

Community Action Program, Inc. of Western Indiana

**Financial Statements with Supplementary Information
December 31, 2022 and
Independent Auditors' Report**

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA
December 31, 2022

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Independent Auditors' Report

Board of Directors
Community Action Program, Inc. of
Western Indiana
Covington, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Community Action program, Inc. of Western Indiana (CAPWI), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CAPWI as of December 31, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CAPWI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CAPWI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Independent Auditors' Report

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CAPWI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CAPWI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2023, on our consideration of CAPWI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of CAPWI's 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 CAPWI's internal control over financial reporting and compliance.



October 4, 2023

Indianapolis, Indiana

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Statement of Financial Position
December 31, 2022**

Assets

Cash	\$ 341,692
Grants receivable	519,364
Prepaid expenses	40,290
Investments	430,901
Loans receivable, net	96,643
Property and equipment, net	<u>7,537,184</u>

Total assets	<u><u>\$ 8,966,074</u></u>
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Liabilities and Net Assets

Liabilities

Accounts payable	\$ 88,707
Security deposits	47,228
Accrued expenses	338,054
Notes payable	<u>2,549,373</u>

Total liabilities	3,023,362
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Net assets without donor restrictions	<u>5,942,712</u>
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Total liabilities and net assets	<u><u>\$ 8,966,074</u></u>
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See accompanying notes to financial statements

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Statement of Activities
Year End December 31, 2022**

Revenues

Grants	\$ 10,255,058
Rental income, including Section 8	714,023
Other	408,299
Contributed nonfinancial assets	177,453
Contributions	<u>260,281</u>

Total revenues	<u>11,815,114</u>
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Expenses

Program:

Child education	4,109,379
Community service	4,709,382
Housing	1,569,397
CAPWI properties	<u>1,593,276</u>

Total program	11,981,434
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General and administrative	<u>327,920</u>
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Total expenses	<u>12,309,354</u>
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Change in net assets	(494,240)
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Net assets without donor restrictions - beginning of year	<u>6,436,952</u>
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Net assets without donor restrictions - end of year	<u><u>\$ 5,942,712</u></u>
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See accompanying notes to financial statements

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Statement of Functional Expenses
Year Ended December 31, 2022**

	Child Education	Community Services	Housing	CAPWI Properties	Program Total	General and Administrative	Total
Personnel	\$ 2,866,295	\$ 774,331	\$ 552,670	\$ 224,212	\$ 4,417,508	\$ 251,186	\$ 4,668,694
Program services	-	3,251,456	3,300	-	3,254,756	-	3,254,756
Occupancy	330,430	219,706	202,799	360,643	1,113,578	17,465	1,131,043
Supplies general	247,725	309,171	46,922	193,189	797,007	4,999	802,006
Contracted services	27,713	46,302	601,683	25,201	700,899	1,759	702,658
Depreciation	107,357	20,366	33,637	418,031	579,391	21,390	600,781
Supplies program	173,648	7,019	50,011	153,541	384,219	-	384,219
Contributed nonfinancial assets	148,627	826	-	-	149,453	-	149,453
Insurance	27,357	5,273	26,193	74,403	133,226	1,712	134,938
Travel	48,553	14,714	16,166	2,206	81,639	6,522	88,161
Interest	-	-	-	88,094	88,094	-	88,094
Transportation	28,987	21,849	12,479	19,094	82,409	-	82,409
Telephone	32,310	19,869	5,233	11,310	68,722	4,005	72,727
Office expense	18,648	12,399	11,445	20,353	62,845	985	63,830
Professional fees	29,501	4,959	5,498	2,999	42,957	9,546	52,503
Training	22,228	1,142	1,361	-	24,731	8,351	33,082
	<u>\$ 4,109,379</u>	<u>\$ 4,709,382</u>	<u>\$ 1,569,397</u>	<u>\$ 1,593,276</u>	<u>\$ 11,981,434</u>	<u>\$ 327,920</u>	<u>\$ 12,309,354</u>

See accompanying notes to financial statements

COMMUNITY ACTION PROGRAM, INC OF WESTERN INDIANA

Statement of Cash Flows Year Ended December 31, 2022

Cash flows from operating activities

Change in net assets	\$ (494,240)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	600,781
Loss on investments	92,108
Gain on disposal of property and equipment	(78,146)
Donation of property and equipment	(28,000)
Changes to:	
Grants receivable	(48,859)
Security deposits	(672)
Prepaid expenses	46,402
Accounts payable	5,660
Accrued expenses	<u>15,623</u>
Net cash provided by operating activities	<u>110,657</u>

Cash flows from investing activities

Purchases of investments	(150,000)
Sales of investments	207,361
Principal payments on loans receivable	20,467
Proceeds from disposal of property and equipment	109,998
Purchase of property and equipment	<u>(422,584)</u>
Net cash used in investing activities	<u>(234,758)</u>

Cash flows from financing activities

Proceeds from notes payable	220,000
Principal payments on notes payable	<u>(263,527)</u>
Net cash used in financing activities	<u>(43,527)</u>

Net change in cash (167,628)

Cash - beginning of year 509,320

Cash - end of year \$ 341,692

Supplemental disclosures

Interest paid during the year	<u><u>\$ 88,094</u></u>
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Summary of non-cash transactions

Purchase of property and equipment in other accrued expense	\$ 57,553
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See accompanying notes to financial statements

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

Notes to Financial Statements

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Community Action Program, Inc. of Western Indiana (CAPWI) was established in February 1966 to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs in Benton, Fountain, Montgomery, Parke, Vermillion, Tippecanoe, Boone, White, Carroll, and Warren counties in Indiana.

During 2022, CAPWI was actively involved in:

- Child education
- Community services
- Housing and property development

CAPWI receives funding from many organizations, but its primary sources of revenue are state and federal government grants.

Financial Statement Presentation

These financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). CAPWI is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. CAPWI has no net assets with donor restrictions for which the donor stipulated that the contribution be maintained in perpetuity.

Fair Value Measurements

Investments are reported at fair value in accordance with current accounting and reporting standards. These standards established a three-level hierarchy for fair value measurements: Level 1 – inputs are unadjusted quoted prices for identical assets in active markets; Level 2 – inputs are observable quoted prices for similar assets in active markets; Level 3 – inputs are unobservable and reflect management's best estimates of what market participants would use as fair value. Because Level 3 investments are not readily marketable, the estimated fair value is subject to additional uncertainty and the fair value realized upon disposition may vary significantly from the currently reported fair values.

Cash

CAPWI maintains its cash in deposit accounts that, at times, may exceed federally insured limits. CAPWI has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments, net of investment expenses.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Return (Continued)

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as with donor restrictions or without donor restrictions based on the existence and nature of any donor or legally imposed restrictions.

Loans Receivable

Loans receivable are stated at the amount of the unpaid principal balance, reduced by an allowance for possible loan losses. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). The allowance is determined based on known and inherent risks, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, estimated forgiveness rates, and current economic conditions.

Property and Equipment

Property and equipment used in operations is recorded at cost if the value exceeds \$5,000. Constructed assets are transferred from construction in progress when the units are placed in service. Depreciation is recognized over the estimated useful life of 3 to 30 years using the straight-line method.

CAPWI reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There were no impairment losses recognized in 2022.

Support and Contributions

CAPWI records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. A gift that is originally restricted by the donor and for which the restriction is met in the same year that the gift is received is recorded as revenue without donor restrictions and net assets without donor restrictions.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met. CAPWI has numerous grants for which the grantor agencies' promises to give are conditioned upon CAPWI incurring certain qualifying expenses under the grant programs. At December 31, 2022, CAPWI had remaining available award balances on conditional grants of \$2,657,591. These award balances are not recognized as assets and will be recognized as revenue without donor restrictions as the conditions are met.

Management does not believe that a reserve for doubtful accounts is necessary.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Fees and Grants

Federal and state grant awards are recognized as revenue without donor restrictions subject to compliance with grant restrictions. Unexpended funds are reported as revenue with donor restrictions. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Revenue Recognition

The majority of CAPWI's revenue is earned under cost-reimbursement awards from governmental agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as liabilities.

Fees for services are recognized as revenue when the services are substantially performed. Fees received in advance of substantial performance are reported as deferred revenue. Deposits received from customers prior to the date of the performance of services are recorded as liabilities.

Fees for rent and other contract revenues are recognized at a point in time. Rents are due at the beginning of the month and are considered earned by month's end. All leases between CAPWI and the tenants are operating leases.

Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Expenses have been classified based upon the actual direct expenditures and cost allocations. The most significant allocations are salaries and related expenses, which were allocated based upon estimates of time spent by CAPWI personnel, and occupancy and depreciation, which were allocated based on use of resources.

Income Taxes

CAPWI has been granted an exemption from income taxes as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Indiana law. Management believes that CAPWI has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of Adopting New Accounting Standards

During 2022, CAPWI adopted ASU 2016-02, *Leases*. The new lease guidance requires the recognition of a right-of-use asset and a lease liability for operating leases. There was no material impact on the financial statements as a result of this change in accounting principle.

During 2022, CAPWI adopted ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard increases transparency of contributed non-financial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy and qualitative information about monetization and utilization, description of valuation techniques and inputs used to arrive at a fair value measure, and donor-imposed restrictions associated with the contributed nonfinancial assets. The most significant impact of the adoption is expanded disclosures for contributed nonfinancial assets.

Subsequent Events

Management has evaluated subsequent events for disclosure through October 4, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NOTE 2 LIQUIDITY AND AVAILABILITY

CAPWI's total financial assets are as follows as of December 31, 2022:

Cash	\$	341,692
Grants receivable		519,364
Investments		430,901
Loans receivable, net		<u>96,643</u>
Total financial assets available		1,388,600
Less:		
Long term loans receivable		<u>(96,643)</u>
Net financial assets available	\$	<u><u>1,291,957</u></u>

CAPWI has a goal to maintain financial assets which consist of cash and long-term investments on hand to meet normal operating expenses. CAPWI has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 INVESTMENTS

Investments at December 31, 2022 consisted of mutual funds, which are valued using level 1 inputs. Fair values of the mutual funds are estimated using quoted prices in active markets. There were no valuations using level 2 or 3 inputs.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Notes to Financial Statements
(Continued)**

NOTE 4 LOANS RECEIVABLE

CAPWI operates a Rural Business Enterprise program that provides loans to low-income business owners. The loans are at 0% through 10% interest and are repayable on an installment basis over various loan maturities. Repaid loans and interest are used by CAPWI for similar purposes. As of December 31, 2022, \$77,512 was recorded in deferred loans receivable (revolving funds). When reduced by an allowance of \$36,564 net revolving loans totaled \$40,948 as of December 31, 2022. Interest payments are recorded as revenue when received.

CAPWI also holds \$261,574 in other mortgages and notes receivable related to community development and housing activities. When reduced by an allowance of \$205,875, net loans receivable totaled \$55,695 at December 31, 2022.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022:

Land	\$ 286,310
Building	15,156,489
Equipment	888,796
Less accumulated depreciation	<u>(8,794,411)</u>
	<u><u>\$ 7,537,184</u></u>

A vehicle with a net book value of \$22,401 is subject to a lien by the Indiana Department of Transportation. The lien will be released when the vehicle reaches its useful life, which is expected to occur in 2024.

The following is a summary of property held for lease as of December 31, 2022:

Land	\$ 286,310
Building	13,241,140
Less accumulated depreciation	<u>(7,233,910)</u>
	<u><u>\$ 6,293,540</u></u>

Depreciation on the property held for lease during 2022 was \$438,493.

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Notes to Financial Statements
(Continued)**

NOTE 6 NOTES PAYABLE

As of December 31, 2022, notes payable consisted of the following:

Promissory note from Indiana Housing and Community Development Corp. (IHCDA) in the original amount of \$165,000 of converted CDBG disaster funds. Beginning December 2012, the principal and interest is payable in annual payments over a 15 year period limited to 59% of available cash flow up to a maximum of \$11,040 per year. The note interest rate is one quarter of one percent per annum. The loan maturity date is December 10, 2024. The note is secured by rental property.	\$ 37,428
Promissory note from Farmers and Merchants Bank to refinance six loans in the original amount of \$155,000 with interest rate of 4.5% adjustable after the 10th payment. Monthly payments are \$1,606 with the outstanding balance due March 2029. The note is secured by rental property.	104,846
Promissory note from Farmers and Merchants Bank in the original amount of \$120,000 with interest rate of 5.25%, adjustable every 5 years. Monthly payments are \$809 with the outstanding balance due December 15, 2042. The note is secured by real estate.	120,000
Promissory note from Farmers and Merchants Bank to refinance five loans in the original amount of \$371,719 with interest of 4.5% adjustable every 10 years. Monthly payments are \$2,844 with the outstanding balance due August 2029. The note is secured by rental property.	309,226
Promissory notes from Old National Bank in the original amount of \$222,216, with interest rate of 4.0% and monthly payments of \$1,591. Refinanced with Farmers and Merchants bank in the amount of \$126,618 with interest at the rate of 3.5% and monthly payments of \$734. with the outstanding balance due July 30, 2041. The note is secured by rental property.	120,266
Promissory note from Old National Bank in the original amount of \$249,900, with interest at the rate of 4.81% and monthly payment of \$1,955. Refinanced with Farmers and Merchants Bank in the amount of \$136,329 with interest at the rate of 3.5% and monthly payments of \$1,348. with the outstanding balance due July 30, 2031. The note is secured by real estate.	119,788
Promissory note from Old National Bank in the original amount of \$105,000, with interest at the rate of 4.81% and monthly payments of \$821. Refinanced with Farmers and Merchants Bank in the amount of \$107,279 with interest rate of 3.5%. Monthly payments are \$622, with the outstanding balance due July 2041. The note is secured by rental property.	101,897
Promissory note from Farmers and Merchants Bank in the original amount of \$126,170 with interest at the rate of 4.07%. Monthly payments are \$769, with the outstanding balance due October 2041 and is secured by real estate.	121,107

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Notes to Financial Statements
(Continued)**

NOTE 6 NOTES PAYABLE (CONTINUED)

Promissory note from the U.S. Department of Agriculture in the original amount of \$282,000 with interest at the rate of 4.25%. Monthly payments are \$1,224, with the outstanding balance due September 2043. The note is secured by real estate.	201,647
Promissory note from IHCD in the original amount of \$179,500 with interest at the rate of 1%. Semi-annual payments of \$3,470 began in 2010. Outstanding balance is due June 30, 2025. The note is secured by rental property.	108,096
Promissory note from Fountain Trust Company in the original amount of \$100,000, with interest rate of 4.50% and monthly payments of \$633. Refinanced with Farmers and Merchants Bank in the amount of \$92,946 with interest rate of 3.5%. Monthly payments are \$539, with outstanding balance due July 2041. The note is secured by rental property.	88,283
Promissory note from Fountain Trust Company in the original amount of \$100,000, with interest rate 4.25% adjustable August 2027 and annually thereafter, and monthly payments of \$619 with the outstanding balance due July 2042. The note is secured by rental property.	100,000
Promissory note from IHCD in the original amount of \$240,000 with interest at the rate of 1%. Monthly payments are \$773 with the outstanding balance due June 2025. The note is secured by rental property.	152,438
Promissory note from Old National Bank in the original amount of \$103,500, with interest rate of 5.45% and monthly payments of \$714. Refinanced with Farmers and Merchants Bank in the amount of \$80,489 with interest rate of 3.5%. Monthly payments are \$467, with the outstanding balance due July 2041. The note is secured by rental property.	76,451
Promissory note from Fountain Trust Company in the original amount of \$72,500, with interest rate of 4.24% and monthly payments of \$449. Refinanced with Farmers and Merchants Bank in the amount of \$63,485 with interest rate of 3.5%. Monthly payments are \$368, with the outstanding balance due July 2041. The note is secured by rental property.	60,300
Promissory note from Fountain Trust Company in the original amount of \$550,000, with interest rate of 4.24% and monthly payments of \$4,135. Refinanced with Farmers and Merchants Bank in the amount of \$442,634 with interest rate of 3.5%. Monthly payments are \$2,567, with the outstanding balance due July 2041. The note is secured by real estate.	420,042

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

Notes to Financial Statements (Continued)

NOTE 6 NOTES PAYABLE (CONTINUED)

Promissory note from Farmers and Merchants Bank in the original amount of \$75,000 with interest of 3.9%. Monthly payments are \$457 with the outstanding balance due January 2037. The note is secured by rental property.

58,564

Promissory note from The Farmers and Merchants Bank in the original amount of \$100,000 with interest of 4.6% adjustable every 5 years. Monthly payments are \$638 with the outstanding balance due April 16, 2038. The note is secured by rental property.

84,122

Promissory note from Fountain Trust Company in the original amount of \$115,000, with interest rate of 4.25% and monthly payments of \$725. Refinanced with Farmers and Merchants Bank in the amount of \$96,265 with interest rate of 3.5%. Monthly payments are \$558, with the outstanding balance due July 2041. The note is secured by rental property.

91,435

Promissory note from Old National Bank in the original amount of \$103,500, with interest rate of 4.57% and monthly payments of \$659. Refinanced with Farmers and Merchants Bank in the amount of \$77,316 with interest rate of 3.5%. Monthly payments are \$448, with the outstanding balance due July 2041. The note is secured by rental property.

73,437

\$ 2,549,373

Future principal maturities on the notes payable are as follows:

Year ending December 31,

2023	\$ 136,896
2024	157,235
2025	354,898
2026	126,747
2027	131,932
Thereafter	<u>1,641,665</u>
	<u><u>\$ 2,549,373</u></u>

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

Notes to Financial Statements (Continued)

NOTE 7 LINE OF CREDIT

During 2022, CAPWI obtained a line of credit up to \$250,000 with the Fountain Trust Company for a housing project. The line bore interest at the prime rate (7.50% at December 31, 2022) and matured July 1, 2023. No draws were made on the line of credit.

NOTE 8 CONTRIBUTED NONFINANCIAL ASSETS

CAPWI receives contributions of non-financial assets from various donors. It is the policy of CAPWI to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and support by the same amount.

CAPWI has recorded contributions for professional services on the statement of activities. CAPWI is required by GAAP to only report contributions of services received that create or enhance a nonfinancial asset or require specialized skills by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. These requirements are different than the requirements of CAPWI's grant funding sources.

Donations of property and equipment or supplies are recorded based on fair values of similar products and do not have donor restrictions. All contributed nonfinancial assets for services are recorded based on fair market value of services and do not have donor restrictions.

For the year ended December 31, 2022, contributed nonfinancial assets amounted to \$177,453 of services, rent, and equipment, which is included on the statement of activities. During the year ended December 31, 2022, CAPWI also received contributed services of \$529,696 related to its Head Start program which includes services from non-professional volunteers and are not recorded in the statement of activities.

NOTE 9 EMPLOYEE RETIREMENT PLAN

CAPWI offers a 401(k) retirement plan. An employee must be 21 years of age and have completed one-year of employment to be eligible. CAPWI's Board of Directors determines the amount of matching contributions (if any) that will be made each year not to exceed \$1,500 per plan participant per plan year. Matching contributions made by CAPWI totaled \$62,756 for the year ended December 31, 2022.

NOTE 10 CONTINGENCIES

During the normal course of business, CAPWI is involved in various claims and lawsuits. In the opinion of management, there are no pending legal actions for which the ultimate liability, net of insurance, will have a material effect on the net assets of CAPWI.

SUPPLEMENTARY INFORMATION

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture:			
Indiana State Dept. of Health			
Special Supplemental Nutrition Program for WIC	10.557	57549	\$ 331,791
Special Supplemental Nutrition Program for WIC	10.557	65222	125,871
Total Special Supplemental Nutrition Program for WIC			<u>457,662</u>
Child and Adult Care Food Program	10.558	1230043	10,991
Child and Adult Care Food Program	10.558	1230043	135,261
Total Child and Adult Care Food Program			<u>146,252</u>
Direct Program			
Community Facilities Program	10.766	15-23-356062298	<u>207,627</u>
Total U.S. Department of Agriculture			<u>811,541</u>
U.S. Department of Housing and Urban Development:			
Indiana Housing and Community Development Authority			
Section 8 Housing Choice Vouchers	14.871	HCV-2022-06	<u>599,014</u>
Total U.S. Department of Housing and Urban Development			<u>599,014</u>
U.S. Department of Energy:			
Indiana Housing and Community Development Authority			
Weatherization Assistance for Low-Income Persons	81.042	WX-022-019	86,510
Weatherization Assistance for Low-Income Persons	81.042	WX-023-019	186,011
Total Weatherization Assistance for Low-Income Persons			<u>272,521</u>
Total U.S. Department of Energy			<u>272,521</u>
U.S. Department of Homeland Security:			
Emergency Food and Shelter Program National Board			
Emergency Food and Shelter	97.024	Phase 39	5,719
COVID-related funding			
Emergency Food and Shelter	97.024	Phase CARES	12,474
Total Emergency Food and Shelter			<u>18,193</u>
Total U.S. Department of Homeland Security			<u>18,193</u>

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022
(Continued)**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Area IV			
Special Programs for the Aging Title III	93.044	AAA-4-105:22	<u>21,806</u>
Indiana Housing and Community Development Authority			
Low-Income Home Energy Assistance	93.568	LI-022-009	1,972,333
Low-Income Home Energy Assistance	93.568	LI-023-009	62,237
Low-Income Home Energy Assistance	93.568	WL-022-009	215,132
Low-Income Home Energy Assistance	93.568	WL-023-009	46,086
COVID-related funding			
Low-Income Home Energy Assistance	93.568	LI-ARPA-021-009	1,545,696
Low-Income Home Energy Assistance	93.568	LI-ARP-021-009	<u>163,248</u>
Total Low-Income Home Energy Assistance			<u>4,004,732</u>
Indiana Housing and Community Development Authority			
Community Services Block Grant	93.569	CS-021-009	22,803
Community Services Block Grant	93.569	CS-022-009	284,783
Community Services Block Grant	93.569	CS-021-009-D	7,750
COVID-related funding			
Community Services Block Grant	93.569	CS-CV-020-009	<u>78,442</u>
Total Community Services Block Grant			<u>393,778</u>
Direct Funded			
Head Start Cluster			
Head Start	93.600	05CH010793-03-00	648,094
Head Start	93.600	05CH010793-04-01	2,828,611
COVID-related funding			
Head Start	93.600	05HE000268-01	67,463
Head Start	93.600	05HE000268-01	225,238
Head Start	93.600	05CH010793-03	<u>122,538</u>
Total Head Start			<u>3,891,944</u>
Total Head Start Cluster			<u>3,891,944</u>
Total U.S. Department of Health and Human Services			<u>8,312,260</u>
Total Expenditure of Federal Awards			<u><u>\$ 10,013,529</u></u>

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

Notes to the Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

The following describes the significant accounting policies used in the preparation of the schedule of expenditures of federal awards:

Basis of Presentation – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Community Action Program, Inc. of Western Indiana (CAPWI) under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of the *Uniform Guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of CAPWI, it is not intended to and does not present the financial position, changes in net assets or cash flows of CAPWI.

Summary of Significant Accounting Policies – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Energy Assistance Payments – Energy Assistance Payments expenditures under assistance listing number 93.568 include \$3,249,555 of energy assistance payments that were disbursed by the Indiana Housing and Community Development Authority on behalf of CAPWI during the year ended December 31, 2022.

USDA Community Facilities Loan – CAPWI obtained a USDA Communities Facilities Loan in September 2003 in the amount of \$282,000. The loan bears an interest rate of 4.25% per annum and requires monthly payments of \$1,224. The loan matures in September 2043.

Indirect Cost Rate – CAPWI has elected not to use the 10% de minimis cost rate allowed under Uniform Guidance.

Subrecipients – CAPWI provided no federal awards to subrecipients.

**INDEPENDENT AUDITOR'S 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
Community Action Program, Inc. of
Western Indiana
Covington, Indiana

We have audited, 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 Community Action Program, Inc. of Western Indiana (CAPWI), which comprise the statement of financial position as December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CAPWI'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 CAPWI's internal control. Accordingly, we do not express an opinion on the effectiveness of CAPWI'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 entity'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.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CAPWI'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*.

**INDEPENDENT AUDITOR'S 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
(CONTINUED)**

CAPWI's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on CAPWI's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. CAPWI's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 results of that testing and not to provide an opinion on the effectiveness of CAPWI's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CAPWI's internal control and compliance. Accordingly, this communication is not suitable of any other purpose.



October 4, 2023
Indianapolis, Indiana

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Community Action Program, Inc. of
Western Indiana
Covington, Indiana

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

We have audited Community Action Program, Inc. of Western Indiana's (CAPWI) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of CAPWI's major federal programs for the year ended December 31, 2022. CAPWI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CAPWI 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 major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CAPWI and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CAPWI's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CAPWI's federal programs.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CAPWI's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CAPWI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CAPWI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CAPWI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CAPWI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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 a combination of deficiencies, in internal control over compliance, such that there is a 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. 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



October 4, 2023

Indianapolis, Indiana

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2022**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? x Yes No
- Significant deficiency(ies) identified that is not considered to be a material weakness? Yes x None reported
- Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified that are not considered to be a material weakness? Yes x None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes x No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.600	Head Start
10.766	Community Facilities Loans

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes x No

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2022
(Continued)**

Section II - Financial Statement Findings

2022-01: Audit Adjustments

Criteria – CAPWI is responsible for establishing and maintaining effective internal control over financial reporting.

Condition and Context – During the course of the audit, we identified misstatements in the financial statements for the year under audit that were not initially identified by CAPWI's internal controls. Audit adjustments were necessary to correct errors in the financial statements in order for the financial statements to be presented in accordance with GAAP.

Effect – Misstated financial statements

Cause – Incorrect posting of various activity during the year, including asset purchases and disposals, investment activity, and equity

Recommendation – Perform regular review of general ledger activity for proper GAAP recording, including review of

Views of responsible officials and planned corrective actions - We will make every effort to account for the purchase and disposal of assets properly and in a timely manner.

Section III - Federal Award Findings and Questioned Costs

No matters were reported

COMMUNITY ACTION PROGRAM, INC. OF WESTERN INDIANA

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022**

Reference Number	Summary of Finding	Status
FS 2021-001	Inability to produce accurate agency-wide GAAP financial statements	Resolved