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

Consolidated Financial Statements

Year Ended December 31, 2010

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

Contents

AGRESTA, STORMS
— & O'LEARY — PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying consolidated statement of financial position of Community Action of Greater Indianapolis, Inc. and Subsidiary (a nonprofit organization), Franklin School Apartments, L.P., 21st Street Seniors, L.P. and 21st Street Seniors II, L.P. as of December 31, 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Franklin School Apartments, L.P., 21st Street Seniors, L.P. and 21st Street Seniors II, L.P. which statements reflect total assets of $17,618,408 as of December 31, 2010 and total revenue of $906,030 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Franklin School Apartments, L.P., 21st Street Seniors, L.P. and 21st Street Seniors II, L.P. is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Franklin School Apartments, L.P., 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. and 21st Street Seniors II, L.P. as of December 31, 2010, 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 July 18, 2011, 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 26 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic consolidated financial statements. The consolidating statements of financial position and activities on pages 29 through 30 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. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Apostle, Stevens & O'Leary, PC

Indianapolis, Indiana
July 18, 2011

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

Consolidated Statement of Financial Position

December 31, 2010

Assets	
Current assets:	
Cash and cash equivalents ($431,182 related to variable interest entities)	$ 1,030,578
Accounts receivable ($20,035 related to variable interest entities)	887,649
Other assets ($10,732 related to variable interest entities)	16,087
Total current assets	1,934,314
Property and equipment:	
Land and land improvements	3,206,748
Property and equipment	16,684,528
	19,891,276
Less: Accumulated depreciation	(2,843,766)
Net property and equipment ($15,409,474 related to variable interest entities)	17,047,510
Other assets:	
Restricted deposits and funded reserves	543,957
Deferred costs, net of accumulated amortization	168,613
Total other assets ($712,570 related to variable interest entities)	712,570
Total assets	$ 19,694,394
Liabilities and Net Assets	
Current liabilities:	
Current portion of long-term debt ($72,509 related to variable interest entities)	$ 153,035
Line of credit	150,000
Accounts payable ($46,032 related to variable interest entities)	530,579
Construction loan payable ($3,021,358 related to variable interest entities)	3,021,358
Other current liabilities ($477,924 related to variable interest entities)	879,871
Total current liabilities	4,734,843
Long-term liabilities:	
Other long-term liabilities	588,494
Long-term debt, net of current portion ($2,591,632 related to variable interest entities)	4,329,999
Total long-term liabilities	4,918,493
Net assets:	
Unrestricted net assets	2,101,445
Temporarily restricted net assets	19,686
Noncontrolling interests	7,919,927
Total net assets	10,041,058
Total liabilities and net assets	$ 19,694,394

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. and 21st Street Seniors II, L.P.

Consolidated Statement of Activities

Year Ended December 31, 2010

Changes in unrestricted net assets:	
Revenues and other support:	
Grant revenue	**$ 28,352,480**
Day care center revenue	**252,122**
Other revenue	**727,196**
Rental income	**1,077,597**
Interest income	**473**
Total unrestricted revenues and other support	**30,409,868**
Net assets released from restrictions	**-**
Total unrestricted revenues and support and reclassifications	**30,409,868**
Expenses:	
Program services:	
Energy and Weatherization	**19,125,733**
Children and Youth	**1,775,513**
Housing and Welfare	**3,515,480**
Other	**1,842,567**
	26,259,293
Supporting services:	
General and administrative	**4,411,301**
Total expenses	**30,670,594**
Decrease in unrestricted net assets before noncontrolling interests	**(260,726)**
Add back: Loss attributable to noncontrolling interests	**(673,083)**
Increase in unrestricted net assets	**412,357**
Changes in temporarily restricted net assets:	
Grant revenue	**19,686**
Increase in temporarily restricted net assets	**19,686**
Increase in net assets	**432,043**

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. and 21st Street Seniors II, L.P.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2010

	Energy and Weatherization	Children and Youth	Housing and Welfare	Other	Program Services Totals	General and Administrative	Total
Advertising	$ -	$ -	$ 176	$ 100	$ 276	$ 1,400	$ 1,676
Amortization	-	-	-	-	-	22,197	22,197
Bad debt	-	-	-	-	-	2,395	2,395
Bank charges	-	-	-	-	-	2,565	2,565
Benefit payments	18,549,969	62,626	3,205,253	672,826	22,490,674	-	22,490,674
Community relations	829	8,664	1,918	12,382	23,793	25,783	49,576
Contract labor	1,350	591,807	38,205	50,053	681,415	13,759	695,174
Depreciation	-	(6)	3,216	-	3,210	654,272	657,482
Dues and subscriptions	1,877	1,328	209	790	4,204	14,371	18,575
Employee benefits	68,836	137,289	6,881	41,420	254,426	210,246	464,672
Employee training	14,549	4,902	4,291	13,391	37,133	4,860	41,993
Insurance	19,673	12,354	591	12,669	45,287	125,811	171,098
Interest	-	55,376	-	-	55,376	376,972	432,348
Lease	5,359	20,077	-	9,069	34,505	83,237	117,742
Maintenance	6,675	70,095	51,535	41,909	170,214	118,832	289,046
Miscellaneous	-	5,170	(15)	763	5,918	10,667	16,585
Occupancy	666	-	10,278	4,329	15,273	32,982	48,255
Other Expense	43	29,349	215	344	29,951	(84,089)	(54,138)
Payroll taxes	27,765	45,504	10,281	27,435	110,985	153,824	264,809
Postage	5,612	148	328	1,977	8,065	11,803	19,868
Professional fees	11,698	24,315	5,791	369,535	411,339	270,885	682,224
Salaries and wages	311,959	495,396	92,845	322,210	1,222,410	1,675,986	2,898,396
Security	1,366	7,255	926	615	10,162	23,607	33,769
Student meals	-	82,359	-	-	82,359	-	82,359
Supplies	35,020	26,522	63,851	186,821	312,214	260,288	572,502
Taxes and licenses	50	(441)	49	3,928	3,586	115,903	119,489
Travel	38,726	28,860	13,802	41,520	122,908	48,970	171,878
Utilities	14,567	62,172	4,340	18,958	100,037	233,770	333,807
Vehicle	9,144	4,392	514	9,523	23,573	5	23,578
	$ 19,125,733	$ 1,775,513	$ 3,515,480	$ 1,842,567	$ 26,259,293	$ 4,411,301	$ 30,670,594

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. and 21st Street Seniors II, L.P.

Consolidated Statement of Changes in Net Assets

Year Ended December 31, 2010

	Controlling Interest				
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Totals	Noncontrolling Interest	Total
Balance, December 31, 2009	$ 1,689,088	$ -	$ 1,689,088	$ 5,200,025	$ 6,889,113
Increase (decrease) in net assets	412,357	19,686	432,043	(673,083)	(241,040)
Correction of an error	-	-	-	(16,415)	(16,415)
Syndication costs	-	-	-	(50,000)	(50,000)
Capital contributions	-	-	-	3,459,400	3,459,400
Balance, December 31, 2010	$ 2,101,445	$ 19,686	$ 2,121,131	$ 7,919,927	$ 10,041,058

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. and 21st Street Seniors II, L.P.

Consolidated Statement of Cash Flows

Year Ended December 31, 2010

Cash flow from operating activities:	
Increase in net assets	$ 432,043
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	679,679
Loss attributable to noncontrolling interest	(673,083)
Changes in assets and liabilities:	
Decrease in accounts receivable	4,046,321
Increase in other assets	(259,726)
Decrease in accounts payable	(7,984,261)
Decrease in other current liabilities	(418,393)
Increase in other long-term liabilities	588,494
Net cash used in operating activities	(3,588,926)
Cash flow from investing activities:	
Capital expenditures	(1,243,780)
Expenditures for deferred costs	(92,945)
Net cash used in investing activities	(1,336,725)
Cash flow from financing activities:	
Borrowings on long-term debt	726,913
Repayments on long-term debt	(100,668)
Borrowings on construction loan	1,392,221
Repayments on construction loan	(2,965,200)
Net borrowings on line of credit	150,000
Syndication fees paid	(50,000)
Capital contributions from minority interest	3,459,400
Net cash provided by financing activities	2,612,666
Net decrease in cash	(2,312,985)
Cash and cash equivalents, beginning of year	3,343,563
Cash and cash equivalents, end of year	$ 1,030,578
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 422,853

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., 21^{st} Street Seniors, L.P. and 21^{st} Street Seniors II, L.P.

Notes to Consolidated Financial Statements

Year Ended December 31, 2010

1. Summary of Significant Accounting Policies

Nature of Activities

Community Action of Greater Indianapolis, Inc. ("CAGI"), a not-for-profit organization, exists to develop, mobilize, stimulate and utilize resources for the purpose of eliminating the causes of poverty and combating existing poverty in the metropolitan area of Indianapolis, Indiana. CAGI also seeks to plan and develop programs which are designed to enable low-income families and individuals to become more self-sufficient. Programs include assistance in finding employment, job training and counseling, improvement of health, home management, housing and welfare, vocational rehabilitation, and special remedial and other noncurricular educational assistance. The majority of program services are energy related. The operations also include CAGI Housing, Inc. ("Housing"), CAGI 21^{st} Street, LLC ("CAGI 21^{st} Street"), a wholly owned subsidiary of Housing, CAGI 21^{st} Street II, LLC ("CAGI 21^{st} Street II"), a wholly owned subsidiary of Housing, Franklin School Apartments, L.P. ("FSA"), 21^{st} Street Seniors, L.P. ("21^{st} Street Seniors") and 21^{st} Street Seniors II, L.P. ("21^{st} Street Seniors II"). Housing, wholly owned by CAGI, CAGI 21^{st} Street and CAGI 21^{st} Street II, facilitate the development and operations of FSA, 21^{st} Street Seniors, and 21^{st} Street Seniors II affordable housing developments. Housing, CAGI 21^{st} Street, and CAGI 21^{st} Street II had no activity during 2010. See Notes 2, 3 and 4.

Principles of Consolidation

The consolidated financial statements include the accounts of CAGI, Housing, FSA, 21^{st} Street Seniors, and 21^{st} Street Seniors II (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, 21^{st} Street Seniors, and 21^{st} Street Seniors II.

Basis of Presentation

CAGI reports its activities in the following expense categories: program services and general and administrative expenses, which consist of all other non-program expenses. Program services include Energy and Weatherization, which provides low-income area residents financial assistance with energy costs; Children and Youth, which provides children with after-school activities at the Boone County Academy and includes the Foster Grandparent Program; and Housing and Welfare, which provides rental assistance to low-income individuals and 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, 21^{st} Street Seniors, and 21^{st} Street Seniors II do not report information in this manner, as they are "for-profit" enterprises and are not program driven. Accordingly, all expenses for Housing, FSA, 21^{st} Street Seniors and 21^{st} Street Seniors II are included in general and administrative expenses.

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 and 21st Street Seniors II 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, 2010.

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, the financial statements of CAGI, Housing, FSA, 21st Street Seniors and 21st Street Seniors II 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 and vehicles are depreciated over its estimated useful life of five years using the straight-line method.

Equipment purchased by CAGI with federal and state grant funds is charged to expense in the period in which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the accompanying 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 and 21st Street Seniors II 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 $657,482 for the year ended December 31, 2010. 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, and 21st Street Seniors II 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.

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 and 21st Street Seniors II are recognized when earned.

Beginning in October 2010, the terms of the energy assistance contract were amended. The pass-through entity, rather than CAGI, pays the utility vendors directly for funds awarded on behalf of benefit recipients. As such, the receivables and payables associated with these amounts are not recorded by CAGI on the Statement of Financial Position.

Compensated Absences

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

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, 2010.

FSA, 21^{st} Street Seniors, and 21^{st} Street Seniors II 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 the 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, 21^{st} Street Seniors and 21^{st} Street Seniors II.

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

At December 31, 2010 and for the year then ended, the carrying amounts and classification of FSA, 21st Street Seniors, and 21st Street Seniors II assets, liabilities, revenues and expenses included in the consolidated financial statements are as follows: current assets of $461,949, net property and equipment of $15,409,474, other assets of $712,570, current liabilities of $4,206,317, long-term debt of 2,591,632, revenues of $906,030, and general and administrative expenses of $1,543,534, respectively.

Advertising Costs

The Organization incurs advertising costs in the normal course of business, which are expensed as incurred. Advertising costs totaled $1,676 during the year ended December 31, 2010.

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, 2010, 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, 2010, the outstanding balance on this note was $620,638.

- 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, 2010, 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, 2010, 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, 2010, 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, 2010, no payments had been made to CAGI. At December 31, 2010, 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 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, 2010, CAGI and Housing have satisfied the terms and conditions as stipulated in the FSA Agreement, and the limited partners' rescission rights have expired.

3. 21st Street Seniors, L.P.

Organizational

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

At 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 it 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, 2010, 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 $1,409,568 at December 31, 2010.

Operational

The operations of 21st Street Seniors are separate and distinct from the operations of CAGI and Housing. However, CAGI and CAGI 21st Street, 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, 2010, Apartment Complex II is 100% complete.

Development Fee

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

- $500,000 upon admission of the investor limited partner ("LP"), due 2005; $3,158 was outstanding at December 31, 2010;
- $100,000 upon receipt of the second capital contribution from LP, due 2006; $100,000 was outstanding at December 31, 2010;
- $200,000 upon receipt of the third capital contribution from LP, due 2006; $200,000 was outstanding at December 31, 2010;
- $70,000 upon receipt of the fourth capital contribution from LP, due 2007; $70,000 was outstanding at December 31, 2010; and
- $20,000 upon receipt of the fifth capital contribution from LP, due 2007; $20,000 was outstanding at December 31, 2010.

Through December 31, 2010, 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, 2010. 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 of 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 Street and the contractor, the investor limited partner can require CAGI and 21st Street 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. 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 $4,518,400 have been received as of December 31, 2010. 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, 2010, limited partner's capital contributions were $4,518,400 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. At December 31, 2010, the outstanding balance of the note was $3,021,358. Interest only payments on the note are due in monthly installments at either a fixed rate equal to the 30-day LIBOR rate plus 3.15% (3.71% at December 31, 2010) or at a variable rate of prime plus 2.0%. The note is due in December 2011 and is guaranteed by CAGI, Housing and the limited and special interest limited partners.

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.

Operational

The operations of 21st Street Seniors II are separate and distinct from the operations of CAGI and Housing. However, CAGI and CAGI 21st Street 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 which has not been received as of December 31, 2010.

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, 2010, development fees paid to CAGI and the third-party developer totaled $11,269 and $16,904, respectively. The intercompany development fee revenue, the development fee payable/receivable, the deferred revenue and the 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 15 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, 21stStreet 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.

5. 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, 2010.

Community Economic Development Corporation and Community Action of Greater Indianapolis Foundation, Inc. had no activity during the year ended December 31, 2010.

6. Property and Equipment

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

	December 31, 2010					
	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	$ 50,000	$ 1,767,555	$ 1,380,693	$ -	$ 3,206,748
Building and building improvements, low-income housing apartments	-	2,957,194	4,806,520	7,073,797	(1,034,415)	13,803,096
Administrative buildings	772,593	-	-	-	-	772,593
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	610,253	-	-	674,729
Vehicles	60,625	-	-	-	-	60,625
	2,231,897	3,054,976	7,184,328	8,454,490	(1,034,415)	19,891,276
Less accumulated depreciation	(593,861)	(877,782)	(1,114,092)	(258,031)	-	(2,843,766)
	$ 1,638,036	$ 2,177,194	$ 6,070,236	$ 8,196,459	$(1,034,415)	$ 17,047,510

7. 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, 2010 totaled $22,197.

The following represents deferred costs and related accumulated amortization as of December 31, 2010:

Description	2010
Mortgage finance costs	$173,315
Low-income housing tax credit monitoring costs	38,892
Accumulated amortization	(43,594)
Total deferred costs, net	$168,613

8. Line of Credit

CAGI has a line of credit with a bank with maximum availability in the amount of $150,000. Interest is payable monthly at the Bank's prime lending rate plus 0.50% (3.75% at December 31, 2010). This line of credit is due on demand and is secured by substantially all assets of CAGI. The line of credit had borrowings outstanding totaling $150,000 as of December 31, 2010.

9. Notes Payable

Note payable, bank, in 119 monthly installments of $8,892 and one balloon payment of $455,988, including interest at 6.35%. Due October 1, 2015. Secured by substantially all of the assets of CAGI.	**$ 750,968**
Note payable, bank, noninterest-bearing. Forgivable by bank on the 15th anniversary of the completion date of the construction of the FSA low-income housing apartment building if provisions of the agreement are complied with through the date of the note and no demand for payment is made prior to the 15th anniversary. Secured by a mortgage on the FSA apartment building. See Note 2.	**500,000**
Note payable, bank, in monthly installments of $4,623 and one balloon payment of $457,928, including interest at 8.55%. Due January 1, 2012. Secured by a mortgage on certain CAGI real estate.	**471,349**
Note payable, bank, in 61 monthly installments of $724 with interest at 2.44%. Due April 1, 2011. Collateralized by two vehicles.	**3,598**
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.	**620,638**
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.	**92,978**
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 by one-fifteenth of the original $633,935 principal balance of the loan. See Note 4.	**633,935**
Mortgage payable, bank, in monthly installments of $10,121, with interest at 7.48% per annum. Due February 2026. Secured by a mortgage on certain 21st Street Seniors real estate. See Note 3.	**1,409,568**
	4,483,034
Less current portion	**(153,035)**
Long-term portion	**$ 4,329,999**

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

Year Ending December 31,	
2011	$ 153,035
2012	605,915
2013	154,917
2014	161,576
2015	599,480
Thereafter	2,808,111
	$ 4,483,034

10. Temporarily Restricted Net Assets

During the year ended December 31, 2010, the Organization received grants containing various provisions restricting the purpose of the expenditures totaling $19,686 which had not been expended as of December 31, 2010. 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, 2010 are available for qualified energy assistance expenditures.

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 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 $91,852 for the year ended December 31, 2010.

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

Year Ending December 31,	
2011	$ 101,325
2012	93,540
2013	80,760
2014	62,868
2015	41,912
	$ 380,405

12. 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, 2010. 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 2007 through 2010 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.

13. 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.

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, 2010
Assets			
Cash and cash equivalents	$ 1,030,578	$ -	$ 1,030,578
Restricted deposits and funded reserves	543,957	-	543,957
Total	$ 1,574,535	$ -	$ 1,574,535
Liabilities			
Line of credit	$ 150,000	$ -	$ 150,000
Construction loan payable	3,021,358	-	3,021,358
Long-term debt, including current portion	4,483,034	-	4,483,034
Total	$ 7,654,392	$ -	$ 7,654,392

14. 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, 2010.

15. 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 $129,406 of liability for reimbursements related to these audits as of December 31, 2010.

Credit Risk

CAGI, FSA, 21st Street Seniors, and 21st Street Seniors II 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, 2010, cash accounts in excess of federally insured amounts totaled $282,891. 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 96% of accounts receivable of CAGI at December 31, 2010. Therefore, management believes no allowance for doubtful accounts is necessary as of December 31, 2010.

16. 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.

17. Correction of an Error

During the year ended December 31, 2010, 21st Street Seniors II discovered that certain costs had been improperly capitalized during the year ended December 31, 2009. Accordingly, the financial statements for the year ended December 31, 2009 have been restated to reflect the expense of these costs totaling $16,415. The effect of this restatement on the financial statements was to decrease partnership equity and property and equipment by $16,415, respectively.

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

Notes to Consolidated Financial Statements

Year Ended December 31, 2010

18. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 855, *Subsequent Events*, the Organization has evaluated subsequent events through July 18, 2011, which is the date these consolidated financial statements were available to be issued and have determined that the following subsequent event requires disclosure in the consolidated financial statements.

In March, 2011 the CAGI Board of Directors voted to close the Boone County Academy effective the end of May, 2011. Accordingly, effective at the end of May, 2011, child care services and related operations at the Boone County Academy will cease.

In May, 2011 CAGI signed a letter of intent to sell their administrative office building and relocate to a new office building that will be leased for ten years from the buyer. The corresponding office lease was signed in July 2011.

Supplemental Information

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

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Expenditures
Department of Health and Human Services:		
Passed through Indiana Housing and Community Development Authority:		
Community Services Block Grant	93.569	$ 1,312,617
Low Income Home Energy Assistance	93.568	19,817,969
ARRA - Community Services Block Grant	93.710	2,352,706
Passed through Indiana Family and Social Services Administration:		
Child Care Development Fund	93.596	119,299
Total Department of Health and Human Services		23,602,591
Department of Energy:		
Passed through Indiana Housing and Community Development Authority:		
Weatherization Assistance for Low-income Persons	81.042	1,121,393
Department of Housing and Urban Development:		
Passed through City of Indianapolis:		
Community Development Block Grant	14.218	213,645
Weatherization Referral Program	14.218	123,188
Passed through Indiana Housing and Community Development Authority:		
Section 8 Housing Choice Vouchers	14.871	1,600,408
Passed through City of Indianapolis and Marion County Health Department:		
LEAD Based Paint Hazard Control in Privately-Owned Housing Program	14.900	662,197
Passed through City of Indianapolis and Marion County Health Department:		
LEAD Hazard Reduction Demonstration Grant Program	14.905	398,413
Total Department of Housing and Urban Development		2,997,851
Department of Homeland Security		
Direct Program:		
Emergency Food and Shelter National Board Program	97.024	53,346
Corporation for National and Community Service:		
Direct Program:		
Foster Grandparents Program	94.011	192,834
United States Department of the Treasury:		
Passed through Indiana Housing and Community Development Authority:		
Forclosure Prevention Program	21.000	132,741
United States Department of Agriculture:		
Passed through Indiana Department of Education:		
Child and Adult Care Food Program	10.558	39,238
Total federal awards expended		$ 28,139,994

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2010

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, 2010.

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

Beginning in October 2010, the terms of the energy assistance contract were amended. The pass-through entity, rather than CAGI, pays the utility vendors directly for funds awarded on behalf of benefit recipients. Grant expenditures for the Low Income Home Energy Assistance program on the Schedule include the gross funds awarded to and processed by CAGI. During the year ended December 31, 2010, grant expenditures under this program amounted to $19,817,969, of which $8,122,411 were paid directly by the pass-through entity.

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.

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2010

2. Summary of Significant Accounting Policies for Federal Award Expenditures

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

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

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. and 21st Street Seniors II, L.P.

Details of Consolidating Statement of Financial Position

December 31, 2010

	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.	Eliminating Entries	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	$ 599,396	$ -	$ 599,396	$ 11,619	$ 49,485	$ 370,078	$ -	$ 1,030,578
Accounts receivable	1,368,008	-	1,368,008	708	16,781	2,546	(500,394)	887,649
Other assets	140,355	171	140,526	2,288	8,444	-	(135,171)	16,087
Total current assets	2,107,759	171	2,107,930	14,615	74,710	372,624	(635,565)	1,934,314
Property and equipment:								
Land and land improvements	8,500	-	8,500	50,000	1,767,555	1,380,693	-	3,206,748
Property and equipment	2,223,397	-	2,223,397	3,004,976	5,416,773	7,073,797	(1,034,415)	16,684,528
	2,231,897	-	2,231,897	3,054,976	7,184,328	8,454,490	(1,034,415)	19,891,276
Less: Accumulated depreciation	(593,861)	-	(593,861)	(877,782)	(1,114,092)	(258,031)	-	(2,843,766)
Net property and equipment	1,638,036	-	1,638,036	2,177,194	6,070,236	8,196,459	(1,034,415)	17,047,510
Other assets:								
Notes receivable, related party	1,225,000	-	1,225,000	-	-	-	(1,225,000)	-
Other receivable, related party	1,039,967	-	1,039,967	-	-	-	(1,039,967)	-
Restricted deposits and funded reserves	-	-	-	68,813	251,738	223,406	-	543,957
Deferred cost, net of accumulated amortization	-	-	-	11,856	80,089	76,668	-	168,613
Total other assets	2,264,967	-	2,264,967	80,669	331,827	300,074	(2,264,967)	712,570
Total assets	$ 6,010,762	$ 171	$ 6,010,933	$2,272,478	$6,476,773	$8,869,157	$(3,934,947)	$19,694,394

Liabilities and Net Assets

Current liabilities:								
Current portion of long-term debt	$ 80,526	$ -	$ 80,526	$ 13,667	$ 16,580	$ 42,262	$ -	$ 153,035
Line of credit	150,000	-	150,000	-	-	-	-	150,000
Accounts payable	484,547	-	484,547	220,882	4,079	43,893	(222,822)	530,579
Construction loan payable	-	-	-	-	-	3,021,358	-	3,021,358
Other current liabilities	401,947	-	401,947	289,955	135,840	70,746	(18,617)	879,871
Total current liabilities	1,117,020	-	1,117,020	524,504	156,499	3,178,259	(241,439)	4,734,843
Long-term liabilities:								
Other long-term liabilities	407,703	-	407,703	475,000	393,158	1,019,258	(1,706,625)	588,494
Long-term debt, net of current portion	1,738,367	-	1,738,367	1,831,971	1,392,988	591,673	(1,225,000)	4,329,999
Total long-term liabilities	2,146,070	-	2,146,070	2,306,971	1,786,146	1,610,931	(2,931,625)	4,918,493
Net assets and partners' equity:								
Unrestricted net assets	2,727,986	171	2,728,157	-	-	-	(626,712)	2,101,445
Temporarily restricted net assets	19,686	-	19,686	-	-	-	-	19,686
Noncontrolling interest	-	-	-	-	-	-	7,919,927	7,919,927
Partners' equity	-	-	-	(558,997)	4,534,128	4,079,967	(8,055,098)	-
Total net assets and partners' equity	2,747,672	171	2,747,843	(558,997)	4,534,128	4,079,967	(761,883)	10,041,058
Total liabilities and net assets	$ 6,010,762	$ 171	$ 6,010,933	$2,272,478	$6,476,773	$8,869,157	$(3,934,947)	$19,694,394

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

Details of Consolidating Statement of Activities

Year Ended December 31, 2010

	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.	Eliminating Entries	Consolidated
Changes in unrestricted net assets:								
Revenues and other support:								
Grant revenue	$28,352,480	$ -	$28,352,480	$ -	$ -	$ -	$ -	$28,352,480
Day care center revenue	252,122	-	252,122	-	-	-	-	252,122
Other revenue	710,553	-	710,553	25,044	1,428	1,440	(11,269)	727,196
Rental income	199,479	-	199,479	205,960	375,917	296,241	-	1,077,597
Interest income	36,052	-	36,052	-	-	-	(35,579)	473
Total unrestricted revenues and other support	29,550,686	-	29,550,686	231,004	377,345	297,681	(46,848)	30,409,868
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total unrestricted revenues and support and reclassifications	29,550,686	-	29,550,686	231,004	377,345	297,681	(46,848)	30,409,868
Expenses:								
Program services:								
Energy and Weatherization	19,125,733	-	19,125,733	-	-	-	-	19,125,733
Children and Youth	1,775,513	-	1,775,513	-	-	-	-	1,775,513
Housing and Welfare	3,515,480	-	3,515,480	-	-	-	-	3,515,480
Other	1,842,567	-	1,842,567	-	-	-	-	1,842,567
	26,259,293	-	26,259,293	-	-	-	-	26,259,293
Supporting services:								
General and administrative	2,867,767	-	2,867,767	313,863	595,551	669,699	(35,579)	4,411,301
Total expenses	$29,127,060	$ -	$29,127,060	$ 313,863	$ 595,551	$ 669,699	$ (35,579)	$30,670,594

Increase (decrease) in unrestricted net assets before noncontrolling interest	$ 423,626	$ -	$ 423,626	$ (82,859)	$ (218,206)	$ (372,018)	$ (11,269)	$ (260,726)
Add back: Loss attributable to noncontrolling interest	-	-	-	-	-	-	(673,083)	(673,083)
Increase (decrease) in unrestricted net assets	423,626	-	423,626	(82,859)	(218,206)	(372,018)	661,814	412,357
Changes in temporarily restricted net assets:								
Grant revenue	19,686	-	19,686	-	-	-	-	19,686
Increase in temporarily restricted net assets	19,686	-	19,686	-	-	-	-	19,686
Increase (decrease) in net assets	$ 443,312	$ -	$ 443,312	$ (82,859)	$ (218,206)	$ (372,018)	$ 661,814	$ 432,043

AGRESTA, STORMS & O'LEARY – PC

CERTIFIED PUBLIC ACCOUNTANTS

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. and 21st Street Seniors II, L.P. as of and for the year ended December 31, 2010, and have issued our report thereon dated July 18, 2011. 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.

<u>Internal Control over Financial Reporting</u>
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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 10-05 to be a significant deficiency. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance.

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 10-01, 10-02, 10-03 and 10-04.

We noted certain matters that we have reported to management in a separate letter dated July 18, 2011.

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.

Apostle, Sousa & O'Leary, PC

Indianapolis, Indiana
July 18, 2011

AGRESTA, STORMS & O'LEARY - PC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2010. 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 10-01 through 10-04 in the accompanying Schedule of Findings and Questioned Costs, Community Action of Greater Indianapolis, Inc. and Subsidiary did not comply with requirements regarding eligibility, allowable costs consideration and documentation that are applicable to the Lead Based Paint Hazard Control and Lead Hazard Reduction Demonstration Grant programs; cash management, eligibility consideration and documentation that are applicable to the Energy Assistance program; allowable costs, eligibility consideration and documentation that are applicable to the Weatherization program; and documentation that are applicable to the Section 8 Housing Choice Voucher 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 compiled, 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, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 10-05.

<u>Internal Control over Compliance</u>
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 10-02 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-01, 10-03, 10-04 and 10-05 to be significant deficiencies.

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.

Ayesta, Swenson & O'Leary, PC

Indianapolis, Indiana
July 18, 2011

Community Action of Greater Indianapolis, Inc.
and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2010

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	X yes	___ no
Significant deficiencies identified that are not considered to be material weaknesses?	X yes	___ no
Type of auditor's report issued on compliance for major programs	Qualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	X yes	___ no

Identification of major programs

CFDA #	Name of Federal Program or Cluster
93.569	Community Services Block Grant
93.568	Low Income Home Energy Assistance
93.710	ARRA - Community Services Block Grant
81.042	Weatherization Assistance for Low-Income Persons
14.871	Section 8 Housing Choice Vouchers
14.905	Lead Hazard Reduction Demonstration Grant
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing

Dollar threshold used to distinguish between Type A and Type B programs:	$ 844,200	
Auditee qualified as a low-risk auditee?	___ yes	X no

Community Action of Greater Indianapolis, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2010

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
CFDA 14.905 Lead Hazard Reduction Demonstration Grant Program

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

Statement of Condition: Selected 15 files to test and noted the following: Files were not properly completed and maintained in accordance with regulations. Program activity was incorrectly classified between the two Lead programs. 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

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. The Organization is required to obtain a notification that lead samples tested exceed EPA standards before work may be performed on a particular property. Contracts should be awarded 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.

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.

Cause:	The Organization does not have control over approval of contracts and the related compliance requirements associated with the project. Certain responsibilities of the Organization as noted in the contract are effectively performed by the passthrough entity. The Organization is facilitating the grant money while the passthrough entity is managing many aspects of the project.
Questioned costs:	Unknown
Recommendation:	The Organization should either perform all of the procedures that have been assigned to them in the contract or renegotiate the contract to assign responsibility for the project management to the passthrough organization. In addition, control procedures over compliance should be reviewed by management to determine their effectiveness.
Management response:	Management has redefined the responsibilities of Health and Hospital Corporation (HHC) and the Organization in the new Lead Hazard Control Grant. The Lead Hazard Reduction Demonstration Grant expired October 31, 2010, so the contract language was not changed. HHC will provide the Organization with a statement when a 25% match is not required. HHC is performing the income verification portion. The person responsible for this program has been replaced due to deficiencies in his yearly performance review. A new process has also been set up to prevent funds from being released until all required documentation has been received by CAGI. Finally, an internal auditor has been hired to provide an additional review of a sample of files.

Department of Health and Human Services

CFDA 93.568 Energy Assistance

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

Statement of Condition:	Selected 60 files, 170 transmittals and 4 claims to test and noted the following: 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. An Organization representative did not routinely sign the Transmittal Summary Attachment. Six files selected for testing were not provided (See Finding 10-05).

Criteria:	Eligibility files are required to be maintained and include certain information including: properly completed applications; income verification, 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. The Organization must provide payment to energy vendors not later than 120 days from the date of application for energy assistance. The Organization is required to sign the Transmittal Summary Attachment to signify approval of the obligation to the vendor.
Effect:	Eligibility for the recipients cannot be verified and the amount of assistance awarded may not be correct due to the potential of incorrect matrix points being awarded. Payments to energy vendors later than 120 days from the application for energy assistance are in violation of the grant provisions.
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:	Unknown
Recommendation:	Control procedures over the intake and 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.
Management response:	Management has improved the quality of training for the 2010-2011 Winter EAP season for all intake staff focusing on the income verification process including documentation and formulas for annualizing income. For this season, Indiana Housing and Community Development Authority (IHCDA) indicated that all agencies will require applicants to show proof of their previous 12 months of income. This is a change from past seasons when intake personnel were allowed to annualize income using two or three different methods. The energy assistance application software program automatically calculates and assigns matrix points based on the information that is entered into the program. Thus, extra attention has been placed on reviewing the information after it has been entered while the applicant is still working with the intake worker. The Organization's quality control process has been improved by requiring files to be reviewed by at least one other employee during the application process and by hiring an internal auditor to review a sample of files. Finally, an internal auditor has been hired to provide an additional review of a sample of files.

Community Action of Greater Indianapolis, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2010

Department of Energy

CFDA 81.042 Weatherization Assistance for Low-Income Persons

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

Statement of Condition: Selected 26 files, 51 disbursements and 4 claims to test and noted the following: Fourteen files selected for testing were not provided (See Finding 10-05). 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

Criteria: The Organization is required to manage the Weatherization Program in accordance with the grant provisions. This includes maintaining proper documentation in the files, entering accurate information into the Roeing database, remitting payments to contractors within the proper time constraints, and performing proper mechanical and shell inspections. All files should be maintained onsite by the Organization to support program activity and eligibility.

Effect: Inadequate file maintenance and information reporting does not allow the Organization or the program monitor the ability to properly track program activity. Payments made to vendors in excess of the prescribed 60 day time limit could cause contract delays or contract breaches. Inadequate mechanical and shell inspections could result in work being done that is either inadequate or in excess of what is necessary.

Cause: The control procedures over the Weatherization Program did not operate effectively.

Questioned costs: Unknown

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

Management response:	New procedures require that the files are checked several times before they are entered into the Weatherization database. The auditors have also formed a review team to check the technical information that is entered to ensure it is within the guidelines of Weatherization. The program manager as well as the person responsible for the program were out for health reasons for an extended period of time during the time this review covers. The program manager now inspects every file for proper and complete documentation. Management now requires printed documentation of income before clients are put on the Organization's waiting list. Auditors are being held responsible for their files which must be completed before they get credit for them. Contractors are required to submit completed forms in order to get paid. Invoice submittal procedures have been changed for better tracking. Finally, an internal auditor has been hired to provide an additional review of a sample of files.

<u>Department of Housing and Urban Development</u>

CFDA 14.871 Section 8 Housing Choice Voucher Program

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

Statement of Condition:	Selected 64 files to test and noted the following: 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.
Criteria:	The Organization is required to maintain documentation to support the spending of federal funds related to the HCVP. Tenants who transfer residence outside of the oversight agency's jurisdiction should have their files maintained at the original HCVP office.
Effect:	Eligibility for the receipt of benefits cannot be verified without adequate documentation which could result in assistance being awarded incorrectly.
Cause:	The Organization's procedures on transferring files when HCVP recipients move was incorrect.
Questioned costs:	$12,906
Recommendation:	Procedures over the Section 8 HCVP Program should be reviewed by management to determine if they are adequate.

Management response:	Management has communicated with all Section 8 HCVP personnel that new procedures are to be followed with regard to file maintenance associated with tenants who transfer residence. These new procedures correspond with the oversight agency's requirements. Management is also in the process of identifying files that have been incorrectly transferred out of CAGI's Section 8 HCVP offices and will attempt to reacquire those files.

INTERNAL CONTROL

FINDING NO. 10-05 – SIGNIFICANT DEFICIENCY

Statement of Condition:	The Organization was unable to locate a number of files selected for testing.
Criteria:	The Organization should maintain and make available all required files and documentation to support grant activity.
Effect:	The inability to produce files to support grant activity does not allow for the assessment of program activity by auditors, oversight agencies and internal personnel. This could also result in grant reimbursements being required by the Organization.
Cause:	The Organization sent a large number of files out of state to be converted into an electronic format. The Organization did not have the funds to complete the project and as a result, many of these files did not get scanned and are still being warehoused out of state.
Questioned costs:	Unknown
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.
Management response:	Management is in the process of determining how and when the document management program will be completed and all remaining unscanned files will be sent back to the Organization. Training will also be given to personnel on how to use the indexing software.

Community Action of Greater Indianapolis, Inc.
and Subsidiary

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2010

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. 09-01 – 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
- There appears to be potential conflicts of interest, as the contracts may have been awarded to parties related to the property
- Instances where signed contracts and/or winning bid proposals were not present
- Instances where the competitive bid process was not evident

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 10-01

Community Action of Greater Indianapolis, Inc.
and Subsidiary

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2010

Department of Health and Human Services

CFDA 93.568 Energy Assistance

FINDING NO. 09-02 – 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 10-02

Department of Health and Human Services

CFDA 93.569 Community Services Block Grant

FINDING NO. 09-03 – COMPLIANCE FINDING AND SIGNIFICANT DEFICIENCY

Statement of Condition:	The Organization's system of expense allocation is inconsistent in its application.
Recommendation:	Control procedures over the cost allocation process should be reviewed by management to determine if they are adequate.
Current status:	Cleared

Community Action of Greater Indianapolis, Inc.
and Subsidiary

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2010

Department of Energy

CFDA 81.042 Weatherization Assistance for Low-Income Persons

FINDING NO. 09-04 – 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: See current year Finding 10-03

INTERNAL CONTROL

FINDING NO. 09-05 – SIGNIFICANT DEFICIENCY

Statement of Condition: The Organization is not consistently utilizing an employee conflict of interest policy.

Recommendation: Management should require all key employees to sign a conflict of interest policy.

Current status: Cleared

Community Action of Greater Indianapolis, Inc. and Subsidiary

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2010

INTERNAL CONTROL

FINDING NO. 09-06 – SIGNIFICANT DEFICIENCY

Statement of Condition: The Organization was unable to locate certain invoices to document expenses. There were instances where the required approvals for payment were not documented on the invoices. The Organization was unable to produce year-end financial statements in a timely manner in accordance with OMB Circular A-133.

Recommendation: Control procedures over the accounts payable process and financial reporting process should be reviewed by management to determine if they are adequate.

Current status: Cleared

INTERNAL CONTROL

FINDING NO. 09-07 – MATERIAL WEAKNESS

Statement of Condition: The Organization had an unusually large number of voided checks during the year. There were a large number of discrepancies between preprinted check numbers and the system assigned check numbers. Voided checks were unaccounted for. Check stock is not properly secured. The accounts payable printer containing the electronic signature of an approved check signer is not properly secured.

Recommendation: Management should secure all check stock and limit its access to relevant employees. Control procedures should be put into place to avoid the need to void a large number of checks. All voided checks should be accounted for and reissued checks should be given new check numbers in the general ledger system that matches the physical check numbers. Access to printers with electronic signatures should be limited and monitored.

Current status: Cleared