

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

Janesville, Wisconsin

Consolidated Financial Statements and
Supplementary Information
Year Ended December 31, 2012

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

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Independent Auditor's Report

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

Report on the 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, 2012, 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 Community Action Properties, LLC were not audited in accordance with *Government Auditing Standards*.

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, 2012, and the changes in net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information, the Schedule of Program Activity, appearing on pages 30 through 33, the Schedule of Expenditures of Federal Awards, which includes requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, appearing on pages 34 through 36, the Consolidating Statement of Financial Position, appearing on page 38, and the Consolidating Statement of Activities, appearing on page 39, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, on our consideration of Community Action, Inc. of Rock & Walworth Counties' internal control over financial reporting and 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' internal control over financial reporting and compliance.



Wipfli LLP

June 27, 2013
Madison, Wisconsin

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

Consolidated Statement of Financial Position

December 31, 2012

Assets

Current assets:

Cash	\$	248,075
Restricted cash		246,184
Grants receivable		782,558
Accounts receivable, net		210,646
Accounts receivable - Affiliates, net		7,952
Weatherization inventory		222,874
Housing inventory		371,600
Other inventory		4,250
Current portion of loans receivable - Housing and vehicle		94,701
Commodity food inventory		23,333
Prepaid expenses		111,473

Total current assets		2,323,646
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Other assets:

Investments		249,088
Loans receivable - Affiliates, net		1,822,135
Loans receivable - Housing, net		1,720,387
Loans receivable - Vehicle, net		37,495

Total other assets		3,829,105
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Property and equipment, net		3,028,088
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TOTAL ASSETS	\$	9,180,839
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See accompanying notes to consolidated financial statements.

Liabilities and Net Assets

Current liabilities:

Current portion of mortgages payable	\$ 224,323
Accounts payable	272,055
Accrued payroll and related expenses	206,990
Advances	18,908
Other liabilities	20,391
Grant funds received in advance	304,937

Total current liabilities	1,047,604
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Long-term liabilities:

Line of credit	200,000
Long-term advances	35,578
Capital advance - HUD	2,251,500

Total long-term liabilities	2,487,078
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Total liabilities	3,534,682
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Net assets:

Unrestricted	539,216
Unrestricted - Board designated	249,088

Total unrestricted	788,304
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Temporarily restricted	4,857,853
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Total net assets	5,646,157
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TOTAL LIABILITIES AND NET ASSETS	\$ 9,180,839
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Community Action, Inc. of Rock & Walworth Counties and Related Entities

Consolidated Statement of Activities
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant and contract revenue	\$ 6,854,482	\$ 43,198	\$ 6,897,680
Fee for services revenue	2,253,528	0	2,253,528
Assignment of housing loans	0	812,142	812,142
Program and other contributions	262,473	6,860	269,333
Rental income	168,642	0	168,642
Investment income	30,009	0	30,009
In-kind revenue	130,811	0	130,811
Net assets released from restriction through satisfaction of program restrictions	283,984	(283,984)	0
Total revenue	9,983,929	578,216	10,562,145
Expenses:			
Salaries and wages	4,249,298	0	4,249,298
Fringe benefits	951,899	0	951,899
Consultants/contractual	67,937	0	67,937
Travel	107,920	0	107,920
Occupancy	517,782	0	517,782
Supplies	83,099	0	83,099
Weatherization materials and other inventory	1,395,116	0	1,395,116
Client/participant costs	1,707,654	0	1,707,654
Depreciation	257,285	0	257,285
Commodities distributed	261,515	0	261,515
Other	440,663	0	440,663
Total expenses	10,040,168	0	10,040,168
Change in net assets	(56,239)	578,216	521,977
Net assets at beginning of year	844,543	4,279,637	5,124,180
Net assets at end of year	\$ 788,304	\$ 4,857,853	\$ 5,646,157

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, 2012

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	\$ 521,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	257,285
Loss on disposal of property and equipment	8,756
Unrealized gain on investments	(16,316)
Realized gain on investments	(7,607)
Assignment of loans receivable - Housing	(812,142)
Change in allowance for uncollectible loans receivable	53,989
Change in allowance for uncollectible accounts receivable	(681)
Write down of housing inventory	132,779
Changes in operating assets and liabilities:	
Restricted cash	22,319
Grants receivable	(26,987)
Accounts receivable	(44,157)
Weatherization inventory	9,881
Housing inventory	(154,479)
Other inventory	(2,000)
Prepaid expenses	(22,691)
Accounts payable	15,498
Accrued payroll and related expenses	(13,043)
Advances	7,440
Other liabilities	656
Grant funds received in advance	230,838
Net cash provided by operating activities	161,315
Cash flows from investing activities:	
Capital expenditures	(186,053)
Purchase of investments	(41,516)
Proceeds from sale of investments	38,357
Collections on loans receivable	86,662
Issuance of loans receivable	(94,797)
Net cash used in investing activities	(197,347)
Cash flows from financing activities:	
Payments on line of credit	(346,289)
Proceeds from line of credit	546,289
Proceeds from mortgages payable	10,737
Net cash provided by financing activities	210,737
Change in cash	174,705
Cash at beginning of year	73,370
Cash at end of year	\$ 248,075
Supplemental schedule of operating activities:	
Interest paid and expensed	\$ 374
Supplemental schedule of noncash operating activity:	
Change in commodity food inventory/grant funds received in advance	\$ 12,599
Supplemental schedule of noncash investing activity:	
Assignment of housing loans receivable	\$ 812,142

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

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 37% 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 *OMB Circular A-133* audit was also issued for BALI as of and for the year ended December 31, 2012.

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. CAP owns a duplex in Walworth County.

Basis of Presentation

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

Principles of Consolidation

These financial statements are consolidated and include the accounts of CAI, BALI, 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.

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

Notes to Consolidated Financial Statements

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

Classification of Net Assets (Continued)

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 financial statements in conformity 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.

Program contributions represent amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance. The contributions are recorded as temporarily restricted revenue due to the implied stipulation that the contributions be used in the program the beneficiary received assistance. 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.

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

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition/Grant Funds Received in Advance (Continued)

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.

Assignment of Housing Loans

CAI was assigned HOME and HCRI loans during 2012. The loans were issued by another nonprofit organization to help low-income homebuyers with down payment and closing cost assistance. The loans are at 3% annual interest. The loan is payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant. Any funds repaid must be used in accordance with the original grant agreement. Since the loans were assigned, CAI recorded the revenue at fair value.

Rental Income

Rental income is derived primarily from annual leases by BALI with tenants. Rental income is recognized when earned.

In-Kind (Non-cash) Revenue

In-kind (non-cash) revenue includes contributions of professional services and supplies that are to be used to meet a cost sharing or matching requirement. The Organizations value in-kind revenue at their fair values at the time of contribution, unless award documents or federal agency regulations identify specific values to be used. Revenue and expenses are recognized in the accounting period when the contribution is received. The in-kind expense of \$130,811 is included in client/participant costs in the consolidated statement of activities.

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

Notes to Consolidated Financial Statements

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

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 \$51,424 at December 31, 2012.

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.

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

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Affiliate

Accounts receivable - affiliate consists of operating loans to Beloit Mature Adult Housing (BMAH), an LLC in which CAI is the operating manager member, as well as amounts to be reimbursed from BMAH, Delavan Mature Adult Housing (DMAH), and Evansville Senior Housing (ESH), for certain operating costs. CAI analyzes the receivables and records an allowance that management believes will reserve for possible losses on existing receivables that may become uncollectible. The evaluations take into consideration the cash flows of the housing project. When all collection efforts have been exhausted, CAI writes off receivables against the allowance for doubtful accounts. The allowance for doubtful accounts was \$47,833 at December 31, 2012.

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 non-accrual status. The determination of past due loans for purposes of placing on non-accrual status is made on a case-by-case basis. Interest accrued but not collected for loans that are placed on non-accrual 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.

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.

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

Notes to Consolidated Financial Statements

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

Loans Receivable (Continued)

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 the State of Wisconsin, Department of Administration (DOA), and Rock County HOME Consortium. 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 noninterest 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 the State of Wisconsin, Department of Workforce Development (DWD) and Southwest Community Action Program. 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 noninterest 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.

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

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

Loans Receivable – Affiliates

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 limited liability companies (LLC) and a limited partnership (LP), of which CAI is a member, for the development of housing projects.

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 \$396,186 at December 31, 2012. 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.

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.

CAP is a sole member LLC and, therefore, treated as a disregarded entity for tax purposes. The activity of CAP is 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 financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the fiscal years ended December 31, 2009 and after remain subject to examination by the Internal Revenue Service.

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

Notes to Consolidated Financial Statements

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 27, 2013, which is the date the financial statements were available to be issued.

Note 2 **Concentration of Credit Risk**

CAI maintains their cash balance in 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**

Restricted cash consists of unspent Community Housing Development Organization (CHDO) proceeds, which are required to be spent on housing activities. In addition, CAI maintains balances related to security deposits on rental properties and a reserve for unemployment claims. BALI also has restricted cash that requires the approval of HUD before being spent. The restricted cash balance at December 31, 2012, consisted of the following.

CHDO proceeds	\$	80,888
Reserved for unemployment claims		85,183
CAI security deposits		4,920
BALI restricted cash		75,193
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Total	\$	246,184

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

Notes to Consolidated Financial Statements

Note 4 **Grants Receivable**

Grants receivable at December 31, 2012, consisted of the following:

Direct federal programs	\$	190,390
State programs		239,898
Other programs		352,270
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Total	\$	782,558

Note 5 **Accounts Receivable**

Accounts receivable at December 31, 2012, consisted of funds due for the following activities:

Childcare programs, net of \$17,457 allowance for uncollectible amounts	\$	38,704
Patient fees, net of \$33,967 allowance for uncollectible amounts		141,518
Miscellaneous activities		30,424
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Total	\$	210,646

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.

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

Notes to Consolidated Financial Statements

Note 6 Investments (Continued)

The activity during 2012 is summarized as follows:

	Money Market Fund	Equity and Fixed Income Funds	Totals
Investment balance, December 31, 2011	\$ 7,197	\$ 214,809	\$ 222,006
Investment income:			
Interest/dividends	10	5,970	5,980
Unrealized gain on investments	0	16,316	16,316
Realized gain on investments	0	7,607	7,607
Fees	(2,821)	0	(2,821)
Net investment (loss) income	(2,811)	29,893	27,082
Transfer of investment income	3,515	(3,515)	0
Investment balance, December 31, 2012	\$ 7,901	\$ 241,187	\$ 249,088

Note 7 Loans Receivable - Affiliates

CAI has received Community Housing Development Organization (CHDO) Rental Housing Development awards from the State of Wisconsin DOA, Affordable Housing Program funds from the Federal Home Loan Bank of Chicago, and WHEDA grant funds from the WHEDA Foundation, Inc. CAI also received Weatherization/Energy funds from the State of Wisconsin DOA and Wisconsin Electric Power Company. The awards were used for the development of HOME-assisted units. CAI has entered into agreements with LLCs and a LP to accomplish each development (see Note 18).

The LLC and LP agreements provide that, in the event of a sale of the developments, CAI is to receive a share of the proceeds proportionate to its interest in the LLC or LP; however, the proceeds distributed to CAI should not be less than the total of the original HOME Investment Partnership grants, the Affordable Housing Program funds (loans), WHEDA grant funds, and Weatherization/Energy funds.

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.

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

Notes to Consolidated Financial Statements

Note 7 Loans Receivable – Affiliates (Continued)

The loans receivable - affiliates at December 31, 2012, consist of the following:

	Mulberry Grove	Beloit Mature Adult Housing	Delavan Mature Adult Housing	Evansville Adult Housing	Totals
State of Wisconsin - CHDO	\$ 220,000	\$ 663,080	\$ 660,000 (1)	\$ 660,000 (3)	\$ 2,203,080
Federal Home Loan Bank	0	204,000	96,000 (2)	0	300,000
WHEDA	0	25,000	0	0	25,000
Weatherization/energy programs	0	0	81,885 (2)	96,000 (3)	177,885
Loans receivable - 12/31/12	220,000	892,080	837,885	756,000	2,705,965
Total accrued interest	0	0	13,080	10,230	23,310
Total loans receivable - Affiliates	220,000	892,080	850,965	766,230	2,729,275
Allowance for uncollectible interest	0	0	(9,780)	(5,280)	(15,060)
Allowance for uncollectible loans	0	(892,080)	0	0	(892,080)
Loans receivable - Affiliates, net	\$ 220,000	\$ 0	\$ 841,185	\$ 760,950	\$ 1,822,135

- (1) Interest accrues at 0.5% per annum. The principal amount and accrued interest is due and payable on December 31, 2017.
- (2) Interest accrues at 0.5% per annum. The principal amount and accrued interest is due and payable on December 31, 2032.
- (3) Interest accrues at 0.5% per annum. The principal amount and accrued interest is due and payable on December 31, 2032.

The remaining loans are at no interest and are due at the end of the affordability period. The loans mature from 2017 to 2032.

For the year ended December 31, 2012, the allowance for uncollectible interest and allowance for uncollectible loans change is as follows:

Balance at the beginning of the year	\$ 905,771
Provision for loan losses	1,369
Balance at the end of year	\$ 907,140
Allowance for uncollectible interest and loans:	
Individually evaluated for impairment	\$ 907,140
Collectively evaluated for impairment	0
Totals	\$ 907,140

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

Notes to Consolidated Financial Statements

Note 7 **Loans Receivable – Affiliates (Continued)**

Detailed analysis of loans evaluated for impairment as of December 31, 2012, is as follows:

Loans:	
Individually evaluated for impairment	\$ 2,509,275
Collectively evaluated for impairment	220,000
<hr/>	
Totals	\$ 2,729,275
<hr/>	
Average investment in impaired loans	\$ 2,505,150
Interest income recognized on impaired loans	\$ 8,250

The following is a summary of information pertaining to impaired loans:

Loans:	
Impaired loans without an allowance for loan losses	\$ 0
Impaired loans with an allowance for loan losses	2,509,275
<hr/>	
Total impaired loans	\$ 2,509,275
<hr/>	
Allowance for loan losses related to impaired loans	\$ 907,140
Total nonaccrual loans	\$ 0

Detailed information regarding impaired loans as of December 31, 2012, is as follows:

	<u>Recorded</u> <u>Investment</u>	<u>Principal</u> <u>Balance</u>	<u>Related</u> <u>Allowance</u>	<u>Average</u> <u>Investment</u>	<u>Interest</u> <u>Recognized</u>
Loans with an allowance for loan losses	\$ 2,509,275	\$ 2,509,275	\$ 907,140	\$ 2,505,275	\$ 8,250

CAI regularly evaluates attributes of loans to determine the appropriateness of the allowance for loan losses. Given the long-term nature of these loans and the fact that payment is not due until maturity, CAI has attributed an allowance against certain loans above based on the current financial performance of the partnership with the loan. Loans receivable - affiliates are generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan. CAI has not identified any loans receivable - affiliates that are nonperforming as all of the above loans are within the contractual terms of the existing loan.

In addition, there are currently no loans receivable - affiliates that are past due. Due to the nature of the loan terms, no payments of principal or interest are required until loan maturity. Therefore, there are no loans receivable - affiliates that are past due.

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 2012.

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

Notes to Consolidated Financial Statements

Note 8 **Accounts Receivable - Affiliates**

BMAH's future operating surplus cash may be used to repay accounts receivable - affiliates after approval by WHEDA. Based upon past and projected future cash flows, an allowance has been established to allow for possible uncollectible accounts receivable from BMAH. The receivable is non-interest bearing. In addition, CAI has paid for certain operating costs for BMAH, DMAH, and ESH, in which it expects to be reimbursed for. The detail of the accounts receivable - affiliates at December 31, 2012, consist of the following:

Accounts receivable - Affiliate (BMAH)	\$	50,936
Accounts receivable – BMAH operating costs		4,849
<u>Allowance for uncollectible accounts receivable - Affiliate (BMAH)</u>	<u>(</u>	<u>47,833)</u>
<u>Accounts receivable – Affiliates, net</u>	<u>\$</u>	<u>7,952</u>

Note 9 **Weatherization Inventory**

At December 31, 2012, CAI's inventory of weatherization material included the following:

Materials inventory	\$	22,861
<u>Work in process</u>		<u>200,013</u>
<u>Total</u>	<u>\$</u>	<u>222,874</u>

Note 10 **Housing Inventory**

The inventory of houses included the following:

Beginning cost of house inventory - Beloit Merrill Neighborhood	\$	349,900
Current year additions		154,479
<u>Current year write-down (lower of cost or market)</u>	<u>(</u>	<u>132,779)</u>
<u>Ending cost of house inventory - Beloit Merrill Neighborhood</u>	<u>\$</u>	<u>371,600</u>

CAI has purchased older homes in the Beloit Merrill Neighborhood to repair and sell in an effort to provide affordable housing and to stimulate private redevelopment in the neighborhood. 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. Five of the homes 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.

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

Notes to Consolidated Financial Statements

Note 11 **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. \$ 96,166

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 or death of the participant. 125,604

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 loans will be deferred at no interest for five years. After five years, the participant will be required to refinance and repay CAI. 377,409

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 loans will be deferred at no interest for five years. After five years, the participant will be required to refinance and repay CAI. 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. 157,083

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 deferred loan payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant. 777,745

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

Notes to Consolidated Financial Statements

Note 11 **Loans Receivable - Housing (Continued)**

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.	24,752
CAI received a Home Lead Hazard Reduction grant to provide for lead hazard reduction assistance to eligible participants. The assistance is given as a 0% interest deferred loan payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	11,423
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.	56,639
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. The loan is payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant. <u>Since the loans were assigned, CAI recorded these loans at fair value.</u>	<u>812,142</u>
Total loans receivable - Housing and home weatherization	2,465,813
<u>Allowance for uncollectible</u>	<u>(242,389)</u>
Expected revolving loans to be received	2,223,424
<u>Discounted at 4.5%</u>	<u>(486,563)</u>
Loans receivable, net	1,736,861
<u>Total current portion</u>	<u>(16,474)</u>
<u>Total long-term portion</u>	<u>\$ 1,720,387</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

Note 11 Loans Receivable - Housing (Continued)

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

For the year ended December 31, 2012, the allowance for loan losses change is as follows:

Balance at the beginning of the year	\$	229,209
Provision for loan losses		43,588
<u>Loans written off</u>	<u>(</u>	<u>30,408)</u>
<u>Balance at the end of year</u>	<u>\$</u>	<u>242,389</u>

There were no loans evaluated individually for impairment. All loans were considered to be performing loans. There were no loans restructured under a troubled debt restructuring in 2012. There are currently no housing loans that are considered past due as the loan terms are primarily that no payments of principal or interest are required until loan maturity. The amount of loans that have been placed on non-accrual status is \$868,781 at December 31, 2012.

Note 12 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	\$	139,745
<u>Allowance for uncollectible</u>	<u>(</u>	<u>19,517)</u>
Expected revolving loans to be received		120,228
<u>Discounted at 4.5%</u>	<u>(</u>	<u>4,506)</u>
Loans receivable, net		115,722
<u>Total current portion</u>	<u>(</u>	<u>78,227)</u>
<u>Total long-term portion</u>	<u>\$</u>	<u>37,495</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

Note 12 **Loans Receivable – Vehicle (Continued)**

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

For the year ended December 31, 2012, the allowance for loan losses change is as follows:

Balance at the beginning of the year	\$	10,485
<u>Provision for loan losses</u>		<u>9,032</u>
<u>Balance at the end of year</u>	<u>\$</u>	<u>19,517</u>

There are \$16,790 in vehicle loans that are considered past due by 90 days or over at December 31, 2012.

There were no loans evaluated individually for impairment. There were no loans restructured under a troubled debt restructuring in 2012.

Note 13 **Property and Equipment**

A summary of property and equipment as of December 31, 2012, is as follows:

Land	\$	220,100
Land - BALI		4,141
Land improvements		25,942
Buildings		2,298,858
Buildings - BALI		2,204,682
Equipment		628,012
<u>Equipment - BALI</u>		<u>21,335</u>
Total cost		5,403,070
<u>Accumulated depreciation</u>	<u>(</u>	<u>2,374,982)</u>
<u>Property and equipment, net</u>	<u>\$</u>	<u>3,028,088</u>

Note 14 **Mortgages Payable**

The balance at December 31, 2012, consists of the following:

CAI has a mortgage loan with WHEDA. 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 the house located at 1411 Dewey Avenue, Beloit, Wisconsin. The maximum loan available is \$50,000. The interest rate is fixed at 2%. The outstanding loan balance is upon the sale of the house or December 31, 2013, whichever is earlier. The loan is collateralized by the house located at 1411 Dewey, Beloit, Wisconsin.

\$ 27,338

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

Notes to Consolidated Financial Statements

Note 14 **Mortgages Payable (Continued)**

<p>CAI has a mortgage loan with WHEDA. 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 the house located at 1421 Dewey Avenue, Beloit, Wisconsin. The maximum loan available is \$50,000. The interest rate is fixed at 2%. The outstanding loan balance is upon the sale of the house or December 23, 2012, whichever is earlier. The loan was extended until January 16, 2013, at which point it was paid off. The loan is collateralized by the house located at 1421 Dewey, Beloit, Wisconsin.</p>	38,092
<p>CAI has a mortgage loan with WHEDA. 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 the house located at 1264 Porter Avenue, Beloit, Wisconsin. The maximum loan available is \$50,000. The interest rate is fixed at 2%. The outstanding loan balance is upon the sale of the house or December 31, 2013, whichever is earlier. The loan is collateralized by the house located at 1264 Porter Avenue, Beloit, Wisconsin.</p>	44,393
<p>CAI has a mortgage loan with WHEDA. 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 the house located at 1417 Wisconsin Avenue, Beloit, Wisconsin. The maximum loan available is \$50,000. The interest rate is fixed at 2%. The outstanding loan balance is upon the sale of the house or December 23, 2012, whichever is earlier. The loan was extended until March 27, 2013, at which point it was paid off. The loan is collateralized by the house located at 1417 Wisconsin Avenue, Beloit, Wisconsin.</p>	49,500
<p>CAI has a mortgage loan with WHEDA. 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 the house located at 1411 Wisconsin Avenue, Beloit, Wisconsin. The maximum loan available is \$50,000. The interest rate is fixed at 2%. The outstanding loan balance is upon the sale of the house or December 31, 2013, whichever is earlier. The loan is collateralized by the house located at 1411 Wisconsin Avenue, Beloit, Wisconsin.</p>	50,000
<p>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.</p>	15,000
Subtotals	224,323
Current maturities of mortgages payable	(224,323)
Long-term mortgages payable	\$ 0

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

Notes to Consolidated Financial Statements

Note 14 **Mortgages Payable (Continued)**

CAI also has a line of credit at BMO Harris Bank with a maximum loan available of \$1,175,000. The line of credit matures in March 2014, and has an interest rate of 3.69%. The line of credit is collateralized by real property. There was \$200,000 drawn on the line of credit at December 31, 2012.

Note 15 **Advances**

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

<u>Funding Source</u>	<u>Purpose</u>	<u>Amount</u>
Landlords	Co-Pay for weatherization of rental property	\$ 18,908
Total current advances		18,908
State of Wisconsin - DHFS	Advance to pay for inventory carrying cost in the Weatherization program.	9,720
Title X	Operating advance for First Choice program	25,858
Total long-term advances		35,578
Total advances		\$ 54,486

Note 16 **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.

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

Notes to Consolidated Financial Statements

Note 16 Capital Advance – HUD (Continued)

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 17 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Housing activities:	
Housing projects	\$ 1,903,023
Revolving loans - Housing	2,185,892
Twin Oaks shelter	55,309
<hr/>	
Housing activities subtotal	4,144,224
Vehicle	247,840
Grant-funded equipment	396,186
Employment training	15,447
Other	54,156
<hr/>	
Total	<u>\$ 4,857,853</u>

Note 18 Related Parties

CAI received CHDO rental housing assistance awards from the State of Wisconsin DOA, Affordable Housing Program funds from the Federal Home Loan Bank of Chicago, and WHEDA grant funds from the WHEDA Foundation, Inc. CAI also received Weatherization/Energy funds from the State of Wisconsin DOA and Wisconsin Electric Power Company. The awards were for the development of HOME-assisted units. CAI has entered into various agreements with LLCs and a LP to construct and own rental properties, of which a certain number of units are HOME-assisted units as stipulated in the CHDO awards. CAI maintains a percentage ownership, acts as a developer and property manager, and receives certain fees. There are no or minimal costs associated with CAI's investment in these LLCs and LP.

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

Notes to Consolidated Financial Statements

Note 18 Related Parties (Continued)

The ownership, loans, and service fees received relating to the various LLCs and LP are as follows:

	Percentage Ownership	Loans Receivable	Management Service Fee Received in 2012
Mulberry Grove, LLC	3.00%	\$ 220,000	\$ 1,200
Beloit Mature Adult Housing, LLC	0.01	0	0
Delavan Mature Adult Housing, LLC	0.09	841,185	0
Evansville Senior Housing, LP	0.09	760,950	0
Totals		\$ 1,822,135	\$ 1,200

See additional information on loans receivable in Note 7.

CAI's minority investment interest in the above LLCs and LP is \$0. The investments are accounted for on the equity method based on CAI's ownership status in the partnership.

Note 19 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 three 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 \$89,598 for the year ended December 31, 2012.

Note 20 Operating Lease Agreements

CAI leases various facilities for the operation of its programs. Lease expense for the year ended December 31, 2012, was \$140,212. The future minimum lease obligations are as follows:

2013	\$ 133,984
2014	135,904
2015	137,824
2016	133,784
2017	129,824
After 2017	356,064
Total lease obligations	\$ 1,027,384

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

Notes to Consolidated Financial Statements

Note 21 Grant Awards

At December 31, 2012, CAI had commitments under various grants of approximately \$2,600,000. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

Note 22 Sources of Revenue

Generally, revenue received is from government or private sources. The table below shows the sources of funds for 2012.

	Percentage	Amount
Government	61%	\$ 6,457,732
Private	39%	4,104,413
Totals	100%	\$ 10,562,145

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, 2012:

Program activities:		
Weatherization/energy assistance	\$	2,488,814
Child programs		1,595,817
Community services programs		569,003
Health Care		1,000,430
Homeless/shelter programs		226,845
Food programs		372,277
Housing and housing rehabilitation		1,328,737
Employment training		1,428,840
Total program activities		9,010,763
Fund-raising		9,950
Management and general expenses		1,019,455
Total expenses	\$	10,040,168

Note 24 Fair Value Measurements

Generally accepted accounting principles require disclosure of the measurement of assets and liabilities at fair value. In general, the Organizations determine 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 Organizations' estimates about assumptions market participants would use in measuring fair value of the asset or liability.

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

Notes to Consolidated Financial Statements

Note 24 Fair Value Measurements (Continued)

Some assets and liabilities are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets and liabilities, such as write-down of housing inventory and impaired loans receivable, 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, 2012, 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:				
Equity securities	\$ 162,089	\$ 162,089	\$ 0	\$ 0
Fixed income securities	79,098	0	79,098	0
Totals	\$ 241,187	\$ 162,089	\$ 79,098	\$ 0

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

- Equity securities are valued at quoted market prices.
- Fixed income securities are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

Information regarding the fair value of assets measured at fair value on a non-recurring basis as of December 31, 2012, is as follows:

	Assets Measured at Fair Value	Nonrecurring 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:				
Loans	\$ 1,602,135	\$ 0	\$ 0	\$ 1,602,135
Housing inventory	371,600	0	0	371,600
Totals	\$ 1,973,735	\$ 0	\$ 0	\$ 1,973,735

Housing inventory with a carrying amount of \$504,379 was written down to its fair value of \$371,600 since this impairment was deemed to be other than temporary. As a result, an impairment charge of \$132,779 is included in the consolidated statement of activities for the year ended December 31, 2012.

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

Notes to Consolidated Financial Statements

Note 24 **Fair Value Measurements (Continued)**

Loans with a carrying amount of \$2,509,275 were considered impaired and were written down to their estimated fair value of \$1,602,135 as of December 31, 2012. As a result, a specific valuation allowance was recognized against these impaired loans totaling \$907,140 at December 31, 2012.

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.
- Loans that are considered to be impaired that are associated with affiliates is based on the financial condition of the partnership and the estimated value of the assets of the partnership.

Supplementary Information

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

Schedule A-1
 Schedule of Program Activity
 Year Ended December 31, 2012

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE					
Department of Agriculture					
10.556	N/A	Special Milk Program	State of WI Dept. of Public Instruction	01/01/12-12/31/12	N/A
10.561	N/A	FSET-Fatherhood	WISCAP	01/01/12-12/31/12	50,000
10.561	N/A	FSET-Skills	WISCAP	01/01/12-12/31/12	50,000
		Subtotal 10.561			
10.558	N/A	USDA Reimbursement	State of WI Dept. of Public Instruction	10/01/12-09/30/13	N/A
10.558	N/A	USDA Reimbursement	State of WI Dept. of Public Instruction	10/01/11-09/30/12	N/A
		Subtotal 10.558			
10.568	N/A	Temporary Emerg. Food Asst. Prog.	State of WI Dept. of Health Services	10/01/12-09/30/13	38,443
10.568	N/A	Temporary Emerg. Food Asst. Prog.	State of WI Dept. of Health Services	10/01/11-09/30/12	37,471
		Subtotal 10.568			
10.569	N/A	Commodity Food Program	State of WI Dept. of Health Services	01/01/12-12/31/12	N/A
		Subtotal 10.568 & 10.569 Cluster			
10.579	N/A	Wellness Grant	State of WI Dept. of Public Instruction	10/01/11-09/30/12	16,000
Department of Housing and Urban Development					
14.218	B-11-MC-55-0013	Community Development Block Grant	City of Beloit	01/01/11-01/31/12	24,625
14.218	B-12-MC-55-0013	Community Development Block Grant	City of Beloit	01/01/12-12/31/12	23,846
14.218	94520524-2011	Community Development Block Grant	City of Beloit	05/25/11-05/31/12	39,653
		Subtotal 14.218			
14.231	ETH1106	HUD Emergency Shelter	State of WI Dept. of Administration	07/01/11-06/30/12	60,697
14.231	RRH11-01	Transitional Housing Program Grant	State of WI Dept. of Administration	06/01/12-05/31/13	43,050
14.231	ETH12-04	Emergency Solutions Grant	State of WI Dept. of Administration	07/01/12-06/30/13	84,246
14.231	HPP	Homeless Prevention Program Grant	YWCA-Janesville	07/01/11-06/30/12	8,316
14.231	ESG THP HPP	Homeless Prevention Program Grant	YWCA-Janesville	07/01/12-06/30/13	10,000
		Subtotal 14.231			
14.235	SPC12-01	Supportive Housing Prog.-Shelter Plus Care	State of WI Dept. of Administration	06/19/12-06/18/13	238,908
14.235	SPC11-01	Supportive Housing Prog.-Shelter Plus Care	State of WI Dept. of Administration	06/18/11-06/17/12	244,404
14.235	WI0016B51001104	Supportive Housing Program	U.S. Dept. of HUD	09/01/12-08/31/13	517,583
14.235	WI0016B51001003	Supportive Housing Program	U.S. Dept. of HUD	09/01/11-08/31/12	517,583
		Subtotal 14.235			
14.239	N/A	HOME Invest. Partnership - Rock	City of Janesville	01/01/10-12/31/14	83,594
14.239	N/A	HOME Invest. Partnership - Rock	City of Janesville	07/01/09-06/31/12	85,832
14.239	N/A	HOME Invest. Partnership - Rock	City of Beloit	09/30/09-12/31/12	50,000
		Subtotal 14.239			
14.257 - ARRA	HPRP1005	Homelessness Prevention and Rapid Re-Housing	State of WI Dept. of Administration	08/01/09-02/28/12	833,672
14.905	N/A	Lead Hazard Reduction Demonstration	State of WI Dept. of Health Services	01/01/10-12/31/12	53,000
Department of Labor					
17.259	N/A	Wisconsin Workers Win (W3)	SWWDB	06/01/12-05/31/13	160,473
17.259	N/A	WIA Youth Activities	SWWDB	07/01/11-06/30/12	115,576
17.259	N/A	WIA Youth Activities	SWWDB	07/01/12-06/30/13	119,110
		Subtotal 17.259			
17.274	YB192790960A55	Youth Build	U.S. Dept. of Labor	07/01/09-12/31/12	720,000
Department of Transportation					
20.516	N/A	Job Access/Reverse Commute (JARC)	State of WI Dept. of Workforce Dev and State of WI Dept. of Transportation	01/01/12-12/31/12	112,000

See Independent Auditor's Report.

Net Assets 12/31/11	Grant funds Received in Advance 12/31/11	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/12	Net Assets 12/31/12
\$ 0	\$ 0	\$ 470	\$ 0	(\$ 470)	\$ 0	\$ 0	\$ 0
0	0	50,000	0	(50,000)	0	0	0
0	0	41,295	0	(41,295)	0	0	0
0	0	91,295	0	(91,295)	0	0	0
0	0	23,743	0	(23,743)	0	0	0
0	0	69,523	0	(69,523)	0	0	0
0	0	93,266	0	(93,266)	0	0	0
0	0	11,461	0	(8,210)	0	(3,251)	0
0	776	35,172	0	(35,948)	0	0	0
0	776	46,633	0	(44,158)	0	(3,251)	0
0	10,734	274,114	0	(261,515)	0	(23,333)	0
0	11,510	320,747	0	(305,673)	0	(26,584)	0
0	0	16,000	0	(16,000)	0	0	0
0	0	9,516	0	(9,516)	0	0	0
0	0	18,193	0	(18,193)	0	0	0
0	0	5,604	0	(5,604)	0	0	0
0	0	33,313	0	(33,313)	0	0	0
0	6,933	35,504	0	(42,437)	0	0	0
0	0	8,876	0	(8,876)	0	0	0
0	0	11,216	0	(11,216)	0	0	0
0	0	7,318	0	(7,318)	0	0	0
0	0	3,122	0	(3,122)	0	0	0
0	6,933	66,036	0	(72,969)	0	0	0
0	0	119,815	0	(119,815)	0	0	0
0	0	134,309	0	(134,309)	0	0	0
0	0	142,675	0	(142,675)	0	0	0
0	0	348,674	0	(348,674)	0	0	0
0	0	745,473	0	(745,473)	0	0	0
0	0	55,729	0	(55,729)	0	0	0
0	0	55,597	0	(55,597)	0	0	0
0	0	12,864	0	(12,864)	0	0	0
0	0	124,190	0	(124,190)	0	0	0
0	0	18,047	0	(18,047)	0	0	0
0	0	16,066	0	(16,066)	0	0	0
0	0	39,078	0	(39,078)	0	0	0
0	0	81,162	0	(81,162)	0	0	0
0	0	61,085	0	(61,085)	0	0	0
0	0	181,325	0	(181,325)	0	0	0
0	2,226	208,822	0	(211,048)	0	0	0
0	0	111,651	0	(111,651)	0	0	0

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

Schedule A-2
 Schedule of Program Activity
 Year Ended December 31, 2012

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE(Continued)					
Department of Energy					
81.042	AD129614.03	Weatherization Assistance DOE	State of WI Dept. of Administration	07/01/12-06/30/13	195,353
81.042	AD119500.03	Weatherization Assistance DOE	State of WI Dept. of Administration	07/01/11-06/30/12	200,638
		Subtotal 81.042			
Department of Health and Human Services					
93.217	N/A	Family Planning	Planned Parenthood of WI, Inc.	03/01/12-02/28/13	284,646
93.217	N/A	Family Planning	Planned Parenthood of WI, Inc.	03/01/11-02/28/12	224,210
		Subtotal 93.217			
93.283	18399	WI Well Woman's Program	State of WI Dept. of Health Services	01/01/12-12/31/12	52,021
93.568	AD129614.03	Weatherization Assistance EAF	State of WI Dept. of Administration	07/01/12-06/30/13	750,858
93.568	AD119500.03	Weatherization Assistance EAF	State of WI Dept. of Administration	07/30/11-06/30/12	852,992
93.568	N/A	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/12-05/31/13	N/A
93.568	N/A	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/11-05/31/12	N/A
		Subtotal 93.568			
93.569	N/A	Community Services Block Grant	State of WI Dept. of Children & Families	01/01/12-12/31/12	370,885
93.714 - ARRA	N/A	ARRA-Trans. Jobs Demo Project (TANF)	State of WI Dept. of Health Services	08/01/10-06/30/13	1,022,487
Corporation for National and Community Service					
94.006	AD99301	AmeriCorps	Serve Wisconsin	09/01/11-08/31/12	126,000
Total Federal Programs					
STATE AND LOCAL PROGRAMS					
N/A	AD129614.03	Public Benefits Weatherization	State of WI Dept. of Administration	07/01/12-06/30/13	1,610,907
N/A	AD119500.03	Public Benefits Weatherization	State of WI Dept. of Administration	07/01/11-06/30/12	1,641,011
N/A	N/A	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/12-05/31/13	N/A
N/A	N/A	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/11-05/31/12	N/A
N/A	SSSG1206	State Shelter Subsidy Grant	State of WI Dept. of Administration	01/01/12-12/31/12	43,114
N/A	WFS1203	Fresh Start	State of WI Dept. of Administration	04/01/12-03/31/13	35,000
N/A	N/A	Fresh Start	School District of Beloit-WI DPI	09/01/11-06/30/12	90,000
N/A	N/A	Fresh Start	School District of Beloit-WI DPI	09/01/12-06/30/13	90,000
N/A	N/A	Fresh Start-Volunteer Hours	Donations In-Kind	Ongoing	N/A
N/A	N/A	Fresh Start-Client Services	Donations In-Kind	Ongoing	N/A
N/A	N/A	Skills Enhancement	WISCAP	07/01/12-06/30/13	14,100
N/A	N/A	Skills Enhancement	WISCAP	07/01/11-06/30/12	14,100
N/A	N/A	AWARE	City of Evansville	01/01/12-12/31/12	6,500
N/A	N/A	AWARE	Second Harvest	01/01/12-12/31/12	N/A
N/A	N/A	Drop in Child Care	Rock County Human Services	01/01/12-12/31/12	N/A
N/A	12-041	Brighter Futures	Rock County Human Services	01/01/12-12/31/12	81,800
N/A	N/A	Women's Health Services	Kenosha County Dept. of Public Health	01/01/12-12/31/12	47,250
N/A	N/A	Lincoln, Washington & Lakeview	United Way of N. Walworth County	01/01/12-12/31/12	1,875
N/A	N/A	Housing Counseling	United Way of Walworth County	01/01/12-12/31/12	12,325
N/A	N/A	Twin Oaks Homeless Shelter	United Way of Walworth County	01/01/12-12/31/12	8,760
N/A	N/A	Skills-FSET	United Way of N. Rock County	01/01/12-12/31/12	9,788
N/A	N/A	AWARE	United Way of N. Rock County	01/01/12-12/31/12	14,000
N/A	N/A	Community Kids Janesville	United Way of N. Rock County	01/01/12-12/31/12	39,000

Net Assets 12/31/11	Grant funds Received in Advance 12/31/11	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/12	Net Assets 12/31/12
0	0	72,109	0	(79,197)	0	7,088	0
0	(75,165)	200,638	0	(125,473)	0	0	0
0	(75,165)	272,747	0	(204,670)	0	7,088	0
0	0	279,646	373,762	(653,408)	0	0	0
0	0	47,622	164,843	(212,465)	0	0	0
0	0	327,268	538,605	(865,873)	0	0	0
0	0	52,021	0	(52,021)	0	0	0
0	0	425,992	0	(269,986)	0	(156,006)	0
0	100,749	341,221	0	(441,970)	0	0	0
0	0	7,145	0	(7,145)	0	0	0
0	0	4,186	0	(4,186)	0	0	0
0	100,749	778,544	0	(723,287)	0	(156,006)	0
0	0	370,885	0	(370,885)	0	0	0
0	0	433,700	0	(433,700)	0	0	0
0	0	73,148	0	(73,148)	0	0	0
0	46,253	4,335,014	538,605	(4,744,370)	0	(175,502)	0
0	0	868,244	7,414	(787,507)	0	(88,151)	0
0	15,247	828,769	21,607	(865,623)	0	0	0
0	0	88,150	0	(88,150)	0	0	0
0	0	107,950	0	(107,950)	0	0	0
0	0	43,114	0	(43,114)	0	0	0
0	0	31,440	0	(31,440)	0	0	0
59,876	0	33,903	0	(78,466)	(15,313)	0	0
0	0	42,000	0	(45,754)	15,313	0	11,559
0	0	0	36,613	(36,613)	0	0	0
0	0	0	56,794	(56,794)	0	0	0
0	0	5,465	0	(5,465)	0	0	0
0	0	11,372	0	(11,372)	0	0	0
0	0	6,500	0	(6,500)	0	0	0
0	0	8,042	0	(8,042)	0	0	0
0	0	121,500	0	(121,500)	0	0	0
0	0	81,800	0	(81,800)	0	0	0
0	0	47,250	0	(47,250)	0	0	0
0	0	1,875	0	(1,875)	0	0	0
0	0	12,325	0	(12,325)	0	0	0
0	0	8,760	0	(8,760)	0	0	0
0	0	9,788	0	(9,788)	0	0	0
0	0	14,000	0	(14,000)	0	0	0
0	0	39,000	0	(39,000)	0	0	0

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

Schedule A-3
 Schedule of Program Activity
 Year Ended December 31, 2012

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
STATE AND LOCAL PROGRAMS (Continued)					
N/A	N/A	Community Kids Beloit	Stateline United Way	01/01/12-12/31/12	10,000
N/A	N/A	Community Kids Wrap Around	Stateline United Way	01/01/12-12/31/12	10,000
N/A	N/A	Fatherhood	Stateline United Way	01/01/12-12/31/12	10,000
N/A	N/A	Skills-FSET	Stateline United Way	01/01/12-12/31/12	5,000
N/A	N/A	HUB Teen Parent Connections	Stateline United Way	01/01/12-12/31/12	38,000
N/A	N/A	HUB SHP Connection	Stateline United Way	01/01/12-12/31/12	36,000
N/A	N/A	Community Kids Janesville	Foundations	Ongoing	N/A
N/A	N/A	Head Start Fee for Service	Rock-Walworth CFS	Ongoing	N/A
N/A	N/A	Community Kids Beloit	Foundations	01/01/12-12/31/12	N/A
N/A	N/A	WETAP PD Vehicle Loans	State of WI Dept of Transportation	Ongoing	N/A
N/A	N/A	WETAP PD Vehicle Available to Loan	State of WI Dept of Transportation	Ongoing	N/A
N/A	N/A	Personal Responsibility Education Program	The Medical College of Wisconsin	11/01/11-09/30/12	100,000
N/A	N/A	Personal Responsibility Education Program	The Medical College of Wisconsin	10/01/12-09/30/13	100,000
N/A	N/A	Personal Responsibility Education Program	The Medical College of Wisconsin	05/01/12-09/30/13	14,683
N/A	N/A	Central Administration	Service Fees	01/01/12-12/31/12	N/A
N/A	N/A	Internal Services 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	CHDO Proceeds	N/A	Ongoing	N/A
N/A	N/A	Work-N-Wheels Program	Loan Origination/Device Fees	01/01/12-12/31/12	N/A
N/A	N/A	Skills	Foundations/Donations	01/01/12-12/31/12	N/A
N/A	N/A	EHR Meaningful Incentive	Forward Health	01/01/12-12/31/12	63,750
N/A	N/A	Wisconsin Well Women's Program	Susan G Komen for the Cure	04/01/12-03/31/13	56,106
N/A	N/A	Wisconsin Well Women's Program	Donations	Ongoing	N/A
N/A	N/A	Twin Oaks Homeless Shelter	Donations	01/01/12-12/31/12	N/A
N/A	N/A	Twin Oaks Homeless Shelter	Foundations	01/01/12-12/31/12	N/A
N/A	N/A	Twin Oaks Homeless Shelter	WHEDA Foundation	05/01/12-04/30/13	25,000
N/A	N/A	Twin Oaks Homeless Shelter-Building Program	Donations	Ongoing	N/A
N/A	N/A	AWARE	Donations	01/01/12-12/31/12	N/A
GENERALLY ACCEPTED ACCOUNTING PRINCIPLE (GAAP) ADJUSTMENTS					
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
Total State and Local Programs and GAAP Adjustments					
Total Program Activity					
PRIVATE SUPPORT AND SERVICE FEES					
N/A	N/A	Lincoln School-Age	Client Fees	01/01/12-12/31/12	N/A
N/A	N/A	Washington School-Age	Client Fees	01/01/12-12/31/12	N/A
N/A	N/A	Lakeview School-Age	Client Fees	01/01/12-12/31/12	N/A
N/A	N/A	Turtle Creek School-Age	Client Fees	01/01/12-12/31/12	N/A
N/A	N/A	Wileman School-Age	Client Fees	01/01/12-12/31/12	N/A
N/A	N/A	First Choice	Mercy Hospital Donations	01/01/12-12/31/12	N/A
N/A	N/A	First Choice	Client Fees	Ongoing	N/A
N/A	N/A	First Choice	Donations In-Kind	Ongoing	N/A
N/A	N/A	Community Kids Janesville	Rock County Dept. of H.S., Client Fees/Donations	01/01/12-12/31/12	N/A
N/A	N/A	Community Kids P4J	School District of Janesville Fees	01/01/12-12/31/12	N/A
N/A	N/A	Community Kids Delavar	Walworth County Dept. H.S., Client Fees/Donations	01/01/12-12/31/12	N/A
N/A	N/A	Community Kids Beloit	Rock County Dept. of H.S., Client Fees/Donations	01/01/12-12/31/12	N/A
N/A	N/A	Community Kids-Wrap Around Program	Rock County Dept. of H.S.,	01/01/12-12/31/12	N/A
N/A	N/A	Fatherhood Initiative	Foundations/Donations	Ongoing	N/A

Net Assets 12/31/11	Grant funds Received in Advance 12/31/11	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/12	Net Assets 12/31/12
0	0	10,000	0	(10,000)	0	0	0
0	0	10,000	0	(10,000)	0	0	0
0	0	10,000	0	(10,000)	0	0	0
0	0	5,000	0	(5,000)	0	0	0
0	0	38,000	0	(38,000)	0	0	0
0	0	36,000	0	(36,000)	0	0	0
8,400	0	0	10,000	(18,400)	0	0	0
0	0	0	25,488	(25,488)	0	0	0
0	0	0	8,500	(8,500)	0	0	0
108,779	0	0	0	(36,489)	43,432	0	115,722
88,133	0	0	0	0	24,696	0	112,829
0	0	99,133	0	(99,133)	0	0	0
0	0	22,791	0	(22,791)	0	0	0
0	0	5,076	0	(5,076)	0	0	0
0	0	0	3,207	(3,207)	0	0	0
5,246	0	0	0	0	0	0	5,246
1,445,571	0	0	823,370	(83,049)	0	0	2,185,892
1,822,135	0	0	0	0	0	0	1,822,135
161,308	0	0	0	(80,420)	0	0	80,888
18,302	0	0	8,490	(7,503)	0	0	19,289
15,030	0	14,000	0	(25,142)	0	0	3,888
0	0	63,750	0	(63,750)	0	0	0
0	0	56,106	0	(27,322)	0	(28,784)	0
5,687	0	0	0	(63)	0	0	5,624
75,570	0	0	122,544	(148,101)	0	0	50,013
0	0	0	27,500	(27,500)	0	0	0
0	0	25,000	0	(12,500)	0	(12,500)	0
6,800	0	0	0	(1,504)	0	0	5,296
37,413	0	0	49,535	(43,662)	0	0	43,286
0	0	0	0	1,840	(1,840)	0	0
421,387	0	0	0	(25,201)	0	0	396,186
4,279,637	15,247	2,806,103	1,201,062	(3,381,049)	66,288	(129,435)	4,857,884
4,279,637	61,500	7,141,117	1,739,667	(8,125,419)	66,288	(304,937)	4,857,884
0	0	0	24,954	(24,954)	0	0	0
0	0	0	17,061	(17,061)	0	0	0
0	0	0	14,663	(14,663)	0	0	0
0	0	0	33,359	(33,359)	0	0	0
0	0	0	27,486	(27,486)	0	0	0
0	0	0	18,750	(18,750)	0	0	0
129,086	0	0	105,389	(51,154)	(29,108)	0	154,213
0	0	0	37,405	(37,405)	0	0	0
58,173	0	0	623,755	(612,930)	0	0	68,998
90,180	0	0	98,800	(73,009)	0	0	115,971
(165,974)	0	0	355,988	(517,358)	0	0	(327,344)
(18,008)	0	0	161,518	(167,609)	0	0	(24,099)
35,629	0	0	57,514	(57,514)	0	0	35,629
0	0	0	20,178	(20,178)	0	0	0

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

Schedule A-4
Schedule of Program Activity
Year Ended December 31, 2012

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
PRIVATE SUPPORT AND SERVICE FEES (Continued)					
N/A	N/A	Beloit Merrill Houses	Rent/Donations	01/01/12-12/31/12	N/A
N/A	N/A	BMI Community Development	Donations	01/01/12-12/31/12	N/A
N/A	N/A	Housing Development	Fees/Donations	01/01/12-12/31/12	N/A
N/A	N/A	First Time Home Buyer's Classes	Fees	01/01/12-12/31/12	N/A
N/A	N/A	Fatherhood	Beloit Foundation	Ongoing	10,000
N/A	N/A	Accounting Fees	WISCAP Fee for Service	01/01/12-12/31/12	N/A
N/A	N/A	Corporate Fund	Donations, Rent Inc. and Interest	01/01/12-12/31/12	N/A
Total CAI Discretionary Activity					
Total CAI Activity					
N/A	N/A	Beloit Assisted Living, Inc	Rent	01/01/12-12/31/12	N/A
GRAND TOTALS					

See Independent Auditor's Report.

Net Assets 12/31/11	Grant funds Received in Advance 12/31/11	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/12	Net Assets 12/31/12
0	0	0	22,724	(38,470)	15,746	0	0
2,436	0	0	44,729	(42,764)	0	0	4,401
1,261	0	0	7,300	(7,300)	0	0	1,261
0	0	0	2,912	(2,912)	0	0	0
10,000	0	0	0	(10,000)	0	0	0
0	0	0	15,000	(15,000)	0	0	0
1,083,245	0	0	93,442	56,159	(52,926)	0	1,179,920
<u>1,226,028</u>	<u>0</u>	<u>0</u>	<u>1,782,927</u>	<u>(1,733,717)</u>	<u>(66,288)</u>	<u>0</u>	<u>1,208,982</u>
<u>5,505,665</u>	<u>61,500</u>	<u>7,141,117</u>	<u>3,522,594</u>	<u>(9,859,136)</u>	<u>0</u>	<u>(304,937)</u>	<u>6,066,866</u>
<u>(381,485)</u>	<u>0</u>	<u>0</u>	<u>141,871</u>	<u>(181,032)</u>	<u>0</u>	<u>0</u>	<u>(420,646)</u>
<u>\$ 5,124,180</u>	<u>\$ 61,500</u>	<u>\$ 7,141,117</u>	<u>\$ 3,664,465</u>	<u>(\$ 10,040,168)</u>	<u>\$ 0</u>	<u>(\$ 304,937)</u>	<u>\$ 5,646,220</u>

Reconciliation of Grant and Contract Revenue With Statement of Activities:

Prior year grant funds received in advance	\$ 61,500
Current grant revenue	7,141,117
Current year grant funds received in advance	<u>(304,937)</u>

TOTAL

\$ 6,897,680

Reconciliation of Other Revenue With Statement of Activities:

Fee for services revenue	\$ 2,253,528
Assigned housing loans receivable	812,142
Program and other contributions	269,333
Rental income	168,642
Investment income	30,009
In-kind revenue	130,811

TOTAL

\$ 3,664,465

Community Action, Inc. of Rock and Walworth Counties

Schedule B-1

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed-Through Wisconsin Department of Public Instruction		
Special Milk Program	10.556	\$ 470
USDA Reimbursement	10.558	<u>93,266</u>
Passed-Through Wisconsin Community Action Program Association, Inc.		
FSET-Fatherhood	10.561	50,000
FSET-Skills		<u>41,295</u>
Subtotal 10.561		<u>91,295</u>
Passed-Through Wisconsin Department of Health Services		
Temporary Emergency Food Assistance Program	10.568	<u>44,158</u>
Commodity Food Program	10.569	<u>261,515</u>
Subtotal 10.568 and 10.569 Cluster		<u>305,673</u>
Passed-Through Wisconsin Department of Public Instruction		
Wellness Grant	10.579	<u>16,000</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed-Through City of Beloit		
Community Development Block Grant	14.218	<u>33,313</u>
Passed-Through Wisconsin Department of Administration		
HUD Emergency Shelter	14.231	42,437
(Includes subcontractor expenses of \$14,503)		
Transitional Housing Program Grant		8,876
Emergency Solutions Grant		11,216
Passed-Through YWCA-Janesville		
Homeless Prevention Program Grant		<u>10,440</u>
Subtotal 14.231		<u>72,969</u>
Passed-Through Wisconsin Department of Administration		
Supportive Housing Program	14.235	254,124
Direct Grant - Supportive Housing Program		<u>491,349</u>
(Includes subcontractor expenses of \$282,818)		
Subtotal 14.235		<u>745,473</u>
Passed-Through City of Janesville		
HOME Investment Partnership	14.239	111,326
Passed-Through City of Beloit		
HOME Investment Partnership		<u>12,864</u>
Subtotal 14.239		<u>124,190</u>

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, 2012

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)		
Passed-Through Wisconsin Department of Administration ARRA-Homelessness Prevention and Rapid Re-Housing (Includes subcontractor expenses of \$17,335)	14.257-ARRA	<u>18,047</u>
Passed-Through Wisconsin Department of Health Services Lead Hazard Reduction Demonstration	14.905	<u>16,066</u>
U.S. DEPARTMENT OF LABOR		
Passed-Through Southwest Wisconsin Workforce Development Board WIA Youth Activities	17.259	<u>181,325</u>
Direct Grant - Youth Build	17.274	<u>211,048</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed-Through Wisconsin Department of Workforce Development and Wisconsin Department of Transportation (WISDOT) Job Access/Reverse Commute (JARC)	20.516	<u>111,651</u>
U.S. DEPARTMENT OF ENERGY (DOE)		
Passed-Through Wisconsin Department of Administration Weatherization Assistance DOE	81.042	<u>204,670</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed-Through Planned Parenthood of Wisconsin, Inc. Family Planning	93.217	<u>327,268</u>
Passed-Through Wisconsin Department of Health Services Well Women's Program	93.283	<u>52,021</u>
Passed-Through Wisconsin Department of Administration Weatherization Assistance EAP	93.568	711,956
Emergency Furnace Repair and Replacement		<u>11,331</u>
Subtotal 93.568		<u>723,287</u>
Passed-Through Wisconsin Department of Children & Families Community Service Block Grant	93.569	<u>370,885</u>

Community Action, Inc. of Rock and Walworth Counties

Schedule B-3

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)		
Passed-Through Wisconsin Department of Health Services		
ARRA-Transitional Jobs Demo Project (TANF)	93.714-ARRA	<u>433,700</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Passed-Through Serve Wisconsin		
Americorps	94.006	<u>73,148</u>
TOTAL FEDERAL PROGRAMS		<u><u>\$ 4,205,765</u></u>

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, 2012

NOTE 1 - The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Community Action, Inc. of Rock and Walworth Counties under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Community Action, Inc. of Rock & 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 & Walworth Counties.

NOTE 2 - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - Grant numbers, if applicable, are disclosed on Schedules A-1 to A-4 for the federal awards on this schedule.

NOTE 4 - Information Required by Wisconsin Department of Health Services for ARRA funding:

Federal Grantor:	Department of Health and Human Services
Program or cluster title:	Transitional Jobs Demo Project
Federal CFDA number:	CFDA # 93.714-ARRA
CARS profile name or purchase order description:	N/A - reported in CORE
CARS profile number or purchase order number:	N/A - reported in CORE
CARS or invoice expenses and payments by contract year:	

	CARS 603 Column H Actual CTD Expenses (aka CTD Activity) or amount reported by invoice	CARS 603 Column K CTD Pmts (Advances) (aka CTD Reimbursement) or payments made on invoice
08/01/10-12/31/10	\$ 82,534	\$ 0
01/01/11-12/31/11	364,229	413,823
01/01/12-12/31/12	433,700	426,630
Total	<u>\$ 880,463</u>	<u>\$ 840,453</u>

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

Schedule C

Consolidating Statement of Financial Position

December 31, 2012

<i>Assets</i>	Community Action, Inc. of Rock & Walworth *	Beloit Assisted Living, Inc.	Subtotal	CAI and BALI Consolidated
Current assets:				
Cash	\$ 211,400	\$ 36,675	\$ 248,075	\$ 248,075
Restricted cash	170,991	75,193	246,184	246,184
Grants receivable	782,558	0	782,558	782,558
Accounts receivable, net	210,646	0	210,646	210,646
Accounts receivable - Affiliates	7,952	0	7,952	7,952
Weatherization inventory	222,874	0	222,874	222,874
Housing inventory	371,600	0	371,600	371,600
Other inventory	4,250	0	4,250	4,250
Current portion of loans receivable	94,701	0	94,701	94,701
Commodity food inventory	23,333	0	23,333	23,333
Prepaid expenses	111,056	417	111,473	111,473
Total current assets	2,211,361	112,285	2,323,646	2,323,646
Other assets:				
Investments	249,088	0	249,088	249,088
Loans receivable - Affiliates, net	1,822,135	0	1,822,135	1,822,135
Loans receivable - Housing, net	1,720,387	0	1,720,387	1,720,387
Loans receivable - Vehicles, net	37,495	0	37,495	37,495
Total other assets	3,829,105	0	3,829,105	3,829,105
Property and equipment, net	1,280,180	1,747,908	3,028,088	3,028,088
TOTAL ASSETS	\$ 7,320,646	\$ 1,860,193	\$ 9,180,839	\$ 9,180,839
<i>Liabilities and Net Assets</i>				
Current liabilities:				
Current portion of mortgages payable	\$ 224,323	\$ 0	\$ 224,323	\$ 224,323
Accounts payable	263,107	8,948	272,055	272,055
Accrued payroll and related expenses	206,990	0	206,990	206,990
Advances	18,908	0	18,908	18,908
Other liabilities	0	20,391	20,391	20,391
Grant funds received in advance	304,937	0	304,937	304,937
Total current liabilities	1,018,265	29,339	1,047,604	1,047,604
Long-term liabilities:				
Line of credit	200,000	0	200,000	200,000
Long-term advances	35,578	0	35,578	35,578
Capital advance - HUD	0	2,251,500	2,251,500	2,251,500
Total long-term liabilities	235,578	2,251,500	2,487,078	2,487,078
Total liabilities	1,253,843	2,280,839	3,534,682	3,534,682
Net assets:				
Unrestricted	959,862	(420,646)	539,216	539,216
Unrestricted - Board designated	249,088	0	249,088	249,088
Total unrestricted	1,208,950	(420,646)	788,304	788,304
Temporarily restricted	4,857,853	0	4,857,853	4,857,853
Total net assets	6,066,803	(420,646)	5,646,157	5,646,157
TOTAL LIABILITIES AND NET ASSETS	\$ 7,320,646	\$ 1,860,193	\$ 9,180,839	\$ 9,180,839

* Includes activity for both CAI and CAP.

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

Schedule D

Consolidating Statement of Activities

Year Ended December 31, 2012

	Community Action, Inc. of Rock & Walworth *	Beloit Assisted Living, Inc.	CAI and BALI Consolidated
Revenue:			
Grant and contract revenue	\$ 6,897,680	\$ 0	\$ 6,897,680
Fee for services revenue	2,249,792	3,736	2,253,528
Assignment of housing loans	812,142	0	812,142
Program and other contributions	269,333	0	269,333
Rental income	30,601	138,041	168,642
Investment income	29,915	94	30,009
In-kind revenue	130,811	0	130,811
Total revenue	10,420,274	141,871	10,562,145
Expenses:			
Salaries and wages	4,249,298	0	4,249,298
Fringe benefits	951,899	0	951,899
Consultants/contractual	43,674	24,263	67,937
Travel	107,920	0	107,920
Occupancy	484,241	33,541	517,782
Supplies	82,033	1,066	83,099
Weatherization materials	1,395,116	0	1,395,116
Client/participant costs	1,707,654	0	1,707,654
Depreciation	202,106	55,179	257,285
Commodities distributed	261,515	0	261,515
Other	373,680	66,983	440,663
Total expenses	9,859,136	181,032	10,040,168
Change in net assets	561,138	(39,161)	521,977
Net assets at beginning of year	5,505,665	(381,485)	5,124,180
Net assets at end of year	\$ 6,066,803	(\$ 420,646)	\$ 5,646,157

* Includes activity for both CAI and CAP.



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors
Community Action, Inc. of Rock & Walworth Counties
Janesville, 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 and Related Entities, which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements 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 27, 2013. The financial statements of 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 Community Action Properties, LLC.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the entity's 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, flowing style.

Wipfli LLP

June 27, 2013
Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Program and Internal Control over Compliance

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

Report on Compliance for Each Major Federal and State Program

We have audited Community Action, Inc. of Rock & Walworth Counties' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of Community Action, Inc. of Rock & Walworth Counties' major federal and state programs for the year ended December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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, 2012.

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 and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal and state program and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and the *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 in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 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 auditee's financial statements include Beloit Assisted Living, Inc., a related entity, that had expenditures greater than \$500,000 in federal awards in the year ended December 31, 2012, and has had a separate single audit, which is not included in this single audit.

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


Wipfli LLP

June 27, 2013
Madison, Wisconsin

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

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the consolidated financial statements of Community Action, Inc. of Rock & Walworth Counties and Related Entities.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal and major state award programs as reported in the Independent Auditor's Report on Compliance for Each Major Program and Internal Control over Compliance.
5. The auditor's report on compliance for the major federal and major state award programs expresses an unqualified opinion.
6. There were no audit findings relative to the major federal and major state award programs.
7. The programs tested as a major federal program were the Department of Agriculture, CFDA #10.568 and #10.569, Department of Energy, CFDA #81.042, and Department of Health and Human Services, CFDA #93.217, CFDA #93.568, and CFDA #93.714-ARRA.
8. The programs tested as major state programs were the State of Wisconsin, Department of Administration, Public Benefits Program and the State of Wisconsin, Department of Transportation Wisconsin Employment Transportation Assistance Program.
9. The threshold for distinguishing federal Type A and B programs was \$300,000. The threshold for distinguishing state Type A and B programs was \$100,000.
10. Community Action, Inc. of Rock & Walworth Counties was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Findings: None

Questioned Costs: None

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

Schedule of Findings and Questioned Costs

D. Prior Year Findings

None

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

State Single Audit Guidelines Checklist
 Year Ended December 31, 2012

A. Summary of Auditor's Results

Financial Statements

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued? | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Reportable conditions identified not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal and State Awards

- | | | |
|----|---|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Reportable conditions identified not considered to be material weaknesses? | No |
| 5. | Type of auditor's report issued on compliance for major programs? | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | No |
| 7. | Identification of state major programs: | |

Name of State Program

Public Benefits

Wisconsin Employment Transportation Assistance Program

B. Financial Statement Findings No matters were reported

C. Federal and State Award Findings and Questioned Costs No matters were reported

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

State Single Audit Guidelines Checklist
 Year Ended December 31, 2012

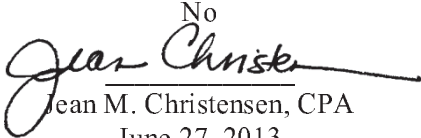
D. ARRA in Schedule of Findings and Questioned Costs

- | | | |
|----|--|---|
| 1. | Federal Grantor: | Department of Health and Human Services |
| 2. | Program or Cluster Title: | ARRA-Transitional Jobs Demo Project |
| 3. | Federal CFDA Number: | 93.714-ARRA |
| 4. | CARS profile name or purchase order description: | N/A - Reported in CORE |
| 5. | CARS profile number or purchase order number: | N/A - Reported in CORE |
| 6. | Was the funding part of a Type A program or cluster? | Yes |
| 7. | If the funding was part of a Type A program or cluster tested as a major program for the current audit period? | Yes |

E. Prior Year Findings and Questioned Costs

None

F. Other Issues

- | | | |
|----|--|---|
| 1. | 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 |
| 2. | Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : | |
| | a. Department of Health Services | No |
| | b. Department of Workforce Development | No |
| | c. Department of Administration | No |
| | d. Department of Public Instruction | No |
| | e. Department of Children and Families | No |
| | f. Department of Transportation | No |
| 3. | Was a management letter or other document conveying audit comments issued as a result of this audit? | No |
| 4. | Name and signature of partner in charge | 
Jean M. Christensen, CPA |
| 5. | Date of report | June 27, 2013 |