	(248,194)
Loss attributable to noncontrolling interests	(582,015)
Changes in assets and liabilities:	
Decrease in accounts receivable	143,112
Decrease in other assets	36,808
Decrease in accounts payable	(3,991)
Decrease in other current liabilities	(360,947)
Increase in other long-term liabilities	<u>17,450</u>
Net cash used in operating activities	<u>(223,076)</u>
Cash flow from investing activities:	
Capital expenditures	(12,428)
Expenditures for deferred costs	(88,662)
Proceeds from disposal of assets	304,965
Capital expenditures for construction in progress	<u>(4,557,555)</u>
Net cash used in investing activities	<u>(4,353,680)</u>
Cash flow from financing activities:	
Borrowings on long-term debt	1,786,465
Repayments on long-term debt	(113,229)
Borrowings on construction loan	3,066,230
Repayments on construction loan	(3,112,124)
Net repayments on line of credit	(150,000)
Borrowings on short-term debt	743,000
Capital contributions from minority interest	<u>2,553,844</u>
Net cash provided by financing activities	<u>4,774,186</u>
Net increase in cash	197,430
Cash and cash equivalents, beginning of year	<u>1,030,578</u>
Cash and cash equivalents, end of year	<u>\$ 1,228,008</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 334,604</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., 21st Street Seniors, L.P.,
21st Street Seniors II, L.P., and Commons at Spring Mill, L.P.**

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

1. Summary of Significant Accounting Policies

Nature of Activities

Community Action of Greater Indianapolis, Inc. ("CAGI"), a not-for-profit organization, exists to empower those we serve to become self-reliant and self-sufficient. Programs include energy assistance, family development and education, health/nutrition, and housing. 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, CAGI 21st Street II, LLC ("CAGI 21st Street II"), a wholly owned subsidiary of Housing, Commons at Spring Mill, LLC ("CAGI Commons"), a wholly owned Subsidiary of Housing, Franklin School Apartments, L.P. ("FSA"), 21st Street Seniors, L.P. ("21st Street Seniors"), 21st Street Seniors II, L.P. ("21st Street Seniors II"), and Commons at Spring Mill, L.P. ("Commons at Spring Mill"). Housing, wholly owned by CAGI, CAGI 21st Street, CAGI 21st Street II, and CAGI Commons, facilitate the development and operations of FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill affordable housing developments. Housing, CAGI 21st Street, CAGI 21st Street II, and CAGI Commons had no activity during 2011. See Notes 2, 3, 4 and 5.

Principles of Consolidation

The consolidated financial statements include the accounts of CAGI, Housing, FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation. The Organization has adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810, *Consolidation* related to variable interest entities, requiring the consolidation of FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill.

Basis of Presentation

CAGI reports its activities in the following expense categories: program services and general and administrative expenses, which consist of all other nonprogram expenses. Program services include Energy and Weatherization, which provides low-income area residents financial assistance with energy costs; Children and Youth, which provided children with after-school activities at the Boone County Academy prior to the close of the Academy in May, 2011, 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, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill do not report information in this manner, as they are "for-profit" enterprises and are not program driven. Accordingly, all expenses for Housing, FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill are included in general and administrative expenses.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

In accordance with FASB Accounting Standards Codification Topic 958, *Not-For-Profit Entities*, CAGI reports information regarding its financial position and activities in three categories of net assets: unrestricted, temporarily restricted, and permanently restricted. Housing, FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill do not report their information in such categories as they are "for-profit" enterprises.

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

Revenue and support are reported as increases in the appropriate category of net assets for CAGI. Expenses are reported as decreases in unrestricted net assets for CAGI. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. CAGI had no permanently restricted net assets at December 31, 2011.

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, 21st Street Seniors', 21st Street Seniors II's, and Commons at Spring Mill's 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 consolidated 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.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

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 consolidated 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 obtain a reversionary interest in any proceeds from the sale of equipment when the original acquisition was paid with federal or state grant funds.

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

FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill 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 to 50 years, 15 to 20 years, and 5 to 10 years, respectively. Depreciation expense totaled \$664,790 for the year ended December 31, 2011. 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, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill is measured 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.

Compensated Absences

Compensated absences are charged to expense 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, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill are recognized when earned.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

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 FASB ASC Topic 740 *Income Taxes* ("Topic 740"), as required. Topic 740 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, 2011.

FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill 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.

Estimates

The preparation of consolidated 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

FASB Accounting Standards Codification Topic 810, *Consolidation* ("Topic 810") (formerly FASB revised Interpretation No. 46, *Consolidation of Variable Interest Entities*) 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 have adopted the provisions of Topic 810 and, accordingly, have consolidated the assets, liabilities, and results of operations of FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill.

FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill are accounted for as subsidiaries in the consolidated financial statements because, as discussed in Notes 2, 3, 4, and 5, CAGI and Housing have made various guarantees related to the financing, management, performance, maintenance and operation of FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill and certain creditors of these entities may have recourse to CAGI's and Housing's assets. Also, CAGI and Housing have the power to direct the activities that significantly impact the economic performance of these entities including management oversight and strategic decision making. Should FSA, 21st Street Seniors, 21st Street Seniors II, or Commons at Spring Mill require additional support in the future, it is expected that CAGI and Housing would provide it due to the guarantees provided by CAGI and Housing.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

At December 31, 2011 and for the year then ended, the carrying amounts and classification of FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill assets, liabilities, revenues and expenses included in the consolidated financial statements are as follows: current assets of \$270,153, net property and equipment of \$14,824,095, other assets of \$5,313,239, current liabilities of \$1,016,305, long-term liabilities of \$7,920,733, revenues of \$1,019,346, and general and administrative expenses of \$1,547,590, respectively.

Advertising Costs

The Organization incurs advertising costs in the normal course of business, which are expensed as incurred. Advertising costs totaled \$1,319 during the year ended December 31, 2011.

2. Franklin School Apartments, L.P.

Organizational

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

At its inception, FSA's general and limited partners were Housing and CAGI, respectively. In 2003, FSA entered into an Amended and Restated Agreement of Limited Partnership ("FSA Agreement") with outside investors. Among other things, the FSA Agreement stipulated the withdrawal of CAGI as a limited partner and the admission of an investor limited partner, Alliant Tax Credit Fund XX, Ltd., and an administrative limited partner, Alliant Tax Credit XX, Inc., in exchange for capital contributions of \$3,669,231 and \$100, respectively, subject to the attainment of certain dates and milestones. The capital contribution amount was based on the value of low-income housing credits and historic tax credits that FSA would be able to generate annually. The capital contribution from the investor limited partner was later reduced by \$158,757 based upon the timing of the lease-up and other factors. 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, 2011, 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, 2011, the outstanding balance on this note was \$607,648.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

- 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, 2011, 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, 2011, 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, 2011, the intercompany receivable/payable balances between FSA and CAGI have been eliminated in consolidation.

Operations

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

Development Fee

In accordance with the terms of the FSA Agreement, CAGI is also due a development fee from FSA in the amount of \$475,000 for services rendered. The development fee is to be paid to CAGI from available cash flow of Apartment Complex I as defined in the FSA Agreement. Through December 31, 2011, no payments had been made to CAGI. At December 31, 2011, the intercompany development fee payable/receivable between FSA and CAGI and the related capitalized costs have been eliminated in consolidation.

Other Terms

The FSA Agreement provides for the sale of Apartment Complex I to third parties at the administrative and limited partner's option, after completion of the compliance period (defined as 15 taxable years beginning with the first taxable year or 2004). The FSA Agreement also gives CAGI the right of first refusal to acquire the administrative and limited investor partners' interest at the end of the compliance period for a sum equal to the minimum purchase price as defined in the FSA Agreement. Furthermore, in the event of noncompliance, Housing and CAGI are required to return the limited partners' contributions in accordance with the terms of the FSA Agreement. At December 31, 2011, CAGI and Housing have satisfied the terms and conditions as stipulated in the FSA Agreement and the limited partners' rescission rights have expired.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

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 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 external 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, 2011, the general and limited partners' capital contributions were \$100 and \$5,767,243, respectively.

Financing

The 21st Agreement required certain performance guarantees by CAGI related to the construction and permanent financing. 21st Street Seniors entered into a promissory note effective November 21, 2005 to secure a construction loan with maximum borrowings of the lesser of \$5,075,408 or 80% of the appraised value of the project. 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. The balance of the note was \$1,392,988 at December 31, 2011.

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 and operating deficits, lease-up of the residential units, and maintenance of any operating and replacement reserve accounts. At December 31, 2011, Apartment Complex II is 100% complete.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

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, 2011;
- \$100,000 upon receipt of the second capital contribution from LP, due 2006; \$100,000 was outstanding at December 31, 2011;
- \$200,000 upon receipt of the third capital contribution from LP, due 2006; \$200,000 was outstanding at December 31, 2011;
- \$70,000 upon receipt of the fourth capital contribution from LP, due 2007; \$70,000 was outstanding at December 31, 2011; and
- \$20,000 upon receipt of the fifth capital contribution from LP, due 2007; \$20,000 was outstanding at December 31, 2011;

Through December 31, 2011, 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, 2011. The intercompany development fee payable/receivable between 21st Street Seniors and CAGI and capitalized costs have been eliminated in consolidation.

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. 21st Street Seniors II, L.P.

Organizational

21st Street Seniors II, an Indiana limited partnership organized in 2008, was formed to acquire, develop, maintain and operate a 60-unit multi-family affordable housing development ("Apartment Complex III") in compliance with Section 42 of the Internal Revenue Code of 1986.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

At its inception, 21st Street Seniors II's general partner was CAGI 21st Street II (an Indiana limited liability company wholly owned by Housing) and the limited partner was CAGI. In June 2009, 21st Street Seniors entered into an Amended and Restated Agreement of Limited Partnership (21st Street II Agreement) which stipulated the withdrawal of CAGI as the original limited partner and the admission of The NRP Group, LLC as the Special Interest Limited Partner, Red Stone Equity Manager, LLC as the Special Limited Partner, and Red Stone Four Seasons, LLC as the Investor Limited Partner, in exchange for a capital contribution of \$7,060,000 to be contributed based on the passage of time and the attainment of certain milestones as defined in the 21st Street II Agreement. Capital contributions of \$7,071,244 have been received as of December 31, 2011. In addition, the 21st Street II Agreement requires \$10 capital contributions from the general partner, the special limited partner, and the special interest limited partner. In accordance with the terms of the 21st Street II Agreement, 99.99% of the profits, losses, and tax credits are to be distributed to the limited partner with 0.0045%, 0.001%, and 0.0045% being distributed to the general partner, special limited partner, and special interest limited partner, respectively. At December 31, 2011, limited partner's capital contributions were \$7,071,244 and no other partners had made capital contributions.

Financing

The 21st Street II Agreement required certain performance guarantees by CAGI related to the construction and permanent financing. 21st Street Seniors II entered into a promissory note effective June 1, 2009 to secure a construction loan with maximum borrowings of \$6,300,000. Interest only payments on the note were due in monthly installments at either a fixed rate equal to the 30-day LIBOR rate plus 3.15% or at a variable rate of prime plus 2.0%. The note was repaid in September, 2011 as part of obtaining permanent financing.

21st Street Seniors II entered into a loan agreement with The Community Development Trust, L.P. under the terms of a multi-family note in the amount of \$940,000. The note is due in monthly principal and interest payments of \$7,890 with interest at 9.48% per annum through October 1, 2029 at which time any remaining principal and interest is due. The note contains a prepayment penalty and is collateralized by a mortgage on 21st Street Seniors II property and equipment and an assignment of rents and leases. The loan is also guaranteed by CAGI 21st Street II. The balance of the loan was \$939,068 as of December 31, 2011.

21st Street Seniors II entered into a promissory note on August 31, 2010 in the amount of \$633,935 with the Indiana Housing and Community Development Authority to finance construction of the project. The note matures August 31, 2025 and is guaranteed by CAGI. Commencing August 31, 2011 and continuing each subsequent year until maturity, the outstanding balance of the note is to be reduced by one-fifteenth of the original principal balance of the note. Income related to the reduction of the loan was \$42,262 for the year ended December 31, 2011 and the balance of the loan was \$591,673 as of December 31, 2011.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

Operational

The operations of 21st Street Seniors II are separate and distinct from the operations of CAGI and Housing. However, CAGI and CAGI 21st Seniors II, LLC have entered into management and guaranty agreements for the development and management of Apartment Complex III. Included in these agreements and in the Amended and Restated Agreement of Limited Partnership are certain performance guarantees related to construction commencement and completion dates, tax credit compliance, project loan funding, maintenance of financial covenants, contributions to cover development cost deficits, contributions to cover operating deficits, lease-up of the residential units, and maintenance of any operating and replacement reserve accounts.

Development Fee

In accordance with the terms of the Development Agreement dated June 1, 2009 and the 21st Street II Agreement, CAGI and NRP Holdings, LLC will be paid a development fee for services rendered in the amount of \$424,000 and \$636,000, respectively. The development fee totaling \$1,060,000 is deemed earned on a pro-rata basis as units of Apartment Complex III are completed and are ready to be placed in service and is to be paid as follows:

- \$12,569 upon receipt of the first capital contribution from limited partner, due 2009; \$12,569 was paid during the year ended December 31, 2009;
- \$1,047,431 upon receipt of the fifth capital contribution from limited partner, due 2011; \$551,652 paid during the year ended December 31, 2011.

Developer fees are to be paid solely from net cash flow of the Apartment Complex III or from proceeds from capital transactions or liquidation of the partnership. During the year ended December 31, 2011, development fees paid to CAGI and the third-party developer totaled \$220,661 and \$330,991, respectively. The outstanding development fees payable to CAGI and the third-party developer were \$187,042 and 280,564, respectively. The unpaid development fees bear interest at a rate of 2.5% compounded annually. The intercompany development fee revenue and capitalized costs between 21st Street Seniors II and CAGI and have been eliminated in consolidation.

Other Terms

The 21st Street II Agreement provides for the sale of the Apartment Complex III to third parties at the administrative and limited partner's option, after completion of the compliance period (defined as 14 taxable years beginning with the first taxable year). The 21st Street II Agreement also gives CAGI the right of first refusal to acquire the Apartment Complex III on the same terms and conditions as would be applicable to such third-party purchasers as defined in the 21st Street II Agreement. Furthermore, in the event of noncompliance of certain performance guarantees by CAGI and Housing, 21st Street Seniors II and the investor limited partner can require CAGI and Housing to purchase its interest for 110% of its paid capital contributions and related interest in accordance with the terms of the 21st Street II Agreement.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

5. Commons at Spring Mill, L.P.

Organizational

Commons at Spring Mill, an Indiana limited partnership organized in 2010, was formed to acquire, construct, own, finance, lease and operate a 72-unit multi-family affordable housing development ("Apartment Complex IV") in compliance with Section 42 of the Internal Revenue Code of 1986.

At its inception, Commons at Spring Mill's general partner was CAGI Commons (an Indiana limited liability company wholly owned by Housing) and the limited partner was CAGI. In June 2011, Commons at Spring Mill entered into an Amended and Restated Agreement of Limited Partnership (Commons at Spring Mill Agreement) which stipulated the withdrawal of CAGI as the original limited partner and the admission of Key Community Development Corporation as the new limited partner, in exchange for a capital contribution of \$7,440,000 to be contributed based on the passage of time and the attainment of certain milestones as defined in the Commons at Spring Mill Agreement. Capital contributions of \$1,000 have been received as of December 31, 2011. In addition, the Commons at Spring Mill Agreement requires \$100 capital contribution from the general partner. In accordance with the terms of the Commons at Spring Mill Agreement, 99.99% of the profits, losses, and tax credits are to be distributed to the limited partner with 0.01% being distributed to the general partner. At December 31, 2011, limited partner's capital contribution was \$1,000 and the general partner had not made any capital contributions.

Financing

The Commons at Spring Mill Agreement required certain performance guarantees by CAGI related to the construction, operating deficits and permanent financing. Commons at Spring Mill entered into a promissory note effective June 16, 2011 to secure a construction loan with maximum borrowings of \$5,850,000. At December 31, 2011, the outstanding balance of the note was \$2,975,464. Interest only payments on the note are due in monthly installments at a rate equal to the 30-day LIBOR rate plus 3.00% (3.295% at December 31, 2011) or at a variable rate of prime plus 3.0% if the LIBOR rate is not available. The note is due in upon conversion to permanent financing but no later than June, 2013 and is guaranteed by CAGI and CAGI Commons.

Commons at Spring Mill entered into a promissory note on June 16, 2011 to secure a bridge loan from its limited partner with maximum borrowings of \$7,439,000. At December 31, 2011, the outstanding balance of the note was \$743,000. Interest on the outstanding principal balance of the note is payable monthly at 4.17%. The payment of the principal balance of the note is due to the limited partner in specific amounts defined in the loan agreement through September 1, 2015 as follows: up to \$1,750,000 on or before September 1, 2012, up to \$2,700,000 on or before September 1, 2013, up to \$1,800,000 on or before September 1, 2014, and up to \$1,189,000 on or before September 1, 2015. The note is secured by a pledge of the limited partner's security interest in Commons at Spring Mill.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

Commons at Spring Mill entered into a promissory note on June 16, 2011 in the amount of \$846,465 with the Indiana Housing and Community Development Authority to finance construction of the project. Interest only payments are due monthly on the note at 1.375% per annum through the lesser of 24 months or the conversion date of the note. Commencing on the first day of the 12th month following the conversion date, the note is due in quarterly principal and interest payments installments of \$8,620 with the remaining balance due the first day of the 181st calendar month after the conversion date. The note is secured by personal property of the partnership and by a mortgage on certain property on Commons at Spring Mill real estate.

Operational

The operations of Commons of Spring Mill are separate and distinct from the operations of CAGI and Housing. However, CAGI and CAGI Commons have entered into management and guaranty agreements for the development and management of Apartment Complex IV. Included in these agreements and in the Amended and Restated Agreement of Limited Partnership are certain performance guarantees related to construction commencement and completion dates, tax credit compliance, project loan funding, maintenance of financial covenants, contributions to cover development cost deficits, contributions to cover operating deficits, lease-up of the residential units, and maintenance of any operating and replacement reserve accounts.

Development Fee

In accordance with the terms of the Amended and Restated Development Agreement dated June 16, 2011 and the Commons at Spring Mill Agreement, CAGI will be paid a development fee for services rendered in the amount of \$644,721. The development fee is deemed earned on a pro-rata basis as units of Apartment Complex IV are completed and are ready to be placed in service and is to be paid as follows:

- \$322,360 upon receipt of designated proceeds from loans, \$127,838 due at December 31, 2011; \$127,838 was paid during the year ended December 31, 2011;
- \$322,361 from available cash flow from of Apartment Complex IV, \$0 due 2011; \$0 paid during the year ended December 31, 2011.

Developer fees are to be paid solely from net cash flow of the Apartment Complex IV or from proceeds from designated capital or loan proceeds or liquidation of the partnership. In June, 2011 CAGI entered into a Developer Services Agreement with a third party to provide developer services related to the Commons at Spring Mill. As compensation for services provided by the third party, the third party will receive 70% of the development fee paid to CAGI, 90% of any management fees and partner distributions paid pursuant to the partnership agreement, and will receive 70% of the \$200,000 of consulting fees related to the project with the remaining 30% paid to CAGI. During the year ended December 31, 2011, development and management fees paid to CAGI and the third-party developer services provider totaled \$98,351 and \$229,487, respectively. The intercompany development and management fee revenue and capitalized costs between Commons at Spring Mill and CAGI have been eliminated in consolidation.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

Other Terms

The Commons at Spring Mill Agreement provides for the sale of the Apartment Complex IV to third parties at the general and limited partner's option, after completion of the compliance period (defined as 15 taxable years beginning with the first taxable year). The Commons at Spring Mill Agreement also gives CAGI the right of first refusal to acquire the Apartment Complex IV at a purchase price equal to the sum of the outstanding debt and income taxes that will be occurred as a result of the sale as defined in the Commons at Spring Mill Agreement. Furthermore, in the event of noncompliance of certain performance guarantees by CAGI and Housing, the limited partner can require CAGI and Housing to purchase its interest for the total of its paid capital contributions plus all expenses incurred by the limited partner less the amount equal to the total tax credits previously claimed by the partnership multiplied by \$.93 in accordance with the terms of the Commons at Spring Mill Agreement.

6. 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 requires that their Board members also be Board members of the Organization.

The Board members of CAAP Housing, Inc. are members of management of CAGI.

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, 2011. The amount due from CAAP Housing, Inc. totaled \$284 as of December 31, 2011.

Community Economic Development Corporation and Community Action of Greater Indianapolis Foundation, Inc. had no activity during the year ended December 31, 2011.

**Community Action of Greater Indianapolis, Inc. and Subsidiary,
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Notes to Consolidated Financial Statements

Year Ended December 31, 2011

7. Property and Equipment

CAGI owns two buildings and five houses as of December 31, 2011. The houses are used in the Organization's Transitional Housing Program. CAGI sold an administrative building during the year ended December 31, 2011. Property and equipment for CAGI, FSA, 21st Street Seniors and 21st Street Seniors II consist of the following:

	December 31, 2011					
	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	21st Street Seniors II, L.P.	Consolidating Entries	Consolidated
Land and land improvements	\$ 8,500	\$ 111,691	\$ 1,767,555	\$ 1,380,693	\$ -	\$ 3,268,439
Building and building improvements, low-income housing apartments	-	2,901,263	4,806,520	6,372,846	(1,034,415)	13,046,214
Administrative buildings	552,567	-	-	-	-	552,567
Daycare center building	765,995	-	-	-	-	765,995
Houses	140,398	-	-	-	-	140,398
Building improvements, daycare center	467,092	-	-	-	-	467,092
Personal property	16,694	47,782	614,596	702,175	-	1,381,247
	1,951,246	3,060,736	7,188,671	8,455,714	(1,034,415)	19,621,952
Less accumulated depreciation	(436,965)	(945,116)	(1,373,068)	(528,427)	-	(3,283,576)
	<u>\$1,514,281</u>	<u>\$2,115,620</u>	<u>\$5,815,603</u>	<u>\$7,927,287</u>	<u>\$(1,034,415)</u>	<u>\$16,338,376</u>

Commons at Spring Mill had no assets that had been placed into service as of December 31, 2011.

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Notes to Consolidated Financial Statements

Year Ended December 31, 2011

8. Notes Payable

<p>Note payable, bank, in 56 monthly installments of \$8,571 and one balloon payment of \$447,187, including interest at 6.30%. Due October 1, 2015. Secured by substantially all of the assets of CAGI.</p>	\$ 695,400
<p>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.</p>	500,000
<p>Note payable, bank, in monthly installments of \$3,487 and one balloon payment of \$344,021, including interest at 4.179%. Due June 10, 2016. Secured by a mortgage on certain CAGI real estate.</p>	455,535
<p>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.</p>	607,648
<p>Note payable, The Community Development Trust, L.P. in monthly installments of \$7,890 including interest at 9.48%, with remaining balance due October, 2029. Note includes a prepayment penalty and is secured by a mortgage on certain 21st Street Seniors II real estate and assignment of rents and leases. Guaranteed by CAGI 21st Street. See Note 4.</p>	939,068
<p>Note payable, Indiana Housing and Community Development Authority, in 84 monthly installments of \$1,107, commencing June 2011, due May 2018. No interest charged on the principal.</p>	85,231
<p>Note payable, Indiana Housing and Community Development Authority. Commencing August 31, 2011 and continuing each year until maturity. The outstanding principle balance of the loan is to be reduced annually by one-fifteenth of the original \$633,935 principal balance of the loan. See Note 4.</p>	591,673
<p>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.</p>	1,392,988
<p>Note payable, Indiana Housing and Community Development Authority. Interest only payments due monthly at 1.375% per annum through the lesser of 24 months or the conversion date of the note. Commencing on the first day of the 12th month following the conversion date, the note is due in quarterly principal and interest installments of \$8,620 with remaining balance due the first day of the 181st calendar month after the conversion date. Secured by personal property and a mortgage on certain property on Commons at Spring Mill real estate.</p>	<u>846,465</u>
	6,114,008
Less current portion	<u>(136,262)</u>
Long-term portion	<u>\$ 5,977,746</u>

**Community Action of Greater Indianapolis, Inc. and Subsidiary,
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Notes to Consolidated Financial Statements

Year Ended December 31, 2011

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>	
2012	\$ 136,262
2013	990,817
2014	152,999
2015	588,509
2016	421,832
Thereafter	<u>3,823,589</u>
	<u>\$6,114,008</u>

9. Pension Plan

CAGI has a 403(b) Plan (the "Plan") in which employees are eligible to participate from their date of hire. Employees who have completed 1,000 hours of service are eligible to receive discretionary employer contributions as defined in the plan document. Participants may contribute a percentage of their pretax annual compensation to the Plan up to the maximum allowable under the Internal Revenue Code 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, 2011.

10. 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. The Organization has accrued \$85,231 of liability for reimbursements related to these audits as of December 31, 2011. See Note 8.

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Notes to Consolidated Financial Statements

Year Ended December 31, 2011

Credit Risk

CAGI, FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill 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, 2011, cash accounts in excess of federally insured amounts totaled \$182,283. 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 87% of accounts receivable of CAGI at December 31, 2011. Therefore, management believes no allowance for doubtful accounts is necessary as of December 31, 2011.

11. Lease Commitment

CAGI leases office space in two surrounding counties. These leases, requiring monthly payments of \$865 and \$2,100, respectively, expire through July, 2013. CAGI also entered into an operating lease on new operating facilities during 2011. Commencing in October, 2011 the monthly lease payments of \$15,873 which escalate annually up to \$20,408 through September, 2021. CAGI also leases various office equipment with monthly payments ranging from \$91 to \$1,161, which expire through July, 2015. Lease and occupancy expense related to the above leases totaled \$143,470 for the year ended December 31, 2011.

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

<u>Year Ending December 31.</u>	
2012	\$ 280,805
2013	279,376
2014	273,745
2015	261,859
2016	<u>299,017</u>
	<u>\$ 1,394,802</u>

12. Line of Credit

CAGI has a line of credit with a bank with maximum availability in the amount of \$300,000. Interest is payable monthly at the Bank's daily LIBOR rate plus 3.0% (3.29% at December 31, 2011). This line of credit is due on August 28, 2012 and is secured by substantially all assets of CAGI. The line of credit had no outstanding borrowings at December 31, 2011.

**Community Action of Greater Indianapolis, Inc. and Subsidiary,
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Notes to Consolidated Financial Statements

Year Ended December 31, 2011

13. 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 18 years. Amortization expense for the year ended December 31, 2011 totaled \$13,004.

The following represents deferred costs and related accumulated amortization as of December 31, 2011:

<u>Description</u>	<u>2011</u>
Mortgage finance costs	\$ 185,833
Low-income housing tax credit monitoring costs	103,036
Accumulated amortization	<u>(44,598)</u>
Total deferred costs, net	<u>\$ 244,271</u>

14. Temporarily Restricted Net Assets

During the year ended December 31, 2011, the Organization received grants containing various provisions restricting the purpose of the expenditures totaling \$35,096 which had not been expended as of December 31, 2011. Accordingly, these grant proceeds have been classified as temporarily restricted net assets, with yearly reclassifications for actual expenditures made in accordance with the grant agreements. Temporarily restricted net assets as of December 31, 2011 are available for various qualified program assistance expenditures.

15. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 855, *Subsequent Events*, the Organization has evaluated subsequent events through September 21, 2012, which is the date these consolidated financial statements were available to be issued. CAGI's line of credit was scheduled to mature August 28, 2012. The bank has extended the line of credit until January 2013.

16. Fair Value Measurements

The Organization's financial assets and liabilities are reported at fair value in the accompanying consolidated statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial assets and liabilities could result in a different fair value measurement at the reporting date

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

The Organization has adopted FASB Accounting Standards Codification Topic 820, *Fair Value Measurement* ("ASC 820") for financial assets and liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements.

ASC 820 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. Fair values for cash are determined by reference to quoted market prices and other relevant information generated by market transactions.
- 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.

The following table presents information on these assets and liabilities as well as the fair value hierarchy used to determine their fair value:

	Level 1: Quoted Prices In Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Total Fair Value at December 31, 2011
Assets			
Cash and cash equivalents	\$ 1,228,008	\$ -	\$ 1,228,008
Restricted deposits and funded reserves	<u>511,413</u>	<u>-</u>	<u>511,413</u>
Total	<u>\$ 1,739,421</u>	<u>\$ -</u>	<u>\$ 1,739,421</u>
Liabilities			
Short-term debt	\$ 743,000	\$ -	\$ 743,000
Construction loan payable	2,975,464	-	2,975,464
Long-term debt, including current portion	<u>6,114,008</u>	<u>-</u>	<u>6,114,008</u>
Total	<u>\$ 9,832,472</u>	<u>\$ -</u>	<u>\$ 9,832,472</u>

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2011

17. Accounting for Uncertainty in Income Taxes

The Organization has adopted the provisions of FASB ASC 740 *Accounting for Uncertainty in Income Taxes* (Formerly FASB Interpretation No. 48). This statement clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements. This statement also provides guidance on de-recognition, measurement, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize penalties and interest as incurred in the statement of activities, which totaled \$0 for the year ended December 31, 2011. The cumulative effect of ASC 740 did not have a material impact on the Organization's consolidated financial statements. Therefore, there is no effect recorded in these consolidated financial statements for assets or liabilities resulting from unrecognized tax benefits.

The Organization is subject to audit by federal, state or local authorities in the areas of income taxes. The Organization's federal and state income tax returns for 2008 through 2011 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date. Along with a federal tax filing, the Organization files in the State of Indiana. These audits could include questioning the Organization's tax exempt status and compliance with federal, state, and local tax laws. Management is not aware of any tax positions that are more likely than not to change in the next twelve months or that would not sustain an examination by applicable taxing authorities.

18. 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., 21st Street Seniors, L.P.,
21st Street Seniors II, L.P., and Commons at Spring Mill, L.P.**

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2011

	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	\$ 1,291,158
Low Income Home Energy Assistance	93.568	15,512,006
Passed through Indiana Family and Social Services Administration:		
Child Care Development Fund	93.596	<u>37,277</u>
Total Department of Health and Human Services		<u>16,840,441</u>
Department of Energy:		
Passed through Indiana Housing and Community Development Authority:		
Weatherization Assistance for Low-income Persons	81.042	203,025
Department of Housing and Urban Development:		
Passed through City of Indianapolis:		
Community Development Block Grant-Home Repair	14.218	196,660
Community Development Block Grant-Supplemental Disaster Recovery	14.228	117,071
Passed through Indiana Housing and Community Development Authority:		
Section 8 Housing Choice Vouchers	14.871	1,560,129
Passed through City of Indianapolis and Marion County Health Department:		
LEAD Based Paint Hazard Control in Privately-Owned Housing Program	14.900	1,069,054
Passed through City of Indianapolis and Marion County Health Department:		
LEAD Hazard Reduction Demonstration Grant Program	14.905	<u>12,350</u>
Total Department of Housing and Urban Development		<u>2,955,264</u>
Department of Homeland Security		
Direct Program:		
Emergency Food and Shelter National Board Program	97.024	3,950
Corporation for National and Community Service:		
Direct Program:		
Foster Grandparents Program	94.011	236,003
United States Department of the Treasury:		
Passed through Indiana Housing and Community Development Authority:		
Hardest Hit Program	21.000	24,898
Foreclosure Prevention Program	21.000	<u>189,651</u>
Total United States Department of the Treasury		<u>214,549</u>
United States Department of Agriculture:		
Passed through Indiana Department of Education:		
Child and Adult Care Food Program	10.558	<u>13,653</u>
Total federal awards expended		<u>\$ 20,466,885</u>

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2011

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, 2011.

For the purpose of the Schedule, federal awards include pass-through funds from grants and contracts entered into directly between 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 schedule 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 obtain 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 consolidated financial statements.

Compensated Absences

Compensated absences are charged to expense when earned by the employee.

2. Summary of Significant Accounting Policies for Federal Award Expenditures

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

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

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2011

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, Franklin School Apartments L.P., 21st Street Seniors,
L.P., 21st Street Seniors II, L.P. and Commons at Spring Mill, L.P.**

Details of Consolidating Statement of Financial Position

December 31, 2011

	Community Action of Greater Indianapolis, Inc.	CAGI Housing, Inc. and Subsidiary	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	21st Street Seniors II, L.P.	Commons at Spring Mill, L.P.	Eliminating Entries	Consolidated
Assets									
Current assets:									
Cash and cash equivalents	\$ 973,281	\$ -	\$ 973,281	\$ 8,888	\$ 76,534	\$ 169,181	\$ 124	\$ -	\$ 1,228,008
Accounts receivable	981,224	-	981,224	2,562	6,729	1,249	-	(247,227)	744,537
Other assets	136,092	171	136,263	2,288	8,444	-	-	(135,171)	11,824
Total current assets	2,090,597	171	2,090,768	13,738	91,707	170,430	124	(382,398)	1,984,369
Property and equipment:									
Land and land improvements	8,500	-	8,500	111,691	1,767,555	1,380,693	-	-	3,268,439
Property and equipment	1,942,746	-	1,942,746	2,949,045	5,421,116	7,075,021	-	(1,034,415)	16,353,513
	1,951,246	-	1,951,246	3,060,736	7,188,671	8,455,714	-	(1,034,415)	19,621,952
Less: Accumulated depreciation	(436,965)	-	(436,965)	(945,116)	(1,373,068)	(528,427)	-	-	(3,283,576)
Net property and equipment	1,514,281	-	1,514,281	2,115,620	5,815,603	7,927,287	-	(1,034,415)	16,338,376
Other assets:									
Notes receivable, related party	1,225,000	-	1,225,000	-	-	-	-	(1,225,000)	-
Other receivable, related party	1,148,258	-	1,148,258	-	-	-	-	(1,148,258)	-
Construction in progress	-	-	-	-	-	-	4,694,257	(136,702)	4,557,555
Restricted deposits and funded reserves	-	-	-	55,936	248,434	207,043	-	-	511,413
Deferred cost, net of accumulated amortization	-	-	-	10,629	74,053	159,589	-	-	244,271
Total other assets	2,373,258	-	2,373,258	66,565	322,487	366,632	4,694,257	(2,509,960)	5,313,239
Total assets	\$5,978,136	\$ 171	\$5,978,307	\$2,195,923	\$6,229,797	\$8,464,349	\$4,694,381	\$(3,926,773)	\$23,635,984

Liabilities and Net Assets

Current liabilities:

Current portion of long-term debt	\$ 97,745	\$ -	\$ 97,745	\$ 14,741	\$ 17,863	\$ 5,913	\$ -	\$ -	\$ 136,262
Line of credit	-	-	-	-	-	-	-	-	-
Accounts payable	506,071	-	506,071	228,984	23,669	14,477	614	(247,227)	526,588
Short-term debt	-	-	-	-	-	-	743,000	-	743,000
Other current liabilities	304,653	-	304,653	337,293	98,095	69,483	-	(290,600)	518,924

Total current liabilities	908,469	-	908,469	581,018	139,627	89,873	743,614	(537,827)	1,924,774
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Long-term liabilities:

Other long-term liabilities	187,042	-	187,042	475,000	393,158	467,606	127,838	(1,044,700)	605,944
Construction loan payable	-	-	-	-	-	-	2,975,464	-	2,975,464
Long-term debt, net of current portion	1,638,421	-	1,638,421	1,817,907	1,375,125	1,524,828	846,465	(1,225,000)	5,977,746

Total long-term liabilities	1,825,463	-	1,825,463	2,292,907	1,768,283	1,992,434	3,949,767	(2,269,700)	9,559,154
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Net assets and partners' equity:

Unrestricted net assets	3,209,108	171	3,209,279	-	-	-	-	(984,075)	2,225,204
Temporarily restricted net assets	35,096	-	35,096	-	-	-	-	-	35,096
Noncontrolling interest	-	-	-	-	-	-	-	9,891,756	9,891,756
Partners' equity	-	-	-	(678,002)	4,321,887	6,382,042	1,000	(10,026,927)	-

Total net assets and partners' equity	3,244,204	171	3,244,375	(678,002)	4,321,887	6,382,042	1,000	(1,119,246)	12,152,056
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Total liabilities and net assets	\$5,978,136	\$ 171	\$5,978,307	\$2,195,923	\$6,229,797	\$8,464,349	\$4,694,381	\$(3,926,773)	\$23,635,984
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**Community Action of Greater Indianapolis, Inc.
and Subsidiary, Franklin School Apartments L.P., 21st Street Seniors,
L.P., 21st Street Seniors II, L.P. and Commons at Spring Mill, L.P.**

Details of Consolidating Statement of Activities

Year Ended December 31, 2011

	Community Action of Greater Indianapolis, Inc.	CAGI Housing Inc. and Subsidiary	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	21st Street Seniors II, L.P.	Commons at Spring Mill, L.P.	Eliminating Entries	Consolidated
Changes in unrestricted net assets:									
Revenues and other support:									
Grant revenue	\$20,431,232	\$ -	\$20,431,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$20,431,232
Day care center revenue	165,078	-	165,078	-	-	-	-	-	165,078
Other revenue	902,764	-	902,764	6,709	3,442	46,835	-	(357,363)	602,387
Gain on disposal of assets	248,194	-	248,194	-	-	-	-	-	248,194
Rental income	176,998	-	176,998	205,595	378,713	377,193	-	-	1,138,499
Interest income	54,871	-	54,871	50	221	588	-	(53,771)	1,959
Total unrestricted revenues and other support	21,979,137	-	21,979,137	212,354	382,376	424,616	-	(411,134)	22,587,349
Net assets released from restrictions	19,686	-	19,686	-	-	-	-	-	19,686
Total unrestricted revenues and support and reclassifications	21,998,823	-	21,998,823	212,354	382,376	424,616	-	(411,134)	22,607,035
Expenses:									
Program services:									
Energy and Weatherization	13,980,734	-	13,980,734	-	-	-	-	-	13,980,734
Children and Youth	777,965	-	777,965	-	-	-	-	-	777,965
Housing and Welfare	2,989,710	-	2,989,710	-	-	-	-	-	2,989,710
Other	569,955	-	569,955	-	-	-	-	-	569,955
	18,318,364	-	18,318,364	-	-	-	-	-	18,318,364
Supporting services:									
General and administrative	3,199,337	-	3,199,337	331,359	594,617	675,385	-	(53,771)	4,746,927
Total expenses	\$21,517,701	\$ -	\$21,517,701	\$ 331,359	\$ 594,617	\$ 675,385	\$ -	\$ (53,771)	\$23,065,291

Increase (decrease) in unrestricted net assets before noncontrolling interest	\$ 481,122	\$ -	\$ 481,122	\$ (119,005)	\$ (212,241)	\$ (250,769)	\$ -	\$ (357,363)	\$ (458,256)
Loss attributable to noncontrolling interests	-	-	-	-	-	-	-	(582,015)	(582,015)
Increase (decrease) in unrestricted net assets	<u>481,122</u>	<u>-</u>	<u>481,122</u>	<u>(119,005)</u>	<u>(212,241)</u>	<u>(250,769)</u>	<u>-</u>	<u>224,652</u>	<u>123,759</u>
Changes in temporarily restricted net assets:									
Grant revenue	35,096	-	35,096	-	-	-	-	-	35,096
Net assets released from restrictions	<u>(19,686)</u>	<u>-</u>	<u>(19,686)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,686)</u>
Increase in temporarily restricted net assets	<u>15,410</u>	<u>-</u>	<u>15,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,410</u>
Increase (decrease) in net assets	<u>\$ 496,532</u>	<u>\$ -</u>	<u>\$ 496,532</u>	<u>\$ (119,005)</u>	<u>\$ (212,241)</u>	<u>\$ (250,769)</u>	<u>\$ -</u>	<u>\$ 224,652</u>	<u>\$ 139,169</u>



Independent Auditors' 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., 21st Street Seniors, L.P., 21st Street Seniors II, L.P. and Commons at Spring Mill, L.P. as of and for the year ended December 31, 2011, and have issued our report thereon dated September 21, 2012. 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., 21st Street Seniors, L.P., 21st Street Seniors II, L.P., and Commons at Spring Mill, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

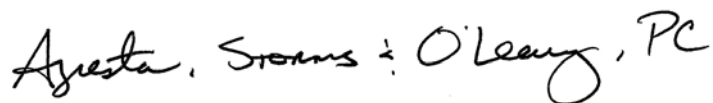
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 11-01 and 11-02.

We noted certain matters that we have reported to management in a separate letter dated September 21, 2012.

The Organization's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

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.

A handwritten signature in cursive script that reads "Aresta, Strawn & O'Leary, PC".

Indianapolis, Indiana
September 21, 2012



Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 Community Action of Greater Indianapolis, Inc. and Subsidiary's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2011. 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 each of 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 11-01 and 11-02 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 program; 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in an Organization's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-02 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet is important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-01 to be a significant deficiency.

The Organization's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

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.

Aresta, Strains & O'Leary, PC

Indianapolis, Indiana
September 21, 2012

Community Action of Greater Indianapolis, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ <u>X</u> yes	_____ no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ <u>X</u> 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)?	_____ <u>X</u> 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
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing

Dollar threshold used to distinguish between Type A and Type B programs:	_____ <u>\$615,337</u> _____	
Auditee qualified as a low-risk auditee?	_____ yes	_____ <u>X</u> no

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

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FINDINGS - SECTION II AND SECTION III COMBINED

Department of Housing and Urban Development

CFDA 14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing

FINDING NO. 11-01 – COMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

Statement of Condition: Selected 6 files including related invoices along with a random sample of 10 additional program invoices to test and noted the following: Files were not properly completed and maintained in accordance with regulations. Documentation and other deficiencies noted in the sample were:

- 6 instances where proof of income for residents was not available
- 3 instances where the owner investment was greater than 25% or there was no owner investment at all
- 2 instances where the low bid was not selected
- 1 instance each where project invoices were not located in the file, signed contracts and/or winning bid proposals were not present, the competitive bid process was not evident from documents in the file, and the contract was not signed by CAGI

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 obtain a 25% match from the property owner for each contract. Contracts should be awarded based on a competitive bid process as required by the grant agreement. Copies of all contracts should be signed prior to the commencement of work and maintained in all files as required by the grant agreement. Invoices should be included in the file to support project costs incurred.

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. If required property owner matches are not obtained, improper benefits may be awarded. The Organization may have no recourse on a project that is performed under an unsigned contract. Undocumented expenses could result in a reimbursement of benefits.

Community Action of Greater Indianapolis, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

<i>Cause:</i>	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.
<i>Questioned costs:</i>	Unknown
<i>Recommendation:</i>	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.
<i>Management response:</i>	Management has made personnel changes regarding the oversight of the program. The Organization's internal auditor has and will continue to audit the program and provide recommendations for improvement. The Organization will continue to work with the passthrough organization to obtain necessary information required for the program files.

Department of Health and Human Services

CFDA 93.568 Energy Assistance

FINDING NO. 11-02 – COMPLIANCE FINDING AND MATERIAL WEAKNESS

<i>Statement of Condition:</i>	Selected 76 files and 4 claims to test and noted the following: <ul style="list-style-type: none">• 27 instances where Points to Remember forms were either not signed or not included in the files• 4 instances where either no zero income affidavit was signed or included in the file or no explanation of how living expenses are met was included in the file• 4 instances where no proof of income was included in the files• 1 instance each where the utility invoice was addressed to an individual not on the application, application was not signed by a representative of the Organization, no matrix worksheet was present in the file, and the application and matrix each showed different crisis benefits, but no crisis benefit was awarded• Various instances where income calculations were not done properly but did not affect matrix points• Noted a large number of transmittals were not signed by an Organization representative
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Community Action of Greater Indianapolis, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

Selected an additional 209 files to perform risk-based testing that focused on income eligibility (pass/fail). We noted the following:

- 8 instances where files were not provided
- 3 instances where income was calculated incorrectly. The actual household income was calculated to be at a level that exceeds the maximum income on the matrix to qualify for any benefit.
- Various instances where income calculations were not done properly but did not disqualify the client from some type of benefit
- Noted that policies related to executive review of employee energy assistance applications are not being followed.

Criteria:

Eligibility files are required to be maintained and include certain information including: properly completed applications, income verification, and utility bill verifications. Matrix points should be awarded based on the current Energy Assistance Program Benefit Matrix form. Income should be calculated using current and complete information. Zero income affidavits should be signed when applicable and an explanation of how the client is meeting living expenses should be obtained. The Organization is required to sign the Transmittal Summary Attachment to signify approval of the obligation to the vendor. The policy of executive review of employee energy assistance applications can be an effective control in minimizing errors.

Effect:

Eligibility for the recipients cannot be verified without the required documentation and the amount of assistance awarded may not be correct due to the potential of incorrect matrix points being awarded.

Cause:

The control procedures over the intake and quality control procedures did not operate effectively. In addition, accepted income verification from a state agency being used to annualize income may not contain current and complete information.

Questioned costs:

\$3,388 Known

Recommendation:

Control procedures over intake and other 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.
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Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

Management response: Management has done a risk-based assessment of the program and as a result has produced some new policies and procedures to address those risks. Management has made personnel changes and has hired a new program director and program manager. The Organization is also using less seasonal employees and more full-time employees for intake, while continuing to focus on training of those employees. Management feels that the method used in the application process to calculate income from the State provided verification reports does conform to the method prescribed by the oversight agency.

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

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2011

Department of Housing and Urban Development

**CFDA 14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing
CFDA 14.905 Lead Hazard Reduction Demonstration Grant Program**

FINDING NO. 10-01 – COMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

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

- Instances where proof of income for residents was not available
- Instances where proper lead violation letters were not present
- Instances where adequate documentation supporting the waiver of the 25% property owner match was not available
- Instances where signed contracts and/or winning bid proposals were not present
- Instances where the competitive bid process was not evident
- Instances where contracts were signed after work had commenced or was completed
- One file selected for testing was not provided

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.

Current status: See current year Finding 11-01

Community Action of Greater Indianapolis, Inc. and Subsidiary

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2011

Department of Health and Human Services

CFDA 93.568 Energy Assistance

FINDING NO. 10-02 – COMPLIANCE FINDING AND MATERIAL WEAKNESS

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. Instances of incorrect calculations of matrix points were noted. Crisis benefits were not awarded when applicable. Annualizing of income was performed using incomplete information. Payments were not made to energy vendors within 120 days of the application for energy assistance.

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.

Current status: See current year Finding 11-02

Department of Energy

CFDA 81.042 Weatherization Assistance for Low-Income Persons

FINDING NO. 10-03 – COMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

Statement of Condition: The Organization received a Program Monitoring Report noting a significant number of findings and concerns. These findings and concerns noted in the report were related to the following areas:

- General administration
- Client files
- Database input
- Fiscal
- Mechanical inspection
- Shell inspection

Recommendation: Control procedures over the Weatherization Program should be reviewed by management to determine if they are adequate.

Current status: Program continues to be monitored by oversight agency

**Community Action of Greater Indianapolis, Inc.
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Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2011

Department of Housing and Urban Development

CFDA 14.871 Section 8 Housing Choice Voucher Program

FINDING NO. 10-04 – COMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

Statement of Condition: Four files selected for testing were not provided. The Organization states that these files were shipped in their entirety to the tenant's new Housing Choice Voucher Program (HCVP) jurisdiction.

Recommendation: Procedures over the Section 8 HCVP Program should be reviewed by management to determine if they are adequate.

Current status: Cleared

INTERNAL CONTROL

FINDING NO. 10-05 – SIGNIFICANT DEFICIENCY

Statement of Condition: The Organization was unable to locate a number of files selected for testing.

Recommendation: The Organization should complete the project and convert the remaining files to an electronic format or arrange for those files which have not been converted to be returned to the Organization.

Current status: Cleared