

**Community Action, Inc. of Rock &  
Walworth Counties and Related Entities**

Beloit, Wisconsin

Consolidated Financial Statements and  
Supplementary Information  
Year Ended December 31, 2016

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

Consolidated Financial Statements and Supplementary Information  
Year Ended December 31, 2016

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## **Independent Auditor's Report**

Board of Directors  
Community Action, Inc. of Rock & Walworth Counties and Related Entities  
Beloit, Wisconsin

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Community Action, Inc. of Rock & Walworth Counties (a nonprofit organization) and Related Entities, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities 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; 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 financial statements are free from material misstatement. The financial statements of Beloit Mature Adult Housing, LLC, Delavan Mature Adult Housing, LLC, Evansville Senior Housing, LP, and Community Action Properties, LLC were not audited in accordance with *Government Auditing Standards* as they did not receive federal funding.

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 entity'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 entity'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 consolidated financial position of Community Action, Inc. of Rock & Walworth Counties and Related Entities as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

## **Other Matters**

### ***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 Program Activity, 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*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, Consolidating Statement of Financial Position, Consolidating Statement of Activities, Statement of Financial Position – Low-Income Housing Partnerships, Statement of Activities – Low-Income Housing Partnerships, and Schedule of Emergency Furnace Activity by Contract are presented for the purposes of additional analysis, and are 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. Such 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 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated statement of financial position of Community Action, Inc. of Rock & Walworth Counties and Related Entities as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended (not presented herein), and we expressed an unmodified opinion on those consolidated financial statements. That audit was conducted for purposes of forming an opinion on the consolidated financial statements as a whole. The prior year expense in the supplementary schedule appearing on page 41 is presented for purposes of additional analysis. Such information is the responsibility of management and the prior year expenses were derived from and relate directly to the underlying accounting and other records used to prepare the December 31, 2015, consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the prior year expenses included on the supplementary schedule appearing on page 41 are fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of Community Action, Inc. of Rock & Walworth Counties and Related Entities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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, Inc. of Rock & Walworth Counties and Related Entities' internal control over financial reporting and compliance.



Wipfli LLP

June 26, 2017  
Madison, Wisconsin

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Consolidated Statement of Financial Position

December 31, 2016

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<i>Assets</i>	
Current assets:	
Cash	\$ 386,348
Restricted cash	699,865
Grants receivable	807,942
Accounts receivable, net	77,254
Weatherization inventory	159,796
Housing inventory	146,799
Commodity food inventory	3,142
Current portion of loans receivable - Housing and vehicle	48,593
Prepaid expenses and other assets	107,803
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Total current assets	2,437,542
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Other assets:	
Investments	326,888
Loans receivable - Affiliates	220,000
Loans receivable - Housing, net	1,274,058
Loans receivable - Vehicle, net	10,308
<hr/>	
Total other assets	1,831,254
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Property and equipment, net	5,955,458
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<b>TOTAL ASSETS</b>	<b>\$ 10,224,254</b>

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# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Consolidated Statement of Financial Position (Continued)

December 31, 2016

<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of mortgages payable	\$ 18,050
Accounts payable	326,889
Accrued payroll and related expenses	64,570
Other liabilities	67,611
Grant funds received in advance	240,574
<b>Total current liabilities</b>	<b>717,694</b>
Long-term liabilities:	
Long-term advances	35,578
Capital advance - HUD	2,251,500
Mortgages payable	1,208,060
<b>Total long-term liabilities</b>	<b>3,495,138</b>
<b>Total liabilities</b>	<b>4,212,832</b>
Net assets (deficit):	
Unrestricted - CAI	704,364
Unrestricted - BALI	( 641,311)
Unrestricted - Board designated	326,888
Unrestricted - Low-Income housing partnerships	1,372,023
<b>Total unrestricted</b>	<b>1,761,964</b>
Temporarily restricted - CAI	4,249,458
<b>Total net assets</b>	<b>6,011,422</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,224,254</b>

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Consolidated Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenue:</b>			
Grant and contract revenue	\$ 6,859,316	\$ 38,128	\$ 6,897,444
Fee for services revenue	1,172,065	0	1,172,065
Program and other contributions	269,365	29,833	299,198
Sales of houses	114,014	35,786	149,800
Rental income	566,049	0	566,049
Investment income	25,796	0	25,796
Net assets released from restriction through satisfaction of program restrictions	198,911	( 198,911)	0
<b>Total revenue</b>	<b>9,205,516</b>	<b>( 95,164)</b>	<b>9,110,352</b>
<b>Expenses:</b>			
Salaries and wages	2,780,720	0	2,780,720
Fringe benefits	684,105	0	684,105
Consultants/contractual	220,229	0	220,229
Travel	76,743	0	76,743
Occupancy	764,209	0	764,209
Supplies	124,121	0	124,121
Weatherization materials and other inventory	1,874,730	0	1,874,730
Client/participant costs	1,308,934	0	1,308,934
Depreciation and amortization	230,195	0	230,195
Commodities distributed	496,728	0	496,728
Other	768,427	0	768,427
<b>Total expenses</b>	<b>9,329,141</b>	<b>0</b>	<b>9,329,141</b>
Change in net assets	( 123,625)	( 95,164)	( 218,789)
Net assets at beginning of year	1,161,228	4,344,622	5,505,850
Net assets acquired in acquisition	724,361	0	724,361
<b>Net assets at end of year</b>	<b>\$ 1,761,964</b>	<b>\$ 4,249,458</b>	<b>\$ 6,011,422</b>

See accompanying notes to consolidated financial statements.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Consolidated Statement of Cash Flows Year Ended December 31, 2016

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	(\$ 218,789)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	230,195
Gain on sale of equipment	( 6,500)
Realized and unrealized gain on investments	( 16,239)
Write-off of grants receivable	10,354
Change in allowance for uncollectible accounts receivable	( 31,616)
Write down of housing inventory	95,177
Change in allowance for uncollectible loans receivable	183,891
Net change in discount on loans receivable	( 107,826)
Changes in operating assets and liabilities:	
Restricted cash	41,297
Grants receivable	27,795
Accounts receivable	77,443
Weatherization inventory	14,219
Housing inventory	5,488
Prepaid expenses and other assets	( 47,255)
Accounts payable	121,383
Accrued payroll and related expenses	8,151
Other liabilities	( 14,050)
Grant funds received in advance	( 20,976)
Net cash provided by operating activities	352,142
Cash flows from investing activities:	
Cash received in acquisition	53,001
Capital expenditures	( 28,947)
Proceeds from sale of equipment	6,500
Purchase of investments	( 99,238)
Proceeds from sale of investments	94,990
Collections on loans receivable	106,465
Issuance of loans receivable	( 24,984)
Net cash provided by investing activities	107,787
Cash flows from financing activities:	
Payments on line of credit	( 642,736)
Draws on line of credit	242,736
Payments on mortgages payable	( 17,641)
Net cash used in financing activities	( 417,641)
Change in cash	42,288
Cash at beginning of year	344,060
Cash at end of year	\$ 386,348
<b>Supplemental schedule of operating activities:</b>	
Interest paid and expensed	\$ 69,513
<b>Supplemental schedule of noncash operating activity:</b>	
Change in commodity food inventory/grant funds received in advance	1,393
<b>Supplemental schedule of noncash investing and financing activities:</b>	
Fair value of assets acquired in acquisition	2,721,265
Fair value of liabilities assumed in acquisition	2,049,905

See accompanying notes to consolidated financial statements.



# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

Community Action, Inc. of Rock & Walworth Counties (CAI) was organized as a nonprofit corporation in 1965. CAI was formed to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs in Rock and Walworth Counties in Wisconsin. CAI is supported through federal and state government grants, fees for services, and private contributions. Approximately 41% of grant revenue is received from the State of Wisconsin under the Weatherization program.

Beloit Assisted Living, Inc. (BALI) was organized as a private nonprofit corporation in 2001. BALI has common board members with CAI and is under common control with CAI. BALI was organized to provide affordable housing for the elderly. BALI currently owns and operates a 30-unit housing project. The project is funded through a forgivable loan from the U.S. Department of Housing and Urban Development (HUD). A separate Single Audit was also issued for BALI as of and for the year ended December 31, 2016.

Beloit Mature Adult Housing, LLC (BMAH), a Wisconsin limited liability company, was formed in January 1997, under the Wisconsin Limited Liability Company Act to acquire and operate a 47-unit residential rental housing project called Olympian Hill Apartments located in Beloit, Wisconsin. The project is financed and regulated by the Wisconsin Housing and Economic Development Authority (WHEDA).

Delavan Mature Adult Housing, LLC (DMAH), a Wisconsin limited liability company, was formed in April 1999, under the Wisconsin Limited Liability Company Act to acquire and operate a 24-unit residential rental housing project called Prairie View Apartments located in Delavan, Wisconsin. The Project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Service Code. The Project receives rent and interest subsidies from Rural Housing Service (RHS) of the U.S. Department of Agriculture, Rural Development (USDA-RD). CAI acquired the limited partner's share of DMAH on August 2, 2016. DMAH activity from August 3, 2016 through December 31, 2016, is reported on the consolidated statements of activities.

Evansville Senior Housing, LP (ESH) was formed in July 2000, as a limited partnership under the Wisconsin Uniform Limited Partnership Act to construct and operate a 24-unit residential rental housing project called Arbor Glen Apartments (the "Project") located in Evansville, Wisconsin. The Project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Service Code (IRC). The Project receives rent and interest subsidies from Rural Housing Service (RHS) of the U.S. Department of Agriculture, Rural Development (USDA-RD). CAI acquired the limited partner's share of ESH on December 8, 2016. ESH activity from December 9, 2016 through December 31, 2016, is reported on the consolidated statements of activities.

Community Action Properties, LLC (CAP) is a wholly owned limited liability corporation of CAI. CAP was organized in order to support CAI's efforts to develop affordable housing. CAP owned houses in the Beloit Merrill Neighborhood and title to these were transferred to CAI in 2010. In addition, CAP owns a duplex in Walworth County.

#### Basis of Presentation

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Principles of Consolidation**

These financial statements are consolidated and include the accounts of CAI, BALI, BMAH, DMAH, ESH, and CAP (the "Organizations"). All material inter-company transactions and accounts are eliminated in consolidation.

#### **Classification of Net Assets**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met either by actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. If a restriction is satisfied in the year of contribution, the contribution is recorded as unrestricted revenue.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on investments for general or specific purposes. Currently, the Organizations do not have any permanently restricted net assets.

#### **Use of Estimates**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Revenue Recognition/Grant Funds Received in Advance**

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. If the restriction is satisfied in the period of contribution, the contribution is recorded as unrestricted revenue.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Revenue Recognition/Grant Funds Received in Advance (Continued)**

Program contributions represent amounts contributed by program beneficiaries, individuals, or organizations. The contributions are to help defray the cost of a specific program. The contributions are recorded as temporarily restricted revenue and the contribution is used in the specific program when there is a stipulation by the donor. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as released from restriction. If the restriction is satisfied in the period of contribution, the contribution is recorded as unrestricted revenue.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

#### **A. Grant Awards That Are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance.

#### **B. Grant Awards That Are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

#### **Fee for Services Revenue**

Fee for services revenue includes performance contracts for childcare and health care services. The performance contracts reimburse based on a predetermined rate for services performed. Other fee for services revenue consists of various activities performed by CAI on a predetermined fee basis. The revenue is recognized in the period the service is performed.

#### **Rental Income**

Rental income is derived primarily from annual leases by BALI, BMAH, DMAH, and ESH with tenants. Rental income is recognized when earned.

#### **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable consist primarily of amounts billed under performance contracts, client service fees, and patient fees. The Organizations analyze the receivables and record an allowance that management believes will reserve for possible losses on existing receivables that may become uncollectible. The evaluations take into consideration such factors as changes in the customer's creditworthiness, prior loss experience, and current economic conditions. An account is considered uncollectible when all collection efforts prove worthless. The allowance for doubtful accounts was \$112,725 at December 31, 2016.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Investments**

Investments are carried at fair value. Unrealized gains or losses of investments are included in investment income in the consolidated statement of activities. Fair values are determined based on active publicly traded markets.

#### **Inventory**

Weatherization Inventory - CAI hires contractors to do a large portion of the weatherization activity. The contractors provide labor and materials. Weatherization materials, crew, and contractor labor are expensed in the accounting period when the unit weatherized is claimed as a completed unit. A completed unit represents a dwelling that has received weatherization services within the limits established in the weatherization contract, the final inspection has been performed, and the owner sign-off has been obtained. Weatherization inventory is stated at the lower of cost (first-in, first-out) or market.

Housing Inventory (homes held for resale) - CAI purchased houses in the Beloit Merrill Neighborhood in prior years. CAI is rehabilitating the houses and will sell them to income eligible buyers upon completion. House inventory is valued at the lower of cost or market value.

#### **Commodity Food Inventory**

Commodity food represents the value of food received through the State of Wisconsin and is distributed to low-income households. Valuations are provided by the State of Wisconsin. Commodity inventory is charged to expense when the commodities are distributed. Those commodities received during the year that had not been distributed are recognized as an asset with a corresponding balance recorded as grant funds received in advance on the consolidated statement of financial position.

#### **Loans Receivable**

CAI operates several loan funds that provide assistance to low-income residents in CAI's service area. The assistance provided is recorded as a receivable with a corresponding increase in temporarily restricted net assets. Any loans subsequently repaid will reduce the loan receivable and provide funds for loans or other assistance to other eligible participants.

Management has the intent and ability to hold all loans for the foreseeable future or until maturity or pay-off. Management has reported the loans at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for expected loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are recognized as income or expense when received or incurred since capitalization of these fees or costs would not have a significant impact on the financial statements.

At such time when a loan is determined to be past due, the interest-bearing loans are placed on nonaccrual status. The determination of past due loans for purposes of placing on nonaccrual status is made on a case-by-case basis. Interest accrued but not collected for loans that are placed on nonaccrual status is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

The allowance for loan losses is a valuation allowance for probable incurred credit losses based on an evaluation of the outstanding loans. Loans losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management regularly evaluates the allowance for loan losses taking into consideration such factors as historical loss experience, changes in the nature and volume of the loan portfolio, overall portfolio quality, a review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay.

A loan is considered impaired when, based on current information and events, it is probable that CAI will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for housing and business loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

CAI has the following types of loans receivable:

#### **Loans Receivable - Housing**

CAI operates a revolving loan program funded by grant awards. CAI receives funds to loan to eligible individuals for housing assistance. Loans are either to be repaid or are forgiven. The repaid loans are to be repaid over a time period determined by the grant or are to be repaid when the property is sold, title changes, or the property is refinanced. The forgivable loans are forgiven over a time period determined by the individual grant. Any funds repaid must be used in accordance with the original grant agreement, which includes covering a certain percentage of administrative costs. The loans are low or non-interest-bearing. Loans receivable are discounted to their net present value at a 4.5% discount rate and are stated at the amount of unpaid principal.

#### **Loans Receivable - Vehicle**

CAI operates a revolving loan program funded by grant awards. CAI receives funds to loan to eligible individuals for vehicle purchase assistance. Loans are to be repaid in monthly installments over a time period of 30 months. Any funds repaid must be used in accordance with the original grant agreement. The loans are non-interest-bearing. Due to the short term nature of these loans and the amount of the discount, they have not been discounted to their net present value.

#### **Loans Receivable – Affiliate**

CAI received a Rental Housing Development grant award from the State of Wisconsin to provide housing assistance to low-income households. The grant funds are loaned to a limited liability company (LLC), of which CAI is a member, for the development of housing projects.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment are capitalized at cost. Depreciation is provided for using the straight-line method over the estimated useful life of the asset. The Organizations consider property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Property and equipment purchased with grant funds are owned by the Organizations while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. The property and equipment purchased with grant funds are normally restricted for use in specific programs operated by the Organizations. The net book value of grant property and equipment included on the consolidated statement of financial position is \$256,586 at December 31, 2016. The Organizations have adopted a policy of implying a time restriction on assets purchased with grant award contributions. Grant-funded property and equipment are recorded as restricted support. As the property and equipment are depreciated, the temporarily restricted net assets are released from restriction and reported in the consolidated statement of activities as net assets released from restriction.

#### Change in Accounting Policy – Financing Fees

Financing fees represent costs associated with obtaining debt to finance the purchase of the BMAH housing project. Unamortized financing fees have been recorded as a reduction to the related debt obligation. The costs are being amortized to interest expense over the maximum term provided in the debt agreement using the straight-line method.

The above policy reflects the Company's current year adoption of the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest*. ASU 2015-03 requires the presentation of debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset.

#### Income Taxes

CAI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax.

BALI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax.

BMAH, DMAH, ESH and CAP are sole member LLCs or LPs and, therefore, are treated as disregarded entities for tax purposes. The activity of BMAH, DMAH, ESH, and CAP are included in CAI's annual federal and state returns.

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective.

#### Subsequent Events

Subsequent events have been evaluated through June 26, 2017, which is the date the financial statements were available to be issued.

### Note 2: Concentration of Credit Risk

The Organizations maintain their cash balances at several financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

CAI's cash balances at times exceed insured limits as designated by FDIC. For the main operating account, bank balances in excess of \$100,000 are transferred daily against CAI's line of credit balance. CAI has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

CAI's investments consisting of equity and fixed income funds and a money market fund are not insured (see Note 6).

### Note 3: Restricted Cash

The restricted cash balance at December 31, 2016, consisted of the following.

CAI reserved for unemployment claims	\$	85,183
BALI reserves and security deposits		85,583
BMAH reserves and security deposits		203,509
DMAH reserves and security deposits		190,408
ESH reserves and security deposits		135,182
<u>Total</u>	\$	<u>699,865</u>

### Note 4: Grants Receivable

Grants receivable at December 31, 2016, consisted of the following:

Direct federal programs	\$	173,245
State programs		310,417
<u>Other programs</u>		<u>324,280</u>
<u>Total</u>	\$	<u>807,942</u>

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 5: Accounts Receivable

Accounts receivable at December 31, 2016, consisted of funds due for the following activities:

Childcare programs	\$	12,066
Patient fees, net of \$102,595 allowance for uncollectible amounts		33,042
CAI miscellaneous activities, net of \$10,130 allowance for uncollectible amounts		24,533
BALI, DMAH, and ESH rental activities		7,613
<hr/>		
Total	\$	77,254

There is no allowance on the childcare program nor the rental activities.

### Note 6: Investments

The investments consist of unrestricted funds in a trust managed by BMO Harris Bank. The trust managed investments have been designated by the Board of Directors as a reserve for contingencies and are not available for use in operations. As these amounts are only restricted by Board policy, the amounts have been classified as unrestricted net assets. The Board's intent is that the amount of unrestricted net assets that are classified as a reserve for contingencies will always be equal to the market value of the funds in the investment trust. The Board may designate additional amounts from time to time to be added to the investment trust. The trust account is invested in equity and fixed income funds and a money market fund and is carried at fair value.

As of December 31, investments consist of the following:

Money market fund	\$	7,526
Equity and fixed income funds		319,362
<hr/>		
Total	\$	326,888

Total investment loss as of December 31, was as follows:

Interest and dividends	\$	12,468
Unrealized gain on investments		3,014
Realized gain on investments		13,225
Fees	(	2,911)
<hr/>		
Investment income	\$	25,796



# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 7: Loan Receivable - Affiliate

CAI has received Community Housing Development Organization (CHDO) Rental Housing Development awards from the State of Wisconsin DOA. The awards were used for the development of HOME-assisted units. The loan receivable - affiliate at December 31, 2016, consists of \$220,000 in State of Wisconsin CHDO funds loaned to Mulberry Grove, LLC. The loan is non-interest bearing. CAI has a 3% interest in Mulberry Grove LLC.

If CAI ceases to exist and their partnership interest is not acquired by a nonprofit organization approved by the State of Wisconsin DOA, the original CHDO grant amounts will be returned to the State of Wisconsin DOA at the time the development is sold. The above requirements will survive should CAI's interest be acquired or assigned to another eligible nonprofit CHDO organization.

For the year ended December 31, 2016, the allowance for uncollectible loans change is as follows:

Balance at the beginning of the year	\$	19,167
Charge-offs	(	19,167)
<hr/>		
Balance at the end of year	\$	0

CAI determined this loan was not considered impaired. CAI regularly evaluates attributes of loans to determine the appropriateness of the allowance for loan losses. Given the long-term nature of this loan and the fact that payment is not due until maturity, CAI has not attributed an allowance against the loan above. The loan receivable - affiliate is generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan.

In addition, the loan receivable - affiliate is not past due. Due to the nature of the loan terms, no payments of principal or interest are required until loan maturity.

When, for economic or legal reasons related to the borrower's financial difficulties, CAI grants a concession to the borrower that CAI would not otherwise consider, the modified loan is classified as a troubled debt restructuring. Loan modifications may consist of interest-only payments for a period of time, extending amortization terms, a reduction of the interest rate, and/or forgiveness of interest and/or principal. There were no troubled debt restructurings during 2016.

### Note 8: Weatherization Inventory

At December 31, 2016, CAI's inventory of weatherization material included the following:

Materials inventory	\$	17,005
Work in process		142,791
<hr/>		
Total	\$	159,796

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 9: Housing Inventory

The inventory of houses included the following:

Beginning cost of house inventory - Beloit Merrill Neighborhood	\$	125,000
Reclassified from property and equipment		122,463
Current year additions		228,377
Current year cost of sales	(	233,864)
Current year write-down (lower of cost or market)	(	95,177)
<hr/>		
Ending cost of house inventory - Beloit Merrill Neighborhood	\$	146,799

CAI has purchased older homes in Beloit and Janesville to repair and sell in an effort to provide affordable housing and to stimulate private redevelopment in these locations. The homes were severely worn, required significant demolition prior to repair, and required major repairs. The write-down is based upon the costs to acquire and do repairs less than estimated market value based upon the percentage of repairs completed times the estimated average market value. Four of the homes in the Beloit Merrill Neighborhood were completely demolished and the remaining lots may be held for future development or may be sold with the adjacent house being repaired to reduce the density in the neighborhood. CAI is making every effort to cover the acquisition, repair, and write-down costs with grants and donations.

### Note 10: Loans Receivable - Housing

CAI operates several programs that provide assistance to participants for housing. Unless noted otherwise, the funds were received from the State of Wisconsin, Department of Administration. The assistance is provided in the form of various low- or no-interest deferred or installment loans. As detailed more fully below, the loans are due and payable on the occurrence of various events including sale, transfer, or reassignment of the property, death of the homeowner, the homeowner no longer occupying the property, refinancing, or the passage of time. Unless otherwise noted below, any repaid loans and interest are to be used by CAI for similar purposes.

CAI received a CHDO grant award to provide rental housing rehabilitation assistance for properties rented to low-income persons. The assistance is provided in the form of low-interest deferred payment loans. The loans are at 3% interest with the principal and interest deferred for five years. After the five-year deferral period, the loans are to be repaid on a monthly installment basis ranging from 60 to 180 months.

	\$	67,048
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CAI received a HOME grant award to help low-income homebuyers bring their homes up to housing quality standards. Rehabilitation assistance is in the form of a no-interest deferred loan. The loan is payable at the earliest of the sale, transfer, or reassignment of the property.

		102,400
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CAI received a HOME grant and a Housing Cost Reduction Initiative (HCRI) grant to provide no-interest deferred loans to help low-income homebuyers acquire a lot for the construction of a home and for down payment and closing cost assistance. The assistance is given as a no-interest deferred loan payable at the earliest of the sale or transfer of the property.

		281,552
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# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

### Note 10: Loans Receivable - Housing (Continued)

CAI received a HOME grant award and a HCRI grant from the City of Beloit to provide no-interest deferred loans to help low-income homebuyers with construction of a new home. The assistance is given as a no-interest deferred loan payable at the earliest of the sale or transfer of the property.	26,850
CAI received a Home Weatherization Rehabilitation grant to provide for weatherization and/or home rehabilitation assistance to eligible participants. The assistance is given as a no-interest deferred loan payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	146,283
CAI received a Home Weatherization Rehabilitation grant to provide for weatherization and/or home rehabilitation assistance to eligible participants. The assistance is given as a no-interest deferred loan payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	611,519
CAI received a Home Lead Hazard Reduction grant to provide for lead hazard reduction assistance to eligible participants. The assistance is given as a forgivable (prorated over ten years), no-interest deferred loan payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	3,365
CAI received a Home Lead Hazard Reduction grant to provide for lead hazard reduction assistance to eligible participants. The assistance is given as a 4% interest deferred loan payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	33,246
CAI was assigned HOME and HCRI loans that were used to help low-income homebuyers with down payment and closing cost assistance. The loans are at 3% annual interest deferred until the loan is repaid. The loan is payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	714,442
Total loans receivable - Housing and home weatherization	1,986,705
<u>Allowance for uncollectible</u>	<u>( 396,801)</u>
Expected revolving loans to be received	1,589,904
<u>Discounted at 4.5%</u>	<u>( 310,351)</u>
Loans receivable, net	1,279,553
<u>Total current portion</u>	<u>( 5,495)</u>
<u>Total long-term portion</u>	<u>\$ 1,274,058</u>

The unamortized discount is the difference between the face amount of the loan receivable and its present value discounted at a compound interest rate. This discount is then amortized over the life of the loan.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 10: Loans Receivable - Housing (Continued)

CAI monitors the credit quality of housing loans based on collections received.

For the year ended December 31, 2016, the allowance for loan losses change is as follows:

Balance at the beginning of the year	\$	364,713
Provision for loan losses		162,506
Charge-offs	(	130,418)
<hr/>		
Balance at the end of year	\$	396,801

There are \$63,876 in housing loans that are considered past due by 90 days or over at December 31, 2016. There were no loans evaluated individually for impairment. There were no loans restructured under a troubled debt restructuring in 2016. The amount of loans that have been placed on nonaccrual status is \$811,564 at December 31, 2016.

### Note 11: Loans Receivable - Vehicle

CAI operates the Work 'N Wheels program to lend funds to eligible individuals for vehicle purchase assistance. The assistance is provided in the form of no-interest installment loans. Loans are to be repaid in monthly installments over a time period of 30 months. Repaid loan funds will be used by CAI for similar vehicle activities.

Total loans receivable - Vehicle	\$	75,351
Allowance for uncollectible	(	21,945)
<hr/>		
Loans receivable, net		53,406
Total current portion	(	43,098)
<hr/>		
Total long-term portion	\$	10,308

CAI monitors the credit quality of vehicle loans based on collections received.

For the year ended December 31, 2016, there was no change in the allowance for loan losses.

Balance at the beginning of the year	\$	21,945
Provision for loan losses		21,385
Charge-offs	(	21,385)
<hr/>		
Balance at the end of year	\$	21,945

There are \$25,343 in vehicle loans that are considered past due by 90 days or over at December 31, 2016.

There were no loans evaluated individually for impairment. There were no loans restructured under a troubled debt restructuring in 2016.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

### Note 12: Property and Equipment

A summary of property and equipment as of December 31, 2016, is as follows:

	Land	Building	Equipment	Total
CAI	\$ 220,100	\$ 2,189,398	\$ 693,033	\$ 3,102,531
BALI	4,141	2,204,682	23,911	2,232,734
BMAH	0	1,275,000	0	1,275,000
DMAH	272,300	903,700	0	1,176,000
ESH	210,420	965,580	0	1,176,000
Subtotal	706,961	7,538,360	716,944	8,962,265
Accumulated depreciation				(3,006,807)
Property and equipment, net				\$ 5,955,458

### Note 13: Mortgages Payable

CAI has a mortgage loan with Rock County. The loan is a line of credit which allows CAI to draw upon the line of credit as needed to support the purchase and rehabilitation of a single family house at 1423 Hull Avenue, Beloit, Wisconsin. The maximum loan available is \$15,000. The interest rate is 0%. The outstanding loan balance is due upon sale or transfer of the property. The loan is collateralized by the house at 1423 Hull Avenue, Beloit, Wisconsin. \$ 15,000

BMAH has a mortgage payable to WHEDA, payable in monthly installments of \$3,687, including interest at a rate of the 7-year Treasury Rate plus 2.75% (5.00% at December 31, 2016). The maturity date of the mortgage is August 1, 2045. The mortgage is secured by BMAH's assets. 700,664

BMAH has a mortgage payable to WHEDA, payable in annual installments of \$7,589, including interest at a fixed rate of 3%. Debt service payments on this mortgage is subject to available surplus cash flow. The maturity date of the mortgage is August 1, 2045. The mortgage is secured by BMAH's assets. 146,536

DMAH has a mortgage payable to Rural Housing Services (RHS), payable in monthly installments of \$875, including interest at a fixed rate of 7.125% with a maturity date of December 1, 2031, in the form of a balloon payment equal to the principal balance at that date. The mortgage is secured by the DMAH's assets. 134,067

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

### Note 13: Mortgages Payable (Continued)

ESH has a mortgage payable to RHS, payable in monthly installments of \$1,655, including interest at a fixed rate of 6.875% with a maturity date of July 2030. The mortgage is secured by the ESH's assets.

	263,743
Subtotals	1,260,010
Unamortized debt issuance costs, net of accumulated amortization of \$1,680	( 33,900)
Current maturities of mortgages payable	( 18,050)
<u>Long-term mortgages payable</u>	<u>\$ 1,208,060</u>

Future payments of mortgages payable are as follows:

2017	\$ 18,050
2018	18,923
2019	19,843
2020	20,808
2021	21,825
Thereafter	1,160,561
<u>Total</u>	<u>\$ 1,260,010</u>

CAI also has a line of credit at BMO Harris Bank with a maximum loan available of \$750,000. The line of credit matures in October 2017. The line of credit has an interest rate of 4.27% and is collateralized by real property. There was no outstanding amount drawn on the line of credit at December 31, 2016.

### Note 14: Advances

The balance represents cash advances received from funding sources for the following:

<u>Funding Source</u>	<u>Purpose</u>	<u>Amount</u>
State of Wisconsin - DHS	Advance to pay for inventory carrying cost in the Weatherization program.	\$ 9,720
Title X	Operating advance for First Choice program	25,858
<u>Total long-term advances</u>		<u>\$35,578</u>

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 15: Capital Advance - HUD

BALI was financed principally by a HUD capital advance mortgage note (the "Note") in the amount of \$2,251,500, payable to HUD. The Note bears no interest and repayment is not required so long as the housing remains available for very low-income elderly persons in accordance with the regulatory agreements and regulations.

The Note may not be prepaid prior to the maturity date without the prior written approval of HUD. Provided that (1) the housing has remained available for occupancy by eligible persons until the maturity date of the Note, and (2) the Note has not otherwise become due and payable by reason of default under the Note, mortgage or regulatory agreement or regulations, the Note will be considered to be paid in full and discharged at maturity, May 1, 2044.

If the Note is considered in default under the terms of the Note, mortgage, the regulatory agreement or the regulations, at the option of the holder of the Note, the entire principal shall become due and payable without notice. In addition, interest at a rate equal to 5.375% per annum shall be payable on demand with respect to the payment of principal. Interest expense will only be recognized if it becomes payable.

The Note, in its principal amount, is reflected on the statement of financial positions as long-term debt until such time as the HUD capital advance Note expires. Although management currently intends to comply with all Note provisions over the term of the Note, management believes that the possibility that repayment may occur is other than remote and; therefore, believes recognition of the Note as long-term debt is the appropriate treatment.

### Note 16: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Housing activities:

Housing projects	\$	1,857,921
Revolving loans - Housing		1,770,920
Twin Oaks shelter		21,583
Housing activities subtotal		3,650,424
Vehicle		215,524
Grant-funded equipment		256,586
Employment training		43,128
Other		83,796
Total	\$	4,249,458

### Note 17: Related Party

CAI received CHDO rental housing assistance awards from the State of Wisconsin DOA. The award was for the development of HOME-assisted units. CAI has entered into an agreement with Mulberry Grove, LLC to construct and own a rental property, of which a certain number of units are HOME-assisted units as stipulated in the CHDO award. CAI maintains a percentage

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 17: Related Party (Continued)

ownership, acts as a developer and property manager, and receives certain fees. There are no or minimal costs associated with CAI's investment in this LLC. The ownership, loans, and service fees received relating to the LLC are as follows:

	Percentage Ownership	Loans Receivable	Management Service Fee Received in 2016
Mulberry Grove, LLC	3.00%	\$ 220,000	\$ 0

See additional information on loans receivable in Note 7. CAI's minority investment interest in the above LLC is \$0. The investment is accounted for on the equity method based on CAI's ownership status in the partnership.

### Note 18: Employee Retirement Plan

CAI has a retirement plan that covers all employees who work a minimum of 1,000 hours per year and have been employed for two years. The pension plan is invested in individual employee 403(b) accounts. The retirement benefits are fully vested with the plan participant at the time the funds are contributed. Contributions for the plan were \$95,582 for the year ended December 31, 2016.

### Note 19: Operating Lease Agreements

CAI leases various facilities and apartments for the operation of its programs. Lease expense for the year ended December 31, 2016, was \$420,016, which includes \$290,414 in lease expense related to CAI's Transitional Living Program. The future minimum lease obligations are as follows:

2017	\$ 419,462
2018	143,253
2019	131,864
2020	170,990
2021	111,880
Thereafter	1,068,254
Total lease obligations	\$ 2,045,703

### Note 20: Rental Income

CAI subleases certain properties in the operation of some of their housing programs. Rental income recorded during the year ended December 31, 2016, was \$69,610. As per the sublease agreements, guaranteed annual rental payments due to CAI in 2017 are \$19,120 and in 2018 are \$1,140. Rental income from the affordable housing projects during the year ended December 31, 2016, was \$496,439.



# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

### Note 21: Commitments and Contingencies

At December 31, 2016, CAI had commitments under various grants of approximately \$3,900,000. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

BMAH is liable on a 99-year lease with the City of Beloit for the land upon which the rental property sits. The City has assigned its rights to the lease to WHEDA. The lease requires an annual rent payment of \$1. The lease ends on December 11, 2096. BMAH has the option to purchase the land for \$1 at any time during the lease term.

### Note 22: Sources of Revenue

Generally, revenue received is from government or private sources. The table below shows the sources of funds for 2016.

	Percentage	Amount
Government	73%	\$ 6,672,154
Private	27%	2,438,198
<b>Totals</b>	<b>100%</b>	<b>\$ 9,110,352</b>

### Note 23: Functional Classification of Expenses

The following program and supporting services are reflected in the consolidated statement of activities for the year ended December 31, 2016:

Program activities:

Weatherization/energy assistance	\$ 2,826,133
Child programs	842,385
Community services programs	675,956
Health Care	522,164
Homeless/shelter programs	171,512
Food programs	544,590
Housing and housing rehabilitation	1,749,577
Employment training	959,593
Other	76,347
<b>Total program activities</b>	<b>8,368,257</b>
Fund-raising	70,721
<b>Management and general expenses</b>	<b>890,163</b>
<b>Total expenses</b>	<b>\$ 9,329,141</b>

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

### Note 24: Fair Value Measurements

Generally accepted accounting principles require disclosure of the measurement of assets and liabilities at fair value. In general, the CAI determines fair values determined by Level 1 inputs utilizing quoted market prices in active markets. Fair values determined by Level 2 inputs utilize market information that is observable, such as quoted market prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves. Fair values determined by Level 3 inputs are based on valuation models or methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the CAI's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

Some assets and liabilities are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets, such as write-down of housing inventory and low-income housing partnerships land and building and improvements, are measured at fair value on a nonrecurring basis. CAI does not have any liabilities that are measured at fair value.

Information regarding the fair value of assets measured at fair value on a recurring basis as of December 31, 2016, is as follows:

	Assets Measured at Fair Value	Recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market fund	\$ 7,526	\$ 7,526	\$ 0	\$ 0
Equity and fixed income funds:				
Large cap funds	17,200	17,200	0	0
Mid cap funds	19,577	19,577	0	0
Small cap funds	7,619	7,619	0	0
Growth funds	68,243	68,243	0	0
Emerging markets	5,145	5,145	0	0
Value funds	17,382	17,382	0	0
Large blend	86,496	86,496	0	0
Bonds	93,641	93,641	0	0
Loan backed obligations	4,059	4,059	0	0
<b>Totals</b>	<b>\$ 326,888</b>	<b>\$ 326,888</b>	<b>\$ 0</b>	<b>\$ 0</b>

The following is a description of the valuation methodology used for each asset measured at fair value on a recurring basis:

- Money market and equity and fixed income funds are valued at quoted market prices.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

### Note 24: Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a non-recurring basis as of December 31, 2016, is as follows:

	Non-recurring Fair Value Measurements Using			
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Housing Inventory	\$ 146,799	\$ 0	\$ 0	\$ 146,799

Housing inventory with a carrying amount of \$241,976 was written down to its fair value of \$146,799 since this impairment was deemed to be other than temporary. As a result, an impairment charge of \$95,177 is included in the consolidated statement of activities for the year ended December 31, 2016.

The following is a description of the valuation methodology used for each asset measured at fair value on a nonrecurring basis:

- Housing inventory is valued using appraisals and other observable market data.

### Note 25: Acquisition of Partnerships

Effective August 2, 2016, CAI purchased the limited partner's share of DMAH for \$1 and effective December 8, 2016, CAI purchased the limited partner's share of ESH for \$1. CAI purchased these partnerships to provide low-income housing. This is consistent with the mission of CAI. CAI recognized these transaction as an acquisition of businesses and recorded substantially all assets and liabilities of the partnerships at fair value on the date of acquisition, resulting in net assets acquired in acquisition of \$724,361 recorded on the consolidated statements of activities.

The fair values of DMAH's asset and liabilities at the acquisition date are as follows:

Cash	\$	25,850
Restricted cash		201,342
Accounts receivable		10,694
Property and equipment		1,176,000
Accounts payable and other liabilities	(	27,423)
Mortgages payable	(	972,866)
<b>Total</b>	<b>\$</b>	<b>413,597</b>

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Notes to Consolidated Financial Statements

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### Note 25: Acquisition of Partnerships (Continued)

The fair values of ESH's asset and liabilities at the acquisition date are as follows:

Cash	\$	27,151
Restricted cash		151,146
Accounts receivable		6,083
Property and equipment		1,176,000
Accounts payable and other liabilities	(	28,050)
Mortgages payable	(	1,021,566)
<hr/>		
Total	\$	310,764

# **Supplementary Information**

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-1  
 Schedule of Program Activity  
 Year Ended December 31, 2016

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE</b>					
<b>Department of Agriculture</b>					
10.558	N/A	Child and Adult Care Food Program	State of WI Dept. of Public Instruction	10/01/15-09/30/16	N/A
10.558	N/A	Child and Adult Care Food Program	State of WI Dept. of Public Instruction	10/01/16-09/30/17	N/A
		<b>Subtotal 10.558</b>			
10.561	N/A	FSET-Fatherhood	SWWDB	10/01/15-09/30/16	95,718
10.561	N/A	FSET-Fatherhood	SWWDB	10/01/16-09/30/17	83,474
		<b>Subtotal 10.561</b>			
10.568	N/A	Temporary Emerg. Food Asst. Prog.	State of WI Dept. of Health Services	10/01/15-09/30/16	44,180
10.568	N/A	Temporary Emerg. Food Asst. Prog.	State of WI Dept. of Health Services	10/01/16-09/30/17	39,666
		<b>Subtotal 10.568</b>			
10.569	N/A	Commodity Food Program	State of WI Dept. of Health Services	01/01/16-12/31/16	N/A
		<b>Subtotal 10.568 &amp; 10.569 Cluster</b>			
<b>Department of Housing and Urban Development</b>					
14.218	N/A	Community Development Block Grant	City of Janesville	07/01/15-06/30/16	3,250
14.218	94520966-2016	Community Development Block Grant	City of Beloit	01/01/16-12/31/16	29,624
14.218	94520921-2016	Community Development Block Grant	City of Beloit	01/01/16-12/31/16	20,000
		<b>Subtotal 14.218</b>			
14.231	ETH 15-05	Emergency Shelter & Homeless Prevention	State of WI Dept. of Administration	07/01/15-06/30/16	101,718
14.231	ETH 16-05	Emergency Shelter & Homeless Prevention	State of WI Dept. of Administration	07/01/16-06/30/17	84,630
		<b>Subtotal 14.231</b>			
14.235	SHP 15-01	Supportive Housing Prog.-Shelter Plus Care	State of WI Dept. of Administration	06/01/15-05/31/16	254,548
14.235	SHP 60-01	Supportive Housing Prog.-Shelter Plus Care	State of WI Dept. of Administration	06/01/16-05/31/17	261,692
14.235	WI0016L5I001407	Supportive Housing Program	U.S. Dept. of HUD	09/01/15-08/31/16	544,442
14.235	WI0016L5I001508	Supportive Housing Program	U.S. Dept. of HUD	09/01/16-08/31/17	544,442
		<b>Subtotal 14.235</b>			
14.239	N/A	HOME Invest. Partnership - Rock	City of Janesville	07/01/11-12/31/16	74,165
14.239	N/A	HOME Invest. Partnership - Rock	City of Janesville	01/01/16-12/31/16	95,000
14.239	N/A	HOME Invest. Partnership - Rock	City of Janesville	01/01/16-12/31/16	111,000
		<b>Subtotal 14.239</b>			
<b>Department of Labor</b>					
17.259	CAL.YOUTH.PY15	WIOA Youth Activities	SWWDB	07/01/15-06/30/17	669,495
17.274	YB-26235-14-60-A-55	Youth Build	U.S. Dept. of Labor	08/11/14-12/10/17	720,000
17.274	YB-29990-17-60-A-55	Youth Build	U.S. Dept. of Labor	10/17/16-02/16/20	1,100,000
		<b>Subtotal 17.274</b>			
<b>Department of Energy</b>					
81.042	AD149877.03	Weatherization Assistance DOE	State of WI Dept. of Administration	07/01/14-06/30/16	234,864
81.042	WX 1718.03	Weatherization Assistance DOE	State of WI Dept. of Administration	07/01/16-06/30/18	303,993
		<b>Subtotal 81.042</b>			

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-1 (Continued)  
 Schedule of Program Activity  
 Year Ended December 31, 2016

Net Assets 12/31/15	Grant funds Received in Advance 12/31/15	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/16	Net Assets 12/31/16
\$ 0	\$ 0	\$ 47,989	\$ 0	(\$ 47,989)	\$ 0	\$ 0	\$ 0
0	0	13,400	0	( 13,400)	0	0	0
<b>0</b>	<b>0</b>	<b>61,389</b>	<b>0</b>	<b>( 61,389)</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	52,155	0	( 52,155)	0	0	0
0	0	16,350	0	( 16,350)	0	0	0
<b>0</b>	<b>0</b>	<b>68,505</b>	<b>0</b>	<b>( 68,505)</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	4,391	31,400	0	( 35,791)	0	0	0
0	0	8,127	0	( 8,127)	0	0	0
<b>0</b>	<b>4,391</b>	<b>39,527</b>	<b>0</b>	<b>( 43,918)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>499,870</b>	<b>0</b>	<b>( 496,728)</b>	<b>0</b>	<b>( 3,142)</b>	<b>0</b>
<b>0</b>	<b>4,391</b>	<b>539,397</b>	<b>0</b>	<b>( 540,646)</b>	<b>0</b>	<b>( 3,142)</b>	<b>0</b>
0	0	3,250	0	( 3,250)	0	0	0
0	0	29,624	0	( 29,624)	0	0	0
0	0	20,000	0	( 20,000)	0	0	0
<b>0</b>	<b>0</b>	<b>52,874</b>	<b>0</b>	<b>( 52,874)</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	31,734	0	( 31,734)	0	0	0
0	0	12,280	0	( 12,280)	0	0	0
<b>0</b>	<b>0</b>	<b>44,014</b>	<b>0</b>	<b>( 44,014)</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	104,159	0	( 104,159)	0	0	0
0	0	152,013	0	( 152,013)	0	0	0
0	0	363,207	0	( 363,207)	0	0	0
0	0	144,327	0	( 144,327)	0	0	0
<b>0</b>	<b>0</b>	<b>763,706</b>	<b>0</b>	<b>( 763,706)</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	65,406	0	( 65,406)	0	0	0
0	0	9,267	0	( 9,267)	0	0	0
0	0	111,000	0	( 111,000)	0	0	0
<b>0</b>	<b>0</b>	<b>185,673</b>	<b>0</b>	<b>( 185,673)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>333,296</b>	<b>0</b>	<b>( 333,296)</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	168,350	0	( 168,350)	0	0	0
0	0	63,953	0	( 63,953)	0	0	0
<b>0</b>	<b>0</b>	<b>232,303</b>	<b>0</b>	<b>( 232,303)</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	( 30,241)	43,199	0	( 12,958)	0	0	0
0	0	285,507	0	( 295,230)	0	9,723	0
<b>0</b>	<b>( 30,241)</b>	<b>328,706</b>	<b>0</b>	<b>( 308,188)</b>	<b>0</b>	<b>9,723</b>	<b>0</b>

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-2

Schedule of Program Activity

Year Ended December 31, 2016

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE(Continued)</b>					
<b>Department of Health and Human Services</b>					
93.092	N/A	Health Care Employment & Training	The Medical College of Wisconsin	05/01/16-08/31/16	10,804
93.092	N/A	Personal Responsibility Education Program	The Medical College of Wisconsin	10/01/15-09/30/16	95,000
93.092	N/A	Stakeholders YR5	The Medical College of Wisconsin	10/01/15-09/30/16	15,220
93.092	N/A	Personal Responsibility Education Program	State of WI Dept. of Health Services	10/01/16-09/30/17	100,000
93.092	N/A	Personal Responsibility Education Program/FC	Health Care Education & Training	01/01/16-12/31/16	13,000
		<b>Subtotal 93.092</b>			
93.217	N/A	Family Planning	Planned Parenthood of WI, Inc.	04/01/15-03/31/16	211,733
93.217	N/A	Family Planning	Planned Parenthood of WI, Inc.	04/01/16-03/31/17	211,733
		<b>Subtotal 93.217</b>			
93.558	437004-G16-0000742-000-01	Transitional Jobs	State of WI Dept. of Children & Families	07/01/16-12/31/19	1,480,700
93.568	AD149877.03	Weatherization Assistance EAP	State of WI Dept. of Administration	07/01/14-06/30/16	792,298
93.568	WX 1718.03	Weatherization Assistance EAP	State of WI Dept. of Administration	07/01/16-06/30/18	557,344
93.568	N/A	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/15-09/30/16	N/A
93.568	N/A	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/16-09/30/17	N/A
		<b>Subtotal 93.568</b>			
93.569	437004-G16-0000764-000-04	Community Services Block Grant	State of WI Dept. of Children & Families	01/01/16-12/31/16	365,740
93.670	HSD_2014_0039A1	PATHS	Rock County Human Services	07/01/14-06/30/16	472,360
93.959	HSD_2016_0029	AODA Inner City	Rock County Human Services	01/01/16-12/31/16	46,500
<b>Corporation for National and Community Service</b>					
94.006	N/A	AmeriCorps	Serve Wisconsin	08/15/15-08/14/16	45,360
94.006	N/A	AmeriCorps	Serve Wisconsin	08/15/16-08/14/17	60,450
		<b>Subtotal 94.006</b>			
<b>Total Federal Programs</b>					
<b>STATE AND LOCAL PROGRAMS</b>					
N/A	AD149877.03	Public Benefits Weatherization	State of WI Dept. of Administration	07/01/14-06/30/16	1,529,514
N/A	WX 1718.03	Public Benefits Weatherization	State of WI Dept. of Administration	07/01/16-06/30/18	1,703,787
N/A	N/A	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/15-09/30/16	N/A
N/A	N/A	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/16-09/30/17	N/A
N/A	N/A	State Shelter Subsidy Grant	State of WI Dept. of Administration	01/01/16-12/31/16	17,300
N/A	HSD_2016_0045	Mentoring - Inner City	Rock County Human Services	01/01/16-12/31/16	33,847
N/A	DOH-CA-FC-WHC-16	Women's Health Services	Kenosha County Dept. of Public Health	01/01/16-12/31/16	47,250
N/A	N/A	Skills GPR	WISCAP	07/01/15-06/30/16	15,000
N/A	N/A	Skills GPR	State of WI Dept. of Children & Families	07/01/16-06/30/17	17,857
N/A	N/A	AWARE	City of Evansville	01/01/16-12/31/16	8,500
N/A	N/A	152 Linn St.	City of Janesville TIFF Funds	01/01/16-12/31/16	23,750
N/A	N/A	AWARE	United Way Blackhawk Region	01/01/16-12/31/16	15,000
N/A	N/A	AWARE	Donations	01/01/16-12/31/16	N/A
N/A	N/A	Fresh Start	School District of Beloit-WI DPI	09/01/15-06/30/16	95,500
N/A	N/A	Fresh Start	School District of Beloit-WI DPI	07/01/16-06/30/17	95,500
N/A	N/A	Fresh Start - Mentoring	Stateline Community Foundation	03/03/16-03/03/17	15,000
N/A	N/A	TLP/SHP	United Way of Walworth County	01/01/16-12/31/16	11,250
N/A	N/A	Skills Enhancement	United Way Blackhawk Region	01/01/15-12/31/15	0
N/A	N/A	Community Kids Janesville	United Way Blackhawk Region	01/01/16-12/31/16	60,000
N/A	N/A	PREP	United Way Blackhawk Region	01/01/16-12/31/16	8,000
N/A	N/A	Fatherhood	United Way Blackhawk Region	01/01/16-12/31/16	30,000
N/A	N/A	Fresh Start	United Way Blackhawk Region	01/01/16-12/31/16	8,000
N/A	N/A	TLP SHP Connection	United Way Blackhawk Region	01/01/16-12/31/16	50,500



# Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-2 (Continued)  
 Schedule of Program Activity  
 Year Ended December 31, 2016

Net Assets 12/31/15	Grant funds Received in Advance 12/31/15	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/16	Net Assets 12/31/16
0	0	10,804	0	( 10,804)	0	0	0
0	0	69,496	0	( 69,496)	0	0	0
0	0	8,387	0	( 8,387)	0	0	0
0	0	42,485	0	( 42,485)	0	0	0
0	0	13,000	0	( 13,000)	0	0	0
<b>0</b>	<b>0</b>	<b>144,172</b>	<b>0</b>	<b>( 144,172)</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	53,496	39,692	( 93,188)	0	0	0
0	0	158,798	147,515	( 306,313)	0	0	0
<b>0</b>	<b>0</b>	<b>212,294</b>	<b>187,207</b>	<b>( 399,501)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 57,127)</b>	<b>57,127</b>	<b>0</b>	<b>0</b>
0	312,588	199,736	0	( 512,324)	0	0	0
0	0	379,102	0	( 226,071)	0	( 153,031)	0
0	0	40,578	0	( 40,578)	0	0	0
0	0	6,903	0	( 6,903)	0	0	0
<b>0</b>	<b>312,588</b>	<b>626,319</b>	<b>0</b>	<b>( 785,876)</b>	<b>0</b>	<b>( 153,031)</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>375,139</b>	<b>0</b>	<b>( 375,139)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>165,727</b>	<b>0</b>	<b>( 165,727)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>46,500</b>	<b>0</b>	<b>( 46,500)</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	37,283	0	( 37,283)	0	0	0
0	0	9,664	0	( 9,664)	0	0	0
<b>0</b>	<b>0</b>	<b>46,947</b>	<b>0</b>	<b>( 46,947)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>286,738</b>	<b>4,226,961</b>	<b>187,207</b>	<b>(4,611,583)</b>	<b>57,127</b>	<b>(146,450)</b>	<b>0</b>
0	( 30,666)	1,067,074	0	( 1,036,408)	0	0	0
0	0	805,501	0	( 722,300)	0	( 83,201)	0
0	0	105,012	0	( 105,012)	0	0	0
0	0	166,456	0	( 166,456)	0	0	0
0	0	17,300	0	( 17,300)	0	0	0
0	0	33,847	0	( 33,847)	0	0	0
0	0	47,250	0	( 47,250)	0	0	0
0	0	9,246	0	( 9,246)	0	0	0
0	0	13,634	0	( 13,634)	0	0	0
0	0	8,500	0	( 8,500)	0	0	0
0	0	23,750	0	( 23,750)	0	0	0
0	0	15,000	0	( 15,000)	0	0	0
45,075	58,331	0	0	( 58,843)	0	0	44,563
27,055	0	52,500	0	( 83,355)	3,800	0	0
0	0	48,000	0	( 6,072)	( 3,800)	0	38,128
0	0	10,999	0	( 76)	0	( 10,923)	0
0	0	11,250	0	( 11,250)	0	0	0
0	4,000	( 4,000)	0	0	0	0	0
0	0	60,000	0	( 60,000)	0	0	0
0	0	8,000	0	( 8,000)	0	0	0
0	0	30,000	0	( 30,000)	0	0	0
0	0	8,000	0	( 8,000)	0	0	0
0	0	50,500	0	( 50,500)	0	0	0

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-3

Schedule of Program Activity

Year Ended December 31, 2016

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
<b>STATE AND LOCAL PROGRAMS (Continued)</b>					
N/A	N/A	Fatherhood	Stateline Community Foundation	03/03/16-03/03/17	4,750
N/A	N/A	WETAP PD Vehicle Loans	State of WI Dept of Transportation	01/01/16-12/31/16	0
N/A	N/A	WETAP PD Vehicle Available to Loan	State of WI Dept of Transportation	Ongoing	N/A
N/A	N/A	Internal Unemployment Fund	Fees to Programs	Ongoing	N/A
N/A	N/A	Revolving Housing Funds	Revolving Program Income	Ongoing	N/A
N/A	N/A	Loans to Affiliates	N/A	Ongoing	N/A
N/A	N/A	Work-N-Wheels Program	Loan Origination/Device Fees	Ongoing	N/A
N/A	N/A	Skills	Foundations/Donations	01/01/16-12/31/16	N/A
N/A	N/A	WIOA	Foundations/Donations	01/01/16-12/31/16	N/A
N/A	N/A	152 Linn St.	Sale Proceeds	01/01/16-12/31/16	N/A
N/A	N/A	Twin Oaks Homeless Shelter	Donations	01/01/16-12/31/16	N/A
<b>GENERALLY ACCEPTED ACCOUNTING PRINCIPLE (GAAP) ADJUSTMENTS</b>					
N/A	N/A	Average Lease Adjustment Pathways Center	N/A	Ongoing	N/A
N/A	N/A	Grant-Funded Equipment	N/A	Ongoing	N/A
<b>Total State and Local Programs and GAAP Adjustments</b>					
<b>Total Program Activity</b>					
<b>PRIVATE SUPPORT AND SERVICE FEES</b>					
N/A	N/A	First Choice	Client Fees	Ongoing	N/A
N/A	N/A	Community Kids Janesville	Rock County Dept. of H.S., YoungStar, and Forward Services Corporation	01/01/16-12/31/16	N/A
N/A	N/A	Community Kids P4J	School District of Janesville Fees	01/01/16-12/31/16	N/A
N/A	N/A	Fatherhood Initiative	Foundations/Donations	Ongoing	N/A
N/A	N/A	122 Knoll	HRRP Revolving Loan/Rent	Ongoing	N/A
N/A	N/A	Beloit Merrill Houses	Rent/Donations	01/01/16-12/31/16	N/A
N/A	N/A	Beloit Merrill Houses	Sale Proceeds	01/01/16-12/31/16	N/A
N/A	N/A	BMI Community Development	Donations	01/01/16-12/31/16	N/A
N/A	N/A	Housing Development	Fees/Donations	01/01/16-12/31/16	N/A
N/A	N/A	Mentoring	Fees/Donations	01/01/16-12/31/16	N/A
N/A	N/A	Supportive Services	Rent/Fees	01/01/16-12/31/16	N/A
N/A	N/A	Accounting Fees	WISCAP Fee for Service	01/01/16-12/31/16	N/A
N/A	N/A	Training	Fee for Service	01/01/16-12/31/16	N/A
N/A	N/A	Corporate Fund	Donations, Rent Inc. and Interest	01/01/16-12/31/16	N/A
<b>Total CAI Discretionary Activity</b>					
<b>Total CAI Activity</b>					
N/A	N/A	Beloit Assisted Living, Inc.	Rent	01/01/16-12/31/16	N/A
N/A	N/A	Beloit Mature Adult Housing LLC	Rent	01/01/16-12/31/16	N/A
N/A	N/A	Delavan Mature Adult Housing, LLC	Rent	08/02/16-12/31/16	N/A
N/A	N/A	Evansville Senior Housing, LP	Rent	12/08/16-12/31/16	N/A
<b>Total Subsidiary Activity</b>					
<b>GRAND TOTALS</b>					

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-3 (Continued)  
 Schedule of Program Activity  
 Year Ended December 31, 2016

Net Assets 12/31/15	Grant funds Received in Advance 12/31/15	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/16	Net Assets 12/31/16
0	0	4,750	0	( 4,750)	0	0	0
100,556	0	0	0	( 21,385)	( 25,765)	0	53,406
137,729	0	0	0	0	24,389	0	162,118
38,789	0	0	0	444	0	0	39,233
1,865,405	0	0	12,901	( 77,149)	( 30,237)	0	1,770,920
1,822,135	0	0	0	0	0	0	1,822,135
20,007	0	0	1,155	( 22,539)	1,377	0	0
4,024	0	0	600	( 4,624)	0	0	0
0	0	0	5,000	0	0	0	5,000
0	0	0	99,900	( 64,114)	0	0	35,786
21,668	0	0	178,268	( 178,353)	0	0	21,583
0	0	0	0	( 8,967)	8,967	0	0
262,179	0	0	29,948	( 35,541)	0	0	256,586
<b>4,344,622</b>	<b>31,665</b>	<b>2,592,569</b>	<b>327,772</b>	<b>(2,931,777)</b>	<b>(21,269)</b>	<b>(94,124)</b>	<b>4,249,458</b>
<b>4,344,622</b>	<b>318,403</b>	<b>6,819,530</b>	<b>514,979</b>	<b>( 7,543,360)</b>	<b>35,858</b>	<b>( 240,574)</b>	<b>4,249,458</b>
61,026	0	0	33,606	( 60,365)	0	0	34,267
132,699	0	0	840,108	( 782,857)	0	0	189,950
171,241	0	0	76,960	( 80,385)	0	0	167,816
0	0	0	24,445	( 34,799)	10,354	0	0
( 29,382)	85	0	10,370	( 12,747)	( 8,000)	0	( 39,674)
0	0	0	17,456	( 21,863)	4,407	0	0
0	0	0	49,900	( 49,900)	0	0	0
6,872	0	0	2,818	( 2,818)	0	0	6,872
1,261	0	0	4,899	( 4,899)	0	0	1,261
0	0	0	938	( 938)	0	0	0
29,464	0	0	7,972	( 38,445)	1,009	0	0
0	0	0	15,000	( 15,000)	0	0	0
0	0	0	15,670	( 5,176)	0	0	10,494
732,134	0	0	70,100	( 98,340)	( 43,628)	0	660,266
<b>1,105,315</b>	<b>85</b>	<b>0</b>	<b>1,170,242</b>	<b>( 1,208,532)</b>	<b>( 35,858)</b>	<b>0</b>	<b>1,031,252</b>
<b>5,449,937</b>	<b>318,488</b>	<b>6,819,530</b>	<b>1,685,221</b>	<b>( 8,751,892)</b>	<b>0</b>	<b>( 240,574)</b>	<b>5,280,710</b>
( 585,743)	0	0	153,614	( 209,182)	0	0	( 641,311)
641,656	0	0	325,369	( 300,914)	0	0	666,111
0	0	0	48,331	( 52,482)	413,597	0	409,446
0	0	0	373	( 14,671)	310,764	0	296,466
<b>55,913</b>	<b>0</b>	<b>0</b>	<b>527,687</b>	<b>(577,249)</b>	<b>724,361</b>	<b>0</b>	<b>730,712</b>
<b>\$ 5,505,850</b>	<b>\$ 318,488</b>	<b>\$ 6,819,530</b>	<b>\$ 2,212,908</b>	<b>(\$ 9,329,141)</b>	<b>\$ 724,361</b>	<b>(\$ 240,574)</b>	<b>\$ 6,011,422</b>
<b>Reconciliation of Grant and Contract Revenue With Statement of Activities:</b>			<b>Reconciliation of Other Revenue With Statement of Activities:</b>				
Prior year grant funds received in advance			\$ 318,488	Fee for services revenue		\$ 1,172,065	
Current grant revenue			6,819,530	Program and other contributions		299,198	
Current year grant funds received in advance			( 240,574)	Sales of houses		149,800	
<b>TOTAL</b>			<b>\$ 6,897,444</b>	Rental income		566,049	
				Investment income		25,796	
						<b>\$ 2,212,908</b>	

# Community Action, Inc. of Rock and Walworth Counties

Schedule B-1

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Subrecipient Expenditures	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed-Through Wisconsin Department of Public Instruction</b>				
USDA Reimbursement	10.558	N/A	0	61,389
<b>Passed-Through Southwest Wisconsin Workforce Development Board</b>				
<b>SNAP Cluster:</b>				
FSET-Fatherhood	10.561	N/A	0	68,505
<b>Passed-Through Wisconsin Department of Health Services</b>				
<b>Emergency Food Assistance Cluster:</b>				
Temporary Emergency Food Assistance Program	10.568	N/A	0	43,918
Commodity Food Program	10.569	N/A	0	496,728
<b>Subtotal Emergency Food Assistance Cluster CFDA #10.568 and #10.569</b>			<b>0</b>	<b>540,646</b>
<b>SUBTOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>0</b>	<b>670,540</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<b>Passed-Through City of Janesville</b>				
<b>CDBG - Entitlement Grants Cluster:</b>				
Community Development Block Grant	14.218	N/A	0	3,250
<b>Passed-Through City of Beloit</b>				
Community Development Block Grant		94520966-2016	0	29,624
Community Development Block Grant		94520921-2016	0	20,000
<b>Subtotal 14.218</b>			<b>0</b>	<b>52,874</b>
<b>Passed-Through Wisconsin Department of Administration</b>				
Emergency Shelter & Homeless Prevention	14.231	ETH 15-05	0	31,734
Emergency Shelter & Homeless Prevention		ETH 16-05	0	12,280
<b>Subtotal 14.231</b>			<b>0</b>	<b>44,014</b>
<b>Passed-Through Wisconsin Department of Administration</b>				
Supportive Housing Program	14.235	SHP 15-01	0	104,159
Supportive Housing Program		SHP 60-01	0	152,013
<b>Direct Grant</b>				
Supportive Housing Program		WI0016L5I001407	0	363,207
Supportive Housing Program		WI0016L5I001508	0	144,327
<b>Subtotal 14.235</b>			<b>0</b>	<b>763,706</b>
<b>Passed-Through City of Janesville</b>				
HOME Investment Partnership	14.239	N/A	0	185,673
<b>SUBTOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>0</b>	<b>1,046,267</b>
<b>U.S. DEPARTMENT OF LABOR</b>				
<b>Passed-Through Southwest Wisconsin Workforce Development Board</b>				
<b>WIOA Cluster:</b>				
WIOA Youth Activities	17.259	CAI.YOUTH.PY15	0	333,296
<b>Direct Grant - Youth Build</b>				
Youth Build	17.274	YB-26235-14-60-A-55	0	168,350
Youth Build		YB-29990-17-60-A-55	0	63,953
<b>Subtotal 17.274</b>			<b>0</b>	<b>232,303</b>
<b>SUBTOTAL U.S. DEPARTMENT OF LABOR</b>			<b>0</b>	<b>565,599</b>

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.

# Community Action, Inc. of Rock and Walworth Counties

Schedule B-2

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Subrecipient Expenditures	Federal Expenditures
<b>U.S. DEPARTMENT OF ENERGY (DOE)</b>				
<b>Passed-Through Wisconsin Department of Administration</b>				
Weatherization Assistance DOE	81.042	AD149877.03	0	12,958
Weatherization Assistance DOE		WX 1718.03	0	295,230
<b>Subtotal 81.042</b>			<b>0</b>	<b>308,188</b>
<b>SUBTOTAL U.S. DEPARTMENT OF ENERGY</b>			<b>0</b>	<b>308,188</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed-Through The Medical College of Wisconsin</b>				
Personal Responsibility Education Program	93.092	N/A	0	88,687
<b>Passed-Through Wisconsin Department of Health Services</b>				
Personal Responsibility Education Program		N/A	0	42,485
<b>Passed-Through Health Care Education &amp; Training</b>				
Personal Responsibility Education Program/FC		N/A	0	13,000
<b>Subtotal 93.092</b>			<b>0</b>	<b>144,172</b>
<b>Passed-Through Planned Parenthood of Wisconsin, Inc.</b>				
Family Planning	93.217	N/A	0	212,294
<b>Passed-Through Wisconsin Department of Administration</b>				
Weatherization Assistance EAP	93.568	AD149877.03	0	512,324
Weatherization Assistance EAP		WX 1718.03	0	226,071
Emergency Furnace Repair and Replacement		N/A	0	47,481
<b>Subtotal 93.568</b>			<b>0</b>	<b>785,876</b>
<b>Passed-Through Wisconsin Department of Children &amp; Families</b>				
Community Service Block Grant	93.569	437004-G16- 0000764-000-04	0	375,139
<b>Passed-Through Rock County Human Services</b>				
PATHS	93.670	HSD_2014_0039A1	0	165,727
<b>Passed-Through Rock County Human Services</b>				
AODA Inner City	93.959	HSD_2016_0029	0	46,500
<b>SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>0</b>	<b>1,729,708</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
<b>Passed-Through Serve Wisconsin</b>				
Americorps	94.006	N/A	0	46,947
<b>SUBTOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<b>0</b>	<b>46,947</b>
<b>TOTAL SUBRECIPIENT EXPENDITURES AND FEDERAL EXPENDITURES</b>			<b>\$ 0</b>	<b>\$ 4,367,249</b>

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.

# Community Action, Inc. of Rock and Walworth Counties

Notes to the Schedule of Expenditures of Federal Awards

December 31, 2016

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## **Note 1 - Basis of Presentation**

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal and other grant activity of Community Action, Inc. of Rock and Walworth Counties under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of Community Action, Inc. of Rock and Walworth Counties, it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action, Inc. of Rock and Walworth Counties.

## **Note 2 - 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. Community Action, Inc. of Rock and Walworth Counties has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Schedule C

### Consolidating Statement of Financial Position

December 31, 2016

<i>Assets</i>	Community Action, Inc. of Rock & Walworth *	Beloit Assisted Living, Inc.
Current assets:		
Cash	\$ 211,555	\$ 13,939
Restricted cash	85,183	85,583
Grants receivable	807,942	0
Accounts receivable, net	111,931	1,263
Weatherization inventory	159,796	0
Housing inventory	146,799	0
Commodity food inventory	3,142	0
Current portion of loans receivable - Housing and vehicle	48,593	0
Prepaid expenses and other assets	99,444	1,279
<b>Total current assets</b>	<b>1,674,385</b>	<b>102,064</b>
Other assets:		
Investments	326,888	0
Loans receivable - Affiliates, net	1,822,135	0
Loans receivable - Housing, net	1,274,058	0
Loans receivable - Vehicles, net	10,308	0
<b>Total other assets</b>	<b>3,433,389</b>	<b>0</b>
Property and equipment, net	857,151	1,527,889
<b>TOTAL ASSETS</b>	<b>\$ 5,964,925</b>	<b>\$ 1,629,953</b>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Current portion of mortgages payable	\$ 0	\$ 0
Accounts payable	326,068	0
Accrued payroll and related expenses	64,570	0
Other liabilities	2,425	19,764
Grant funds received in advance	240,574	0
<b>Total current liabilities</b>	<b>633,637</b>	<b>19,764</b>
Long-term liabilities:		
Long-term advances	35,578	0
Capital advance - HUD	0	2,251,500
Operating loan payable - related party	0	0
Mortgages payable	15,000	0
<b>Total long-term liabilities</b>	<b>50,578</b>	<b>2,251,500</b>
<b>Total liabilities</b>	<b>684,215</b>	<b>2,271,264</b>
Net assets:		
Unrestricted	704,364	( 641,311)
Unrestricted - Board designated	326,888	0
<b>Total unrestricted</b>	<b>1,031,252</b>	<b>( 641,311)</b>
Temporarily restricted	4,249,458	0
<b>Total net assets</b>	<b>5,280,710</b>	<b>( 641,311)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,964,925</b>	<b>\$ 1,629,953</b>

\* Includes activity for both CAI and CAP.

\*\* Includes activity for Beloit Mature Adult Housing LLC, Delavan Mature Adult Housing LLC, and Evansville Senior Housing LP.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Schedule C

### Consolidating Statement of Financial Position (Continued)

December 31, 2016

<i>Assets</i>	<b>Low-Income Housing Partnerships **</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Consolidated</b>
Current assets:				
Cash	\$ 160,854	\$ 386,348	\$ 0	\$ 386,348
Restricted cash	529,099	699,865	0	699,865
Grants receivable	0	807,942	0	807,942
Accounts receivable, net	6,350	119,544	( 42,290)	77,254
Weatherization inventory	0	159,796	0	159,796
Housing inventory	0	146,799	0	146,799
Commodity food inventory	0	3,142	0	3,142
Current portion of loans receivable - Housing and vehicle	0	48,593	0	48,593
Prepaid expenses and other assets	7,080	107,803	0	107,803
<b>Total current assets</b>	<b>703,383</b>	<b>2,479,832</b>	<b>( 42,290)</b>	<b>2,437,542</b>
Other assets:				
Investments	0	326,888	0	326,888
Loans receivable - Affiliates, net	0	1,822,135	( 1,602,135)	220,000
Loans receivable - Housing, net	0	1,274,058	0	1,274,058
Loans receivable - Vehicles, net	0	10,308	0	10,308
<b>Total other assets</b>	<b>0</b>	<b>3,433,389</b>	<b>( 1,602,135)</b>	<b>1,831,254</b>
Property and equipment, net	3,570,418	5,955,458	0	5,955,458
<b>TOTAL ASSETS</b>	<b>\$ 4,273,801</b>	<b>\$ 11,868,679</b>	<b>(\$ 1,644,425)</b>	<b>\$ 10,224,254</b>
<b><i>Liabilities and Net Assets</i></b>				
Current liabilities:				
Current portion of mortgages payable	\$ 18,050	\$ 18,050	\$ 0	\$ 18,050
Accounts payable	821	326,889	0	326,889
Accrued payroll and related expenses	0	64,570	0	64,570
Other liabilities	45,422	67,611	0	67,611
Grant funds received in advance	0	240,574	0	240,574
<b>Total current liabilities</b>	<b>64,293</b>	<b>717,694</b>	<b>0</b>	<b>717,694</b>
Long-term liabilities:				
Long-term advances	0	35,578	0	35,578
Capital advance - HUD	0	2,251,500	0	2,251,500
Operating loan payable - related party	42,290	42,290	( 42,290)	0
Mortgages payable	2,795,195	2,810,195	( 1,602,135)	1,208,060
<b>Total long-term liabilities</b>	<b>2,837,485</b>	<b>5,139,563</b>	<b>( 1,644,425)</b>	<b>3,495,138</b>
<b>Total liabilities</b>	<b>2,901,778</b>	<b>5,857,257</b>	<b>( 1,644,425)</b>	<b>4,212,832</b>
Net assets:				
Unrestricted	1,372,023	1,435,076	0	1,435,076
Unrestricted - Board designated	0	326,888	0	326,888
<b>Total unrestricted</b>	<b>1,372,023</b>	<b>1,761,964</b>	<b>0</b>	<b>1,761,964</b>
Temporarily restricted	0	4,249,458	0	4,249,458
<b>Total net assets</b>	<b>1,372,023</b>	<b>6,011,422</b>	<b>0</b>	<b>6,011,422</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,273,801</b>	<b>\$ 11,868,679</b>	<b>(\$ 1,644,425)</b>	<b>\$ 10,224,254</b>

\* Includes activity for both CAI and CAP.

\*\* Includes activity for Beloit Mature Adult Housing LLC, Delavan Mature Adult Housing LLC, and Evansville Senior Housing LP.



# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Schedule D

### Consolidating Statement of Activities

Year Ended December 31, 2016

	Community Action, Inc. of Rock & Walworth *	Beloit Assisted Living, Inc.	Low-Income Housing Partnerships **	Consolidated
<b>Revenue:</b>				
Grant and contract revenue	\$ 6,897,444	\$ 0	\$ 0	\$ 6,897,444
Fee for services revenue	1,143,214	2,093	26,758	1,172,065
Program and other contributions	299,198	0	0	299,198
Sales of houses	149,800	0	0	149,800
Rental income	69,610	151,412	345,027	566,049
Investment income	23,399	109	2,288	25,796
<b>Total revenue</b>	<b>8,582,665</b>	<b>153,614</b>	<b>374,073</b>	<b>9,110,352</b>
<b>Expenses:</b>				
Salaries and wages	2,748,801	0	31,919	2,780,720
Fringe benefits	683,138	0	967	684,105
Consultants/contractual	134,222	9,320	76,687	220,229
Travel	76,743	0	0	76,743
Occupancy	632,516	33,118	98,575	764,209
Supplies	66,402	3,358	54,361	124,121
Weatherization materials	1,874,730	0	0	1,874,730
Client/participant costs	1,308,934	0	0	1,308,934
Depreciation and amortization	129,822	55,887	44,486	230,195
Commodities distributed	496,728	0	0	496,728
Other	599,856	107,499	61,072	768,427
<b>Total expenses</b>	<b>8,751,892</b>	<b>209,182</b>	<b>368,067</b>	<b>9,329,141</b>
Change in net assets	( 169,227)	( 55,568)	6,006	( 218,789)
Net assets (deficit) at beginning of year	5,449,937	( 585,743)	641,656	5,505,850
Net assets acquired in acquisition	0	0	724,361	724,361
<b>Net assets (deficit) at end of year</b>	<b>\$ 5,280,710</b>	<b>(\$ 641,311)</b>	<b>\$ 1,372,023</b>	<b>\$ 6,011,422</b>

\* Includes activity for both CAI and CAP.

\*\* Includes activity for Beloit Mature Adult Housing LLC, Delavan Mature Adult Housing LLC, and Evansville Senior Housing LP.

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Schedule E

### Statement of Financial Position - Low-Income Housing Partnerships

December 31, 2016

<i>Assets</i>	Beloit Mature Adult Housing, LLC	Delavan Mature Adult Housing, LLC	Evansville Senior Housing, LP	Low-Income Housing Partnerships Subtotal
Current assets:				
Cash	\$ 95,606	\$ 39,057	\$ 26,191	\$ 160,854
Restricted cash	203,509	190,408	135,182	529,099
Accounts receivable, net	5,528	0	822	6,350
Prepaid expenses and other assets	2,264	2,753	2,063	7,080
<b>Total current assets</b>	<b>306,907</b>	<b>232,218</b>	<b>164,258</b>	<b>703,383</b>
Property and equipment, net	1,229,844	1,166,586	1,173,988	3,570,418
<b>TOTAL ASSETS</b>	<b>\$ 1,536,751</b>	<b>\$ 1,398,804</b>	<b>\$ 1,338,246</b>	<b>\$ 4,273,801</b>
<b><i>Liabilities and Net Assets</i></b>				
Current liabilities:				
Current portion of mortgages payable	\$ 15,116	\$ 981	\$ 1,953	\$ 18,050
Accounts payable	0	215	606	821
Other liabilities	15,050	13,890	16,482	45,422
<b>Total current liabilities</b>	<b>30,166</b>	<b>15,086</b>	<b>19,041</b>	<b>64,293</b>
Long-term liabilities:				
Operating loan payable - related party	42,290	0	0	42,290
Mortgages payable	798,184	974,272	1,022,739	2,795,195
<b>Total long-term liabilities</b>	<b>840,474</b>	<b>974,272</b>	<b>1,022,739</b>	<b>2,837,485</b>
<b>Total liabilities</b>	<b>870,640</b>	<b>989,358</b>	<b>1,041,780</b>	<b>2,901,778</b>
Net assets:				
Unrestricted net assets	666,111	409,446	296,466	1,372,023
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,536,751</b>	<b>\$ 1,398,804</b>	<b>\$ 1,338,246</b>	<b>\$ 4,273,801</b>

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Schedule F

### Statement of Activities - Low-Income Housing Partnerships

Year Ended December 31, 2016

	Beloit Mature Adult Housing, LLC	Delavan Mature Adult Housing, LLC	Evansville Senior Housing, LP	Low-Income Housing Partnerships Subtotal
<b>Revenue:</b>				
Fee for services revenue	\$ 25,390	\$ 1,013	\$ 355	\$ 26,758
Rental income	297,827	47,200	0	345,027
Investment income	2,152	118	18	2,288
<b>Total revenue</b>	<b>325,369</b>	<b>48,331</b>	<b>373</b>	<b>374,073</b>
<b>Expenses:</b>				
Salaries and wages	25,506	6,413	0	31,919
Fringe benefits	6	961	0	967
Consultants/contractual	65,943	6,895	3,849	76,687
Occupancy	69,132	21,116	8,327	98,575
Supplies	53,460	791	110	54,361
Depreciation and amortization	33,060	9,414	2,012	44,486
Other	53,807	6,892	373	61,072
<b>Total expenses</b>	<b>300,914</b>	<b>52,482</b>	<b>14,671</b>	<b>368,067</b>
Change in net assets	24,455	( 4,151)	( 14,298)	6,006
Net assets at beginning of year	641,656	0	0	641,656
Net assets acquired in acquisition	0	413,597	310,764	724,361
<b>Net assets at end of year</b>	<b>\$ 666,111</b>	<b>\$ 409,446</b>	<b>\$ 296,466</b>	<b>\$ 1,372,023</b>

# Community Action, Inc. of Rock and Walworth Counties

## Schedule G

### Schedule of Emergency Furnace Activity by Contract

Year Ended December 31, 2016

<u>Contract #</u>	<u>Prior Audit Period Cash Received</u>	<u>Current Audit Period Cash Received</u>	<u>True up Received (Paid)</u>	<u>Net Contract to Date Cash Received</u>	<u>Prior Audit Period Expenses</u>	<u>Current Audit Period Expenses</u>	<u>Contract to Date Expenses</u>
AD14987703	\$ 65,139	\$ 189,973	\$ 0	\$ 255,112	\$ 109,522	\$ 145,590	\$ 255,112
WX1718.03	0	134,308	0	134,308	0	173,359	173,359
	<u>\$ 65,139</u>	<u>\$ 324,281</u>	<u>\$ 0</u>	<u>\$ 389,420</u>	<u>\$ 109,522</u>	<u>\$ 318,949</u>	<u>\$ 428,471</u>



## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Board of Directors  
Community Action, Inc. of Rock & Walworth Counties  
Beloit, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States 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, Inc. of Rock & Walworth Counties (a nonprofit organization) and Related Entities, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 26, 2017. The financial statements of Beloit Mature Adult Housing, LLC, Delavan Mature Adult Housing, LLC, Evansville Senior Housing LP, and Community Action Properties, LLC were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Beloit Mature Adult Housing, LLC and Community Action Properties, LLC.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Action, Inc. of Rock & Walworth Counties' 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 Community Action, Inc. of Rock & Walworth Counties' internal control. Accordingly, we do not express an opinion on the effectiveness of Community Action, Inc. of Rock & Walworth Counties' 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 a 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.

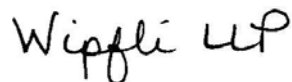
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 Community Action, Inc. of Rock & Walworth Counties' 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*.

## **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 Community Action, Inc. of Rock & Walworth Counties' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action, Inc. of Rock & Walworth Counties' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, professional style.

Wipfli LLP

June 26, 2017  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance for Each Major Federal and State Program and Internal Control Over Compliance**

Board of Directors  
Community Action, Inc. of Rock & Walworth Counties  
Beloit, Wisconsin

### **Report on Compliance for Each Major Federal and State Program**

We have audited Community Action, Inc. of Rock & Walworth Counties' (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines*, issued by the State of Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2016. Community Action, Inc. of Rock & Walworth Counties' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Community Action, Inc. of Rock & Walworth Counties' consolidated financial statements include Beloit Assisted Living, Inc. a related entity, which had expenditures greater than \$750,000 in federal awards in the year ended December 31, 2016, and has had a separate single audit, which is not included in this single audit. Therefore, our audit, described below, did not include the operations of Beloit Assisted Living, Inc.

### **Management's Responsibility for Compliance**

Management is responsible for compliance with statutes, regulations, and the terms and conditions of its grant awards applicable to its federal and state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Community Action, Inc. of Rock & Walworth Counties' major federal and state 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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); and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Community Action, Inc. of Rock & Walworth Counties' 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 for each major federal and state program. However, our audit does not provide a legal determination on Community Action, Inc. of Rock & Walworth Counties' compliance.

## Opinion on Each Major Federal and State Program

In our opinion, Community Action, Inc. of Rock & Walworth Counties' 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 and state programs for the year ended December 31, 2016.

## Report on Internal Control Over Compliance

Management of Community Action, Inc. of Rock & Walworth Counties 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, we considered Community Action, Inc. of Rock & Walworth Counties' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and *State Single Audit Guidelines*, 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 Community Action, Inc. of Rock & Walworth Counties' 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 or state 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program 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 over compliance with a type of compliance requirement of a federal or state 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 and *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

June 26, 2017  
Madison, Wisconsin



# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Schedule of Findings and Questioned Costs

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

#### Federal and State Awards

Internal control over major federal and state programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)] and <i>State Single Audit Guidelines</i> ?	No

#### Identification of major federal and state programs:

<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
Weatherization	81.042
Low-Income Home Energy Assistance Program	93.568
<u>Name of State Major Program or Cluster</u>	<u>State ID No.</u>
Public Benefits Program	505.371
Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
State	250,000

Auditee qualified as low-risk auditee?	Yes
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### Section II - Financial Statement Findings

None

# Community Action, Inc. of Rock & Walworth Counties and Related Entities

## Schedule of Findings and Questioned Costs

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### Section III - Federal and State Award Findings and Questioned Costs

None

### Section IV - Summary Schedule of Prior Year Findings

None

### Section V - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

No

Does the audit report show audit issues related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*?

Department of Health Services

No

Department of Administration

No

Department of Public Instruction

No

Department of Transportation

No

Was a management letter or other document conveying audit comments issued as a result of this audit?

Yes

Name and signature of partner

  
Jean M. Christensen, CPA

Date of report

June 26, 2017