



a PPL company

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

June 28, 2013

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 has been extended several times in various cases. 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 2012 and the financial audits for KACA and CAC for year ended June 30, 2012.

For the twelve month period ending December 2012, KU collected \$816,697 from residential electric customers (See Exhibit 1).

As of the December 31, 2012 reporting period, there were 2,606 residential customers enrolled in the HEA program representing 67 counties throughout the KU service territory (See Exhibit 2).

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Kentucky Utilities Company
State Regulation and Rates
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Mr. Jeff DeRouen
June 28, 2013

For the calendar year 2012, 3,723 brown bills (See Exhibit 3) were sent to HEA clients. Additionally, there were 1,127 disconnections (See Exhibit 4) of HEA clients during 2012.

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 2012, KACA and CAC utilized the funds for program participants that required monthly energy assistance.

During 2012, 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, 2012.

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,



Rick E. Lovekamp

Kentucky Utilities Company
Home Energy Assistance Program
Total Funds Collected

Month/Year	Amount
Jan-12	\$67,740
Feb-12	67,871
Mar-12	67,832
Apr-12	67,911
May-12	68,170
Jun-12	67,958
Jul-12	68,528
Aug-12	68,572
Sep-12	67,869
Oct-12	68,290
Nov-12	67,963
Dec-12	67,993
Total	\$816,697

**Kentucky Utilities Company
Home Energy Assistance Program
Customer Enrollment by County
As of December 31, 2012**

	Number	County
County	Enrolled	Distribution
Adair	5	0.19%
Anderson	29	0.84%
Ballard	1	0.04%
Barren	3	0.12%
Bath	12	0.46%
Bell	137	5.26%
Bourbon	102	3.91%
Boyle	49	1.88%
Bracken	10	0.38%
Bullitt	4	0.15%
Caldwell	1	0.04%
Carroll	20	0.77%
Casey	40	1.53%
Christian	2	0.08%
Clark	31	1.19%
Clay	16	0.61%
Crittenden	4	0.15%
Estill	4	0.11%
Fayette	1,018	39.06%
Fleming	8	0.31%
Franklin	7	0.27%
Gallatin	7	0.27%
Garrard	47	1.80%
Grant	0	0.00%
Grayson	9	0.35%
Green	24	0.92%

**Kentucky Utilities Company
Home Energy Assistance Program
Customer Enrollment by County
As of December 31, 2012**

	Number	County
County	Enrolled	Distribution
Hardin	20	0.77%
Harlan	15	0.58%
Harrison	63	2.42%
Hart	45	1.73%
Henderson	7	0.27%
Henry	4	0.15%
Hickman	3	0.11%
Hopkins	24	0.92%
Jessamine	4	0.15%
Knox	9	0.35%
Larue	37	1.42%
Laurel	18	0.69%
Lincoln	83	3.18%
Livingston	3	0.11%
Lyon	2	0.08%
Madison	20	1.07%
Marion	20	0.77%
Mason	8	0.31%
McCracken	5	0.19%
McCreary	9	0.35%
McClellan	8	0.31%
Mercer	119	4.57%
Montgomery	37	1.42%
Muhlenberg	33	1.27%
Nelson	3	0.12%
Nicholas	46	1.77%

**Kentucky Utilities Company
Home Energy Assistance Program
Customer Enrollment by County
As of December 31, 2012**

	Number	County
County	Enrolled	Distribution
Ohio	4	0.11%
Oldham	0	0.00%
Owen	1	0.04%
Pulaski	60	2.30%
Rockcastle	12	0.46%
Rowan	50	1.92%
Russell	28	1.07%
Scott	23	0.88%
Shelby	8	0.31%
Spencer	11	0.42%
Taylor	36	1.38%
Trimble	11	0.42%
Union	2	0.08%
Washington	2	0.08%
Webster	10	0.38%
Whitley	29	1.11%
Woodford	84	3.22%
Total	2,606	99.95%

**Kentucky Utilities Company
Home Energy Assistance Program
Brown Bill Notices Issued - 2012**

Number of Customers	Number of Brown Bills Per Customer Received Annually
472	1
357	2
358	3
341	4
305	5
311	6
334	7
305	8
282	9
281	10
226	11
151	12
3,723	Total

**Kentucky Utilities Company
Home Energy Assistance Program
Number of Disconnections - 2012**

Number of Customers	Number of Disconnections Per Customer
703	1
262	2
96	3
38	4
20	5
4	6
2	7
1	8
1	9
1,127	Total

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

Lexington, Kentucky

Consolidated Financial Statements and
Supplementary Information
Year Ended June 30, 2012

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

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2012

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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 Affiliates as of June 30, 2012, 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. 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. The financial statements of WinterCare Energy Fund, Inc. were not audited in accordance with *Government Auditing Standards*. 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 Affiliates as of June 30, 2012, 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 January 7, 2013, 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 conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary information including 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*, the consolidating statement of financial position, Schedule B, the consolidating statement of activities, Schedule C, and the schedules of budget to actual expenses, program expenses and questioned costs, pages 25-33, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.


Wipfli LLP

January 7, 2013
Madison, Wisconsin

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

Consolidated Statement of Financial Position June 30, 2012

<i>Assets</i>	
Current assets:	
Cash	\$ 141,670
Restricted deposits	40,620
Investments	1,646,929
Grants receivable	1,078,628
Accounts receivable	68,659
Other assets	145,273
Total current assets	3,121,779
Long-term assets:	
Beneficial interest in assets held by others	88,860
Notes receivable	63,479
Total long-term assets	152,339
Property and equipment, net	7,338,350
TOTAL ASSETS	\$ 10,612,468
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of notes payable	\$ 388,933
Current portion of capital leases payable	22,529
Accounts payable	544,379
Accrued payroll and related expenses	911,086
Grant funds received in advance	148,690
Total current liabilities	2,015,617
Long-term liabilities:	
Notes payable	2,673,594
Fair value of interest rate swap agreement	270,631
Capital leases payable	142,040
Tenant security deposits	3,893
Capital advance - HUD	1,061,800
Total long-term liabilities	4,151,958
Total liabilities	6,167,575
Net assets:	
Unrestricted	2,732,990
Temporarily restricted	1,711,903
Total net assets	4,444,893
TOTAL LIABILITIES AND NET ASSETS	\$ 10,612,468

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, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 19,875,982	\$ 0	\$ 19,875,982
Investment income	44,968	7,087	52,055
Other income	3,294,329	39,907	3,334,236
In-kind contributions	2,593,391	0	2,593,391
Net assets released from restriction through satisfaction of program restrictions	274,096	(274,096)	0
Total revenue	26,082,766	(227,102)	25,855,664
Expenses:			
Program activities:			
Child education	17,207,659	0	17,207,659
Transportation	565,558	0	565,558
Community services	2,137,452	0	2,137,452
Weatherization services	3,821,079	0	3,821,079
Senior programs	344,206	0	344,206
Total program activities	24,075,954	0	24,075,954
Fund-raising	117,079	0	117,079
Management and general expenses	1,991,460	0	1,991,460
Total expenses	26,184,493	0	26,184,493
Change in net assets	(101,727)	(227,102)	(328,829)
Net assets - Beginning of year	2,834,717	1,939,005	4,773,722
Net assets - End of year	\$ 2,732,990	\$ 1,711,903	\$ 4,444,893

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

Consolidated Statement of Functional Expenses Year Ended June 30, 2012

	<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>
EXPENSES									
Salaries	\$ 6,766,589	\$ 243,647	\$ 642,905	\$ 387,900	\$ 95,183	\$ 8,136,224	\$ 1,122,098	\$ 41,655	\$ 9,299,977
Fringe benefits	3,220,382	135,701	288,679	178,421	44,161	3,867,344	352,351	15,179	4,234,874
Consultant/contractual	2,732,233	14,807	164,507	111,671	89	3,023,307	123,545	21,609	3,168,461
Space	1,022,304	35,919	91,981	53,893	49,985	1,254,082	197,843	6,663	1,458,588
Supplies	449,851	3,310	10,970	77,440	1,724	543,295	5,529	10,046	558,870
Travel	60,365	111,003	16,706	11,394	12,843	212,311	32,021	532	244,864
Communications and IT	244,204	7,755	21,586	16,133	3,217	292,895	97,029	928	390,852
Beneficiary assistance	24,335	0	780,398	2,967,845	13,696	3,786,274	0	0	3,786,274
Other	105,972	13,416	110,228	16,382	120,833	366,831	61,044	20,467	448,342
In-kind expenses	2,581,424	0	9,492	0	2,475	2,593,391	0	0	2,593,391
TOTAL EXPENSES	\$ 17,207,659	\$ 565,558	\$ 2,137,452	\$ 3,821,079	\$ 344,206	\$ 24,075,954	\$ 1,991,460	\$ 117,079	\$ 26,184,493

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows Year Ended June 30, 2012

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	(\$ 328,829)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	503,530
Net realized and unrealized gain on investments	(19,399)
Net realized and unrealized gain on beneficial interest in assets held by others	(896)
Change in fair value of interest rate swap agreement	101,162
Changes in operating assets and liabilities:	
Restricted deposits	(5,548)
Grants receivable	355,014
Accounts receivable	(26,942)
Other assets	502
Accounts payable	(454,757)
Accrued payroll and related expenses	(32,887)
Tenant security deposits	(92)
Grant funds received in advance	94,412
Net cash provided by operating activities	185,270
Cash flows from investing activities:	
Net sales of investments	318,719
Notes receivable issued	953
Purchase of property and equipment	(201,238)
Net cash provided by investing activities	118,434
Cash flows from financing activities:	
Proceeds from borrowing	162,885
Net payments on line of credit	(294,000)
Payments on capital leases	(21,823)
Payments on notes payable	(341,540)
Net cash used in financing activities	(494,478)
Change in cash	(190,774)
Cash - Beginning of year	332,444
Cash - End of year	\$ 141,670
Supplemental schedule of operating activities:	
Interest paid and expensed	\$ 207,956

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

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 69% 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

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

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Other income primarily consists of daycare revenue, and amounts received from individuals, companies, and governmental sources in conjunction with grant activities and are reported as revenue when earned.

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 \$2,363,444 at June 30, 2012.

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

Notes to Consolidated Financial Statements

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

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.

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 2009, 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 \$836,768, 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.

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

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

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).

Subsequent Events

Subsequent events have been evaluated through January 7, 2013, 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, 2012, are composed of the following:

Escrow fund	\$	7,989
Reserve for replacement		28,738
Tenant security deposits		3,893
<u>Total</u>	<u>\$</u>	<u>40,620</u>

Note 4 Grants Receivable

The grants receivable balance represents amounts due as of June 30, 2012, as follows:

Direct federal programs	\$	563,925
State and local programs		514,703
<u>Total</u>	<u>\$</u>	<u>1,078,628</u>

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

Notes to Consolidated Financial Statements

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 of \$1,646,929 are carried at fair value.

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, 2012, was \$5,885,599. The allocation of the investments in the pool at June 30, 2012, was 41% equities, 41% fixed income, and 18% in a variety of mutual funds. CAC's portion of the fair value of the pooled investments was approximately 18% at June 30, 2012.

Included in investment income for the year ended June 30, 2012, were interest and dividends of \$31,515 and a net realized and unrealized gain of \$19,399 for these 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, 2012, consists of the following:

Community Action Council RSVP	\$ 17,958
<u>Community Action Council</u>	<u>70,902</u>
<u>Total</u>	<u>\$ 88,860</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, 2011	\$ 69,755	\$ 18,209	\$ 87,964
<u>Net appreciation (depreciation)</u>	<u>1,147</u>	<u>(251)</u>	<u>896</u>
<u>Endowments at June 30, 2012</u>	<u>\$ 70,902</u>	<u>\$ 17,958</u>	<u>\$ 88,860</u>

Note 8 Property and Equipment

A summary of property and equipment is as follows:

Land	\$ 586,250
Land improvements	160,443
Building and improvements	8,419,349
Leasehold improvements	500,570
<u>Equipment</u>	<u>2,682,263</u>
Subtotal	12,348,875
<u>Accumulated depreciation</u>	<u>(5,010,525)</u>
<u>Total</u>	<u>\$ 7,338,350</u>

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

Notes to Consolidated Financial Statements

Note 9 **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, 2012, with a variable interest at the prime rate with a floor of 5%. The rate is 5% at June 30, 2012. No funds were borrowed on the line of credit on June 30, 2012.

Note 10 **Capital Advance - HUD**

The Project was financed principally by a HUD capital advance mortgage note ("Note") in the amount of \$1,061,800, payable to HUD. The Note bears no interest and repayment is not required so long as the housing remains available for very low-income elderly persons in accordance with the regulatory agreements and regulations.

The Note may not be prepaid prior to the maturity date without the prior written approval of HUD. Provided that (1) the housing has remained available for occupancy by eligible persons until the maturity date of the Note and (2) the Note has not otherwise become due and payable by reason of default under the Note, mortgage or regulatory agreement or regulations, the Note will be considered to be paid in full and discharged at maturity, February 1, 2034.

If the Note is considered in default under the terms of the Note, mortgage, the regulatory agreement or the regulations, at the option of the holder of the Note, HUD may take possession of the project, collect all rents and charges in connection of the project, declare the entire principal due and foreclose on the mortgage, apply any court, Federal or State, sanctions, and/or terminate the Project Rental Assistance Contract. The holder of the Note is required to give written notice of such default and the Project has 30 days to correct such default. If the default is not corrected within 30 days, HUD may proceed to correct the violation.

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

Note 11 **Notes Payable**

A summary of notes payable at June 30, 2012, 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.	\$ 35,912
Revenue bonds payable, series 2000B, with fixed interest at 6.5%. Monthly payments of \$13,967 until December 25, 2015, secured by real estate.	523,085

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

Notes to Consolidated Financial Statements

Note 11 Notes Payable (Continued)

Note payable at a variable interest rate, (rate at June 30, 2012, is 5%), with monthly principal and interest payments of \$1,789, due November 2018. The note is secured by two school buses.	117,442
Revenue bonds payable, series 2000A, annual principal and semiannual interest payments until June 2016, interest at 7% to 7.6%, secured by real estate.	95,000
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.	1,820,000
Note payable at 5.5% interest, with monthly payments of \$403, due January 26, 2016. The note is secured by a vehicle.	15,677
Note payable at 6.25% interest, with monthly payments of \$2,819, due August 25, 2016. The note is secured by real estate	153,320
Note payable at a fixed rate of 6% interest, with monthly payments of \$4,418, due December 25, 2013. The note is unsecured.	208,400
Note payable at a fixed rate of 6.25 %, interest, with monthly payments of \$2,493, due December 25, 2015. The note is secured by furniture and equipment.	93,691
Total notes payable	3,062,527
Current portion	(388,933)
<u>Long-term notes payable</u>	<u>\$ 2,673,594</u>
The future maturities of notes payable at June 30, 2012, are as follows:	
2013	\$ 388,933
2014	529,156
2015	388,647
2016	300,467
2017	261,388
Thereafter	1,193,936
<u>Total long-term notes payable</u>	<u>\$ 3,062,527</u>

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

Notes to Consolidated Financial Statements

Note 12 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.

At June 30, 2012, the interest rate swap had a notional amount of \$1,820,000 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, 2012 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 \$270,631. Adjustments to the carrying amount of the interest rate swap are reported in other expense.

Note 13 Capital Leases Payable

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, 2012, is \$126,629. 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, 2012, is \$121,027. The leasing arrangement expires January 2013.

The minimum future lease payments required under the capital leases as of June 30, 2012, and for each of the next five years and in the aggregate are as follows:

2013	\$ 28,171
2014	13,300
2015	13,300
2016	13,300
2017	13,300
<u>Thereafter</u>	<u>126,350</u>
Total minimum lease payments	207,721
<u>Amount representing interest</u>	<u>(43,152)</u>
Present value of minimum lease payments	164,569
<u>Current maturity of capital lease</u>	<u>(22,529)</u>
<u>Long-term capital lease</u>	<u>\$ 142,040</u>

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

Notes to Consolidated Financial Statements

Note 14 Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2012, consist of the following:

Self-funded health insurance trust	\$ 477,726
Unemployment insurance trust	1,071,755
Beneficial interest in assets held by others	17,958
Other	144,464
<u>Total temporarily restricted net assets</u>	<u>\$ 1,711,903</u>

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

Note 15 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, 2012, was \$180,744. Future minimum lease payments beyond 2012, are as follows:

2013	\$ 120,413
2014	99,221
2015	98,601
2016	95,940
2017	58,202
Thereafter	125,093
<u>Total</u>	<u>\$ 597,470</u>

Note 16 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, 2012, were \$643,366.

Note 17 Fair Value Measurements

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.

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

Notes to Consolidated Financial Statements

Note 17 Fair Value Measurements (Continued)

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, 2012, is as follows:

	Assets Measured at Fair Value	Recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
CAC share of unemployment investment pool:				
Mutual funds	\$ 187,664	\$ 187,664	\$ 0	\$ 0
Fixed income	441,027	441,027	0	0
Equities	443,064	443,064	0	0
Investments held by health trust:				
Fixed income	212,692	212,692	0	0
Mutual funds	362,482	362,482	0	0
Total investments	1,646,929	1,646,929	0	0
Endowment funds held by Foundation	88,860	0	0	88,860
Total assets	\$ 1,735,789	\$ 1,646,929	\$ 0	\$ 88,860
Liability - Derivative	\$ 270,631	\$ 0	\$ 270,631	\$ 0

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

Notes to Consolidated Financial Statements

Note 17 **Fair Value Measurements (Continued)**

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, 2012:

Endowment funds – Beginning of year	\$	87,964
Net realized and unrealized gain		896
<hr/>		
Endowments funds – End of year	\$	88,860

Note 18 **Grant Awards**

At June 30, 2012, CAC had commitments under various ongoing grant awards of approximately \$2,500,000. 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.

Supplementary Information

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

Schedule A-1

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed-Through the Kentucky Department of Education Child and Adult Care Food Program	10.558	034-D30-999	<u>\$ 471,258</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed-Through the Lexington-Fayette Urban County Housing Authority Section 8 Housing Assistance Payments	14.195	N/A	<u>49,080</u>
Passed-Through the Lexington-Fayette Urban County Government CDBG/R CDBG/Wx	14.218	N/A R-424-2003	146,918 <u>2,900</u>
Total Federal Expenditures CFDA #14.218			<u>149,818</u>
Passed-Through the Kentucky Department for Local Government Neighborhood Stabilization Grant	14.228	09N-020 NSP	<u>138,675</u>
Passed-Through the Kentucky Housing Corporation			
Project Independence	14.235	KY088B4I020802	7,925
Project Independence		KY088B4I021003	56,534
Continuum of Care/Bourbon County		KY0008B4I000802	36,425
Continuum of Care/Bourbon County		KY0008B4I001003	143,884
Samaritan		KY022B4I000802	16,787
Samaritan		KY022B4I001003	73,507
Samaritan - Fayette		KY0103B4I021002	37,787
Total Federal Expenditures CFDA #14.235			<u>372,849</u>
Passed-Through the Kentucky Housing Corporation TBRA	14.239	TB11-0128-01	37,380
Passed-Through the Lexington-Fayette Urban County Government TBRA LFUCG		N/A	43,918
Total Federal Expenditures CFDA #14.239			<u>81,298</u>
Passed-Through the Kentucky Housing Corporation			
ARRA - HEARTH - Fayette	14.257-ARRA	KH09-0533-02	58,454
ARRA - HEARTH - Rural		KH09-0533-01	142,505
Total Federal Expenditures CFDA #14.257-ARRA			<u>200,959</u>
U.S. DEPARTMENT OF ENERGY			
Passed-Through the Kentucky Association of Community Action Agencies DOE-Weatherization Assistance	81.042	WX10-0534-04	105,516
ARRA - DOE-Weatherization Assistance	81.042-ARRA	WX10-0534-08	785,154
Total Federal Expenditures CFDA #81.042 & #81.042-ARRA Cluster			<u>890,670</u>

See Independent Auditor's Report.

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

Schedule A-2

Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-Through the Louisville/Jefferson County Metro Government			
Senior Medicare Patrol	93.048	90MP0135/01	<u>19,851</u>
Passed-Through the Kentucky Association of Community Action Agencies			
Low-Income Home Energy Assistance Program	93.568	736-1100001353-1	<u>2,282,737</u>
Passed-Through the Kentucky Cabinet for Health and Family Services			
Community Services Block Grant	93.569	PON2 736 1100001854	<u>649,543</u>
Direct Funding			
SAMSHA	93.243	5H79TI020483-03	91,801
SAMSHA		5H79TI020483-04	154,652
	Total Federal Expenditures CFDA #93.243		<u>246,453</u>
Direct Funding			
Head Start	93.600	04CH2750/42	478,077
Head Start		04CH2750/43	6,595,161
Early Head Start		04CH2750/42	167,774
Early Head Start		04CH2750/43	3,243,582
Migrant Head Start		90CM9789/09	491,519
Migrant Head Start		90CM9789/10	2,307,638
	Total Federal Expenditures CFDA #93.600		<u>13,283,751</u>
Direct Funding			
ARRA - Head Start Expansion	93.708 - ARRA	04SH2750/02	<u>73,758</u>
ARRA - Early Head Start Expansion	93.709 - ARRA	04SA2750/02	<u>309,368</u>
	Total Federal Expenditures CFDA #93.600, #93.708-ARRA, and #93.709-ARRA Cluster		<u>13,666,877</u>
CORPORATION FOR NATIONAL & COMMUNITY SERVICE			
Direct Funding			
Retired Senior Volunteer Program 2011	94.002	11SRSKY001	58,827
Retired Senior Volunteer Program 2012		11SRSKY001	22,226
	Total Federal Expenditures CFDA #94.002		<u>81,053</u>
Passed-Through the Kentucky Cabinet for Health and Family Services			
Americorp	94.006	PON2-730-1100000351-1	<u>27,583</u>

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

Schedule A-3

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
CORPORATION FOR NATIONAL & COMMUNITY SERVICE (Continued)			
Direct Funding			
Foster Grandparents Program 2011	94.011	11SFSKY001	69,786
Foster Grandparents Program 2012		11SFSKY001	76,801
	Total Federal Expenditures CFDA #94.011		146,587
DEPARTMENT OF HOMELAND SECURITY			
Passed-Through Emergency Food and Shelter National Board			
Emergency Food & Shelter Program/Nicholas County	97.024	29-3502-00	20,135
TOTAL FEDERAL EXPENDITURES			\$ 19,495,426

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.

Note 2 - Summary of Significant Accounting Policies

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

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

Schedule B
Consolidating Statement of Financial Position
June 30, 2012

	Community Action Council	Shepherd Place	WinterCare Energy Fund	Eliminations	Consolidated Balance
Current assets:					
Cash	\$ 99,489	\$ 5,259	\$ 36,922	\$ 0	\$ 141,670
Restricted deposits	0	40,620	0	0	40,620
Investments	1,646,929	0	0	0	1,646,929
Grants receivable	1,078,628	0	0	0	1,078,628
Accounts receivable	23,625	0	56,124	(11,090)	68,659
Other assets	145,273	0	0	0	145,273
Total current assets	2,993,944	45,879	93,046	(11,090)	3,121,779
Long-term assets:					
Beneficial interest in assets held by others	88,860	0	0	0	88,860
Notes receivable	63,479	0	0	0	63,479
Total long-term assets	152,339	0	0	0	152,339
Property and equipment, net	6,850,360	487,990	0	0	7,338,350
TOTAL ASSETS	\$ 9,996,643	\$ 533,869	\$ 93,046	(\$ 11,090)	\$ 10,612,468
Current liabilities:					
Current portion of notes payable	\$ 388,933	\$ 0	\$ 0	\$ 0	\$ 388,933
Current portion of capital leases payable	22,529	0	0	0	22,529
Accounts payable	538,567	5,379	11,523	(11,090)	544,379
Accrued payroll and related expenses	911,086	0	0	0	911,086
Grant funds received in advance	148,690	0	0	0	148,690
Total current liabilities	2,009,805	5,379	11,523	(11,090)	2,015,617
Long-term liabilities:					
Notes payable	2,673,594	0	0	0	2,673,594
Fair value of interest rate swap agreement	270,631	0	0	0	270,631
Capital leases payable	142,040	0	0	0	142,040
Tenant security deposits	0	3,893	0	0	3,893
Capital advance - HUD	0	1,061,800	0	0	1,061,800
Total long-term liabilities	3,086,265	1,065,693	0	0	4,151,958
Total liabilities	5,096,070	1,071,072	11,523	(11,090)	6,167,575
Net assets:					
Unrestricted (deficit)	3,188,670	(537,203)	81,523	0	2,732,990
Temporarily restricted	1,711,903	0	0	0	1,711,903
Total net assets (deficit)	4,900,573	(537,203)	81,523	0	4,444,893
TOTAL LIABILITIES AND NET ASSETS	\$ 9,996,643	\$ 533,869	\$ 93,046	(\$ 11,090)	\$ 10,612,468

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, 2012

	Community Action Council	Shepherd Place	Wintercare Energy Fund	Eliminations	Consolidated Balance
Revenue:					
Grant revenue	\$ 19,775,577	\$ 100,405	\$ 0	\$ 0	\$ 19,875,982
Investment income	51,967	34	54	0	52,055
Other income	3,209,011	1,544	304,936	(181,255)	3,334,236
In-kind contributions	2,593,391	0	0	0	2,593,391
Total revenue	25,629,946	101,983	304,990	(181,255)	25,855,664
Expenses:					
Salaries	9,299,977	0	0	0	9,299,977
Fringe benefits	4,234,874	0	0	0	4,234,874
Consultants/contractual	3,168,462	0	0	0	3,168,462
Space	1,424,911	33,677	0	0	1,458,588
Supplies	558,870	0	0	0	558,870
Travel	244,864	0	0	0	244,864
Communications and IT	390,852	0	0	0	390,852
Beneficiary assistance	3,626,821	0	285,517	(126,065)	3,786,273
Other	404,856	87,174	11,502	(55,190)	448,342
In-kind expenses	2,593,391	0	0	0	2,593,391
Total expenses	25,947,878	120,851	297,019	(181,255)	26,184,493
Change in net assets	(317,932)	(18,868)	7,971	0	(328,829)
Net assets (deficit) - Beginning of year	5,218,505	(518,335)	73,552	0	4,773,722
Net assets (deficit) - End of year	\$ 4,900,573	(\$ 537,203)	\$ 81,523	\$ 0	\$ 4,444,893

**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, 2012

Cost Category	Budget	Actual	(Over) Under Budget
EXPENSES			
Administration	\$ 13,470	\$ 12,089	\$ 1,381
WX Materials	22,505	22,505	-
WX Support	28,940	28,940	-
WX Labor	27,836	27,836	-
H&S Materials	5,862	5,862	-
H&S Support	-	-	-
H&S Labor	7,863	7,863	-
Liability Insurance	340	340	-
Training	7,861	81	7,780
Equipment/Vehicles	-	-	-
TOTAL	\$ 114,677	\$ 105,516	\$ 9,161

**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, 2012

Cost Category	Amount
EXPENSES	
Administration	\$ 12,089
WX Materials	22,505
WX Support	28,940
WX Labor	27,836
H&S Materials	5,862
H&S Support	-
H&S Labor	7,863
Liability Insurance	340
Training	81
Equipment/Vehicles	-
TOTAL	<u>\$ 105,516</u>
LESS QUESTIONED COSTS	<u>-</u>
ALLOWABLE EXPENSES	105,516
LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2012	<u>-</u>
UNDER / (OVER) PAYMENT DUE AGENCY	<u><u>\$ 105,516</u></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, 2012

Cost Category	Actual Expenses	Questioned Costs	Allowable Costs
EXPENSES			
Administration	\$ 12,089	\$ -	\$ 12,089
WX Materials	22,505	-	22,505
WX Support	28,940	-	28,940
WX Labor	27,836	-	27,836
H&S Materials	5,862	-	5,862
H&S Support	-	-	-
H&S Labor	7,863	-	7,863
Liability Insurance	340	-	340
Training	81	-	81
Equipment/Vehicles	-	-	-
TOTAL	\$ 105,516	\$ -	\$ 105,516

**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, 2012

Cost Category	Remaining Budget	Actual	(Over) Under Budget
EXPENSES			
Administration	\$ 54,699	\$ 54,676	\$ 23
WX Materials	166,351	167,517	(1,166)
WX Support	275,840	277,303	(1,463)
WX Labor	212,700	210,301	2,399
H&S Materials	26,000	25,645	355
H&S Labor	45,365	45,379	(14)
Liability Insurance	1,951	1,759	192
Training	3,624	2,574	1,050
TOTAL	\$ 786,530	\$ 785,154	\$ 1,376

**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, 2012

Cost Category	Amount
EXPENSES	
Administration	\$ 54,676
WX Materials	167,517
WX Support	277,303
WX Labor	210,301
H&S Materials	25,645
H&S Labor	45,379
Liability Insurance	1,759
Training	2,574
TOTAL	<u>785,154</u>
LESS QUESTIONED COSTS	<u>-</u>
ALLOWABLE EXPENSES	785,154
LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2012	<u>719,964</u>
UNDER / (OVER) PAYMENT DUE AGENCY	<u><u>\$ 65,190</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, 2012

Cost Category	Actual Expenses	Questioned Costs	Allowable Costs
EXPENSES			
Administration	\$ 54,676	\$ -	\$ 54,676
WX Materials	167,517	-	167,517
WX Support	277,303	-	277,303
WX Labor	210,301	-	210,301
H&S Materials	25,645	-	25,645
H&S Labor	45,379	-	45,379
Liability Insurance	1,759	-	1,759
Training	2,574	-	2,574
TOTAL	\$ 785,154	\$ -	\$ 785,154

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

**Low Income Housing Energy Assistance Program (LIHEAP)
Contract # 736-1100001353-1
Sub Contract # 13**

Schedule of Budget and Actual Expenses

For the Year Ended June 30, 2012

Cost Category	Budget	Actual	(Over) Under Budget
Administrative	\$ 218,303	\$ 207,521	\$ 10,782
Benefits			
Subsidy	651,403	651,403	-
Crisis	1,780,217	1,423,813	356,404
TOTAL	<u>\$ 2,649,923</u>	<u>\$ 2,282,737</u>	<u>\$ 367,186</u>

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

**Low Income Housing Energy Assistance Program (LIHEAP)
Contract # 736-1100001353-1
Sub Contract # 13**

Schedule of Program Expenses

For the Year Ended June 30, 2012

Cost Category		Amount	
ADMINISTRATIVE			
Indirect Cost Allocation		\$	207,521
BENEFITS			
Subsidy	-	651,403	-
Crisis			
Benefits	1,354,930		-
Energy Counseling	68,883	1,423,813	-
Summer Cooling	-	-	2,075,216
		<hr/>	
TOTAL EXPENSES			2,282,737
LESS QUESTIONED COSTS			<hr/> -
TOTAL ALLOWABLE COSTS			2,282,737
CONTRACT PAYMENT RECEIVED as of JUNE 30, 2012			<hr/> 2,282,737
UNDER/OVER PAYMENT		\$	<hr/> <hr/> -

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

**Low Income Housing Energy Assistance Program (LIHEAP)
Contract # 736-110001353-1
Sub Contract # 13**

Schedule of Questioned Costs

For the Year Ended June 30, 2012

Cost Category	Actual Expenses	Questioned Costs	Allowable Costs
ADMINISTRATIVE			
Indirect Cost Allocation	\$ 207,521	\$ -	\$ 207,521
BENEFITS			
Subsidy	651,403	-	651,403
Crisis	1,423,813	-	1,423,813
TOTAL	<u>\$ 2,282,737</u>	<u>\$ -</u>	<u>\$ 2,282,737</u>



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, 2012, and have issued our report thereon dated January 7, 2013. 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* and accordingly this report does not include reporting on internal control over financial or instances of reportable noncompliance associated with that entity.

Internal Control Over Financial Reporting

Management of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. is responsible for establishing and maintaining effective 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.


Wipfli LLP

January 7, 2013
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, 2012. 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.

Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s consolidated financial statements include Shepherd Place, Inc., a related entity, which had expenditures greater than \$500,000 in federal awards during the year ended June 30, 2012, and has had a separate single audit, which is not included in this single audit. Therefore, our audit, described below, did not include the operations of Shepherd Place, Inc.

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, 2012.

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.

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.

Wipfli LLP

January 7, 2013
Madison, Wisconsin

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

Schedule of Findings and Questioned Costs

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) and Affiliates.
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 Program, CFDA #14.257-ARRA; the Department of Energy, Weatherization cluster, CFDA #81.042 and #81.042-ARRA; and the Department of Health and Human Services, Head Start cluster, CFDA #93.600, #93.708-ARRA, and #93.709-ARRA.
8. The threshold for distinguishing Types A and B programs was \$584,863.
9. Community Action Council 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

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Community Action Kentucky, Inc.

Audited Financial Statements

And

Other Financial Information

For The Year Ended June 30, 2012

Community Action, Kentucky Inc.
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June 30, 2012

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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, 2012 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, 2012 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 December 21, 2012, 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 conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circulars A-133, Audit 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 used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Charles T. Mitchell Co.

December 21, 2012

Community Action, Kentucky Inc.
Statement of Financial Position
June 30, 2012

Assets

Current Assets

Cash & Cash Equivalents	\$	561,430
Reimbursable costs		2,417,281
Due from sub-recipients		2,465
Current portion of Notes Receivable		37,901
Prepaid Expenses		<u>7,393</u>

Total Current Assets

3,026,470

Other Assets

Investments		1,005,788
Notes Receivable		61,185
Other Receivables		<u>8,658</u>

Property and Equipment

Buildings and equipment, less accumulated depreciation of \$257,567		<u>718,235</u>
--	--	----------------

Total Assets

\$ 4,820,336

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

Community Action, Kentucky Inc.
Statement of Financial Position
June 30, 2012

Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 1,056
Accrued compensation	80,608
Due to Sub-recipients	2,593,836
Due to Funding Sources	0
Notes Payable - current maturities	<u>31,553</u>
Total Current Liabilities	<u>2,707,053</u>
Long Term Liabilities	
Notes Payable	<u>89,537</u>
Total Liabilities	<u>2,796,590</u>
Net Assets	
Unrestricted	<u>2,023,746</u>
Total Net Assets	<u>2,023,746</u>
Total Liabilities and Net Assets	<u>\$ 4,820,336</u>

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

Community Action, Kentucky Inc.
Statement of Activities
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Grants/contracts	\$	\$ 71,595,951	\$ 71,595,951
Comissions	162,115		162,115
Program Services		400	400
Dues	18,418		18,418
Rental Income	8,410		8,410
Investment Income	42,644		42,644
Other	71,250		71,250
Release of restrictions of net assets	71,596,351	(71,596,351)	-
Total Revenue	71,899,188	-	71,899,188
Expenses:			
Energy assistance	70,687,261		70,687,261
CSBG/OCS	536,605		536,605
RCAP	309,072		309,072
ARRA	17,301		17,301
Housing	1,517		1,517
AEP	37,427		37,427
Supporting Services	351,055		351,055
Total Expenses	71,940,238	-	71,940,238
Increase in net assets	(41,050)	-	(41,050)
Net assets beginning of the year	2,064,796	-	2,064,796
Net assets end of year	\$ 2,023,746	\$ -	\$ 2,023,746

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, 2012

Cash flows from operating activities:	
Increase (Decrease) in net assets	\$ (41,050)
Adjustments to reconcile decrease in net assets to net cash used for operating activities:	
Depreciation and amortization	5,554
Unrealized gains/losses on investments	(117,592)
Changes in operating assets and liabilities	
(Increase) Decrease in reimbursable costs	2,888,741
(Increase) Decrease in subrecipient receivables	37,648
(Increase) Decrease in prepaid expenses	(236)
Increase (Decrease) in accounts payable	(18,557)
Increase (Decrease) in due to sub recipients	(2,483,106)
Increase (Decrease) in due funding sources	(8,680)
Increase (Decrease) in accrued expenses	<u>(46,824)</u>
Net adjustments	<u>256,948</u>
Net cash from (used in) operating activities	<u>215,898</u>
Cash flows from (used in) investing activities:	
Collections of notes receivable	54,905
Purchase of investments	-
Purchases of property and equipment	<u>9,844</u>
Net cash flows from (used in) investing activities	<u>64,749</u>
Cash flows from (used in) financing activities:	
Payment on long-term debt	<u>(59,770)</u>
Net cash flows from (used in) financing activities	<u>(59,770)</u>
Net increase (decrease) in cash	220,877
Cash at Beginning of Year	<u>340,553</u>
Cash at End of Year	<u>\$ 561,430</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, 2012

	RCAP	ARRA	Housing	Energy	AEP	OCS/ CSBG	Program Services Total	Supporting Services	2012 Totals
Salaries	\$ 163,399	\$ 12,377	\$ -	\$ 368,911	\$ 6,631	\$ 123,094	\$ 674,412	\$ 97,427	\$ 771,839
Fringe Benefits	67,175	4,924	-	148,803	2,853	50,654	274,409	33,535	307,944
Professional Services	3,097	-	-	-	-	844	3,941	6,325	10,266
Consultants	-	-	-	18,147	-	291,551	309,698	15,520	325,218
Education	860	-	-	1,360	-	2,423	4,643	3,725	8,368
Travel	28,836	-	-	10,160	-	21,489	60,485	22,982	83,467
Telephone	3,967	-	-	1,865	-	1,338	7,170	130	7,300
Office Exp & Supplies	15,243	-	-	225	-	3,417	18,885	1,535	20,420
Dues/Fees	249	-	-	-	-	-	249	24,311	24,560
Insurance	4,026	-	-	12,710	-	1,225	17,961	204	18,165
Pollution Insurance	-	-	-	61,361	-	-	61,361	-	61,361
Postage	376	-	-	13	-	186	575	198	773
Printing	47	-	-	2,531	-	4,147	6,725	156	6,881
Publications	10	-	-	-	-	32	42	800	842
Marketing	-	-	-	-	-	-	-	-	-
Advertising	120	-	-	-	-	-	120	-	120
Utilities	1,450	-	-	-	-	395	1,845	-	1,845
Repairs & Maintenance	4,729	-	-	9,045	-	1,470	15,244	5,465	20,709
Meeting Expense	900	-	-	371	-	4,386	5,657	43,219	48,876
Depreciation	3,395	-	-	-	-	926	4,321	1,233	5,554
Interest	-	-	1,517	-	-	-	1,517	13,551	15,068
Bad Debts	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,607	1,607
Loss on Investments	-	-	-	-	-	-	-	45,343	45,343
Indirect	11,193	-	-	91,127	-	29,028	131,348	33,789	165,137
Subrecipients	-	-	-	69,960,632	27,943	-	69,988,575	-	69,988,575
Total	\$ 309,072	\$ 17,301	\$ 1,517	\$ 70,687,261	\$ 37,427	\$ 536,605	\$ 71,589,183	\$ 351,055	\$ 71,940,238

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; however, CAK remains the primary pass-through agent.

Note 2 – Summary of Significant Accounting Principles

Basis of Presentation – CAK has adopted FASB ASC 958-210-45-9 and 45-10; 558-210-50-3, of which, defines standards for external financial reporting and requires that resources be classified into three net asset categories according to externally (donor) imposed restrictions (Formally SFAS No. 117). Further description over the ASC defined and required net asset categories are as 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 or the passage of time
- Permanently Restricted – net assets subject to permanent donor-imposed restrictions; however, certain instances, as defined by donor, 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 conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reported period. Actual events and results could differ from those assumptions and estimates.

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

Revenue Recognition – Program service revenue is considered available for CAK's general programs unless specifically restricted by donors or grantors. Interest income related to housing notes is recorded when received. Accrued interest on such notes is considered immaterial and is not disclosed. Grant and contract revenue under cost reimbursement grants or contracts is recorded when an expense is incurred for specific grant or contract supported programs or projects in a manner defined by applicable grants or contracts. Grant or contract funding received that does not meet the criteria for revenue recognition described above are deferred using the deposit method. Under the deposit method, cash received from grants or contracts is classified as deferred revenue (a refundable deposit) in the liability section of the statements of financial position, and revenue recognition is deferred until the requirements detailed above are met.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Accounts and Notes Receivable – Accounts and notes receivable are stated at their outstanding principal. Both accounts and notes receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrower's, the estimated value of the any underlying collateral and current economic conditions. Based on management's assessment of the credit history and current, CAK, believes realization of losses, if any, will be immaterial.

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2012, the association had unpaid annual leave of 80,608.

Functional Expenses – Directly identified expenses are charged to programs and support services. CAK adheres to the AICPA Industry Audit Guide in reporting expenses by their functional classification. Accordingly, salary, fringe, professional, supplies and other expenses have been allocated to functional classifications based on various factors.

Note 3 – Concentrations of Credit Risk

In the current year, a significant amount of funding was provided by a few major contributors. It is always considered reasonably possible that grantors might be lost or funding could be reallocated in the near term. Approximately 99% of CAK’s revenue was earned under various contracts (grants), approximately 67% from US Department of Health and Human Services and 31% from the US Department of Energy. CAK’s market is concentrated in the geographic area of Kentucky.

At no time during the year did CAK have 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.

Note 4 – Investments

CAK adopted FASB ASC 958-320-50-3, which 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. As such, 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, 2012:

	Cost	Fair Value
Stocks	\$ 47,943	\$ 52,999
Mutual Funds	943,971	952,791
Total	<u>\$ 991,914</u>	<u>\$ 1,005,790</u>

A three-tier fair value hierarchy 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.

Note 4 – Investments (Continued)

- 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 an 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.

At June 30, 2012, the Organization's trading securities had a fair value of \$1,005,788, all of which was determined based on quoted prices in active markets for identical assets (Level 1).

Realized and unrealized gains and losses included in net income for the year ended June 30, 2012 are reported in the accompanying income statement as follow:

Interest & Dividend Income	\$	28,768
Recognized Gains(Losses)		(45,343)
Unrealized Gains(Losses)		<u>13,876</u>
Total Investment Income	\$	<u>(2,700)</u>

Note 5 – Notes Receivable

Notes receivable represent funds advanced from the conduct of CAK's housing program wherein funds are borrowed from the Kentucky Housing Corporation (see Note 1) and re-loaned to Community Action Agencies. Loans are stated at unpaid balances. At June 30, 2012 the unpaid balances were comprised of 17 individual loans to 4 separate Community Action Agencies. Interest rate for each note is fixed at 1%. This rate is consistent with the related borrowing rate (see Note 8) and is contractually restricted. Management considers each note outstanding to be fully collectible; thus, no allowance for loan losses is estimated.

Note 5 – Notes Receivable (Continued)

Maturities of these notes receivables are as follows:

<u>Year Ended</u>		
2013	\$	44,859
2014		29,950
2015		24,025
2016		18,775
2017		8,125
Thereafter		<u>10,267</u>
Total	\$	<u>136,000</u>

Interest revenue amounted to \$1,525 for 2012.

Note 6 – Property and Equipment

Property and equipment acquired with unrestricted revenues are stated at cost, if purchased or at fair value at the date of gift, if donated, less accumulated depreciation. Property and equipment acquired using restricted or temporarily restricted revenues are expensed during the period of purchase per the modified accrual basis of accounting; an acceptable departure from GAAP, per grant or contract agreements. Additions with a cost of fair value of less than \$500 are expensed. Property and equipment consisted of the following at June 30, 2012:

Land	\$ 105,287
Office Equipment	112,570
Building	<u>757,945</u>
	975,802
Less: Accumulated Depreciation	<u>(257,567)</u>
Net Property, Plant & Equipment	<u>\$ 718,235</u>

Depreciation is computed using the straight-line method over the estimated useful life of the respective asset. Depreciation and amortization expenses amounted to \$5,554 in 2012.

Note 7 – Retirement Plan

Through its affiliate with the state of Kentucky CAK contributes to the Commonwealth of Kentucky's County Employees Retirement System (CERS), a cost sharing, multi-employer public employee retirement system. All of CAK's current full-time employees are participants in the above delineated as a non-hazardous plan. CAK does not administer these multiemployer plans.

Members contribute 5% of gross compensation. CAK pays the designated employer rate as defined yearly by state statute. It is currently impossible to determine future rates or required payments, thus discounted amount has been presented.

Note 7 – Retirement Plan (Continued)

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. Employer contributions for the year ended June 30, 2012 were \$203,604. The contributions for the year consisted of \$162,635 from the Association and \$40,969 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, 2012 consisted of the following:

Note payable to KHC (NHPR 03/04), Interest at 1% annual payments of \$5,925 through July, 2023	\$ 11,850
Note payable to KHC (NHPR 04/05), Interest at 1% annual payments of \$5,250 through July, 2024	15,750
Note payable to KHC (NHPR 05/06), Interest at 1% annual payments of \$10,650 through July, 2025	42,600
Note payable to KHC (NHPR 06/07), Interest at 1% annual payments of \$1,159 through July, 2026	14,957
Note payable to KHC (NHPR 08/09), Interest at 1% annual payments of \$5,921 through July, 2028	<u>35,934</u>
Total	121,091
Less: Current Maturities	<u>31,553</u>
Total Long-Term Debt	<u>\$ 89,538</u>

Interest expense amounts to \$1,517 for 2012.

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:

<u>Year Ended</u>	
2013	\$ 31,553
2014	25,628
2015	20,379
2016	5,989
2017	5,989
Thereafter	-
Total	<u>\$ 89,538</u>

Interest paid during 2011-2012 amounted to \$1,517.

Note 9 – Income Taxes

CAK is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code, except from income derived from unrelated business activities. At June 30, 2012, CAK has no estimated liability on unrelated business activities. CAK believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. CAK's federal Exempt Organization Business Income Tax Return (Form 990) for 2011, 2010, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

Note 10 – Noncompliance with grantor or donor restrictions

Financial awards from federal, state, and local governmental entities in the form of grants are subject to specific audit. Such audits could result in claims against CAK for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined; however, management believes that such audits do arise; all steps have been followed to ensure compliance with each grantor or donor restrictions as defined by contractual agreements as of June 30, 2012.

Note 11 – Operating Lease

CAK is the lessee of office equipment under an operating lease expiring during fiscal year end 2016. Future minimum lease payments due under the lease are as follows:

<u>Year Ended</u>		
2013	\$	840
2014		840
2015		840
2016		840
Total	\$	<u>3,360</u>

Lease expense during 2011-2012 amounted to \$840.

Note 12 – Subsequent Events

Management did not indicate financially impacting information regarding subsequent events. Subsequent events were evaluated through December 21, 2012, 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, 2012 as listed in the table of contents.



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James E. Clouse, CPA
Kim Field, CPA
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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 CAK (a Kentucky nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. 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

Management of CAK is responsible for establishing and maintaining effective 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 our 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 Organization'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 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 ABC Organization'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 management, Board of Directors, others within the entity, 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.

December 21, 2012



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Independent Auditor's Report on Compliance with Requirements that could have a
Direct and Material Effect on Each Major Program and on Internal Control Internal
Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Community Action Kentucky, Inc.

Compliance

We have audited CAK'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 CAK's major federal programs for the year ended June 30, 2012. CAK'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 CAK's management. Our responsibility is to express an opinion on CAK'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 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 CAK'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 CAK's compliance with those requirements.

In our opinion, CAK 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, 2012.

Internal Control over Compliance

Management of CKA 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be 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, Board of Directors, others within the entity, 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.

December 21, 2012

Community Action, Kentucky Inc.
 Schedule of Expenditures of Federal Awards
 June 30, 2012

Grant	Pass-Through Grantor	Federal CFDA Number	Pass Through Grant Number	Grant Period Ending	Federal Award Expenditures as of 6/30/12
<u>U.S. Department of Health and Human Services:</u>					
Community Services Block Grant	KY Cabinet for Health & Family Services	93.569	736-11000018881	6/30/12	\$ 150,000
Low Income Home Energy Assistance Program	KY Cabinet for Health & Family Services	93.568	736-11000018881	6/30/12	48,198,627
HHS - RCAP	W.S.O.S Community Action Comm.	93.570	FY 10/11	9/30/11	23,062
HHS - RCAP	W.S.O.S Community Action Comm.	93.570	PY 11/12	9/30/12	59,919
Safety & Security - RCAP	W.S.O.S Community Action Comm.	93.570	PY 10/11	9/30/11	2,059
Safety & Security - RCAP	W.S.O.S Community Action Comm.	93.570	PY 11/12	9/30/12	2,050
SAI/CSBG	Office of Community Services	93.570	90EQ0241/01	2/28/13	346,789
Capacity Building - Part 1	Office of Community Services	93.570	90EQ0171/03	9/30/11	16,460
Capacity Building - Part 1	Office of Community Services	93.570	90EQ0203/02	9/30/11	6,971
Capacity Building - Part 2 - ARRA	Office of Community Services	93.710	90SQ0020/02	9/30/11	16,385
Total Department of Health and Human Services					<u>48,822,322</u>
<u>U.S. Department of Energy:</u>					
Weatherization - Regular	Kentucky Housing Corporation	81.042	WX10-0534-08	6/30/12	2,671,384
Weatherization - ARRA	Kentucky Housing Corporation	81.042	WX10-0534-04	6/30/12	19,753,535
Total Department of Energy					<u>22,424,919</u>
<u>U.S. Department of Agriculture:</u>					
RCDI - RCAP	W.S.O.S Community Action Comm.	10.446	PY 10/11	9/30/11	36,460
RCDI - RCAP	W.S.O.S Community Action Comm.	10.446	PY 11/12	9/30/12	52,192
Technitrain - RCAP	W.S.O.S Community Action Comm.	10.761	PY 10/11	9/30/11	14,482
Technitrain - RCAP	W.S.O.S Community Action Comm.	10.761	PY 11/12	9/30/12	104,046
Total Department of Agriculture					<u>207,180</u>
<u>Environmental Protection Agency:</u>					
EPAW - RCAP	W.S.O.S Community Action Comm.	66.606	PY 10/11	9/30/11	6,527
SDWA - RCAP	W.S.O.S Community Action Comm.	66.607	PY 10/11	9/30/11	8,275
Total Environmental Protection Agency					<u>14,802</u>
Total Expenditures of Federal Awards					\$ <u>71,469,223</u>

Community Action, Kentucky Inc.
 Schedule of Subrecipient Expenditures
 For the Year Ended June 30, 2012

	LIHEAP 93.568	Regular WX 81.042	ARRA WX 81.042	WX Total
Contractor			\$ 400	\$ 400
Audubon Area	1,767,805	48,589	830,165	878,754
Bell-Whitley CAA	1,401,609	148,136	719,677	867,813
Big Sandy CAP	3,718,270	147,686	1,375,417	1,523,103
Blue Grass CAA	2,357,500	78,102	851,302	929,404
Central Ky CAA	2,306,621	76,398	841,583	917,981
Daniel Boone CAA	2,759,476	80,060	1,104,357	1,184,417
Gateway CAA	1,273,564	115,858	983,868	1,099,726
Harlan Co CAA	688,957	100,726	430,503	531,229
KCEOC CAP	1,038,704	105,158	436,670	541,828
Foothills CAP	2,028,291	27,827	826,269	854,096
LKLP CAA	2,162,595	164,765	1,119,632	1,284,397
Lake Cumberland CAA	3,432,406	121,434	1,208,131	1,329,565
CAC - Lexington	2,282,737	105,516	785,154	890,670
Licking Valley CAP	910,234	193,048	828,606	1,021,654
Louisville Metro	4,908,472			-
Middle Ky CAP	1,662,315	106,497	460,294	566,791
Multi-Purpose CAA	649,668		425,448	425,448
Northeast Ky CAA	3,016,240	77,865	931,951	1,009,816
Northern Ky CAC	2,255,488	120,694	1,050,784	1,171,478
Pennyrile Allied	2,139,235	166,399	1,096,754	1,263,153
CAA of Southern Ky	2,669,783	244,855	1,176,354	1,421,209
Tri-County CAA	362,938	84,417	445,368	529,785
West Ky Allied	1,964,387	148,253	745,615	893,868
Dept of Housing		104,051	951,693	1,055,744
Prior Year Audit	(7,027)	(746)	(44,538)	(45,284)
	<u>\$ 47,750,268</u>	<u>\$ 2,565,588</u>	<u>\$ 19,581,457</u>	<u>\$ 22,147,045</u>

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.

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
 93.570

Name of Federal Program of Cluster
 LIHEAP
 Weatherization
 Capacity Building

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

\$ 300,000

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, 2012

No prior audit findings were noted.

Community Action, Kentucky Inc.
Statement of Activity by Program
For the Year Ended June 30, 2012

Revenues	Housing	RCAP 10/11	RCAP 11/12	CDAP	LJHEAP	WX	CSBG	OCS 10/12	OCS 11/12	AEP 10/11	AEP 11/12	KU Energy 07/12	Treasury	Total
Grant Revenue	-	90,865	218,207	17,301	48,198,627	22,424,919	150,000	39,816	346,789	7,540	29,887	72,000	-	71,595,951
Comission													162,115	162,115
Program Income													400	400
Dues													18,418	18,418
Rental Income													8,410	8,410
Investment Income	1,637												41,007	42,644
Other Income													71,250	71,250
Total Revenues	1,637	90,865	218,207	17,301	48,198,627	22,424,919	150,000	39,816	346,789	7,540	29,887	72,000	301,600	71,899,188
Expenses														
Salaries	-	40,121	123,278	12,377	241,385	127,286	69,561	20,228	33,305	2,880	3,751	240	97,427	771,839
Fringe Benefits	-	18,129	49,046	4,924	96,469	52,238	28,159	9,245	13,250	1,361	1,492	96	33,535	307,944
Professional Services	-	-	3,097	-	-	-	-	-	844	-	-	-	6,325	10,266
Consultants	-	-	-	-	10,000	8,147	8,000	2,000	281,551	-	-	-	15,520	325,218
Education	-	-	860	-	1,170	190	880	450	1,093	-	-	-	3,725	8,368
Travel	-	13,396	15,440	-	6,544	3,616	8,226	2,372	10,891	-	-	-	22,982	83,467
Telephone	-	-	3,967	-	1,787	78	52	36	1,250	-	-	-	130	7,300
Office Exp & Supplies	-	7,977	7,266	-	104	121	2,071	953	393	-	-	-	1,535	20,420
Dues/Fees	-	49	200	-	-	-	-	-	-	-	-	-	24,311	24,560
Insurance	-	-	4,026	-	8,730	3,980	-	-	1,225	-	-	-	204	18,165
Pollution Insurance	-	-	-	-	-	61,361	-	-	-	-	-	-	-	61,361
Postage	-	-	376	-	-	13	85	-	101	-	-	-	198	773
Printing	-	-	47	-	2,531	-	4,117	-	30	-	-	-	156	6,881
Publications	-	-	10	-	-	-	29	-	3	-	-	-	800	842
Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	120	-	-	-	-	-	-	-	-	-	-	120
Utilities	-	-	1,450	-	-	-	-	-	395	-	-	-	-	1,845
Repairs & Maintenance	-	-	4,729	-	6,664	2,381	182	-	1,288	-	-	-	5,465	20,709
Meeting Expense	-	-	900	-	371	-	4,141	-	245	-	-	-	43,219	48,876
Depreciation	-	-	3,395	-	-	-	1	-	925	-	-	-	1,233	5,554
Interest	1,517	-	-	-	-	-	-	-	-	-	-	-	13,551	15,068
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	1,607	1,607
Loss on Investments	-	-	-	-	-	-	-	-	-	-	-	-	45,343	45,343
Indirect	-	11,193	-	-	72,604	18,463	24,496	4,532	-	-	-	60	33,789	165,137
Subrecipients	-	-	-	-	47,750,268	22,147,045	-	-	-	3,299	24,644	63,319	-	69,988,575
Total Expenses	1,517	90,865	218,207	17,301	48,198,627	22,424,919	150,000	39,816	346,789	7,540	29,887	63,715	351,055	71,940,238
Change in Net Assets	\$ 120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,285	\$ (49,455)	\$ (41,050)

Community Action, Kentucky Inc.
 LIHEAP Grant – CFDA 93.568
 Contract #736-100001353
 Statement of Program Expenses
 For the Period July 01, 2011 through June 30, 2012

Agency Subsidy Benefits (CAK records)	\$	15,331,727
Agency Crisis Benefits (CAK records)		28,554,561
Agency Summer Cooling Benefits (CAK Records)		
Agency Prior Year Adjustments (CAK records)		(7,027)
Agency Administration (CAK records)		3,871,007
Total Payments To Subrecipients		<u>47,750,268</u>

CAK Administration		
Salaries	\$ 241,385	
Fringe Benefits	96,469	
Professional Services	-	
Consultants	10,000	
Education	1,170	
Travel	6,544	
Telephone	1,787	
Postage	-	
Office Exp & Supplies	104	
Publications	-	
Dues/Fees	-	
Insurance	8,730	
Printing	2,531	
Advertising	-	
Utilities	-	
Repairs & Maintenance	6,664	
Depreciation	-	
Indirect	72,604	
Total CAK Administration		<u>447,988</u>
Total Expenditures		<u>48,198,256</u>

Questioned Costs (See Schedule) -

Allowable Cost		48,198,256
Amount Received From CHFS - HEAP		48,171,561
Accounts Receivable From Funding Sources		26,695
Accounts Payable To Funding Sources		<u>-</u>

Excess Receipts Over Expenditures \$ -

Community Action, Kentucky Inc.
 LIHEAP Grant - CFDA 93.568
 Contract #736-100001353
 Statement of Program Expenses
 For the Period July 01, 2011 through June 30, 2012

Cost Category	<u>Budget</u>	<u>Actual</u>	<u>(Over)/ Under Budget</u>
Administrative Cost			
Subrecipient	\$ 6,112,800	\$ 3,871,007	\$ 2,241,793
Community Action Kentucky	<u>649,200</u>	<u>447,988</u>	<u>201,212</u>
Total Administrative	<u>6,762,000</u>	<u>4,318,995</u>	<u>2,443,005</u>
Benefits - Direct Assistance			
Subsidy	16,161,995	15,331,727	830,268
Crisis	43,039,295	28,554,561	14,484,734
Summer Cooling	<u>3,798,800</u>	<u>-</u>	<u>3,798,800</u>
Total Benefits	<u>63,000,090</u>	<u>43,886,288</u>	<u>19,113,802</u>
Other Expenditures			
DSM	30,000	-	30,000
Prior Year Adjustments	<u>-</u>	<u>(7,027)</u>	<u>7,027</u>
Total Other	<u>30,000</u>	<u>(7,027)</u>	<u>37,027</u>
Total Contract	<u>\$ 69,792,090</u>	<u>\$ 48,198,256</u>	<u>\$ 21,593,834</u>

Community Action, Kentucky Inc.
 Regular Weatherization Grant
 Contract: Kentucky Housing Corporation
 Statement of Program Expenses
 For the Period July 01, 2011 through June 30, 2012

Payments To Subrecipients		
Department of Energy	\$	2,565,588
Total Payments To Subrecipients	\$	2,565,588
CAK Administration		
Salaries		30,882
Fringe Benefits		12,324
Professional Services		366
Consultants		1,535
Travel		242
Meeting		106
Telephone		469
Postage		44
Supplies		228
Publications		1
Insurance		1,471
Pollution Insurance		55,225
Printing		6
Utilities		171
Repairs & Main		2,323
Depreciation		403
Total CAK Administration		105,796
Total Expenditures		2,671,384
Questioned Costs (See Schedule)		-
Allowable Cost		2,671,384
Amount Received From KHC - WX		909,920
Accounts Receivable From Funding Sources		1,761,464
Accounts Payable To Funding Sources		-
Excess Receipts Over Expenditures	\$	-

Community Action, Kentucky Inc.
 Regular Weatherization Grant
 Contract Kentucky Housing Corporation
 Statement of Program Expenses
 For the Period July 01, 2011 through June 30, 2012

Kentucky Housing Corporation(Federal)
 Department of Energy

\$ 3,913,944

Cost Category	<u>Budget</u>	<u>Actual</u>	<u>(Over)/ Under Budget</u>
CAK Admin	\$ 87,183	\$ 50,571	\$ 36,612
Polution Insurance	55,225	55,225	-
Subrecipient Agencies:			
Administration	343,316	201,366	141,950
Materials	-	581,797	-
Program Support	-	727,059	-
Labor	-	670,303	-
Health & Safety	-	338,167	-
Vehicles/Equipment	-	(8,274)	-
Liability Insurance	-	33,850	-
Audit	-	15,265	-
Total Program Operations	<u>3,254,464</u>	<u>2,358,167</u>	<u>896,297</u>
Training	<u>374,035</u>	<u>6,056</u>	<u>367,979</u>
Total Subrecipient Agencies	<u>3,971,815</u>	<u>2,565,589</u>	<u>1,406,226</u>
 Total	 <u>\$ 4,114,223</u>	 <u>\$ 2,671,385</u>	 <u>\$ 1,442,838</u>

Community Action, Kentucky Inc.
 ARRA Weatherization Grant
 Contract: Kentucky Housing Corporation
 Statement of Program Expenses
 For the Period July 01, 2011 through June 30, 2012

Payments To Subrecipients		
Department of Energy	\$	19,581,457
Total Payments To Subrecipients		<u>\$ 19,581,457</u>

CAK Administration		
Salaries	101,394	
Fringe Benefits	41,899	
Professional Services	1,150	
Consultants	6,613	
Education	189	
Travel	3,391	
Meeting	334	
Telephone	1,550	
Postage	150	
Supplies	599	
Publications	4	
Dues/Fees	-	
Insurance	4,480	
Pollution Insurance	6,136	
Printing	17	
Advertising	-	
Utilities	538	
Repairs & Main	2,373	
Depreciation	<u>1,261</u>	
Total CAK Administration		<u>172,078</u>
Total Expenditures		<u>19,753,535</u>

Questioned Costs (See Schedule)		<u>-</u>
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Allowable Cost		19,753,535
Amount Received From KHC - WX		19,221,476
Accounts Receivable From Funding Sources		532,059
Accounts Payable To Funding Sources		<u>-</u>
Excess Receipts Over Expenditures	\$	<u><u>-</u></u>

Community Action, Kentucky Inc.
 ARRA Weatherization Grant
 Contract: Kentucky Housing Corporation
 Statement of Program Expenses
 For the Period July 01, 2011 through June 30, 2012

Kentucky Housing Corporation(Federal)
 Department of Energy

\$ 21,293,928

Cost Category	<u>Budget</u>	<u>Actual</u>	<u>(Over)/ Under Budget</u>
CAK Admin	\$ 261,550	\$ 165,942	\$ 95,608
Polution Insurance	<u>6,136</u>	<u>6,136</u>	<u>-</u>
Subrecipient Agencies:			
Administration	<u>1,192,834</u>	<u>1,139,209</u>	<u>53,625</u>
Materials	-	4,478,848	
Program Support	-	5,718,625	
Labor	-	5,157,431	
Health & Safety	-	2,623,330	
Vehicles/Equipment	-	58,360	
Liability Insurance	-	127,224	
Audit	<u>-</u>	<u>73,054</u>	<u>-</u>
 Total Program Operations	 <u>18,368,337</u>	 <u>18,236,872</u>	 <u>131,465</u>
Training	<u>307,267</u>	<u>205,376</u>	<u>101,891</u>
Total Subrecipient Agencies	<u>19,868,438</u>	<u>19,581,457</u>	<u>286,981</u>
 Total	 <u>\$ 20,136,124</u>	 <u>\$ 19,753,535</u>	 <u>\$ 382,589</u>

Community Action, Kentucky Inc.
 CSBG Grant
 Contract #736-100001353
 Statement of Program Expenses
 For the Period July 01, 2011 through June 30, 2012

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

\$ 150,000

Expenditures

Salaries	\$ 76,180
Fringe Benefits	30,792
Professional Services	2,011
Consultants	8,000
Education	880
Travel	8,249
Meeting	4,726
Telephone	2,629
Postage	325
Supplies	3,008
Publications	36
Insurance	2,615
Printing	4,148
Utilities	942
Repairs & Main	3,253
Depreciation	<u>2,206</u>

Total Expenditures 150,000

Questioned Costs (See Schedule) -

Allowable Cost 150,000

Amount Received From CHFS - CSBG 138,297

Accounts Receivable From Funding Sources 11,703

Accounts Payable To Funding Sources -

Excess Receipts Over Expenditures \$ -

Community Action, Kentucky Inc.
 WSOS Community Action, Inc. RCAP Grant
 Contract PE 11/12
 (For Contracts Ending September 30, 2012)
 Statement of Program Expenses
 For the Period July 01, 2011 through June 30, 2012

HHS	\$	59,919
RCDI		52,192
Technitrain		104,046
Safety & Security		<u>2,050</u>
 CONTRACT AWARD	 \$	 218,207
 EXPENDITURES		
Salaries	\$	123,278
Fringe Benefits		49,046
Professional Services		3,097
Education		860
Travel		15,440
Meeting		900
Telephone		3,967
Postage		375
Supplies		7,267
Publications		10
Dues/Fees		200
Insurance		4,026
Printing		47
Advertising		120
Utilities		1,450
Repairs & Main		4,729
Depreciation		<u>3,395</u>
 TOTAL EXPENDITURES		 218,207
 QUESTIONED COSTS (See Schedule)		 <u>-</u>
 ADJUSTED COST		 218,207
 CONTRACT PAYMENTS RECEIVED		 206,070
 ACCOUNTS RECEIVABLE FROM FUNDING SOURCES		 12,137
 EXCESS RECEIPTS OVER EXPENDITURES	 \$	 <u><u>-</u></u>

*These funds are temporarily restricted until the contract ends September 30, 2012.

Community Action, Kentucky Inc.
 WSOS Community Action, Inc. RCAP Grant
 Contract PE 10/11
 (For Contracts Ending September 30, 2011)
 Statement of Program Expenses
 For the Period July 01, 2011 through June 30, 2012

HHS	93.570	\$ 117,310
RCDI	10.446	113,979
Technitrain	10.761	111,715
EPAW	66.606	20,715
SDWA	66.607	20,715
Safety & Security	93.570	<u>4,500</u>

CONTRACT AWARD \$ 388,934

EXPENDITURES

	Actual <u>June 30, 2011</u>	Actual <u>June 30, 2012</u>	<u>Total</u>
Salaries	\$ 164,653	\$ 43,145	\$ 207,798
Fringe Benefits	60,381	19,332	79,713
Professional Services	4,242	919	5,161
Education	104	-	104
Travel	36,579	13,407	49,986
Meeting	1,717	267	1,984
Telephone	5,293	1,177	6,470
Postage	722	110	832
Supplies	6,026	8,406	14,432
Publications	925	3	928
Dues/Fees	-	50	50
Insurance	5,399	1,195	6,594
Printing	148	14	162
Advertising	-	-	-
Utilities	2,030	430	2,460
Repairs & Main	5,304	1,403	6,707
Depreciation	4,546	1,007	<u>5,553</u>
TOTAL EXPENDITURES	298,069	90,865	388,934
QUESTIONED COSTS (See Schedule)	-	-	-
ADJUSTED COST	298,069	90,865	388,934
CONTRACT PAYMENTS RECEIVED	281,876	107,058	388,934
EXCESS RECEIPTS OVER EXPENDITURES	\$ 16,193	\$ (16,193)	\$ -

Community Action, Kentucky Inc.

OCS

Contract #90EQ0171/03, 90EQ0203/02, 90SQ0020/02

(For Contracts Ending September 30, 2011)

For the Period July 01, 2011 through June 30, 2012

RECEIPTS

SAI/CSBG	93,570	\$	75,000
Capacity Building Part 1	93,570		25,000
Capacity Building Part 2	93,710		<u>80,000</u>

CONTRACT AWARD

\$ 180,000

EXPENDITURES

	Actual <u>June 30, 2011</u>	Actual <u>June 30, 2012</u>	<u>Total</u>
Salaries	\$ 80,205	\$ 21,454	\$ 101,659
Fringe Benefits	27,920	9,732	37,652
Professional Services	2,035	372	2,407
Consultants	2,101	2,000	4,101
Education	2,785	450	3,235
Travel	8,177	2,376	10,553
Meeting	1,602	108	1,710
Telephone	2,756	513	3,269
Postage	636	44	680
Supplies	2,572	1,126	3,698
Publications	349	1	350
Insurance	2,643	484	3,127
Printing	499	6	505
Utilities	997	174	1,171
Repairs & Main	2,674	568	3,242
Depreciation	2,233	408	2,641
TOTAL EXPENDITURES	140,184	39,816	180,000
QUESTIONED COSTS (See Schedule)	-	-	-
ADJUSTED COST	140,184	39,816	180,000
CONTRACT PAYMENTS RECEIVED	135,000	45,000	180,000
EXCESS RECEIPTS OVER EXPENDITURES	\$ 5,184	\$ (5,184)	\$ -

Community Action, Kentucky Inc.
OCS
Contract #90EQ0241/01
(For Contracts Ending September 30, 2013)
For the Period July 01, 2011 through June 30, 2012

RECEIPTS		
RPIC	93.570	\$ 344,950
CONTRACT AWARD		344,950
EXPENDITURES		
Salaries	\$ 33,304	
Fringe Benefits	13,250	
Professional Services	844	
Consultants/Contracts	281,551	
Education	1,093	
Travel	10,891	
Meeting	245	
Telephone	1,250	
Postage	101	
Supplies	393	
Publications	3	
Insurance	1,225	
Printing	30	
Utilities	395	
Repairs & Main	1,288	
Depreciation	926	
TOTAL EXPENDITURES		346,789
QUESTIONED COSTS (See Schedule)		-
ADJUSTED COST		346,789
CONTRACT PAYMENTS RECEIVED		344,950
ACCOUNTS RECEIVABLE FROM FUNDING SOURCES		1,839
EXCESS RECEIPTS OVER EXPENDITURES		\$ -

*These funds are temporarily restricted until the contract ends February 28, 2013.