



a PPL company

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602-0615

RECEIVED

JUN 28 2012

PUBLIC SERVICE  
COMMISSION

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
[www.lge-ku.com](http://www.lge-ku.com)

Rick E. Lovekamp  
Manager - Regulatory Affairs  
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June 28, 2012

Re: *In the Matter of: Joint Application of Kentucky Utilities Company, Kentucky Association for Community Action, Inc., and Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. for the Establishment of a Home Energy Assistance Program, Case No. 2007-00338*

Dear Mr. DeRouen:

On September 14, 2007, the Commission approved the Joint Application of Kentucky Utilities Company (“KU”), the Kentucky Association for Community Action, Inc. (“KACA”), and the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicolas Counties, Inc. (“CAC”), (collectively “Joint Applicants”) for a five year Home Energy Assistance (“HEA”) program. The term of the HEA program was extended for an additional three years (through September 30, 2015) in Case No. 2010-00204. Pursuant to Ordering Paragraph No. 4 of the Commission’s Order in Case No. 2007-00338, KU is filing the HEA program information for calendar year 2011 and the financial audits for KACA and CAC for year ended June 30, 2011.

For the twelve month period ending December 2011, KU collected \$766,013 from residential electric customers (See Exhibit 1).

As of the December 31, 2011 reporting period, there were 2,603 residential customers enrolled in the HEA program representing 69 counties throughout the KU service territory (See Exhibit 2).

Mr. Jeff DeRouen  
June 28, 2012

For the calendar year 2011, 3,734 brown bills (See Exhibit 3) were sent to HEA clients. Additionally, there were 1,327 disconnections (See Exhibit 4) of HEA clients during 2011.

In the aforementioned Order, KU was authorized to utilize up to five percent of the total HEA funds collected to provide discretionary energy assistance. The Order specifies that the funds could be used to pay down arrearages or to provide energy assistance in crisis situations. During 2011, KACA and CAC utilized the funds for program participants that required monthly energy assistance.

During 2011, there was no change to the monthly or annual benefit amount after approval of the aforementioned Order.

Lastly, KU has enclosed the financial audits conducted by independent auditors for KACA and CAC for the period ending June 30, 2011.

Please confirm your receipt of this filing by placing the stamp of your Office with date received on the extra copy and returning to me in the enclosed envelope. Should you have any questions regarding this information, please contact me or Don Harris at 502-627-2021.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp". The signature is stylized and cursive.

Rick E. Lovekamp

**Kentucky Utilities Company**  
**Home Energy Assistance Program**  
**Total Funds Collected**

<b>Month/Year</b>	<b>Amount</b>
Jan-11	\$66,131
Feb-11	61,848
Mar-11	64,073
Apr-11	63,480
May-11	64,012
Jun-11	63,975
Jul-11	63,873
Aug-11	64,367
Sep-11	63,725
Oct-11	63,692
Nov-11	63,464
Dec-11	63,373
Total	\$766,013

**Kentucky Utilities Company  
Home Energy Assistance Program  
Customer Enrollment by County  
As of December 31, 2011**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Adair	5	0.19%
Anderson	22	0.84%
Ballard	2	0.08%
Barren	4	0.15%
Bath	8	0.31%
Bell	144	5.53%
Bourbon	129	4.96%
Boyle	27	1.04%
Bracken	10	0.38%
Bullitt	5	0.19%
Caldwell	1	0.04%
Carroll	17	0.65%
Casey	34	1.31%
Christian	2	0.08%
Clark	34	1.31%
Clay	9	0.35%
Crittenden	4	0.15%
Estill	3	0.11%
Fayette	1,015	38.99%
Fleming	8	0.31%
Franklin	7	0.27%
Gallatin	6	0.23%
Garrard	33	1.27%
Grant	1	0.04%
Grayson	9	0.35%
Green	27	1.04%

**Kentucky Utilities Company  
Home Energy Assistance Program  
Customer Enrollment by County  
As of December 31, 2011**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Hardin	14	0.54%
Harlan	19	0.73%
Harrison	56	2.15%
Hart	48	1.84%
Henderson	10	0.38%
Henry	5	0.19%
Hickman	3	0.11%
Hopkins	25	0.96%
Jessamine	8	0.31%
Knox	8	0.31%
Larue	49	1.88%
Laurel	20	0.77%
Lincoln	91	3.50%
Livingston	3	0.11%
Lyon	2	0.08%
Madison	28	1.07%
Marion	27	1.04%
Mason	10	0.38%
McClellan	9	0.35%
McCracken	4	0.15%
McCreary	8	0.31%
Mercer	105	4.03%
Montgomery	34	1.31%
Muhlenberg	51	1.96%
Nelson	4	0.15%
Nicholas	49	1.88%

**Kentucky Utilities Company  
Home Energy Assistance Program  
Customer Enrollment by County  
As of December 31, 2011**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Ohio	3	0.11%
Oldham	1	0.04%
Owen	2	0.08%
Pulaski	50	1.92%
Rockcastle	14	0.54%
Rowan	40	1.54%
Russell	19	0.73%
Scott	18	0.69%
Shelby	9	0.35%
Spencer	11	0.42%
Taylor	31	1.19%
Trimble	13	0.50%
Union	4	0.15%
Washington	2	0.08%
Webster	15	0.58%
Whitley	31	1.19%
Woodford	84	3.23%
<b>Total</b>	<b>2,603</b>	<b>100.00%</b>

**Kentucky Utilities Company  
Home Energy Assistance Program  
Brown Bill Notices Issued - 2011**

<b>Number of Customers</b>	<b>Number of Brown Bills Per Customer Received Annually</b>
513	1
437	2
380	3
389	4
347	5
299	6
279	7
263	8
294	9
239	10
197	11
97	12
3,734	Total

**Kentucky Utilities Company  
Home Energy Assistance Program  
Number of Disconnections - 2011**

<b>Number of Customers</b>	<b>Number of Disconnections Per Customer</b>
843	1
294	2
124	3
37	4
15	5
10	6
3	7
1	8
1,327	Total

Community Action Kentucky, Inc.

Audited Financial Statements  
And  
Other Financial Information

For The Year Ended June 30, 2011

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## Independent Auditor's Report

Board of Directors  
Community Action Kentucky, Inc.

We have audited the accompanying statement of financial position of Community Action Kentucky, Inc. ("CAK," nonprofit organization) as of June 30, 2011 and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of CAK's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAK as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of CAK's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on CAK's financial statements, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Charles T. Mitchell Co.*

November 30, 2011

Community Action Kentucky, Inc.  
Statement of Financial Position  
June 30, 2011

Assets

Current Assets

Cash	\$	340,553
Receivables		
Reimbursable costs		5,306,022
Due from sub-recipients		40,113
Current portion of Notes Receivable		54,636
Prepaid Expenses		<u>7,157</u>

Total Current Assets		<u>5,748,481</u>
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Other Assets

Investments		888,196
Notes Receivable		99,266
Other Receivables		8,746

Property and Equipment

Buildings and equipment, less accumulated depreciation of \$228,303		<u>733,633</u>
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Total Assets	\$	<u><u>7,478,322</u></u>
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The accompanying notes are an integral part of the financial statements.

Community Action Kentucky, Inc.  
Statement of Financial Position  
June 30, 2011

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 19,613
Accrued compensation	127,432
Due to Sub-recipients	5,076,942
Due to Funding Sources	8,680
Notes Payable - current maturities	<u>44,859</u>

Total Current Liabilities 5,277,526

Long Term Liabilities

Notes Payable	<u>136,000</u>
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Total Liabilities 5,413,526

Net Assets

Unrestricted	<u>2,064,796</u>
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Total Net Assets 2,064,796

Total Liabilities and Net Assets \$ 7,478,322

The accompanying notes are an integral part of the financial statements.

Community Action Kentucky, Inc.  
Statement of Activities  
For The Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Grants/contracts	\$	\$ 100,474,543	\$ 100,474,543
Comissions	173,526		173,526
Program Services		97,728	97,728
Dues	18,405		18,405
Rental Income	8,520		8,520
Investment Income	156,580		156,580
Other	25,880		25,880
Release of restrictions of net assets	100,572,271	(100,572,271)	-
<b>Total Revenue</b>	<b>100,955,182</b>	<b>-</b>	<b>100,955,182</b>
Expenses:			
Energy assistance	99,708,549		99,708,549
CSBG/OCS	368,966		368,966
RCAP	381,603		381,603
ARRA	92,500		92,500
NPTP	40,427		40,427
Housing	13,969		13,969
AEP	23,758		23,758
Supporting Services	152,263		152,263
<b>Total Expenses</b>	<b>100,782,035</b>	<b>-</b>	<b>100,782,035</b>
Increase in net assets	173,147	-	173,147
Net assets beginning of the year	1,891,649	-	1,891,649
<b>Net assets end of year</b>	<b>\$ 2,064,796</b>	<b>\$ -</b>	<b>\$ 2,064,796</b>

The accompanying notes are an integral part of the financial statements.

Community Action Kentucky, Inc.  
Statement of Cash Flows  
For The Year Ended June 30, 2011

Cash flows from operating activities:	
Increase (Decrease) in net assets	\$ 173,147
Adjustments to reconcile decrease in net assets to net cash used for operating activities:	
Depreciation and amortization	10,377
Unrealized gains/losses on investments	(149,853)
Changes in operating assets and liabilities	
(Increase) Decrease in reimbursable costs	(1,558,158)
(Increase) Decrease in subrecipient receivables	(33,364)
(Increase) Decrease in prepaid expenses	(556)
Increase (Decrease) in accounts payable	(1,536)
Increase (Decrease) in due to sub-recipients	1,471,007
Increase (Decrease) in due funding sources	3,804
Increase (Decrease) in accrued expenses	<u>125</u>
Net adjustments	<u>(258,154)</u>
Net cash from (used in) operating activities	<u>(85,007)</u>
Cash flows from (used in) investing activities:	
Collections of notes receivable	61,256
Purchase of investments	-
Purchases of property and equipment	<u>16,320</u>
Net cash flows from (used in) investing activities	<u>77,576</u>
Cash flows from (used in) financing activities:	
Payment on long-term debt	<u>(61,672)</u>
Net cash flows from (used in) financing activities	<u>(61,672)</u>
Net increase (decrease) in cash	(69,103)
Cash at Beginning of Year	<u>409,656</u>
Cash at End of Year	<u><u>\$ 340,553</u></u>

The accompanying notes are an integral part of the financial statements.

Community Action Kentucky, Inc.  
Statement of Functional Expenses  
For The Year Ended June 30, 2011

								Program		
	RCAP	ARRA	Housing	NPTP	Energy	AEP	OCS/ CSBG	Services Total	Supporting Services	2011 Totals
Salaries	\$ 186,821	\$ 48,555	\$ 250	\$ 1,944	\$ 436,611	\$ 912	\$ 176,773	\$ 851,866	\$ 28,839	\$ 880,705
Fringe Benefits	72,961	19,778	99	748	165,457	346	67,793	327,182	6,579	333,761
Professional Services	13,102	(6)	-	-	557	-	-	13,653	9,924	23,577
Consultants	(103)	-	-	26,798	70,660	-	24,604	121,959	4,201	126,160
Education	104	450	-	-	5,001	-	7,680	13,235	2,472	15,707
Travel	43,017	11,260	-	457	20,941	-	29,263	104,938	15,217	120,155
Telephone	(1)	-	-	-	872	-	185	1,056	157	1,213
Office Exp & Supplies	14,204	488	-	-	1,495	-	1,940	18,127	1,411	19,538
Dues/Fees	29	-	13	-	350	-	-	392	3,419	3,811
Insurance	57	-	-	-	12,677	-	38	12,772	237	13,009
Pollution Insurance	-	-	-	-	96,560	-	-	96,560	-	96,560
Postage	26	-	-	-	10	-	394	430	-	430
Printing	105	-	-	-	3,283	-	4,021	7,409	149	7,558
Publications	909	144	-	-	99	-	1,025	2,177	118	2,295
Marketing	-	-	-	-	-	-	-	-	4,250	4,250
Advertising	75	-	-	-	1,632	-	-	1,707	-	1,707
Utilities	1	-	-	-	1	-	-	2	-	2
Repairs & Maintenance	-	-	-	-	4,766	-	1,413	6,179	6,105	12,284
Meeting Expense	-	-	-	10,480	446	-	7,843	18,769	41,008	59,777
Depreciation	1	6	(8)	-	1	-	6	6	10,371	10,377
Interest	-	-	2,134	-	-	-	-	2,134	-	2,134
Bad Debts	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	3,563	3,563
Loss on Investments	-	-	-	-	-	-	-	-	-	-
Indirect	50,295	11,825	50	-	78,089	-	45,988	186,247	14,243	200,490
Subrecipients	-	-	11,431	-	98,809,041	22,500	-	98,842,972	-	98,842,972
<b>Total</b>	<b><u>\$ 381,603</u></b>	<b><u>\$ 92,500</u></b>	<b><u>\$ 13,969</u></b>	<b><u>\$ 40,427</u></b>	<b><u>\$ 99,708,549</u></b>	<b><u>\$ 23,758</u></b>	<b><u>\$ 368,966</u></b>	<b><u>\$ 100,629,772</u></b>	<b><u>\$ 152,263</u></b>	<b><u>\$ 100,782,035</u></b>

The accompanying notes are an integral part of the financial statements.

## **Note 1 – Organization and Nature of the Operations**

Community Action Kentucky, Inc. (a Kentucky nonprofit organization) is a multi-funded association of twenty-three (23) Community Action in Kentucky. Each of these twenty-three CAA's has an Executive Director, or its equivalent, who serve as board members for Community Action Kentucky, Inc. The CAA's are the predominate recipients of pass through funds from Community Action Kentucky, Inc. and thus related parties (See page 21 of this report for further details). The Association was formed in 1968 to provide a link between the CAA's to better accomplish mutual goals and objectives. The responsibilities of the Association include the development and administration of grants and contracts providing services in areas such as housing, water, wastewater management, crisis intervention, and low-income home improvements.

In prior years, the organization conducted its activities as Kentucky Association for Community Action, Inc (KACA). In October 2007, the board approved and the state granted a change of name to Community Action Kentucky, Inc. (CAK).

The primary sources for flow through of funds are Cabinet for Health and Family Services and Kentucky Housing Corporation, State of Kentucky and W.S.O.S. Community Action Commission.

The following programs are administered by CAK:

### **LOW INCOME HOME ENERGY ASSISTANCE**

The LIHEAP Grant is provided by the Kentucky Cabinet for Health and Family Services, Department of Social Insurance to provide energy services including assistance with payment of utility bills, limited repairs of heating systems and provision of fuel, heaters, blankets and certain other commodities. CAK serves as a pass-through agency with the program services being provided by 23 sub-recipient organizations.

### **DEMAND SIDE MANAGEMENT PROGRAM**

The DSM Grant is provided by the Cabinet for Health and Family Services to engage in leveraging activities related to the LIHEAP grant. Under the grant CAK provides technical assistance to ongoing utility funded partnerships with Weatherization agencies and works toward the creation of other new programs. Community Action Kentucky, Inc. also holds quarterly meetings to allow those involved in DSM to come together and exchange information and ideas. Community Action Kentucky, Inc. also tracks federal and state legislation that affect utility industry restructuring and how that would affect DSM programs in Kentucky.

### **WATER AND WASTEWATER PROGRAM (RCAP)**

The RCAP Grant is funded by an award from the U.S. Department of Health and Human Services, Office of Community Services. The WSOS Community Action, Inc., sponsor for the Great Lakes

### **Note 1 – Organization and Nature of Operations (Continued)**

Rural Network, Inc., has contracted with Community Action Kentucky, Inc. to assist low-income families, small communities, and local officials to deal with water and wastewater problems affecting the poor. The water and wastewater program has activities in Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, and Wisconsin.

#### **HOUSING PROGRAM**

The Housing Program is funded by a loan from the Kentucky Housing Corporation to make and disburse mortgage loans to eligible persons and families of lower income, for single-family dwellings to provide safe, decent, and sanitary family dwellings in the Commonwealth of Kentucky.

#### **KU ENERGY ASSISTANCE PROGRAM**

CAK, in conjunction with Community Action Council, operates an energy assistance program that helps approximately 1,300 households with a subsidy benefit for seven months during the year. The program is funded with a 10 cent per meter monthly charge on residential electric customers of Kentucky Utilities.

#### **AMERICAN ELECTRIC POWER**

CAK, in conjunction with five Community Action Agencies in Eastern Kentucky, operates an energy assistance program that helps approximately 800 households with subsidy benefits for seven months during the year. The program is funded with a 10 cent per meter monthly charge on residential electric customers of Kentucky Power/AEP.

#### **WEATHERIZATION**

Since 2001 Community Action Kentucky has operated the Weatherization program on behalf of the Cabinet for Health and Family Services through a network of 22 Community Action Agencies and one unit of local government. The program is funded by the federal Department of Energy (DOE) and, upon approval by CHFS, by a 15% transfer from the Low Income Home Energy Assistance Program (LIHEAP) to weatherization. The program provides energy conservation services for low income households at or below 150% of the federal poverty guidelines (it has since been raised to 200% of the federal poverty guidelines). The services provided include providing a home energy audit, adding attic insulation, duct sealing, floor insulation, heat system repair, wall insulation, and in some instances heat system replacement. The average cost per home was approximately \$3,000 not including health safety measures. The program's health and safety measures could go up to an average \$1,000 per home. They include carbon monoxide detection, smoke detectors, fixing leaking appliances and other heat system work. In 2009 the program was moved from the Cabinet for Health and Family Services to the Finance and Administration Cabinet where it would be overseen and administered by the Kentucky Housing Corporation.

## Note 2 – Summary of Significant Accounting Principles

Basis of Presentation – CAK has adopted Statement of Financial Accounting Standards (SFAS) No. 117 “Financial Statements of Not-for-Profit Organizations”. SFAS No. 117 establishes standards for external financial reporting and requires that resources be classified into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

- Unrestricted – net assets that are not subject to any donor-imposed restrictions
- Temporarily Restricted – net assets subject to donor-imposed restrictions that can be met either by actions of CAK and/or the passage of time
- Permanently Restricted – net assets subject to donor-imposed restrictions that they be maintained permanently, but permit CAK to use or expend part or all of the income derived from the donated assets.

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

Expenses – Expenses are reported using the accrual basis of accounting.

### Revenue Recognition:

Grant and contract revenue – Revenue under cost reimbursement grants/contracts is recorded when an expense is incurred for the grant/contract supported programs or projects in the manner specified by the applicable grant/contract. Any excess of grant/contract funds received over expenses incurred is accounted for as deferred revenue until requirements for support recognition are met or is accounted for as funds to be returned to grantor agencies.

Program service revenue – Fees for program services rendered are recorded when earned. Interest income related to housing notes receivable is recorded when received. Accrued interest on such notes is not material.

Equipment – Equipment acquired with unrestricted funds is capitalized and reported at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the respective asset.

Cash and Cash Equivalents – CAK management regards any highly liquid instrument with a maturity of three months or less when purchased to be cash.

**Note 2 – Summary of Significant Accounting Policies (continued)**

Accounts and Notes Receivable – Accounts and notes receivable are stated at amounts management expects to collect from balances outstanding at year-end. Based on management’s assessment of the credit history and current relationship with clients having outstanding balances, it believes realization of losses, if any, will be immaterial.

Accrued Leave – It is the policy of the association that annual leave time is accrued and payable on termination of employment and sick leave is not accrued since it is not paid upon termination of employment. As of June 30, 2011, the association had unpaid annual leave of \$78,346.

**Note 3 – Concentrations of Credit Risk**

At times during the year, CAK had on deposit with a local bank amounts in excess of FDIC insurance limits. As part of its cash management and investment practices, the agency monitors bank balances on an almost daily basis and transfers funds as necessary to mitigate associated risks associated. As of June 30, 2011, the uninsured balance was \$90,553. Consequently, management believes it is not exposed to any significant credit risk on its cash balance.

**Note 4 – Investments**

Investments are presented at their fair value as determined by reference to quoted market prices. Related realized and unrealized gains and losses are reflected in the statement of activities. Investments consisted of the following at June 30, 2011:

	Cost	Fair Value
Stocks	\$ 128,788	\$ 94,116
Mutual Funds	559,367	794,080
Total	\$ 688,155	\$ 888,196

Realized and unrealized gains and losses included in net income for the year ended June 30, 2011 are reported in the accompanying income statement as follow:

Interest & Dividend Income	\$ 29,411
Recognized Gains(Losses)	-
Unrealized Gains(Losses)	127,169
Total Investment Income	\$ 156,580

**Note 5 – Notes Receivable**

Notes receivable arise from the conduct of CAK’s housing program wherein funds are borrowed from the Kentucky Housing Corporation (see Note 1) and re-loaned to the Community Action Agencies. The balance at June 30, 2011 was comprised of 22 individual loans made to 5 of these agencies. The interest rates on all notes are 1%. This rate is consistent with the related borrowing rate (see Note 9) and is restricted contractually.

Maturities of these notes receivables are as follows:

<u>Year Ended</u>	
2012	\$ 54,636
2013	29,950
2014	24,025
2015	18,775
2016	8,125
Thereafter	<u>18,391</u>
Total	<u>\$ 153,902</u>

**Note 6 – Property and Equipment**

Property and equipment consisted of the following at June 30, 2011.

Land	\$ 105,287
Office Equipment	98,704
Building	<u>757,945</u>
	961,936
Less: Accumulated Depreciation	<u>(228,303)</u>
Net Property, Plant & Equipment	<u>\$ 733,633</u>

**Note 7 – Retirement Plan**

CAK participates in the Commonwealth of Kentucky’s County Employees Retirement System (CERS). The System is a cost sharing, multi-employer public employee retirement system. All of CAK’s full-time employees are covered under the non-hazardous plan.

Members contribute 5% or 6%, depending on hire date, of gross compensation, while CAK pays the designated employer rate. On each June 30, interest is credited at the rate determined by CERS on the accumulated contribution the member had in his account on the previous June 30. Upon termination, member may withdraw the contributions with interest, but will be entitled to no benefit payments.

Community Action Kentucky, Inc. Community Action Kentucky, Inc.  
Notes To The Financial Statements  
For The Year Ended June 30, 2011

**Note 7 – Retirement Plan (continued)**

Employer contributions for the year ended June 30, 2011 were \$351,755. The contributions for the year consisted of \$153,335 from the Association and \$198,420 from the employees.

**Note 8 – Notes Payable**

Notes Payable arise from the conduct of CAK's housing program as described in notes 1 and 5. The note payable at June 30, 2011 consisted of the following.

Note payable to KHC (NHPR 02/03), Interest at 1% annual payments of \$14,909 through July, 2022	\$ 29,819
Note payable to KHC (NHPR 03/04), Interest at 1% annual payments of \$5,925 through July, 2023	17,775
Note payable to KHC (NHPR 04/05), Interest at 1% annual payments of \$5,250 through July, 2024	21,000
Note payable to KHC (NHPR 05/06), Interest at 1% annual payments of \$10,650 through July, 2025	53,250
Note payable to KHC (NHPR 06/07), Interest at 1% annual payments of \$1,159 through July, 2026	17,948
Note payable to KHC (NHPR 08/09), Interest at 1% annual payments of \$5,921 through July, 2028	<u>41,067</u>
Total	180,859
Less: Current Maturities	<u>44,859</u>
 Total Long-Term Debt	 <u><u>\$ 136,000</u></u>

The note agreements provide CAK the opportunity to amortize the above loans over a twenty year period. However, management has elected to pay off the notes in approximately the same manner as the related notes receivable are being repaid by the borrowers, which is over a 10 year period. As such, there is an accelerated repayment of the above notes as compared to the formal note terms.

Expected future principal repayments are as follows:

Year Ended	
2012	\$ 44,859
2013	44,859
2014	29,950
2015	24,025
2016	18,775
Thereafter	<u>18,391</u>
Total	<u><u>\$ 180,859</u></u>

### **Note 9 – Income Taxes**

CAK is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code.

### **Note 10 – Risks and Uncertainties**

Under the terms of federal and state grants and contracts, periodic audits are required of the Organization's accounting records. These audits may result in costs being questioned as not being appropriate expenditures under the terms of the grant. Any disallowed claims may be required to be repaid to the grantor. Management expects such disallowed amounts, if any, to be immaterial.

### **Note 11 – Fair Value Measurements**

SFAS No. 157 requires companies to determine fair value based on the price that would be received to see the asset or paid to transfer the liability to a market participant. SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.
- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect a Organization's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The standard requires certain valuation methodologies be used for instruments measured at fair value on a recurring basis and recognized in the Organization's balance sheet, as well as the general classification of such instruments pursuant to the above valuation hierarchy. The Organization believes the standard applies to its investment securities which on the accompanying balance sheet.

At June 30, 2011, the Organization's trading securities had a fair value of \$888,196, all of which was determined based on quoted prices in active markets for identical assets (Level 1).

**Note 12 – Subsequent Events**

Management did not indicate financially impacting information regarding subsequent events. Subsequent events were evaluated through November 30, 2011, which is the date the financial statements were available to be issued. No events were found to be, or have, a material impact regarding the accompanying financial statements of the Community Action, Kentucky Inc. as of and for the year ended June 30, 2011 as listed in the table of contents.



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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 Kentucky, Inc.

We have audited the financial statements of the Community Action Kentucky, Inc. ("CAK", a Kentucky nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAK's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CAK's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CAK's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify deficiency in internal control over financial reporting that we consider to be a significant deficiency.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Charles T. Mitchell Co.*

November 30, 2011

Independent Auditor's Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major Program And On  
Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Directors  
Community Action, Kentucky Inc.

Compliance

We have audited Community Action Kentucky, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community Action Kentucky, Inc.'s major federal programs for the year ended June 30, 2011. Community Action Kentucky, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community Action Kentucky, Inc.'s management. Our responsibility is to express an opinion on Community Action Kentucky, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Kentucky, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Community Action Kentucky, Inc.'s compliance with those requirements.

In our opinion, Community Action Kentucky, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of CAK is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CAK's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CAK's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Charles T. Mitchell Co.*

November 30, 2011

Community Action Kentucky, Inc  
Schedule Of Expenditures Of Federal Awards  
June 30, 2011  
Federal

Grant	Pass-Through Grantor	Federal CFDA Number	Pass Through Grant Number	Grant Period Ending	Award Expenditures as of 6/30/11
<u>U.S. Department of Health and Human Services:</u>					
Community Services Block Grant	KY Cabinet for Health & Family Services	93.569	736-090001353	6/30/11	S 149,998
Low Income Home Energy Assistance Program	KY Cabinet for Health & Family Services	93.568	736-090001353	6/30/11	67,470,312
HHS - RCAP	W.S.O.S Community Action Comm.	93.570	PY10/11	9/30/11	133,008
HHS - RCAP	W.S.O.S Community Action Comm.	93.570	PY09/10	9/30/10	60,020
Safety & Security - RCAP	W.S.O.S Community Action Comm.	92.570	PY10/11	9/30/11	2,441
Safety & Security - RCAP	W.S.O.S Community Action Comm.	93.570	PY09/10	9/30/10	922
Promoting Healthy Marriage	Office of Community Services	93.569	90ET0376/03	9/30/10	14,788
ETTC	Office of Community Services	93.569	90ET0376/03	9/30/10	3,283
SAI/CSBG	Office of Community Services	93.570	90EQ0171/02	9/30/10	16,948
SAI/CSBG	Office of Community Services	93.570	90EQ0171/03	9/30/11	58,540
Capacity Building - Part 1	Office of Community Services	93.570	90EQ0203/02	9/30/11	18,029
Capacity Building - Part 2 - ARRA	Office of Community Services	93.710	90EQ0203/02	9/30/11	63,615
Capacity Building - Part 1	Office of Community Services	93.570	90EQ0203/01	9/30/10	1,840
Capacity Building - Part 2 - ARRA	Office of Community Services	93.710	90EQ0203/01	9/30/10	41,923
Total Department of Health and Human Services					<u>68,035,667</u>
<u>U.S. Department of Energy:</u>					
Weatherization - Regular	Kentucky Housing Corporation	81.042	WX11-0534-08	6/30/11	3,913,944
Weatherization - ARRA	Kentucky Housing Corporation	81.042	WX11-0534-08	6/30/11	28,248,786
Total Department of Energy					<u>32,162,730</u>
<u>U.S. Department of Agriculture:</u>					
RCDD - RCAP	W.S.O.S Community Action Comm.	10.446	PY10/11	9/30/11	38,759
RCDD - RCAP	W.S.O.S Community Action Comm.	10.446	PY09/10	9/30/10	(9,937)
Technitrain - ARRA	W.S.O.S Community Action Comm.	10.761	PY10/11	9/30/11	92,496
Technitrain - RCAP	W.S.O.S Community Action Comm.	10.761	PY10/11	9/30/11	97,233
Technitrain - RCAP	W.S.O.S Community Action Comm.	10.761	PY09/10	9/30/10	24,196
Total Department of Agriculture					<u>242,747</u>
<u>Environmental Protection Agency:</u>					
EPAW - RCAP	W.S.O.S Community Action Comm.	66.606	PY10/11	8/31/11	14,188
EPAW - RCAP	W.S.O.S Community Action Comm.	66.606	PY09/10	8/31/10	3,204
SDWA - RCAP	W.S.O.S Community Action Comm.	66.607	PY10/11	8/31/11	12,440
SDWA - RCAP	W.S.O.S Community Action Comm.	66.607	PY09/10	8/31/10	5,129
Total Environmental Protection Agency					<u>34,961</u>
Total Expenditures of Federal Awards					<u>\$ 100,476,105</u>

Community Action Kentucky, Inc.  
Schedule of Subrecipient Expenditures  
For The Year Ended June 30, 2010

	LIHEAP 93,568	Regular WX 81,042	ARRA Ext WX 81,042	ARRA WX 81,042	WX Total
Contractor	\$	\$	\$	\$ 5,530	\$ 5,530
Audubon Area	2,366,603	137,207	179,904	866,505	1,183,616
Bell-Whitley CAA	2,129,223	145,375	209,521	703,391	1,058,287
Big Sandy CAP	5,835,749	276,211	504,091	1,509,441	2,289,743
Blue Grass CAA	3,348,766	155,019	294,819	945,311	1,395,149
Central Ky CAA	3,029,952	188,396	276,077	629,270	1,093,743
Daniel Boone CAA	4,252,763	201,703	414,016	1,207,531	1,823,250
Gateway CAA	1,732,271	175,998	259,083	807,289	1,242,370
Harlan Co CAA	1,060,107	83,199	191,826	493,376	768,401
KCEOC CAP	1,589,786	90,657	231,087	473,090	794,834
Foothills CAP	2,903,862	162,729	278,635	781,886	1,223,250
LKLP CAA	3,059,574	214,613	333,445	1,096,679	1,644,737
Lake Cumberland CAA	4,896,685	149,541	405,589	1,325,677	1,880,807
CAC - Lexington	3,131,080	149,399	159,850	1,025,493	1,334,742
Licking Valley CAP	1,236,858	174,824	451,843	934,505	1,561,172
Louisville Metro	6,110,388				-
Middle Ky CAP	2,193,016	108,363	120,853	417,003	646,219
Multi-Purpose CAA	869,859	96,691	125,894	304,596	527,181
Northeast Ky CAA	4,284,531	200,868	342,778	1,044,720	1,588,366
Northern Ky CAC	2,886,864	170,327	360,637	1,187,605	1,718,569
Pennyrile Allied	3,226,210	76,445	291,875	1,280,667	1,648,987
CAA of Southern Ky	3,819,701	277,012	423,326	1,206,294	1,906,632
Tri-County CAA	479,597	97,928	132,342	300,625	530,895
West Ky Allied	2,731,285	183,665	341,640	760,556	1,285,861
Dept of Housing		299,109	625,728	1,497,473	2,422,310
Prior Year Audit	703	(15,890)			(15,890)
	<u>\$ 67,175,433</u>	<u>\$ 3,799,389</u>	<u>\$ 6,954,859</u>	<u>\$ 20,804,513</u>	<u>\$ 31,558,761</u>

Community Action, Kentucky Inc.  
Notes To The Schedule Of Federal Financial Assistance  
For The Year Ended June 30, 2011

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action Kentucky, Inc. (“CAK”) and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.

Note 2 – Sub-recipient Expenditures

A substantial amount of expenditures included on the Schedule of Federal Financial Assistance are passed through to various sub-recipients of CAK. The Schedule of Sub-recipient Expenditures on page 20 provides a summary of this activity by sub-recipient and federal program.

Community Action Kentucky, Inc.  
 Schedule Of Findings And Questioned Costs  
 For The Year Ended June 30, 2011

Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_yes        X  no
- Significant deficiency identified that are not considered to be material weaknesses \_\_\_\_\_yes        X  no

Noncompliance material to financial statements noted?

\_\_\_\_\_yes        X  no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_yes        X  no
- Significant deficiency identified that are not considered to be material weaknesses \_\_\_\_\_yes        X  no

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

\_\_\_\_\_yes        X  no

Identification of major programs:

CFDA Number  
 93.568  
 81.042

*Name of Federal Program of Cluster*  
 LIHEAP  
 Weatherization

Dollar threshold used to distinguish between type A and type B programs

\$ 3,000,000

Auditee qualified as low-risk auditee?

  X  yes      \_\_\_\_\_no

II. Financial Statement Findings

None.

III. Federal Awards Findings And Questioned Costs

None.

Community Action Kentucky, Inc.  
Summary Schedule of Prior Audit Findings  
For The Year Ended June 30, 2011

No prior audit findings were noted.

Community Action Kentucky, Inc.  
Statement of Activity by Program  
For The Year Ended June 30, 2011

Revenues	Housing	RCAP 09/10	RCAP 10/11	TT ARRA 09/10	LIHEAP	WV	CSBG	OCS 09/10	OCS 10/11	AEP 10/11	AEP 08/10	NPTP	KU Energy 07/12	Treasury	Total
Grant Revenue	\$ 11,431	\$ 83,534	\$ 298,069	\$ 92,500	\$ 67,470,310	\$ 32,108,062	\$ 150,000	\$ 78,782	\$ 140,184	\$ -	\$ -	\$ 41,671	\$ -	\$ -	\$ 100,474,543
Comission														173,526	173,526
Program Income	1,963									21,258	2,507		72,000	-	97,728
Dues														18,405	18,405
Rental Income														8,520	8,520
Investment Income														156,580	156,580
Other Income														25,880	25,880
<b>Total Revenues</b>	<b>13,394</b>	<b>83,534</b>	<b>298,069</b>	<b>92,500</b>	<b>67,470,310</b>	<b>32,108,062</b>	<b>150,000</b>	<b>78,782</b>	<b>140,184</b>	<b>21,258</b>	<b>2,507</b>	<b>41,671</b>	<b>72,000</b>	<b>382,911</b>	<b>100,955,182</b>
<b>Expenses</b>															
Salaries	250	32,355	154,466	48,555	163,080	273,125	64,712	36,857	75,204	912	-	1,944	406	28,839	880,705
Fringe Benefits	99	16,363	56,598	19,778	61,843	103,460	24,829	16,901	26,063	346	-	748	154	6,579	333,761
Professional Services	-	13,005	97	(6)	557	-	-	-	-	-	-	-	-	9,924	23,577
Consultants	-	(6)	(97)	-	8,096	62,564	16,551	6,000	2,053	-	-	26,798	-	4,201	126,160
Education	-	-	104	450	1,040	3,961	3,850	1,045	2,785	-	-	-	-	2,472	15,707
Travel	-	6,505	36,512	11,260	7,116	13,789	9,648	11,471	8,144	-	-	457	36	15,217	120,155
Telephone	-	(1)	-	-	229	643	27	-	158	-	-	-	-	157	1,213
Office Exp & Supplies	-	12,290	1,914	488	1,286	210	1,214	173	553	-	-	-	(1)	1,411	19,538
Dues/Fees	13	29	-	-	350	-	-	-	-	-	-	-	-	3,419	3,811
Insurance	-	1	56	-	8,128	4,549	18	-	20	-	-	-	-	237	13,009
Pollution Insurance	-	-	-	-	-	96,560	-	-	-	-	-	-	-	-	96,560
Postage	-	-	26	-	-	10	5	95	294	-	-	-	-	-	430
Printing	-	105	-	-	3,198	85	3,595	-	426	-	-	-	-	149	7,558
Publications	-	-	909	144	-	99	684	-	341	-	-	-	-	118	2,295
Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	4,250	4,250
Advertising	-	75	-	-	-	1,632	-	-	-	-	-	-	-	-	1,707
Utilities	-	1	-	-	-	-	-	-	-	-	-	-	1	-	2
Repairs & Maintenance	-	-	-	-	1,732	3,034	1,343	-	70	-	-	-	-	6,105	12,284
Meeting Expense	-	-	-	-	-	446	7,084	-	759	-	-	10,480	-	41,008	59,777
Depreciation	(8)	(1)	2	6	-	-	2	1	3	-	-	-	1	10,371	10,377
Interest	2,134	-	-	-	-	-	-	-	-	-	-	-	-	-	2,134
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	3,563	3,563
Loss on Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indirect	50	2,813	47,482	11,825	38,222	39,802	16,438	6,239	23,311	-	-	-	65	14,243	200,490
Subrecipients	11,431	-	-	-	67,175,433	31,558,761	-	-	-	20,000	2,500	-	74,847	-	98,842,972
<b>Total Expenses</b>	<b>13,969</b>	<b>83,534</b>	<b>298,069</b>	<b>92,500</b>	<b>67,470,310</b>	<b>32,162,730</b>	<b>150,000</b>	<b>78,782</b>	<b>140,184</b>	<b>21,258</b>	<b>2,500</b>	<b>40,427</b>	<b>75,509</b>	<b>152,263</b>	<b>100,782,035</b>
Change in Net Assets	\$ (575)	\$ -	\$ -	\$ -	\$ -	\$ (54,668)	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ 1,244	\$ (3,509)	\$ 230,648	\$ 173,147

Community Action Kentucky, Inc.  
 LIHEAP Grant - CFDA 93.568  
 Contract #736-100001353  
 Statement of Program Expenses  
 For the Period July 1, 2010 Through June 30, 2011

Agency Subsidy Benefits (CAK records)		\$	16,127,646
Agency Crisis Benefits (CAK records)			41,812,133
Agency Summer Cooling Benefits (CAK Records)			3,791,834
Agency Prior Year Adjustments (CAK records)			703
Agency Administration (CAK records)			<u>5,443,117</u>
Total Payments To Subrecipients			<u>67,175,433</u>
CAK Administration			
Salaries	\$		163,080
Fringe Benefits			61,843
Professional Services			557
Consultants			8,096
Education			1,040
Travel			7,116
Telephone			229
Postage			-
Office Exp & Supplies			1,286
Publications			-
Dues/Fees			350
Insurance			8,128
Printing			3,198
Advertising			-
Utilities			-
Repairs & Maintenance			1,732
Depreciation			-
Indirect			38,222
Total CAK Administration			<u>294,877</u>
Total Expenditures			<u>67,470,310</u>
Questioned Costs (See Schedule)			<u>-</u>
Allowable Cost			67,470,310
Amount Received From CHFS - HEAP			67,446,568
Accounts Receivable From Funding Sources			23,742
Accounts Payable To Funding Sources			<u>-</u>
Excess Receipts Over Expenditures		\$	<u><u>-</u></u>

Community Action Kentucky, Inc.  
LIHEAP Grant - CFDA 93.568  
Contract #736-100001353  
Statement of Program Expenses  
For the Period July 1, 2010 Through June 30, 2011

Cost Category	<u>Budget</u>	<u>Actual</u>	<u>(Over)/ Under Budget</u>
Administrative Cost			
Subrecipient	\$ 6,112,800	\$ 5,443,117	\$ 669,683
Community Action Kentucky	<u>649,200</u>	<u>294,877</u>	<u>354,323</u>
Total Administrative	<u>6,762,000</u>	<u>5,737,994</u>	<u>1,024,006</u>
Benefits - Direct Assistance			
Subsidy	16,161,995	16,127,646	34,349
Crisis	43,039,295	41,812,133	1,227,162
Summer Cooling	<u>3,798,800</u>	<u>3,791,834</u>	<u>6,966</u>
Total Benefits	<u>63,000,090</u>	<u>61,731,613</u>	<u>1,268,477</u>
Other Expenditures			
DSM	30,000	-	30,000
Prior Year Adjustments	<u>-</u>	<u>703</u>	<u>(703)</u>
Total Other	<u>30,000</u>	<u>703</u>	<u>29,297</u>
Total Contract	<u>\$ 69,792,090</u>	<u>\$ 67,470,310</u>	<u>\$ 2,321,780</u>

Community Action Kentucky, Inc.  
Regular Weatherization Grant  
Contract: Kentucky Housing Corporation  
Statement of Program Expenses  
For the Period July 1, 2010 Through June 30, 2011

Payments To Subrecipients		
Department of Energy	\$	3,799,389
Total Payments To Subrecipients		\$ <u>3,799,389</u>
CAK Administration		
Salaries		42,319
Fringe Benefits		16,021
Professional Services		522
Consultants		7,864
Education		943
Travel		2,413
Meeting		216
Telephone		763
Postage		97
Supplies		589
Publications		55
Dues/Fees		-
Insurance		1,355
Pollution Insurance		39,098
Printing		104
Advertising		245
Utilities		256
Repairs & Main		1,123
Depreciation		<u>572</u>
Total CAK Administration		<u>114,555</u>
Total Expenditures		<u>3,913,944</u>
Questioned Costs (See Schedule)		<u>-</u>
Allowable Cost		3,913,944
Amount Received From KHC - WX		1,871,489
Accounts Receivable From Funding Sources		2,051,387
Accounts Payable To Funding Sources		<u>16,478</u>
Excess Receipts Over Expenditures	\$	<u>(7,546)</u>

Community Action Kentucky, Inc.  
Regular Weatherization Grant  
Contract: Kentucky Housing Corporation  
Statement of Program Expenses  
For the Period July 1, 2010 Through June 30, 2011

Kentucky Housing Corporation(Federal)			
Department of Energy		<u>\$ 3,913,944</u>	
			(Over)/ Under Budget
Cost Category	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
CAK Admin	\$ 67,911	\$ 75,457	\$ (7,546)
Polution Insurance	<u>39,098</u>	<u>39,098</u>	-
Subrecipient Agencies:			
Administration	353,853	261,289	92,564
Materials	1,068,949	1,080,196	(11,247)
Program Support	892,895	709,045	183,850
Labor	1,322,281	1,150,672	171,609
Health & Safety	701,952	471,955	229,997
Vehicles/Equipment	107,066	104,072	2,994
Liability Insurance	14,717	3,829	10,888
Audit	16,946	14,946	2,000
Training	<u>104,910</u>	<u>3,385</u>	<u>101,525</u>
Total Subrecipient Agencies	<u>4,583,569</u>	<u>3,799,389</u>	<u>784,180</u>
Total	<u>\$ 4,690,578</u>	<u>\$ 3,913,944</u>	<u>\$ 776,634</u>

Community Action Kentucky, Inc.  
ARRA Weatherization Grant  
Contract: Kentucky Housing Corporation  
Statement of Program Expenses  
For the Period July 1, 2010 Through June 30, 2011

Payments To Subrecipients		
Department of Energy	\$	<u>27,759,372</u>
Total Payments To Subrecipients		\$ <u>27,759,372</u>
CAK Administration		
Salaries	239,345	
Fringe Benefits	90,610	
Professional Services	2,952	
Consultants	54,782	
Education	3,018	
Travel	11,432	
Meeting	1,670	
Telephone	4,317	
Postage	496	
Supplies	3,068	
Publications	57	
Dues/Fees	-	
Insurance	7,673	
Pollution Insurance	57,462	
Printing	105	
Advertising	1,387	
Utilities	1,446	
Repairs & Main	6,357	
Depreciation	<u>3,237</u>	
Total CAK Administration		<u>489,414</u>
Total Expenditures		<u>28,248,786</u>
Questioned Costs (See Schedule)		<u>-</u>
Allowable Cost		28,248,786
Amount Received From KHC - WX		25,174,971
Accounts Receivable From Funding Sources		3,038,508
Accounts Payable To Funding Sources		<u>11,815</u>
Excess Receipts Over Expenditures	\$	<u>(47,122)</u>

Community Action Kentucky, Inc.  
ARRA Weatherization Grant  
Contract: Kentucky Housing Corporation  
Statement of Program Expenses  
For the Period July 1, 2010 Through June 30, 2011

Kentucky Housing Corporation(Federal)			
Department of Energy		<u>\$ 21,293,928</u>	
			(Over)/ Under Budget
Cost Category	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
CAK Admin	\$ 384,830	\$ 431,952	\$ (47,122)
Polution Insurance	<u>57,462</u>	<u>57,462</u>	-
Subrecipient Agencies:			
Administration	1,208,220	1,080,475	127,745
Materials	5,716,770	5,401,928	314,842
Program Support	5,439,308	5,266,392	172,916
Labor	5,986,098	5,462,273	523,825
Health & Safety	3,112,573	2,643,424	469,149
Vehicles/Equipment	606,704	589,742	16,962
Liability Insurance	81,046	56,429	24,617
Audit	59,337	64,802	(5,465)
Training	<u>1,170,878</u>	<u>293,049</u>	<u>877,829</u>
Total Subrecipient Agencies	<u>23,380,934</u>	<u>20,858,514</u>	<u>2,522,420</u>
Total	<u>\$ 23,823,226</u>	<u>\$ 21,347,928</u>	<u>\$ 2,475,298</u>

Community Action Kentucky, Inc.  
 CSBG Grant  
 Contract #736-100001353  
 Statement of Program Expenses  
 For the Period July 1, 2010 Through June 30, 2011

Kentucky Housing Corporation(Federal)  
 Department of Health and Human Services  
 Contract Award

\$ 150,000

Expenditures

Salaries	\$	68,239
Fringe Benefits		26,139
Professional Services		1,435
Consultants		16,585
Education		3,850
Travel		9,671
Meeting		7,679
Telephone		1,859
Postage		246
Supplies		2,638
Publications		690
Insurance		1,868
Printing		3,646
Utilities		703
Repairs & Main		3,179
Depreciation		<u>1,573</u>

Total Expenditures 150,000

Questioned Costs (See Schedule) -

Allowable Cost 150,000

Amount Received From CHFS - CSBG 131,030

Accounts Receivable From Funding Sources 18,970

Accounts Payable To Funding Sources -

Excess Receipts Over Expenditures \$ -

Community Action Kentucky, Inc.  
 WSOS Community Action Commission, Inc. RCAP Grant  
 Contract PE 09/10  
 (For Contracts Ending September 30, 2010  
 Statement of Program Expenses  
 For the Period July 1, 2010 Through June 30, 2011

HHS	93.570		\$	168,205
RCDI	10.446			9,977
Technitrain	10.761			137,524
EPAW	66.606			15,000
SDWA	66.607			25,000
Safety & Security	93.570			2,750
Contract Award			\$	<u>358,456</u>

Expenditures	Actual <u>6/30/2010</u>	Actual <u>6/30/2011</u>	Total <u>        </u>
Salaries	\$ 153,330	\$ 32,958	\$ 186,288
Fringe Benefits	51,478	16,587	68,065
Professional Services	2,573	13,251	15,824
Education	170	-	170
Travel	20,640	6,509	27,149
Meeting	1,604	102	1,706
Telephone	5,926	313	6,239
Postage	849	41	890
Supplies	14,230	12,534	26,764
Publications	1,007	1	1,008
Dues/Fees	145	29	174
Insurance	6,428	317	6,745
Printing	290	114	404
Advertising	5,292	75	5,367
Utilities	1,496	121	1,617
Repairs & Main	5,094	314	5,408
Depreciation	4,370	268	4,638
Total Expenditures	<u>274,922</u>	<u>83,534</u>	<u>358,456</u>
Questioned Costs(See Schedule)	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Cost	274,922	83,534	358,456
Contract Payments Received	<u>243,772</u>	<u>114,684</u>	<u>358,456</u>
Excess Receipts over Expenditures	<u>-</u>	<u>-</u>	<u>\$ -</u>

Community Action Kentucky, Inc.  
 WSOS Community Action Commission, Inc. RCAP Grant  
 Contract PE 10/11  
 (For Contracts Ending September 30, 2010)  
 Statement of Program Expenses  
 For the Period July 1, 2010 Through June 30, 2011

HHS	93.570	\$ 133,008
RCDI	10.446	38,759
Technitrain	10.761	97,233
EPAW	66.606	14,188
SDWA	66.607	12,440
Safety & Security	93.570	2,441
Contract Award		<u>\$ 298,069</u>
Expenditures		
Salaries	\$ 164,653	
Fringe Benefits	60,381	
Professional Services	4,242	
Education	104	
Travel	36,579	
Meeting	1,717	
Telephone	5,293	
Postage	722	
Supplies	6,026	
Publications	925	
Dues/Fees	-	
Insurance	5,399	
Printing	148	
Advertising	-	
Utilities	2,030	
Repairs & Main	5,304	
Depreciation	<u>4,546</u>	
Total Expenditures		<u>298,069</u>
Questioned Costs(See Schedule)		<u>-</u>
Adjusted Cost		298,069
Contract Payments Received		281,876
Accounts Receivable From Funding Sources		<u>16,193</u>
Excess Receipts over Expenditures		<u>\$ -</u>

Community Action Kentucky, Inc.  
OCS

Contract #90EQ0171/02, #90ET0376/03, #90ET0362/03, #90EQ0203/01, & #90SQ0020/01  
(For Contracts Ending September 29, 2010)  
For the Period July 1, 2010 Through June 30, 2011

Receipts			
SAI/CSBG	93.57	\$	75,000
Promoting Healthy Marriage	93.569		94,631
EITC	93.569		50,000
Capacity Building Part 1	93.570		25,000
Capacity Building Part 2	93.71		80,000
Contract Award		<u>\$</u>	<u>324,631</u>

Expenditures	Actual <u>6/30/2010</u>	Actual <u>6/30/2011</u>	<u>Total</u>
Salaries	\$ 95,025	\$ 38,196	\$ 133,221
Fringe Benefits	32,840	17,398	50,238
Professional Services	1,720	545	2,265
Consultants	34,000	6,013	40,013
Education	2,475	1,045	3,520
Travel	2,148	11,480	13,628
Meeting	1,073	226	1,299
Telephone	3,963	696	4,659
Postage	563	186	749
Supplies	3,457	713	4,170
Publications	9	2	11
Dues/Fees	5	-	5
Insurance	4,311	702	5,013
Printing	179	19	198
Advertising	1,182	-	1,182
Utilities	1,001	267	1,268
Repairs & Main	3,477	697	4,174
Depreciation	2,921	597	3,518
Other	-	-	-
Subrecipients	55,500	-	55,500
Total Expenditures	<u>245,849</u>	<u>78,782</u>	<u>324,631</u>
Questioned Costs(See Schedule)	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Cost	245,849	78,782	324,631
Contract Payments Received	<u>229,600</u>	<u>95,031</u>	<u>324,631</u>
Excess Receipts over Expenditures	<u>\$ (16,249)</u>	<u>\$ 16,249</u>	<u>\$ -</u>

Community Action Kentucky, Inc.  
OCS  
Contracts #90EQ0171/03, #90EQ0203/02, & #90SQ0020/02  
(For Contracts Ending September 29, 2011)  
For the Period July 1, 2010 Through June 30, 2011

Receipts			
SAI/CSBG	93.570	\$	58,540
Capacity Building Part 1	93.570		18,029
Capacity Building Part 2	93.710		<u>63,615</u>
Contract Award		\$	<u><u>140,184</u></u>
Expenditures			
Salaries	\$ 80,205		
Fringe Benefits	27,920		
Professional Services	2,035		
Consultants	2,101		
Education	2,785		
Travel	8,177		
Meeting	1,602		
Telephone	2,756		
Postage	636		
Supplies	2,572		
Publications	349		
Dues/Fees	-		
Insurance	2,643		
Printing	499		
Advertising	-		
Utilities	997		
Repairs & Main	2,674		
Depreciation	2,233		
Subrecipients	<u>-</u>		
Total Expenditures			<u>140,184</u>
Questioned Costs(See Schedule)			<u>-</u>
Adjusted Cost			140,184
Contract Payments Received			135,000
Accounts Receivable From Funding Sources			<u>5,184</u>
Excess Receipts over Expenditures		\$	<u><u>-</u></u>

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COMMISSION

**Community Action Council for  
Lexington-Fayette, Bourbon, Harrison,  
and Nicholas Counties, Inc. and Affiliates**

Lexington, Kentucky

Consolidated Financial Statements and  
Additional Information  
Year Ended June 30, 2011

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

Consolidated Financial Statements and Additional Information  
Year Ended June 30, 2011

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## Independent Auditor's Report

Board of Directors  
Community Action Council for Lexington-Fayette, Bourbon,  
Harrison, and Nicholas Counties, Inc.  
Lexington, Kentucky

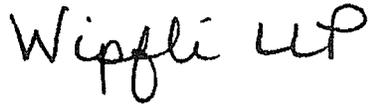
We have audited the accompanying consolidated statement of financial position of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Related Entities as of June 30, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s management. 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. The financial statements of WinterCare Energy Fund, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Related Entities as of June 30, 2011, and the consolidated statements of activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011, on our consideration of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Related Entities taken as a whole. The accompanying schedule of expenditures of federal awards, Schedules A-1 to A-3, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Schedules B, C, and pages 25-36 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in black ink that reads "Wipfli LLP". The letters are cursive and somewhat stylized, with the "W" and "L" being particularly prominent.

Wipfli LLP

December 6, 2011  
Madison, Wisconsin

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Consolidated Statement of Financial Position

June 30, 2011

<i>Assets</i>	
Current assets:	
Cash	\$ 332,444
Restricted deposits	35,072
Investments	1,946,249
Grants receivable	1,433,642
Accounts receivable	41,717
Other assets	145,775
<b>Total current assets</b>	<b>3,934,899</b>
Long-term assets:	
Beneficial interest in assets held by others	87,964
Notes receivable	64,432
<b>Total long-term assets</b>	<b>152,396</b>
Property and equipment, net	7,640,642
<b>TOTAL ASSETS</b>	<b>\$ 11,727,937</b>
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of notes payable	\$ 357,437
Current portion of capital leases payable	21,823
Line of credit	294,000
Accounts payable	999,136
Accrued payroll and related expenses	943,973
Grant funds received in advance	54,278
<b>Total current liabilities</b>	<b>2,670,647</b>
Long-term liabilities:	
Notes payable	2,883,745
Fair value of interest rate swap agreement	169,469
Capital leases payable	164,569
Tenant security deposits	3,985
Refundable advance HUD grant	1,061,800
<b>Total long-term liabilities</b>	<b>4,283,568</b>
<b>Total liabilities</b>	<b>6,954,215</b>
Net assets:	
Unrestricted	2,834,717
Temporarily restricted	1,939,005
<b>Total net assets</b>	<b>4,773,722</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,727,937</b>

See accompanying notes to consolidated financial statements.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Consolidated Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 23,885,994	\$ 0	\$ 23,885,994
Investment income	152,010	73,042	225,052
Other income	2,819,178	60,808	2,879,986
In-kind contributions	2,484,199	0	2,484,199
Net assets released from restriction through satisfaction of program restrictions	193,059	( 193,059)	0
<b>Total revenue</b>	<b>29,534,440</b>	<b>( 59,209)</b>	<b>29,475,231</b>
Expenses:			
Program activities:			
Child education	17,633,147	0	17,633,147
Transportation	528,403	0	528,403
Community services	3,132,422	0	3,132,422
Weatherization services	3,805,458	0	3,805,458
Senior programs	407,094	0	407,094
<b>Total program activities</b>	<b>25,506,524</b>	<b>0</b>	<b>25,506,524</b>
Fund-raising	165,251	0	165,251
Management and general expenses	2,089,688	0	2,089,688
<b>Total expenses</b>	<b>27,761,463</b>	<b>0</b>	<b>27,761,463</b>
Change in net assets	1,772,977	( 59,209)	1,713,768
Net assets - Beginning of year	1,061,740	1,998,214	3,059,954
<b>Net assets - End of year</b>	<b>\$ 2,834,717</b>	<b>\$ 1,939,005</b>	<b>\$ 4,773,722</b>

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Consolidated Statement of Functional Expenses Year Ended June 30, 2011

	<u>Child Education</u>	<u>Transportation</u>	<u>Community Services</u>	<u>Weatherization Services</u>	<u>Senior Programs</u>	<u>Total Program Activities</u>	<u>Management and General Expenses</u>	<u>Fund-raising</u>	<u>Total Expenses</u>
<b>EXPENSES</b>									
Salaries	\$ 6,766,951	\$ 234,975	\$ 997,656	\$ 154,425	\$ 116,677	\$ 8,270,684	\$ 1,140,541	\$ 4,532	\$ 9,415,757
Fringe benefits	3,035,917	133,343	414,508	71,185	52,358	3,707,311	339,400	1,760	4,048,471
Consultant/contractual	2,916,876	13,563	213,484	191,434	3,950	3,339,307	158,853	2,350	3,500,510
Space	965,903	24,214	99,195	14,443	63,517	1,167,272	237,551	0	1,404,823
Supplies	759,600	3,481	126,093	18,745	4,043	911,962	9,599	0	921,561
Travel	75,841	104,777	32,195	1,776	14,585	229,174	35,902	15	265,091
Communications and IT	239,134	6,587	29,830	9,834	3,648	289,033	101,130	0	390,163
Beneficiary assistance	30,766	0	1,196,689	3,333,710	11,495	4,572,660	0	138,648	4,711,308
Other	371,642	7,463	13,674	9,906	132,237	534,922	66,712	17,946	619,580
In-kind expenses	2,470,517	0	9,098	0	4,584	2,484,199	0	0	2,484,199
<b>TOTAL EXPENSES</b>	<b>\$ 17,633,147</b>	<b>\$ 528,403</b>	<b>\$ 3,132,422</b>	<b>\$ 3,805,458</b>	<b>\$ 407,094</b>	<b>\$ 25,506,524</b>	<b>\$ 2,089,688</b>	<b>\$ 165,251</b>	<b>\$ 27,761,463</b>

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Consolidated Statement of Cash Flows

Year Ended June 30, 2011

Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net assets	\$	1,713,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		350,193
Net realized and unrealized gain on investments	(	144,280)
Net realized and unrealized gain on beneficial interest in assets held by others	(	15,505)
Change in fair value of interest rate swap agreement	(	12,510)
Changes in operating assets and liabilities:		
Restricted deposits	(	4,285)
Grants receivable	(	36,556)
Accounts receivable		101,389
Other assets	(	131,306)
Net withdrawals from trust accounts		119,362
Accounts payable		350,235
Accrued payroll and related expenses		179,597
Tenant security deposits	(	73)
Grant funds received in advance		54,278
Net cash provided by operating activities		2,524,307
Cash flows from investing activities:		
Notes receivable issued	(	1,489)
Purchase of property and equipment	(	1,980,650)
Net cash used in investing activities	(	1,982,139)
Cash flows from financing activities:		
Net payments on line of credit	(	41,000)
Payments on capital leases	(	71,639)
Payments on notes payable	(	306,132)
Net cash used in financing activities	(	418,771)
Change in cash		123,397
Cash - Beginning of year		209,047
Cash - End of year	\$	332,444
<b>Supplemental schedule of operating activities:</b>		
Interest paid and expensed	\$	217,751
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Debt acquired to obtain property and equipment	\$	139,522

See accompanying notes to consolidated financial statements.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1            Summary of Significant Accounting Policies**

#### **Nature of Operations**

Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. (CAC), a nonprofit organization, was established in 1965. CAC studies the causes and effects of poverty and, in turn, creates opportunities for individuals and families, which enable them to become self-sufficient members of the community. Approximately 63% of CAC's grant funding is received under its federal Head Start grant.

Shepherd Place, Inc. (the "Project") is a 20-unit apartment facility for the elderly and handicapped located in Carlisle, Kentucky. It is operated under Section 202 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project also receives Section 8 Housing Assistance payments from HUD. A significant portion of the Project's rental income is received from HUD.

WinterCare Energy Fund, Inc. ("WinterCare") was formed in 1983 to provide energy assistance to individuals demonstrating need in Kentucky. Program funding is by donations from individuals and utility companies.

#### **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 Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., Shepherd Place, Inc., and WinterCare Energy Fund, Inc. (the "Organizations"). The Organizations are nonprofits that share some common board members with CAC and are operated by the management team of CAC. All material intercompany 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 or where donor-imposed stipulations are met in the year of the contribution.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### 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.

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 any related investments for general or specific purposes. Currently, the Organizations do not have any permanently restricted net assets.

#### **Revenue Recognition**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the 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 restriction.

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

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

#### **A. Grant Awards that are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received in excess of expenses 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. Amounts received in excess of those earned are reflected as deferred revenue.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### **Investments**

Investments are recorded at fair value as determined in an active market. Realized and unrealized gains and losses are recognized as investment income in the consolidated statement of activities.

#### **Accounts Receivable**

Accounts receivable consist primarily of various amounts due from other entities. Receivables are reviewed for collectability by management, and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. Management considers these receivables to be collectible, and therefore, no allowance for uncollectible amounts has been recorded. If an amount becomes delinquent after all collection efforts have failed, the account is written off.

#### **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.

#### **Property and Equipment**

Property and equipment are capitalized at cost and depreciated over their estimated useful life using the straight-line method. Leasehold improvements are depreciated over the lesser of the lease term or the economic useful life of the improvement using the straight-line method. 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. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. Property and equipment purchased with grant funds, net of depreciation, was \$2,463,722 at June 30, 2011.

#### **Capital Leases**

CAC is the lessee of assets under capital leases. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lease term. Amortization of assets under capital leases is included in depreciation expense.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### **Income Taxes**

The Organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organizations are also exempt from Kentucky state income tax.

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 ending 2008, and beyond remain subject to examination by the Internal Revenue Service.

#### **In-Kind Contributions**

CAC has recorded in-kind contributions for space, supplies, and professional services in the consolidated statement of activities in accordance with generally accepted accounting principles (GAAP). GAAP requires that only contributions of service received which create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of GAAP are different than the in-kind requirements of several of CAC's grant awards. CAC also received in-kind contributions for nonprofessional volunteers, food, and clothing during the year with a value of \$1,808,395, primarily for its Head Start program, which is not recorded in the consolidated statement of activities.

#### **Derivative Instrument**

CAC holds a derivative financial instrument to manage risk related to interest rate movements. The interest rate swap contract, designated and qualifying as a cash flow hedge, is reported at fair value. The gain or loss on the effective portion of the hedge initially is included in the consolidated statement of activities. CAC documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. CAC's interest rate risk management strategy is to stabilize cash flow requirements by maintaining an interest rate swap contract to convert variable-rate debt to a fixed rate.

#### **Cost Allocation**

Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of all the Organizations' programs that cannot be readily identified with a final cost objective. The indirect cost allocation plan has been approved by the U.S. Department of Health and Human Services (DHHS).

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### **Subsequent Events**

Subsequent events have been evaluated through December 6, 2011, which is the date the financial statements were available to be issued.

### **Note 2**      **Concentration of Credit Risk**

CAC maintains cash balances at several financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. During the year, balances at one bank exceeded FDIC coverage. Management believes this financial institution has a strong credit rating and credit risk related to these deposits is minimal.

### **Note 3**      **Restricted Deposits**

Under the terms of the Regulatory Agreement the Project has with HUD, the Project is required to set aside specified amounts for the replacement of property and other project expenditures as approved by HUD. Restricted funds at June 30, 2011, are composed of the following:

Escrow fund	\$	7,380
Reserve for replacement		23,707
Tenant security deposits		<u>3,985</u>
<b>Total</b>	<b>\$</b>	<b><u>35,072</u></b>

### **Note 4**      **Grants Receivable**

The grants receivable balance represents amounts due as of June 30, 2011, as follows:

Direct federal programs	\$	770,742
State and local programs		<u>662,900</u>
<b>Total</b>	<b>\$</b>	<b><u>1,433,642</u></b>

### **Note 5**      **Investments**

CAC has a health insurance trust for self-funded health insurance costs of CAC. As noted below, the trusts hold a variety of investments in order to limit their market risk. The investments are carried at fair value.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 5 Investments (Continued)

CAC also participates in an investment pool with seven other nonprofits to self-fund unemployment insurance claims. The fair value of the investment pool at June 30, 2011, was \$5,718,855. The allocation of the investments in the pool at June 30, 2011, was 44% equities, 42% fixed income, and 14% in a variety of mutual funds. CAC's portion of the fair value of the pooled investments was approximately 19% at June 30, 2011.

As of June 30, 2011, investments consist of the following:

Health trust:	
Cash equivalents	\$ 109,152
Equities	13,943
Fixed income	315,320
Mutual funds	443,167
<u>CAC share of unemployment investment pool</u>	<u>1,064,667</u>
<u>Total</u>	<u>\$ 1,946,249</u>

Included in investment income for the year ended June 30, 2011, were interest and dividends of \$63,796 and a net realized and unrealized gain of \$144,280 on the above investments.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

### Note 6 Beneficial Interest in Assets Held by Others

GAAP requires that assets held by an unrelated, not-for-profit organization solely for the benefit of another not-for-profit (beneficiary) organization be recorded on the beneficiary not-for-profit organization's financial statements. The value of the assets is recorded on the statement of financial position as a long-term asset with a corresponding temporarily restricted net asset for the Community Action Council RSVP balance and *unrestricted net asset for the Community Action Council balance*. Any change in the net asset value during the fiscal period is to be recorded in the statement of activities as an increase or decrease in net assets.

The balance at June 30, 2011, consists of the following:

Community Action Council RSVP	\$ 18,209
<u>Community Action Council</u>	<u>69,755</u>
<u>Total</u>	<u>\$ 87,964</u>

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 7 Endowments

The Board of Directors believes the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is the relevant state law governing its endowment funds. The Board of Directors has interpreted UPMIFA as allowing the appropriation for expenditures for the purposes for which an endowment is established the net appreciation, realized and unrealized, in the fair value of an endowment fund over the historic dollar value of the fund as is prudent under ordinary business care considering the facts and circumstances prevailing at the time action is taken.

The RSVP endowment fund was established by a previous RSVP volunteer. This endowment is for the benefit of the grantee of the RSVP grant. CAC transferred \$55,000 to Blue Grass Community Foundation (BGCF) to establish the second fund, with the anticipation that other donations received by BGCF would be added to this fund. CAC's agreement with BGCF states that BGCF is responsible for the investment and administration of the funds. Each January, 5% of the rolling 12-month average is placed in liquid funds that may be withdrawn or reinvested.

Changes in endowment funds were as follows:

	Board-Designated (Unrestricted)	Donor-Designated (Temporarily Restricted)	Total
Endowments at July 1, 2010	\$ 57,344	\$ 15,115	\$ 72,459
Net appreciation	12,411	3,094	15,505
Endowments at June 30, 2011	\$ 69,755	\$ 18,209	\$ 87,964

### Note 8 Property and Equipment

A summary of property and equipment is as follows:

Land	\$ 586,250
Land improvements	160,443
Building and improvements	8,242,257
Leasehold improvements	500,570
Equipment	2,859,777
	12,349,297
Accumulated depreciation	( 4,708,655)
Total	\$ 7,640,642

### Note 9 Related Party

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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CAC's Executive Director and a CAC employee are two of four board members in a joint venture, the Russell School Project (the "Venture"). The other two board members of the Venture are from another organization. The Venture was formed to purchase and renovate a building to be occupied 21% by CAC and the 79% by the other organization under a condominium regime. The Venture purchased the building for \$300,000 with a loan, which is secured by the building. Interest was added to principal until the debt reached \$400,000, after which, interest only payments were required. That additional interest was paid by CAC. CAC also paid other costs in developing the property which including interest, totaled \$126,722.

In February 2011, CAC's portion of the building was deeded to CAC along with 21% of the debt or \$84,000. CAC also received \$100,000 of the interest and development costs from the other organization at that time. Total costs capitalized by CAC related to the venture were \$1,574,309 through June 30, 2011.

### **Note 10**      **Line of Credit**

CAC has an available line of credit in the amount of \$750,000 with Central Bank & Trust Co. The line of credit matures on December 25, 2011, with a variable interest at the prime rate with a floor of 5%. The rate is 5% at June 30, 2011. The balance on the line of credit at June 30, 2011, is \$294,000.

### **Note 11**      **Refundable Advance**

On September 30, 1992, the Project entered into a capital advance agreement under Section 202 of the Housing Act of 1959 to construct a 20-unit apartment facility for the elderly and handicapped. Pursuant to that agreement, HUD advanced \$1,061,800, secured by a note and mortgage on the Project's 20-unit apartment facility located in Carlisle, Kentucky. The note and mortgage bear no interest, and repayment is not required so long as the housing remains available for very low-income, elderly persons or very low-income persons with disabilities. The note and mortgage have a final maturity of February 1, 2034. Therefore, the Project has recorded the \$1,061,800 as a refundable advance until the maturity date of the note and mortgage.

### **Note 12**      **Notes Payable**

A summary of notes payable at June 30, 2011, is as follows:

Loan for housing remodeling for qualified individuals, payable in annual payments of \$12,051, with variable interest payments quarterly, due December 2018.	\$      48,000
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Revenue bonds payable, series 2000B, with fixed interest at 6.5%. Monthly payments of \$13,967 until December 25, 2015, secured by real estate.	651,502
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### **Note 12**      **Notes Payable (Continued)**

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

Note payable at a variable interest rate, (rate at June 30, 2010, is 5%), with monthly principal and interest payments of \$1,789, due November 2018. The note is secured by two school buses.	131,296
Revenue bonds payable, series 2000A, annual principal and semiannual interest payments until June 2016, interest at 7% to 7.6%, secured by real estate.	115,000
Revenue bond payable, fixed at 3.74% through an interest rate swap agreement with quarterly payments, due November 2023. The bond is secured by real estate.	1,910,000
Note payable at 5.5% interest, with monthly payments of \$403, due January 26, 2016. The note is secured by a vehicle.	19,522
Note payable at 6.25% interest, with monthly payments of \$2,819, due August 25, 2016. The note is secured by real estate	118,455
Note payable at a fixed rate of 6% interest, with monthly payments of \$4,418, due December 25, 2013. The note is unsecured.	247,407
Total notes payable	3,241,182
Current portion	( 357,437)
<u>Long-term notes payable</u>	<u>\$ 2,883,745</u>

The future maturities of notes payable at June 30, 2011, are as follows:

2012	\$ 357,437
2013	377,677
2014	516,917
2015	375,874
2016	290,108
Thereafter	1,323,169
<u>Total long-term notes payable</u>	<u>\$ 3,241,182</u>

### Note 13 Derivative Instrument

CAC maintains an interest rate swap agreement with a financial institution. Under the terms of this arrangement, the parties, in effect, pay each other's interest cost on the underlying debt. The arrangement has the effect of controlling CAC's interest rate risk in a rising interest rate environment.

### Note 13 Derivative Instrument (Continued)

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

At June 30, 2011, the interest rate swap had a notional amount of \$1,910,000, with interest fixed at 3.74%, and expires November 2023.

The interest rate swap was issued at market terms and, therefore, had no fair value at inception. The notional amount changes with quarterly payments. The carrying amounts of the interest rate swap has been adjusted to fair value as of June 30, 2011 which, because of changes in forecasted levels of The Bond Market Association, Municipal Swap Index, resulted in reporting a liability for the fair value of the future net payments forecasted under the interest rate swap of \$169,469. Adjustments to the carrying amount of the interest rate swap are reported in other expense.

### Note 14 Capital Leases Payable

In May 1996, CAC entered into a lease that qualifies as a capital lease. The cost of the property is \$542,500. The accumulated amortization on this property at June 30, 2011, is \$196,385. The leasing arrangement expired January 2011. CAC has ownership of and continues to occupy the building.

In December 1996, CAC entered into a lease that qualifies as a capital lease. The cost of the property is \$243,779. The accumulated amortization on this property at June, 30, 2011, is \$118,503. The leasing arrangement expires December 2026.

CAC renovated a facility in December 2002, at a cost of \$127,396. CAC is a sub-lessee of this property and the sublease stipulates that the property will transfer at the end of the lease. Accumulated amortization on this property at June 30, 2011, is \$108,287. The leasing arrangement expires January 2013.

The minimum future lease payments required under the capital leases as of June 30, 2011, and for each of the next five years and in the aggregate are as follows:

2012	\$ 28,373
2013	28,171
2014	13,300
2015	13,300
2016	13,300
Thereafter	139,650
<hr/>	
Total minimum lease payments	236,094
Amount representing interest	( 49,702)
<hr/>	
Present value of minimum lease payments	186,392
Current maturity of capital lease	( 21,823)
<hr/>	
<u>Long-term capital lease</u>	<u>\$ 164,569</u>

### Note 15 Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2011, consist of the following:

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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Self-funded health insurance trust	\$ 725,252
Unemployment insurance trust	1,064,667
Beneficial interest in assets held by others	18,209
Other	130,877
<u>Total temporarily restricted net assets</u>	<u>\$ 1,939,005</u>

These net assets are either restricted by time or purpose. When the restriction is met, the net assets are released from restriction.

### Note 16 Operating Leases

CAC leases various facilities and equipment for the operation of its programs under operating leases. Rent expense for the year ended June 30, 2011, was \$198,022. Future minimum lease payments beyond 2011, are as follows:

2012	\$ 130,827
2013	33,778
2014	30,537
2015	30,536
2016	30,535
Thereafter	126,395
<u>Total</u>	<u>\$ 382,608</u>

### Note 17 Retirement

CAC offers its employees a defined contribution retirement plan. The plan is open to all employees. An employee may begin contributions to the plan upon employment. CAC contributes 8% of gross wages to the plan for qualified employees after one year of employment. CAC's contribution vests over a period of five years. CAC's contributions to the plan for the year ended June 30, 2011, were \$560,791.

### Note 18 Grant Awards

At June 30, 2011, CAC had commitments under various ongoing grant awards of approximately \$3,420,000. The revenue relating to these grants is not recognized in the accompanying consolidated financial statements because the revenue recognition is conditional on the incurrence of expenditures or the performance of services in the next fiscal year.

### Note 19 Fair Value Measurements

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

Financial accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, CAC uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market-corroborated, or generally unobservable inputs.

Whenever possible CAC attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, CAC is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable, market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

Information regarding the fair value of assets measured at fair value on a recurring basis as of June 30, 2011, 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)
Investments	\$ 881,582	\$ 881,582	\$ 0	\$ 0
Investments held by trust	1,064,667	1,064,667	0	0
Endowment funds held by Foundation	87,964	0	0	87,964
Total assets	\$ 2,034,213	\$ 1,946,249	\$ 0	\$ 87,964
Liability - Derivative	\$ 169,469	\$ 0	\$ 169,469	\$ 0

### Note 19 Fair Value Measurements (Continued)

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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Changes in the fair value of the investments held by trust endowment funds are recorded as investment income in the statement of activities. The following is a reconciliation of the beginning and ending balances of CAC's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2011:

Endowment funds – Beginning of year	\$	72,459
<u>Unrealized gain</u>		<u>15,505</u>
<u>Endowments funds – End of year</u>	\$	<u>87,964</u>

### Note 20      **Contingencies**

CAC is a defendant in a lawsuit filed by a former employee arising from employment and dismissal. CAC believes the suit is without merit and intends to vigorously defend its position. As such, no accrual has been made in these consolidated financial statements.

# **Additional Information**

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# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Schedule A-1

### Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed-Through the Kentucky Department of Education Child and Adult Care Food Program	10.558	034-D30-999	\$ <u>436,156</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed-Through the Lexington-Fayette Urban County Housing Authority Section 8 Housing Assistance Payments	14.195	N/A	<u>51,456</u>
Passed-Through the Lexington-Fayette Urban County Housing Authority CDBG/R	14.218	N/A	86,909
CDBG/Wx		R-424-2003	<u>4,600</u>
	<b>Total Federal Expenditures CFDA #14.218</b>		<u><b>91,509</b></u>
Passed-Through the Kentucky Department for Local Government Neighborhood Stabilization Grant	14.228	09N-020 NSP	<u>881,516</u>
Passed-Through the Kentucky Housing Corporation Economic Security Grant	14.231	ES09-0128-1	<u>4,166</u>
Passed-Through the Kentucky Housing Corporation Project Independence	14.235	KY088B4I020801	13,661
Project Independence		KY088B4I020802	56,782
Continuum of Care/Bourbon County		KY0008B4I000801	39,709
Continuum of Care/Bourbon County		KY0008B4I000802	110,870
Samaritan		KY022B4I000801	23,658
Samaritan		KY022B4I000802	126,752
Kentucky Clean Energy		N/A	200
	<b>Total Federal Expenditures CFDA #14.235</b>		<u><b>371,632</b></u>
Passed-Through the Kentucky Housing Corporation HOME	14.239	HR08-0128-01	34,025
AHTF		HR08-0128-01	13,505
TBRA		TB09-0128-01	9,750
TBRA		TB09-0128-02	8,497
Passed-Through the Lexington-Fayette Urban County Government TBRA LFUCG		N/A	42,331
	<b>Total Federal Expenditures CFDA #14.239</b>		<u><b>108,108</b></u>
Passed-Through the Kentucky Housing Corporation ARRA - HEARTH - Fayette	14.257-ARRA	KH09-0533-02	49,340
ARRA - HEARTH - Rural		KH09-0533-01	107,369
	<b>Total Federal Expenditures CFDA #14.257-ARRA</b>		<u><b>156,709</b></u>

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Schedule A-2

### Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Direct Funding</i>			
ARRA - Youth Build	17.274-ARRA	YB-16878-YAO	<u>1,849</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
<i>Passed-Through the Kentucky Association of Community Action Agencies</i>			
DOE-Weatherization Assistance	81.042	WX10-0534-04	<u>149,399</u>
ARRA - DOE-Weatherization Assistance - 2011	81.042-ARRA	WX10-0534-08	1,025,493
ARRA - DOE-Weatherization Assistance - 2010	81.042-ARRA	WX10-0534-08	<u>159,850</u>
<b>Total Federal Expenditures CFDA #81.042 - ARRA</b>			<u><b>1,185,343</b></u>
<b>Total Federal Expenditures CFDA #81.042 &amp; #81.042-ARRA Cluster</b>			<u><b>1,334,742</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed-Through the Louisville/Jefferson County Metro Government</i>			
Senior Medicare Patrol	93.048	90MP0048/01	<u>21,985</u>
<i>Passed-Through the Kentucky Association of Community Action Agencies</i>			
Low-Income Home Energy Assistance Program	93.568	736-1000001353-1	<u>3,131,080</u>
<i>Passed-Through the Kentucky Cabinet for Health and Family Services</i>			
Community Services Block Grant	93.569	PON2 736 1000002343	<u>664,700</u>
ARRA - Community Services Block Grant	93.710-ARRA	PON2 736 0900012327	<u>330,060</u>
<b>Total Federal Expenditures CFDA #93.569 &amp; #93.710-ARRA Cluster</b>			<u><b>994,760</b></u>
<i>Direct Funding</i>			
SAMSHA	93.243	5H79T1020483-02	76,230
SAMSHA		5H79T1020483-03	140,057
<b>Total Federal Expenditures CFDA #93.243</b>			<u><b>216,287</b></u>
<i>Direct Funding</i>			
Head Start	93.600	04CH2750/41	655,860
Head Start		04CH2750/42	6,426,888
Early Head Start		04CH2750/41	241,475
Early Head Start		04CH2750/42	2,408,372
Migrant Head Start		90CM9789/08	626,330
Migrant Head Start		90CM9789/09	2,363,738
<b>Total Federal Expenditures CFDA #93.600</b>			<u><b>12,722,663</b></u>

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Schedule A-3

### Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>			
<b>Direct Funding</b>			
ARRA - Head Start Expansion	93.708 - ARRA	04SH2750/01	203,916
ARRA - Head Start Expansion		04SH2750/02	227,182
ARRA - Head Start COLA & Quality Improvement		04SE2750/01	336,772
ARRA - Early Head Start COLA & Quality Improvement		04SE2750-01	94,303
ARRA - Migrant Head Start COLA & Quality Improvement		90SE9789/01	14,841
	<b>Total Federal Expenditures CFDA #93.708-ARRA</b>		<b>877,014</b>
ARRA - Early Head Start Expansion	93.709 - ARRA	04SA2750/01	663,119
ARRA - Early Head Start Expansion		04SA2750/02	789,020
	<b>Total Federal Expenditures CFDA #93.709-ARRA</b>		<b>1,452,139</b>
	<b>Total Federal Expenditures CFDA #93.600, #93.708-ARRA, and #93.709-ARRA Cluster</b>		<b>15,051,816</b>
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</b>			
<b>Direct Funding</b>			
Retired Senior Volunteer Program	94.002	08SRSKY001	53,569
Retired Senior Volunteer Program		11SRSKY001	53,079
	<b>Total Federal Expenditures CFDA #94.002</b>		<b>106,648</b>
<b>Passed-Through the Kentucky Cabinet for Health and Family Services</b>			
Americorp	94.006	PON2-730-1100000351-1	<b>87,301</b>
<b>Direct Funding</b>			
Foster Grandparents Program	94.011	08SFSKY001	83,376
Foster Grandparents Program		11SFSKY001	80,888
	<b>Total Federal Expenditures CFDA #94.011</b>		<b>164,264</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Passed-Through Emergency Food and Shelter National Board</b>			
Emergency Food & Shelter Program/Nicholas County	97.024	28-3502	<b>8,247</b>
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 23,220,231</b>

#### Note to Schedule of Expenditures of Federal Awards

This schedule includes the federal grant activity of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Schedule B Consolidating Statement of Financial Position June 30, 2011

	Community Action Council	Shepherd Place	WinterCare Energy Fund	Eliminations	Combined Balance
Current assets:					
Cash	\$ 287,147	\$ 2,365	\$ 42,932	\$ 0	\$ 332,444
Restricted deposits	0	35,072	0	0	35,072
Investments	1,946,249	0	0	0	1,946,249
Grants receivable	1,433,642	0	0	0	1,433,642
Accounts receivable	12,607	0	44,540	( 15,430)	41,717
Other assets	145,775	0	0	0	145,775
<b>Total current assets</b>	<b>3,825,420</b>	<b>37,437</b>	<b>87,472</b>	<b>( 15,430)</b>	<b>3,934,899</b>
Long-term assets:					
Beneficial interest in assets held by others	87,964	0	0	0	87,964
Notes receivable	64,432	0	0	0	64,432
<b>Total long-term assets</b>	<b>152,396</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>152,396</b>
Property and equipment, net	7,124,010	516,632	0	0	7,640,642
<b>TOTAL ASSETS</b>	<b>\$ 11,101,826</b>	<b>\$ 554,069</b>	<b>\$ 87,472</b>	<b>(\$ 15,430)</b>	<b>\$ 11,727,937</b>
Current liabilities:					
Current portion of notes payable	\$ 357,437	\$ 0	\$ 0	\$ 0	\$ 357,437
Current portion of capital leases payable	21,823	0	0	0	21,823
Line of credit	294,000	0	0	0	294,000
Accounts payable	994,027	6,619	13,920	( 15,430)	999,136
Accrued payroll and related expenses	943,973	0	0	0	943,973
Grant funds received in advance	54,278	0	0	0	54,278
<b>Total current liabilities</b>	<b>2,665,538</b>	<b>6,619</b>	<b>13,920</b>	<b>( 15,430)</b>	<b>2,670,647</b>
Long-term liabilities:					
Notes payable	2,883,745	0	0	0	2,883,745
Fair value of interest rate swap agreement	169,469	0	0	0	169,469
Capital leases payable	164,569	0	0	0	164,569
Tenant security deposits	0	3,985	0	0	3,985
Refundable advance HUD grant	0	1,061,800	0	0	1,061,800
<b>Total long-term liabilities</b>	<b>3,217,783</b>	<b>1,065,785</b>	<b>0</b>	<b>0</b>	<b>4,283,568</b>
<b>Total liabilities</b>	<b>5,883,321</b>	<b>1,072,404</b>	<b>13,920</b>	<b>( 15,430)</b>	<b>6,954,215</b>
Net assets:					
Unrestricted (deficit)	3,279,500	( 518,335)	73,552	0	2,834,717
Temporarily restricted	1,939,005	0	0	0	1,939,005
<b>Total net assets (deficit)</b>	<b>5,218,505</b>	<b>( 518,335)</b>	<b>73,552</b>	<b>0</b>	<b>4,773,722</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,101,826</b>	<b>\$ 554,069</b>	<b>\$ 87,472</b>	<b>(\$ 15,430)</b>	<b>\$ 11,727,937</b>

See Independent Auditor's Report.

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Schedule C

### Consolidating Statement of Activities

Year Ended June 30, 2011

	Community Action Council	Shepherd Place	Wintercare Energy Fund	Eliminations	Combined Balance
<b>Revenue:</b>					
Grant revenue	\$ 23,787,129	\$ 98,865	\$ 0	\$ 0	\$ 23,885,994
Investment income	224,929	40	83	0	225,052
Other income	2,764,040	2,046	286,784	( 172,884)	2,879,986
In-kind contributions	2,484,199	0	0	0	2,484,199
<b>Total revenue</b>	<b>29,260,297</b>	<b>100,951</b>	<b>286,867</b>	<b>( 172,884)</b>	<b>29,475,231</b>
<b>Expenses:</b>					
Salaries	9,415,757	0	0	0	9,415,757
Fringe benefits	4,048,471	0	0	0	4,048,471
Consultants/contractual	3,500,510	0	0	0	3,500,510
Space	1,355,072	49,751	0	0	1,404,823
Supplies	921,561	0	0	0	921,561
Travel	265,091	0	0	0	265,091
Communications and IT	390,163	0	0	0	390,163
Beneficiary assistance	4,556,249	0	275,445	( 120,386)	4,711,308
Other	576,189	83,919	11,970	( 52,498)	619,580
In-kind expenses	2,484,199	0	0	0	2,484,199
<b>Total expenses</b>	<b>27,513,262</b>	<b>133,670</b>	<b>287,415</b>	<b>( 172,884)</b>	<b>27,761,463</b>
Change in net assets	1,747,035	( 32,719)	( 548)	0	1,713,768
Net assets (deficit) - Beginning of year	3,471,470	( 485,616)	74,100	0	3,059,954
<b>Net assets (deficit) - End of year</b>	<b>\$ 5,218,505</b>	<b>(\$ 518,335)</b>	<b>\$ 73,552</b>	<b>\$ 0</b>	<b>\$ 4,773,722</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**Weatherization Program  
Contract # WX10-0534-04  
Sub Contract # 13**

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2011**

<b>Cost Category</b>	<b>Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>EXPENSES</b>			
Administration	\$ 14,026	\$ 11,816	\$ 2,210
WX Materials	36,000	36,216	(216)
WX Support	58,300	36,664	21,636
WX Labor	33,625	34,060	(435)
H&S Materials	17,050	15,877	1,173
H&S Support	-	-	-
H&S Labor	11,907	10,099	1,808
Liability Insurance	888	-	888
Training	4,512	75	4,437
Equipment/Vehicles	5,517	5,517	-
<b>TOTAL</b>	<b>\$ 181,825</b>	<b>\$ 150,324</b>	<b>\$ 31,501</b>
Less: vehicle sale	-	( 925)	( 925)
<b>NET GRANT EXPENSE</b>	<b>\$ 181,825</b>	<b>\$ 149,399</b>	<b>\$ 30,576</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**Weatherization Program  
Contract # WX10-0534-04  
Sub Contract # 13**

**Schedule of Program Expenses**

**For the Year Ended June 30, 2011**

Cost Category	Amount
<b>EXPENSES</b>	
Administration	\$ 11,816
WX Materials	36,216
WX Support	36,664
WX Labor	34,060
H&S Materials	15,877
H&S Support	-
H&S Labor	10,099
Liability Insurance	-
Training	75
Vehicles & Equipment	5,517
<b>TOTAL</b>	\$ 150,324
Less: vehicle sale	( 925)
<b>NET GRANT EXPENSE</b>	<u>\$ 149,399</u>
<b>LESS QUESTIONED COSTS</b>	-
<b>ALLOWABLE EXPENSES</b>	<u>149,399</u>
<b>LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2011</b>	14,384
<b>UNDER / (OVER) PAYMENT DUE AGENCY</b>	<u>\$ 135,015</u>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

Weatherization Program  
Contract # WX10-0534-04  
Sub Contract # 13

Schedule of Questioned Costs

For the Year Ended June 30, 2011

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>EXPENSES</b>			
Administration	\$ 11,816	\$ -	\$ 11,816
WX Materials	36,216	-	36,216
WX Support	36,664	-	36,664
WX Labor	34,060	-	34,060
H&S Materials	15,877	-	15,877
H&S Support	-	-	-
H&S Labor	10,099	-	10,099
Liability Insurance	-	-	-
Training	75	-	75
Vehicles/Equipment	5,517	-	5,517
<b>TOTAL</b>	<b>\$ 150,324</b>	<b>\$ -</b>	<b>\$ 150,324</b>
Less: vehicle sale	( 925)	-	( 925)
<b>NET GRANT EXPENSE</b>	<b>\$ 149,399</b>	<b>\$ -</b>	<b>\$ 149,399</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

ARRA Weatherization Program  
Contract # WX10-0534-08  
Sub Contract # 13

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2011**

<b>Cost Category</b>	<b>Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>EXPENSES</b>			
Administration	\$ 55,815	\$ 52,220	\$ 3,595
WX Materials	278,250	267,091	11,159
WX Support	297,600	293,422	4,178
WX Labor	240,800	216,856	23,944
H&S Materials	95,200	82,261	12,939
H&S Support	-	-	-
H&S Labor	69,350	60,620	8,730
Liability Insurance	2,411	-	2,411
Training	51,134	21,763	29,371
Vehicles/Equipment	35,019	31,260	3,759
<b>TOTAL</b>	<b>\$ 1,125,579</b>	<b>\$ 1,025,493</b>	<b>\$ 100,086</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

ARRA Weatherization Program  
Contract # WX10-0534-08  
Sub Contract # 13

Schedule of Program Expenses

For the Year Ended June 30, 2011

Cost Category	Amount
<b>EXPENSES</b>	
Administration	\$ 52,220
WX Materials	267,091
WX Support	293,422
WX Labor	216,856
H&S Materials	82,261
H&S Support	-
H&S Labor	60,620
Liability Insurance	-
Training	21,763
Vehicles/Equipment	31,260
<b>TOTAL</b>	<u>\$ 1,025,493</u>
<b>LESS QUESTIONED COSTS</b>	<u>-</u>
<b>ALLOWABLE EXPENSES</b>	1,025,493
<b>LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2011</b>	<u>\$ 855,797</u>
<b>UNDER / (OVER) PAYMENT DUE AGENCY</b>	<u><u>\$ 169,696</u></u>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

ARRA Weatherization Program  
Contract # WX10-0534-08  
Sub Contract # 13

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2011**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>EXPENSES</b>			
Administration	\$ 52,220	\$ -	\$ 52,220
WX Materials	267,091	-	267,091
WX Support	293,422	-	293,422
WX Labor	216,856	-	216,856
H&S Materials	82,261	-	82,261
H&S Support	-	-	-
H&S Labor	60,620	-	60,620
Liability Insurance	-	-	-
Training	21,763	-	21,763
Vehicles/Equipment	31,260	-	31,260
<b>TOTAL</b>	<b>\$ 1,025,493</b>	<b>\$ -</b>	<b>\$ 1,025,493</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**ARRA Weatherization Program  
Contract # WX10-0534-08  
Sub Contract # 13**

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30,2011**

<b>Cost Category</b>	<b>Budget Remaining</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>EXPENSES</b>			
Administration	\$ 9,586	\$ 9,586	\$ -
WX Materials	27,364	27,364	-
WX Support	65,787	65,787	-
WX Labor	38,652	38,652	-
H&S Materials	10,245	10,245	-
H&S Support	-	-	-
H&S Labor	8,216	8,216	-
Liability Insurance	-	-	-
Training	17,580	-	17,580
Vehicles/Equipment	-	-	-
<b>TOTAL</b>	<b>\$ 177,430</b>	<b>\$ 159,850</b>	<b>\$ 17,580</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**ARRA Weatherization Program  
Contract # WX10-0534-08  
Sub Contract # 13**

**Schedule of Program Expenses**

**For the Year Ended June 30,2010**

Cost Category	Amount
<b>EXPENSES</b>	
Administration	\$ 9,586
WX Materials	27,364
WX Support	65,787
WX Labor	38,652
H&S Materials	10,245
H&S Support	-
H&S Labor	8,216
Liability Insurance	-
Training	-
Vehicles/Equipment	-
<b>TOTAL</b>	<u>\$ 159,850</u>
<b>LESS QUESTIONED COSTS</b>	<u>-</u>
<b>ALLOWABLE EXPENSES</b>	159,850
<b>LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2011</b>	<u>\$ 159,850</u>
<b>UNDER / (OVER) PAYMENT DUE AGENCY</b>	<u><u>\$ -</u></u>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

ARRA Weatherization Program  
Contract # WX10-0534-08  
Sub Contract # 13

Schedule of Questioned Costs

For the Year Ended June 30,2011

Cost Category	Actual Expenses	Questioned Costs	Allowable Costs
<b>EXPENSES</b>			
Administration	\$ 10,224	\$ -	\$ 10,224
WX Materials	27,364	-	27,364
WX Support	62,089	-	62,089
WX Labor	39,975	-	39,975
H&S Materials	10,245	-	10,245
H&S Support	-	-	-
H&S Labor	8,656	-	8,656
Liability Insurance	-	-	-
Training	1,297	-	1,297
Vehicles/Equipment	-	-	-
<b>TOTAL</b>	<b>\$ 159,850</b>	<b>\$ -</b>	<b>\$ 159,850</b>

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**Low Income Housing Energy Assistance Program (LIHEAP)  
Contract # 736-090001275-1  
Sub Contract # 13**

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2011**

<b>Cost Category</b>	<b>Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>Administrative</b>	\$ 292,070	\$ 261,524	\$ 30,546
<b>Benefits</b>			
Subsidy	663,207	662,546	661
Crisis	2,186,409	2,069,950	116,459
Summer Cooling	137,060	137,060	-
<b>TOTAL</b>	\$ 3,278,746	\$ 3,131,080	\$ 147,666

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**Low Income Housing Energy Assistance Program (LIHEAP)  
Contract # 736-090001275-1  
Sub Contract # 13**

**Schedule of Program Expenses**

**For the Year Ended June 30, 2011**

<b>Cost Category</b>		<b>Amount</b>	
<b>ADMINISTRATIVE</b>			
<b>Indirect Cost Allocation</b>		\$	261,524
<b>BENEFITS</b>			
<b>Subsidy</b>		662,546	
<b>Crisis</b>			
<b>Benefits</b>	1,968,597		
<b>Energy Counseling</b>	101,353	2,069,950	
<b>Summer Cooling</b>		137,060	2,869,556
			<hr/>
<b>TOTAL EXPENSES</b>			3,131,080
<b>LESS QUESTIONED COSTS</b>			<hr/> -
<b>TOTAL ALLOWABLE COSTS</b>			3,131,080
<b>CONTRACT PAYMENT RECEIVED as of JUNE 30, 2011</b>		\$	<hr/> 3,131,080
<b>UNDER/OVER PAYMENT</b>			<hr/> <hr/> -

**Community Action Council for Lexington-Fayette  
Bourbon, Harrison & Nicholas Counties, Inc.**

**Low Income Housing Energy Assistance Program (LIHEAP)  
Contract # 736-090001275-1  
Sub Contract # 13**

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2011**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>ADMINISTRATIVE</b>			
<b>Indirect Cost Allocation</b>	\$ 261,524	\$ -	\$ 261,524
<b>BENEFITS</b>			
<b>Subsidy</b>	662,546	-	662,546
<b>Crisis</b>	2,069,950	-	2,069,950
<b>Summer Cooling</b>	137,060	-	137,060
<b>TOTAL</b>	\$ 3,131,080	\$ -	\$ 3,131,080



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

Board of Directors  
Community Action Council for Lexington-Fayette, Bourbon,  
Harrison, and Nicholas Counties, Inc.  
Lexington, Kentucky

We have audited the financial statements of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 6, 2011. 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. The financial statements of WinterCare Energy Fund, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over financial reporting.

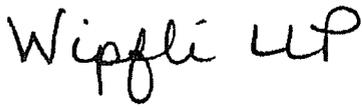
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, others within Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Wipfli LLP

December 6, 2011  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Directors  
Community Action Council for Lexington-Fayette, Bourbon,  
Harrison, and Nicholas Counties, Inc.  
Lexington, Kentucky

### **Compliance**

We have audited Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s management. Our responsibility is to express an opinion on Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s compliance based on our audit.

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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s compliance with those requirements.

In our opinion, Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

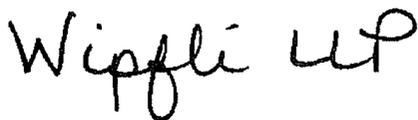
The management of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

The auditee's consolidated financial statements include Shepherd Place, Inc., a related entity, which expensed greater than \$500,000 in federal awards in the year ended June 30, 2011, and has had a separate single audit, which is not included in this audit.

This report is intended solely for the information and use of the Board of Directors, management, others within Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Wipfli LLP

December 6, 2011  
Madison, Wisconsin

# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Schedule of Findings and Questioned Costs

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### A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. (CAC).
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of CAC were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for CAC expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for CAC.
7. The programs tested as major programs were the Department of Housing and Urban Development, Homeless Prevention and Rapid Re-housing, CFDA #14.257-ARRA; and the Neighborhood Stabilization Program, CFDA #14.228; the Department of Energy, Weatherization cluster, CFDA #81.042 and #81.042-ARRA; the Department of Health and Human Services, Community Services Block Grant, CFDA #93.569 and #93.710-ARRA; the Head Start cluster, CFDA #93.600, #93.708-ARRA, and #93.709-ARRA; and Low-Income Housing Energy Assistance, CFDA #93.568
8. The threshold for distinguishing Types A and B programs was \$696,607.
9. CAC was determined to be a low-risk auditee.

### B. Findings – Financial Statements Audit

There were no findings.

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

**Findings:** None

**Questioned Costs:** None

### D. Prior-Year Findings: None