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

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

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DECEMBER 31, 2013

Independent Auditors' Report

Board of Directors
COMMUNITY ACTION OF GREATER INDIANAPOLIS, INC. AND SUBSIDIARY
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Action of Greater Indianapolis, Inc. and Subsidiary (a nonprofit organization), Franklin School Apartments, L.P., 21st Street Seniors, L.P., 21st Street Seniors II, L.P. and Commons at Spring Mill, L.P. (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Commons at Spring Mill, L.P., a subsidiary, whose statements reflect total assets constituting 34% of consolidated total assets at December 31, 2013, and total revenues constituting 3% of consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Commons at Spring Mill, L.P., is based solely on the report 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDIANAPOLIS	GREENSBURG	MARTINSVILLE	BATESVILLE
1459 E. Brunswick Ave.	324 N. Broadway St.	672 Birk Road	1214 State Road 229, Ste. C
Indianapolis, IN 46227	Greensburg, IN 47240	Martinsville, IN 46151	Batesville, IN 47006
Phone: 317-780-9850	Phone: 812-663-9999	Phone: 765-792-4754	Phone: 812-932-1911

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action of Greater Indianapolis, Inc. and Subsidiary, Franklin School Apartments, L.P., 21st Street Seniors, L.P., 21st Street Seniors II, L.P., and Commons at Spring Mill, L.P. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133*, Audits of State, Local Government, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of Community Action of Greater Indianapolis, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action of Greater Indianapolis, Inc. and Subsidiary's internal control over financial reporting and compliance.

Agresta, Storms & O'Leary, PC

Indianapolis, Indiana
September 19, 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS	
Current assets:	
Cash and cash equivalents	$ 328,108
Accounts receivable	475,227
Other assets	39,660
Total current assets	842,995
Property and equipment:	
Land and land improvements	6,084,539
Property and equipment	22,174,481
	28,259,020
Accumulated depreciation	(4,988,910)
Net property and equipment	23,270,110
Other assets:	
Restricted deposits and funded reserves	788,266
Deferred costs, net of accumulated amortization	289,781
Total other assets	1,078,047
Total assets	$ 25,191,152
LIABILITIES AND NET ASSETS	
Current liabilities:	
Current portion of long-term debt	$ 1,976,845
Accounts payable	467,327
Other current liabilities	490,459
Total current liabilities	2,934,631
Long-term liabilities:	
Other long-term liabilities	548,077
Long-term debt, net of current portion	7,610,886
Total long-term liabilities	8,158,963
Total liabilities	11,093,594
Net assets:	
Unrestricted net assets	831,669
Temporarily restricted net assets	725,000
Noncontrolling interests	12,540,889
Total net assets	14,097,558
Total liabilities and net assets	$ 25,191,152

See Independent Auditors' Report.
See Accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Grant revenues	$ -0-	$ 15,712,949	$ 15,712,949
Other revenues	81,637	-0-	81,637
Rental income	1,696,025	-0-	1,696,025
Interest income	672	-0-	672
Total revenues and other support	1,778,334	15,712,949	17,491,283
Net assets released from restrictions	15,712,949	(15,712,949)	-0-
Total revenues and other support	17,491,283	-0-	17,491,283
Expenses:			
Program services:			
Energy and Weatherization	11,045,487	-0-	11,045,487
Children and Youth	308,334	-0-	308,334
Housing and Welfare	1,721,636	-0-	1,721,636
Other	1,111,581	-0-	1,111,581
	14,187,038	-0-	14,187,038
Supporting services:			
General and administrative	4,848,413	-0-	4,848,413
Total expenses	19,035,451	-0-	19,035,451
Decrease in net assets before noncontrolling interests	(1,544,168)	-0-	(1,544,168)
Add back: Loss attributable to noncontrolling interests	(1,007,923)	-0-	(1,007,923)
Decrease in net assets	$ (536,245)	$ -0-	$ (536,245)

See Independent Auditors' Report.
See Accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	Energy and Weatherization	Children and Youth	Housing and Welfare	Other	Program Services Totals	General and Administrative	Total
Advertising	$ -0-	$ -0-	$ 1,085	$ -0-	$ 1,085	$ 25,240	$ 26,325
Amortization	-0-	-0-	-0-	-0-	-0-	22,094	22,094
Bad debt	-0-	-0-	-0-	-0-	-0-	24,697	24,697
Bank charges	281	193	-0-	1,731	2,205	6,901	9,106
Benefit payments	10,453,974	21,761	1,380,675	37,989	11,894,399	-0-	11,894,399
Community relations	1,359	30,758	310	27,456	59,883	8,646	68,529
Temporary help	12,654	150,806	3,512	5,632	172,604	8,354	180,958
Depreciation	-0-	-0-	-0-	-0-	-0-	912,266	912,266
Dues and subscriptions	259	-0-	28	750	1,037	6,132	7,169
Employee benefits	57,261	4,090	16,193	102,199	179,743	168,556	348,299
Employee training	571	-0-	411	1,451	2,433	2,365	4,798
Insurance	15,414	549	485	33,296	49,744	105,982	155,726
Interest	-0-	-0-	130	-0-	130	590,402	590,532
Lease	10,169	-0-	21,589	17,397	49,155	89,542	138,697
Maintenance	501	-0-	982	391	1,874	339,186	341,060
Miscellaneous	-0-	405	-0-	-0-	405	18,690	19,095
Occupancy	24,391	-0-	39,912	67,232	131,535	126,744	258,279
Other Expense	-0-	300	-0-	572	872	47,066	47,938
Payroll taxes	24,032	2,397	13,800	46,373	86,602	79,928	166,530
Postage	2,070	-0-	38	6,522	8,630	11,282	19,912
Professional fees	56,032	30,469	21,142	78,595	186,238	366,121	552,359
Salaries and wages	325,777	32,329	185,956	585,125	1,129,187	1,096,893	2,226,080
Security	16	-0-	-0-	6,510	6,526	84,581	91,107
Supplies	33,530	-0-	18,713	46,605	98,848	79,565	178,413
Taxes and licenses	-0-	-0-	-0-	-0-	-0-	255,890	255,890
Travel	1,199	34,277	7,183	12,190	54,849	24,146	78,995
Utilities	23,328	-0-	9,492	33,358	66,178	344,437	410,615
Vehicles	2,669	-0-	-0-	207	2,876	2,707	5,583
	$ 11,045,487	$ 308,334	$ 1,721,636	$ 1,111,581	$ 14,187,038	$ 4,848,413	$ 19,035,451

See Independent Auditors' Report.
See Accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2013

	Controlling Interest				
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total	Noncontolling Interest	Total
Balance, December 31, 2012	$ 1,367,914	$ 725,000	$ 2,092,914	$ 10,848,812	$ 12,941,726
Decrease in net assets	(536,245)	-0-	(536,245)	(1,007,923)	(1,544,168)
Capital contributions	-0-	-0-	-0-	2,700,000	2,700,000
Balance, December 31, 2013	$ 831,669	$ 725,000	$ 1,556,669	$ 12,540,889	$ 14,097,558

See Independent Auditors' Report.
See Accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

Cash flow from operating activities:	
Decrease in net assets	$ (536,245)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation and amortization	934,360
Loan forgiveness	(42,262)
Net loss on disposal of assets	52,398
Loss attributable to noncontrolling interests	(1,007,923)
Changes in assets and liabilities:	
Decrease in accounts receivable	305,277
Increase in other assets	(12,814)
Increase in accounts payable	40,919
Increase in other current liabilities	67,476
Decrease in other long-term liabilities	(100,352)
Net cash used in operating activities	(299,166)
Cash flow from investing activities:	
Net payments to reserve and escrow accounts	(241,509)
Capital expenditures	(4,410)
Proceeds from disposal of assets	18,990
Net cash used in investing activities	(226,929)
Cash flow from financing activities:	
Developer fee payments	(213,221)
Borrowings on long-term debt	1,225,000
Repayments on long-term debt	(145,426)
Borrowings on bridge loan	2,280,432
Repayments on construction loan	(5,628,598)
Capital contributions from minority interest	2,700,000
Other financing activities	(11,605)
Net cash provided by financing activities	206,582
Net decrease in cash and cash equivalents	(319,513)
Cash and cash equivalents, beginning of year	647,621
Cash and cash equivalents, end of year	$ 328,108
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 395,957

See Independent Auditors' Report.
See Accompanying Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>NATURE OF ACTIVITIES</u>

Community Action of Greater Indianapolis, Inc. (CAGI), a not-for-profit organization, exists to empower those we serve to become self-reliant and self-sufficient. Programs include energy assistance, children's services, economic enhancement initiatives, emergency assistance services and housing assistance and improvements. The majority of funding for program services is energy related. The operations also include CAGI Housing, Inc. (Housing); CAGI 21st Street, LLC (CAGI 21st Street), a wholly owned subsidiary of Housing; CAGI 21st Street II, LLC (CAGI 21st Street II), a wholly owned subsidiary of Housing; Commons at Spring Mill, LLC (CAGI Commons), a wholly owned subsidiary of Housing; Franklin School Apartments, L.P. (FSA); 21st Street Seniors, L.P. (21st Street Seniors); 21st Street Seniors II, L.P. (21st Street Seniors II); and Commons at Spring Mill, L.P. (Commons at Spring Mill). Housing, (wholly owned by CAGI), CAGI 21st Street, CAGI 21st Street II, and CAGI Commons facilitate the development and operations of FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill affordable housing developments. Housing, CAGI, 21st Street, CAGI 21ST Street II, and CAGI Commons had no activity during 2013. See Notes 2 and 3.

<u>PRINCIPLES OF CONSOLIDATION</u>

The consolidated financial statements include the accounts of CAGI, Housing, FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill (collectively, the Organization). All significant intercompany transactions and balances have been eliminated in consolidation.

<u>BASIS OF PRESENTATION</u>

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

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

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

Revenue and support are reported as increases in the appropriate category of net assets for CAGI. Expenses are reported as decreases in unrestricted net assets for CAGI. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. CAGI had $725,000 in temporarily restricted net assets and no permanently restricted net assets at December 31, 2013.

BASIS OF ACCOUNTING

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

ACCOUNTS RECEIVABLE

Accounts receivable consists primarily of amounts due from claims submitted by CAGI against federal, state and local grants. The federal government of the United States and the State of Indiana, combined, account for approximately 78% of the accounts receivable of CAGI at December 31, 2013. Based upon prior history and management's assessment of collectability, no allowance has been deemed necessary for accounts receivable.

Management has determined that operating advances to and interest earned from certain related parties are to be reserved. All amounts related to operating advances to and interest earned from these related parties have been eliminated in the consolidated statement of financial position and consolidated statement of activities as of and for the year ended December 31, 2013.

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

Buildings are depreciated over their estimated useful life of 40 years using the straight-line method. Building improvements are depreciated over their useful life of 5, 10 or 15 years using the straight-line method. Equipment is depreciated over its estimated useful life of five years using the straight-line method.

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

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

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

FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill record building and improvements at the initial purchase price plus the cost of the renovation. Construction period interest and certain holding costs have been capitalized. The buildings, site improvements, and personal property are depreciated using the straight-line method over lives of 40 to 50 years, 15 to 20 years, and 5 to 10 years, respectively. Depreciation expense totaled $912,266 for the year ended December 31, 2013. Repair and maintenance costs are expensed as incurred.

<u>LONG-LIVED ASSETS</u>

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

<u>COMPENSATED ABSENCES</u>

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

<u>REVENUE RECOGNITION</u>

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. Development fees earned for services provided in the development of low-income housing tax credit projects are deferred until collected. Revenues for Housing, FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill are recognized when earned.

<u>INCOME TAXES</u>

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.

CAGI files income tax returns in the U.S. federal jurisdiction and one state. CAGI is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years prior to 2010. Such tax examinations could include questioning CAGI's tax exempt status and compliance with federal, state, and local tax laws. As of and for the year ended December 31, 2013, tax authorities have not proposed any adjustments that would result in a material change to CAGI's consolidated financial position. No tax-related interest or penalties have been recorded in these consolidated financial statements. GAAP requires an entity to recognize the financial statement impact of a tax benefit position when it is more likely than not that the position will be sustained upon examination. CAGI does not believe it is taking any uncertain tax benefit positions.

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, 2013.

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

ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

ADVERTISING COSTS

The Organization incurs advertising costs in the normal course of business, which are expensed as incurred. Advertising costs totaled $26,325 during the year ended December 31, 2013.

2. LOW INCOME HOUSING TAX CREDIT (LIHTC) SUBSIDIARIES

CAGI's consolidated financial statements include the activity of Franklin School Apartments, L.P., 21st Street Seniors, L.P., 21st Street Seniors II, L.P., and Commons at Spring Mill, L.P. (collectively, the Partnerships), which are all affordable housing developments formed to operate in compliance with Section 42 of the Internal Revenue Code of 1986. CAGI has made various guarantees related to the financing, management, performance, maintenance and operation of the Partnerships 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 the Partnerships require additional support in the future, it is expected that CAGI would provide it due to the guarantees provided. The related partnership agreements provide for the sale of these multifamily apartment complexes to third parties at the administrative and/or limited partner's option, after completion of the compliance period (defined as 15 taxable years beginning with the first taxable year). The agreements also give 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 agreements. Furthermore, in the event of noncompliance, CAGI could be required to return the limited partners' contributions or to purchase the limited partners' interests in accordance with the terms of the agreements.

3. RELATED PARTIES

OPERATING ADVANCES

CAGI makes periodic advances to certain subsidiaries to cover operating expenses. During the year ended December 31, 2013, CAGI advanced $33,226 to these subsidiaries for operating expenses. All advances for operating expenses have been eliminated in the consolidated statement of functional expenses.

NOTES RECEIVABLE AND INTEREST INCOME

At December 31, 2013, CAGI had advanced notes receivable to FSA with the following long-term obligations:

- 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 the related party with any unpaid amounts due on December 31, 2032. The note is interest free and is secured by a second mortgage on the multifamily apartment complex.

- HOME Investment Partnership 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 the multifamily apartment complex. This note bears interest at the rate of 4.9% per annum. The note is secured by a third mortgage on the multifamily apartment complex.

- 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 the multifamily apartment complex.

During the year ended December 31, 2013, CAGI earned interest income in the amount of $35,723 related to notes receivable from FSA. At December 31, 2013, total interest due on these related-party notes receivable was $362,046. These amounts are not included in the consolidated statement of financial position or consolidated statement of activities as of and for the year ended December 31, 2013, as these amounts have been offset by an allowance for the same amount or eliminated from the consolidated financial statements.

OTHER RELATED PARTIES

The Organization has two additional corporations affiliated with it: Community Economic Development Corporation and CAAP Housing, Inc. Community Economic Development Corporation requires that its 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, 2013. There was no amount due from CAAP Housing, Inc. at December 31, 2013.

Community Economic Development Corporation had no activity during the year ended December 31, 2013.

4. PROPERTY AND EQUIPMENT

CAGI owns two buildings and three houses as of December 31, 2013. The houses are used in the Organization's Transitional Housing Program. Other personal property is also owned by CAGI. Property and equipment for CAGI, FSA, 21st Street Seniors, 21st Street Seniors II and Commons at Spring Mill consist of the following:

	December 31, 2013						
	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	21st Street Seniors II, L.P.	Commons at Spring Mill L.P.	Consolidating Entries	Consolidated
Land and land improvements	$ 8,500	$ 111,691	$ 1,767,555	$ 1,380,693	$ 2,816,100	$ -0-	$ 6,084,539
Building and building improvements, low-income housing apartments	-0-	2,901,263	4,806,520	6,372,846	5,779,059	(1,227,831)	18,631,857
Administrative buildings	552,567	-0-	-0-	-0-		-0-	552,567
Daycare center building	765,995	-0-	-0-	-0-		-0-	765,995
Houses	52,688	-0-	-0-	-0-		-0-	52,688
Building improvements, daycare center	-0- 467,092	-0- -0-	-0- -0-	-0- -0-		-0-	467,092
Personal property	-0-	47,782	620,886	702,175	333,439	-0-	1,704,282
	1,846,842	3,060,736	7,194,961	8,455,714	8,928,598	(1,227,831)	28,259,020
Less accumulated depreciation	(502,473)	(1,079,752)	(1,892,848)	(1,069,462)	(444,375)	-0-	(4,988,910)
	$ 1,344,369	$ 1,980,984	$ 5,302,113	$ 7,386,252	$ 8,484,223	$ (1,227,831)	$ 23,270,110

5. LONG-TERM DEBT

Note payable, bank, in 56 monthly installments of $8,571 and one balloon payment of $447,187, including interest at 6.30%. Due October 1, 2015. Secured by substantially all of the assets of CAGI.	$ 571,913
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.	500,000
Note payable, bank, in monthly installments of $3,487 and one balloon payment of $344,021, including interest at 4.179%. Due June 10, 2016. Secured by a mortgage on certain CAGI real estate.	408,633
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.	578,618
Note payable, The Community Development Trust, L.P., in monthly installments of $7,890 including interest at 9.48%, with remaining balance due October 2029. Note includes a prepayment penalty and is secured by a mortgage on certain 21st Street Seniors II real estate and assignment of rents and leases. Guaranteed by CAGI 21st Street.	926,657
Mortgage payable, bank, in monthly installments of $7,805, with interest at 6.48% per annum. Due June 30, 2028. Secured by the mortgage and security interest on Commons at Spring Mill and all property and equipment and an assignment of any rents or income to be derived from the project.	1,219,656
Note payable, Indiana Housing and Community Development Authority. Commencing August 31, 2011 and continuing each year until maturity, the outstanding principal balance of the loan is to be reduced annually by one-fifteenth of the original $633,935 principal balance of the loan at 21st Street Seniors II.	507,149
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.	1,355,878
Bridge loan payable, Key Community Development Corporation. Principal payments of up to $1,800,000 due on or before September 1, 2014 with remaining principal due on or before September 1, 2015. Interest at 4,17%. Loan is to be repaid from the proceeds of Commons at Spring Mill's Limited Partner's capital contributions.	2,684,203
Note payable, Indiana Housing and Community Development Authority. Interest-only payments due monthly at 1.375% per annum through the lesser of 24 months or the conversion date of the note. Commencing on the first day of the 12th month following the conversion date, the note is due in quarterly principal and interest installments of $8,620 with remaining balance due the first day of the 181st calendar month after the conversion date. Secured by personal property and a mortgage on certain property on Commons at Spring Mill real estate.	835,024
	9,587,731
Less current portion	(1,976,845)
Long-term portion	$ 7,610,886

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

Year Ending December 31,	
2014	$ 1,976,845
2015	1,499,208
2016	450,166
2017	98,109
2018	104,247
Thereafter	5,459,156
	$ 9,587,731

6. 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. In the opinion of management, the audits will not result in a material liability to CAGI.

During the year ended December 31, 2013, 97% of CAGI's grant revenue was passed through from the Indiana Housing and Community Development Authority, of which the Energy Assistance Program accounted for 73% of CAGI's total grant revenue.

In May 2014, CAGI was notified that the majority of the Energy Assistance Program (EAP) for the program period beginning October 1, 2014 had been awarded to another organization as the result of the funding agency's request for proposal process. In response to losing the administration of the EAP program, CAGI implemented an action plan. CAGI has made a number of cost reductions in 2014 to offset the revenue expected to be lost. Management's action plan includes the following:

- Management implemented staff and management reductions as well as reductions to executive salaries in 2014.
- Management renegotiated multiple leasing arrangements including a reduction in office space as well as a reduction in office equipment leased during 2014 and future periods.

- Management has budgeted expense reductions for professional services, insurance premiums, supplies and other expenses for 2014 and future periods.

- The Organization has obtained a purchase agreement for the sale of one of its buildings, contingent upon the buyer's Section 42 tax credit proposal being accepted by the State of Indiana.

Management believes that by taking the actions described above and adhering to its budgeted cost reductions, it will be successful in executing its action plan.

CREDIT RISK

CAGI, FSA, 21st Street Seniors, 21st Street Seniors II, and Commons at Spring Mill maintain substantially all temporary cash investments at high credit quality financial institutions. From time to time, such balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

7. LINE OF CREDIT

CAGI has a line of credit with a bank with maximum availability in the amount of $300,000. Interest is payable monthly at the bank's daily LIBOR rate plus 3.0% (3.17% at December 31, 2013). This line of credit agreement, scheduled to expire on January 13, 2014 and subsequently renewed, is secured by substantially all assets of CAGI. The line of credit had no outstanding borrowings at December 31, 2013.

8. LEASE COMMITMENT

CAGI leases office space at a building in Marion County at their primary location. This lease was originally signed in 2011. Addendums were signed in 2012 and 2014 due to changes in the amount of space being leased. The monthly lease payments at December 31, 2013 were $20,516 with future lease payments adjusted through October 2021. CAGI also leases office space in two surrounding counties. These leases, requiring monthly payments of $900 and $1,700, respectively, expire through March 2017. CAGI leases various office equipment with monthly payments ranging from $91 to $2,902, which expire through November 2017. Lease and occupancy expense related to the above leases totaled $358,751 for the year ended December 31, 2013.

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

Year Ending December 31,	
2014	$ 393,427
2015	296,388
2016	282,065
2017	208,236
2018	179,091
	$ 1,359,207

9. 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, 2013 totaled $22,094.

The following represents deferred costs and related accumulated amortization as of December 31, 2013:

Description	
Mortgage finance costs	$ 219,713
Low-income housing tax credit monitoring costs	156,536
Accumulated amortization	(86,468)
Total deferred costs, net	$ 289,781

10. TEMPORARILY RESTRICTED NET ASSETS

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. Temporarily restricted net assets as of December 31, 2013 were received from the following:

HOME Investment Partnership Program Funds	$ 700,000
Community Development Block Grant Funds	25,000
	$ 725,000

11. 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.

12. SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, *Subsequent Events*, the Organization has evaluated subsequent events through September 19, 2014, which is the date these financial statements were available to be issued. See Notes 6, 7 and 8 for disclosure of subsequent events.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2013

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	$ 1,210,149
Low Income Home Energy Assistance	93.568	11,453,894
Temporary Assistance for Needy Families (TANF)-State Energy Assistance	93.558	399,753
Total Department of Health and Human Services		13,063,796
Department of Energy:		
Passed through Indiana Housing and Community Development Authority:		
Weatherization Assistance for Low-income Persons	81.042	205,411
Department of Housing and Urban Development:		
Passed through Indiana Housing and Community Development Authority:		
Community Development Block Grant-Home Repair	14.218	183,592
Passed through Indiana Housing and Community Development Authority:		
Section 8 Housing Choice Vouchers	14.871	1,298,421
Total Department of Housing and Urban Development		1,482,013
Department of Homeland Security		
Passed through the United Way of Central Indiana		
Emergency Food and Shelter National Board Program	97.024	16,344
Corporation for National and Community Service:		
Direct Program:		
Foster Grandparents Program	94.011	222,098
Total federal awards expended		$ 14,989,662

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2013

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, 2013.

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

EQUIPMENT

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

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

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

INVENTORY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES

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

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

3. MANAGEMENT USE OF ESTIMATES

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

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

DETAILS OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

	Community Action of Greater Indianapolis, Inc.	CAGI Housing, Inc. and Subsidiary	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	21st Street Seniors II, L.P.	Commons at Spring Mill, L.P.	Eliminating Entries	Consolidated
ASSETS									
Current assets:									
Cash and cash equivalents	$ 214,655	$ -0-	$ 214,655	$ 8,192	$ 29,510	$ 69,579	$ 6,172	$ -0-	$ 328,108
Accounts receivable	468,667	-0-	468,667	997	369	10	5,184	-0-	475,227
Other assets	10,000	171	10,171	2,288	15,723	4,691	6,958	(171)	39,660
Total current assets	693,322	171	693,493	11,477	45,602	74,280	18,314	(171)	842,995
Property and equipment:									
Land and land improvements	8,500	-0-	8,500	111,691	1,767,555	1,380,693	2,816,100	-0-	6,084,539
Property and equipment	1,838,342	-0-	1,838,342	2,949,045	5,427,406	7,075,021	6,112,498	(1,227,831)	22,174,481
	1,846,842	-0-	1,846,842	3,060,736	7,194,961	8,455,714	8,928,598	(1,227,831)	28,259,020
Less: Accumulated depreciation	(502,473)	-0-	(502,473)	(1,079,752)	(1,892,848)	(1,069,462)	(444,375)	-0-	(4,988,910)
Net property and equipment	1,344,369	-0-	1,344,369	1,980,984	5,302,113	7,386,252	8,484,223	(1,227,831)	23,270,110
Other assets:									
Notes receivable, related party	1,225,000	-0-	1,225,000	-0-	-0-	-0-	-0-	(1,225,000)	-0-
Other receivable, related party	814,839	-0-	814,839	-0-	-0-	39	-0-	(814,878)	-0-
Restricted deposits and funded reserves	-0-	-0-	-0-	65,227	231,382	252,481	239,176	-0-	788,266
Deferred cost, net of accumulated amortization	-0-	-0-	-0-	8,175	61,981	139,319	80,306	-0-	289,781
Total other assets	2,039,839	-0-	2,039,839	73,402	293,363	391,839	319,482	(2,039,878)	1,078,047
Total assets	$ 4,077,530	$ 171	$ 4,077,701	$ 2,065,863	$ 5,641,078	$ 7,852,371	$ 8,822,019	$ (3,267,880)	$ 25,191,152

LIABILITIES AND NET ASSETS

Current liabilities:									
Current portion of long-term debt	$ 94,674	$ -0-	$ 94,674	$ 17,163	$ 20,736	$ 7,142	$ 1,837,130	$ -0-	$ 1,976,845
Accounts payable	425,914	-0-	425,914	271,295	5,579	2,013	30,336	(267,810)	467,327
Other current liabilities	151,425	-0-	151,425	420,391	92,676	72,742	115,309	(362,084)	490,459
Total current liabilities	672,013	-0-	672,013	708,849	118,991	81,897	1,982,775	(629,894)	2,934,631
Long-term liabilities:									
Other long-term liabilities	678,251	-0-	678,251	479,320	341,468	406,124	136,004	(1,493,090)	548,077
Long-term debt, net of current portion	1,385,872	-0-	1,385,872	1,786,455	1,335,142	1,426,664	2,901,753	(1,225,000)	7,610,886
Total long-term liabilities	2,064,123	-0-	2,064,123	2,265,775	1,676,610	1,832,788	3,037,757	(2,718,090)	8,158,963
Total liabilities	2,736,136	-0-	2,736,136	2,974,624	1,795,601	1,914,685	5,020,532	(3,347,984)	11,093,594
Net assets and partners' equity:									
Unrestricted net assets	616,394	171	616,565	-0-	-0-	-0-	-0-	215,104	831,669
Temporarily restricted net assets	725,000	-0-	725,000	-0-	-0-	-0-	-0-	-0-	725,000
Noncontrolling interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,540,889	12,540,889
Partners' equity	-0-	-0-	-0-	(908,761)	3,845,477	5,937,686	3,801,487	(12,675,889)	-0-
Total net assets and partners' equity	1,341,394	171	1,341,565	(908,761)	3,845,477	5,937,686	3,801,487	80,104	14,097,558
Total liabilities and net assets	$ 4,077,530	$ 171	$ 4,077,701	$ 2,065,863	$ 5,641,078	$ 7,852,371	$ 8,822,019	$ (3,267,880)	$ 25,191,152

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

DETAILS OF CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Community Action of Greater Indianapolis, Inc.	CAGI Housing Inc. and Subsidiary	Community Action of Greater Indianapolis, Inc. and Subsidiary	Franklin School Apartments, L.P.	21st Street Seniors, L.P.	21st Street Seniors II, L.P.	Commons at Spring Mill, L.P.	Eliminating Entries	Consolidated
Changes in unrestricted net assets:									
Revenues and other support:									
Grant revenue	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Other revenue	128,036	-0-	128,036	7,023	3,479	46,645	-0-	(103,546)	81,637
Rental income	176,287	-0-	176,287	216,645	387,147	388,311	527,635	-0-	1,696,025
Interest income	113	-0-	113	61	109	389	-0-	-0-	672
Total unrestricted revenues and other support	304,436	-0-	304,436	223,729	390,735	435,345	527,635	(103,546)	1,778,334
Net assets released from restrictions	15,712,949	-0-	15,712,949	-0-	-0-	-0-	-0-	-0-	15,712,949
Total unrestricted revenues and support and reclassifications	16,017,385	-0-	16,017,385	223,729	390,735	435,345	527,635	(103,546)	17,491,283
Expenses:									
Program services:									
Energy and Weatherization	11,045,487	-0-	11,045,487	-0-	-0-	-0-	-0-	-0-	11,045,487
Children and Youth	308,334	-0-	308,334	-0-	-0-	-0-	-0-	-0-	308,334
Housing and Welfare	1,721,636	-0-	1,721,636	-0-	-0-	-0-	-0-	-0-	1,721,636
Other	1,111,581	-0-	1,111,581	-0-	-0-	-0-	-0-	-0-	1,111,581
	14,187,038	-0-	14,187,038	-0-	-0-	-0-	-0-	-0-	14,187,038
Supporting services:									
General and administrative	2,303,562	-0-	2,303,562	343,675	649,913	662,982	928,797	(40,516)	4,848,413
Total expenses	16,490,600	-0-	16,490,600	343,675	649,913	662,982	928,797	(40,516)	19,035,451

Decrease in unrestricted net assets before noncontrolling interest	(473,215)	-0-	(473,215)	(119,946)	(259,178)	(227,637)	(401,162)	(63,030)	(1,544,168)
Loss attributable to noncontrolling interests	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(1,007,923)	(1,007,923)
Decrease in unrestricted net assets	(473,215)	-0-	(473,215)	(119,946)	(259,178)	(227,637)	(401,162)	944,893	(536,245)
Changes in temporarily restricted net assets:									
Grant revenue	15,712,949	-0-	15,712,949	-0-	-0-	-0-	-0-	-0-	15,712,949
Net assets released from restrictions	(15,712,949)	-0-	(15,712,949)	-0-	-0-	-0-	-0-	-0-	(15,712,949)
Increase in temporarily restricted net assets	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Decrease in net assets	$ (473,215)	$ -0-	$ (473,215)	$ (119,946)	$ (259,178)	$ (227,637)	$ (401,162)	$ 944,893	$ (536,245)

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, in accordance with the 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 consolidated financial statements of Community Action of Greater Indianapolis, Inc. and Subsidiary (the Organization), Franklin School Apartments, L.P., 21st Street Seniors, L.P., 21st Street Seniors II, L.P., and Commons at Spring Mill, L.P., which comprise the consolidated statements of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated September 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

INDIANAPOLIS	GREENSBURG	MARTINSVILLE	BATESVILLE
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Indianapolis, IN 46227	Greensburg, IN 47240	Martinsville, IN 46151	Batesville, IN 47006
Phone: 317-780-9850	Phone: 812-663-9999	Phone: 765-792-4754	Phone: 812-932-1911

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we have reported to management in a separate letter dated September 19, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Apesta, Storms & O'Leary, PC

Indianapolis, Indiana
September 19, 2014

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
COMMUNITY ACTION OF GREATER INDIANAPOLIS, INC. AND SUBSIDIARY
(an Indiana Not-For-Profit Corporation)
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited Community Action of Greater Indianapolis, Inc. and Subsidiary's compliance with the types of compliance requirements described in the *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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal programs 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 on compliance with each major program. However, our audit does not provide a legal determination of the Organization's compliance.

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MARTINSVILLE
672 Birk Road
Martinsville, IN 46151
Phone: 765-792-4754

BATESVILLE
1214 State Road 229, Ste. C
Batesville, IN 47006
Phone: 812-932-1911

Basis for Qualified Opinion on Low Income Home Energy Assistance

As described in the accompanying Schedule of Findings and Questioned Costs, Community Action of Greater Indianapolis, Inc. and Subsidiary did not comply with requirements regarding CFDA 93.568 Low Income Home Energy Assistance as described in finding number 2013-01 for eligibility consideration and documentation. Compliance with such requirements is necessary, in our opinion, for Community Action of Greater Indianapolis, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Low Income Home Energy Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Community Action of Greater Indianapolis, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.568 Low Income Home Energy Assistance for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Community Action of Greater Indianapolis, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of Community Action of Greater Indianapolis, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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 over compliance 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

A *deficiency in 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as 2013-01 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a 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 important enough to merit attention by those charged with governance.

The Organization's response to the compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Agresta, Storms & O'Leary, PC

Indianapolis, Indiana
September 19, 2014

COMMUNITY ACTION OF GREATER INDIANAPOLIS, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements Summary

Type of auditors' report issued: Unmodified

Is a 'going concern' emphasis-of-matter paragraph included in the audit report?	☐ YES	☒ NO
Is a significant deficiency disclosed?	☐ YES	☒ NO
Is a material weakness disclosed?	☐ YES	☒ NO
Is a material noncompliance disclosed?	☐ YES	☒ NO

Federal Programs Summary

Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending $500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit?	☐ YES	☒ NO
What is the dollar threshold to distinguish Type A and Type B programs?		$447,182
Did the auditee qualify as a low-risk auditee?	☐ YES	☒ NO
Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings?	☐ YES	☒ NO

Indicate which Federal agencies have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding.

CFDA #	Federal Agency	Name of Federal Program or Cluster
None		

Identification of major programs

CFDA #	Federal Agency	Name of Federal Program or Cluster
93.569	Department of Health and Human Services	Community Services Block Grant
93.568	Department of Health and Human Services	Low Income Home Energy Assistance
14.871	Department of Housing and Urban Development	Section 8 Housing Choice Vouchers

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS
SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FINDINGS - SECTION II AND SECTION III COMBINED

Department of Health and Human Services

CFDA 93.568 Energy Assistance

Finding No. 2013-01 – COMPLIANCE FINDING AND MATERIAL WEAKNESS OVER COMPLIANCE

Statement of Condition: Selected 60 files and 2 claims to test and noted the following:

- 15 instances where Points to Remember forms were either not signed or not included in the files;
- 3 instances where no zero income affidavit was signed or included in the file and no explanation of how living expenses are met was included in the file;
- 1 instance where proof of income documentation was not included in the file;
- 1 instance where the client's application was not signed by a representative of the Organization;
- 2 instances where income was not included in the benefit calculation resulting in excessive matrix points being calculated;

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

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2013

Questioned Costs:	$80 Known
Recommendation:	Management should continue to review control procedures over intake and other quality control procedures for additional improvements. Also, management should continue to evaluate the use of certain income documentation to ensure that an accurate income figure is used for recipients.
Management Response:	Management asserts that the reduced number of findings and questioned costs is a direct result of policies and procedures that have been put into place to improve the management of the program. The Organization will continue to work to improve the program's management by focusing on training and adherence to internal and program policies and procedures. Management feels that the method used in the application process to calculate income from the State provided verification reports does conform to the method prescribed by the oversight agency.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2013

Department of Health and Human Services

CFDA 93.568 Energy Assistance

Finding No. 2012-01 – COMPLIANCE FINDING AND MATERIAL WEAKNESS

Statement of Condition: Selected 70 files and 4 claims to test and noted the following:

- 6 instances where Points to Remember forms were either not signed or not included in the files;
- 3 instances where either no zero income affidavit was signed or included in the file or no explanation of how living expenses are met was included in the file;
- 2 instances where proof of income documentation was not included in the files;
- 1 instance where the client's application was not signed by a representative of the Organization;
- 1 instance where the client's benefit was paid to the incorrect utility company. Also noted in this file that the benefit was improperly capped;
- 1 instance where income was not included in the benefit calculation resulting in excessive matrix points being calculated;
- Not all signed transmittals could be located;
- 5 instances where files were not provided.

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

Management Response: Management has done a risk-based assessment of the program and as a result has produced new policies and procedures to address those risks. Management has made personnel changes and has assigned the Vice President of Programs to oversee the Energy Assistance Program. Hiring practices have been improved through the use of a contract human resources firm. The Organization is also using less seasonal employees and more full-time employees for intake, while continuing to focus on training of those employees. This risk assessment and these policies and procedures were put into place in late 2012. The Organization also made changes to the file production room which they believe creates a more efficient and organized physical layout. A satellite office which facilitates a significant portion of the Organization's intake was also remodeled to provide more efficiency. Management feels that the method used in the application process to calculate income from the State provided verification reports does conform to the method prescribed by the oversight agency.

Current Status: Not cleared

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2013

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding No. 2012-02 – SIGNIFICANT DEFICIENCY

Statement of Condition: The Organization paid for continuing telecommunications services at their previous office location that were billed by the vendor in error after the Organization moved.

Recommendation: Control procedures over IT personnel and other control procedures related to vendor maintenance should be reviewed by management to determine if they are adequate.

Management Response: The Organization researched the overpayment issue and worked with the telecommunications vendor to secure a refund of $40,000 plus taxes and fees in 2013. The two individuals in the IT department at the time of the relocation in 2011 have since been terminated. Management has reviewed the control procedures that allowed the overpayment to occur and had modified its procedures to prevent this from occurring in the future.

Current Status: Cleared