



a PPL company

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

RECEIVED

JUN 13 2014

PUBLIC SERVICE  
COMMISSION

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.lge-ku.com

Rick E. Lovekamp  
Manager - Regulatory Affairs  
T 502-627-3780  
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June 13, 2014

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"), Community Action Kentucky, Inc. ("CAK"), 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 2013 and the financial audits for CAK and CAC for year ended June 30, 2013.

For the twelve month period ending December 2013, KU collected \$1,280,480 from residential electric customers (See Exhibit 1).

As of the December 31, 2013 reporting period, there were 2,596 residential customers enrolled in the HEA program representing 68 counties throughout the KU service territory (See Exhibit 2).

Mr. Jeff DeRouen  
June 13, 2014

For the calendar year 2013, 3,500 brown bills (See Exhibit 3) were sent to HEA clients. Additionally, there were 1,311 disconnections (See Exhibit 4) of HEA clients during 2013.

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 2013, CAK and CAC utilized the funds for program participants that required monthly energy assistance.

During 2013, 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 CAK and CAC for the period ending June 30, 2013.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp". The signature is written in a cursive style with a large initial "R".

Rick E. Lovekamp

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

<b>Month/Year</b>	<b>Amount</b>
Jan-13	\$105,447
Feb-13	106,452
Mar-13	106,425
Apr-13	106,878
May-13	106,963
Jun-13	106,660
Jul-13	107,530
Aug-13	107,234
Sep-13	106,752
Oct-13	106,847
Nov-13	106,482
Dec-13	106,810
Total	\$1,280,480

**Kentucky Utilities Company**  
**Home Energy Assistance Program**  
**Customer Enrollment by County**  
**As of December 31, 2013**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Adair	5	0.19%
Anderson	34	1.31%
Ballard	1	0.04%
Barren	2	0.08%
Bath	16	0.62%
Bell	132	5.08%
Bourbon	110	4.24%
Boyle	74	2.85%
Bracken	7	0.27%
Bullitt	4	0.15%
Caldwell	1	0.04%
Carroll	17	0.65%
Casey	37	1.43%
Christian	2	0.08%
Clark	24	0.92%
Clay	16	0.62%
Crittenden	2	0.08%
Estill	15	0.58%
Fayette	991	38.17%
Fleming	9	0.35%
Franklin	7	0.27%
Gallatin	5	0.19%
Garrard	39	1.50%
Grant	0	0.00%
Grayson	11	0.42%
Green	28	1.08%

**Kentucky Utilities Company**  
**Home Energy Assistance Program**  
**Customer Enrollment by County**  
**As of December 31, 2013**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Hardin	54	2.08%
Harlan	12	0.46%
Harrison	48	1.85%
Hart	45	1.73%
Henderson	5	0.19%
Henry	5	0.19%
Hickman	4	0.15%
Hopkins	16	0.62%
Jessamine	3	0.12%
Knox	10	0.39%
Larue	43	1.66%
Laurel	17	0.65%
Lincoln	119	4.58%
Livingston	2	0.08%
Lyon	1	0.04%
Madison	15	0.58%
Marion	18	0.69%
Mason	6	0.23%
McCracken	4	0.15%
McCreary	9	0.35%
McClellan	8	0.31%
Mercer	104	4.01%
Montgomery	37	1.43%
Muhlenberg	27	1.04%
Nelson	3	0.12%
Nicholas	49	1.89%

**Kentucky Utilities Company**  
**Home Energy Assistance Program**  
**Customer Enrollment by County**  
**As of December 31, 2013**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Ohio	4	0.15%
Oldham	0	0.00%
Owen	1	0.04%
Pulaski	53	2.04%
Robertson	1	0.04%
Rockcastle	19	0.73%
Rowan	42	1.62%
Russell	31	1.19%
Scott	19	0.73%
Shelby	17	0.65%
Spencer	11	0.42%
Taylor	32	1.23%
Trimble	10	0.39%
Union	1	0.04%
Washington	2	0.08%
Webster	11	0.42%
Whitley	19	0.73%
Woodford	70	2.70%
Total	2,596	100.00%

**Kentucky Utilities Company  
Home Energy Assistance Program  
Brown Bill Notices Issued - 2013**

<b>Number of Customers</b>	<b>Number of Brown Bills Per Customer Received Annually</b>
440	1
333	2
361	3
347	4
324	5
319	6
297	7
245	8
271	9
281	10
203	11
79	12
3,500	Total

**Kentucky Utilities Company  
Home Energy Assistance Program  
Number of Disconnections - 2013**

<b>Number of Customers</b>	<b>Number of Disconnections Per Customer</b>
793	1
321	2
113	3
53	4
21	5
8	6
2	7
0	8
1,311	Total



Community Action Kentucky, Inc.

Independent Auditor's Report with Audited Financial Statements  
And  
Supplementary Information

For The Year Ended June 30, 2013

Community Action, Kentucky Inc.  
Table of Contents  
June 30, 2013

Independent Auditor's Report.....1-2

**Financial Statements:**

Statement of Financial Position..... 3  
Statement of Activities..... 4  
Statement of Cash Flows..... 5  
Statement of Functional Expenses ..... 6  
Notes to the Financial Statements ..... 7-15

Report on Compliance and Internal Control over Financial Reporting..... 16

**Single Audit:**

Report on Compliance with Requirements Applicable to Each Major Program  
and Internal Control Over Compliance in Accordance with OMB Circular  
A-133..... 18  
Schedule of Expenditures of Federal Awards..... 20  
Schedule of Subrecipient Expenditures..... 21  
Notes to the Schedule of Federal Financial Assistance ..... 22  
Schedule of Findings and Questioned Costs ..... 23  
Schedule of Prior Year Audit Findings ..... 24

Supplementary Information ..... 25-38



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## Independent Auditor's Report

Board of Directors  
Community Action Kentucky, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Community Action, Kentucky Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action, Kentucky Inc. as of June 30, 2013, and the changes in its

net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013, on our consideration of Community Action, Kentucky 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action, Kentucky Inc.'s internal control over financial reporting and compliance.

*Charles T. Mitchell Co.*

Frankfort, Kentucky  
December 17, 2013

Community Action, Kentucky Inc.  
Statement of Financial Position  
June 30, 2013

Assets	
Current Assets	
Cash & Cash Equivalents	\$ 260,653
Reimbursable Costs	2,586,121
Due from Sub-recipients	1,115
Current Portion of Notes Receivable	29,770
Prepaid Expenses	7,293
Total Current Assets	2,884,952
Other Assets	
Investments	1,072,812
Notes Receivable	58,963
Other Receivables	8,552
Property and Equipment	
Buildings and Equipment Net of Accumulated Depreciation	690,186
Total Assets	\$ 4,715,465
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	25,167
Accrued Compensation	78,649
Due to Sub-recipients	2,561,048
Notes Payable - Current Maturities	25,877
Total Current Liabilities	2,690,741
Long Term Liabilities	
Notes Payable	59,339
Total Liabilities	2,750,080
Net Assets	
Unrestricted	1,965,385
Total Net Assets	1,965,385
Total Liabilities and Net Assets	\$ 4,715,465

The accompanying notes are an integral part of these financial statements

Community Action, Kentucky Inc.  
Statement of Activities  
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support:</b>			
Grants/Contracts	\$	\$ 45,674,790	\$ 45,674,790
Commissions	130,435		130,435
Dues	17,859		17,859
Rental Income	10,200		10,200
Investment Income	89,076		89,076
Other	106,840		106,840
Release of Restrictions of Net Assets	45,674,790	(45,674,790)	-
<b>Total Revenue and Support</b>	<b>46,029,200</b>	<b>-</b>	<b>46,029,200</b>
<b>Expenses:</b>			
Energy assistance	44,780,053		44,780,053
CSBG/OCS	484,834		484,834
RCAP	282,251		282,251
ARRA	137,216		137,216
Housing	1,032		1,032
AEP	38,439		38,439
Supporting Services	546,950		546,950
<b>Total Expenses</b>	<b>46,270,775</b>	<b>-</b>	<b>46,270,775</b>
Decrease in Net Assets Before Extraordinary Item	(241,575)	-	(241,575)
Extraordinary Item-Settlement Funds in Relation to Class Action Lawsuit	183,214	-	183,214
<b>Net Decrease in Net Assets</b>	<b>(58,361)</b>	<b>-</b>	<b>(58,361)</b>
<b>Net Assets Beginning of the Year</b>	<b>2,023,746</b>	<b>-</b>	<b>2,023,746</b>
<b>Net Assets End of Year</b>	<b>\$ 1,965,385</b>	<b>\$ -</b>	<b>\$ 1,965,385</b>

The accompanying notes are an integral part of these financial statements

Community Action, Kentucky Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2013

Cash Flows From Operating Activities:	
Change in Net Assets	\$ (58,361)
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities:	
Depreciation and Amortization	28,049
Unrealized Losses on Investments	33,090
Changes in Operating Assets and Liabilities:	
Increase in Reimbursable costs	(168,840)
Decrease in Sub-recipient Receivables	1,350
Decrease in Prepaid Expenses	100
Increase in Accounts Payable	24,111
Decrease in Due to Sub-recipients	(32,788)
Decrease in Accrued Expenses	(1,959)
Total Adjustments	<u>(116,887)</u>
Net Cash (Used In) Operating Activities	<u>(175,248)</u>
Cash Flows From Investing Activities:	
Collections of Notes Receivable	10,459
Purchase of Investments	<u>(100,114)</u>
Net Cash Flows (Used) In Investing Activities	<u>(89,655)</u>
Cash flows From Financing Activities:	
Payments on debt	<u>(35,874)</u>
Cash Flows (Used) in Financing Activities:	<u>(35,874)</u>
Net Decrease in Cash	(300,777)
Cash at Beginning of Year	<u>561,430</u>
Cash at End of Year	<u>\$ 260,653</u>

The accompanying notes are an integral part of these financial statements

Community Action, Kentucky Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2013

	RCAP	CDAP	Housing	Energy	AEP	OCS/ CSBG	Program Services Total	Supporting Services	2013 Totals
Salaries	\$ 145,012	\$ 21,055	\$ -	\$ 334,435	\$ 4,879	\$ 118,076	\$ 623,457	\$ 94,404	\$ 717,861
Fringe Benefits	58,808	8,642	-	137,246	1,905	50,038	256,639	38,314	294,953
Professional Services	-	-	-	-	-	-	-	10,150	10,150
Consultants	477	107,056	-	13,590	-	244,158	365,281	7,540	372,821
Education	5,659	-	-	596	-	4,297	10,552	6,031	16,583
Travel	21,017	463	-	4,571	3	17,748	43,802	22,199	66,001
Telephone	(114)	-	-	1,329	44	253	1,512	170	1,682
Office Exp & Supplies	788	-	-	300	-	779	1,867	3,008	4,875
Dues/Fees	(1)	-	-	175	-	-	174	22,023	22,197
Insurance	(20)	-	-	12,453	-	128	12,561	536	13,097
Pollution Insurance	-	-	-	67,390	-	-	67,390	-	67,390
Postage	83	-	-	-	-	-	83	81	164
Printing	107	-	-	3,257	-	1,958	5,322	103	5,425
Publications	147	-	-	-	-	500	647	-	647
Marketing	-	-	-	-	-	-	-	14,862	14,862
Advertising	161	-	-	-	-	-	161	-	161
Utilities	57	-	-	23	-	-	80	1	81
Repairs & Maintenance	2,634	-	-	5,898	-	2,736	11,268	11,633	22,901
Meeting	(12)	-	-	1,593	-	2,678	4,259	34,101	38,360
Depreciation	(122)	-	-	-	-	-	(122)	9,709	9,587
Interest	-	-	1,032	-	-	-	1,032	-	1,032
Bad Debts	-	-	-	-	-	-	-	-	-
Other	1,803	-	-	-	-	-	1,803	248,798	250,601
Loss on Investments	-	-	-	-	-	-	-	-	-
Indirect	45,767	-	-	87,884	-	41,485	175,136	23,287	198,423
Subrecipients	-	-	-	44,109,313	31,608	-	44,140,921	-	44,140,921
<b>Total</b>	<b>\$ 282,251</b>	<b>\$ 137,216</b>	<b>\$ 1,032</b>	<b>\$ 44,780,053</b>	<b>\$ 38,439</b>	<b>\$ 484,834</b>	<b>\$ 45,723,825</b>	<b>\$ 546,950</b>	<b>\$ 46,270,775</b>

The accompanying notes are an integral part of these 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 (LIHEAP)*

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 (DSM)*

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

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.

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

### *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

## Note 2 – Summary of Significant Accounting Principles

### Basis of Presentation – (Continued)

- 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 borrowers, 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.

Accrued Compensation – 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, 2013, the association had unpaid annual leave and salary of 78,649.

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 – Extraordinary item**

CAK was designated to receive certain current year pre-settlement funds in relation to the Pre-Filled Propane Tank Marketing & Sales Litigation class action suit totaling \$133,500. Additionally, funds were received from the Federal Energy regulation class action suit totaling \$49,714. The total extraordinary item revenue received totaled \$183,214, and is included in “other income” in the Supplemental Statement of Activities per Program on page 24 of this report. The receipts of funds from both class action suits coincided with correspondence that detailed the purpose of disbursement to CAK.

**Note 4 – 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 88% from US Department of Health and Human Services and 10% 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 5 – 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, 2013, 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 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

**Note 6 – Investments**

Community Action, Kentucky Inc. determines 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, 2013:

	Cost	Fair Value
Mutual Funds	\$ 1,093,301	\$ 1,072,812

A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include the following categories:

**Note 6 – Investments (Continued)**

- Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.
- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect 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 statement of financial position, as well as the general classification of such instruments pursuant to the above valuation hierarchy.

At June 30, 2013, the Organization's trading securities had a fair value of \$1,072,812, of which, all 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, 2013 are reported in the accompanying income statement as follow:

Interest & Dividend Income	\$	31,086
Recognized Gains(Losses)		91,080
Unrealized Gains(Losses)		(33,090)
Total Investment Income	\$	<u>89,076</u>

**Note 7 – 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, 2013 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 7 – Notes Receivable (Continued)**

Maturities of these notes receivables are as follows:

<u>Year Ended</u>			
2014	\$	29,770	
2015		23,117	
2016		17,455	
2017		8,125	
2018		5,133	
Thereafter		5,133	
Total	\$	<u>88,733</u>	

Interest revenue amounted to \$797 for 2013.

**Note 8 – 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, 2013:

Land	\$ 105,287
Office Equipment	113,419
Building	<u>757,945</u>
Total Depreciable Assets	976,651
Less: Accumulated Depreciation	<u>(286,465)</u>
Net Property, Plant & Equipment	<u>\$ 690,186</u>

Depreciation is computed using the straight-line method over the estimated useful life of the respective asset. Depreciation and amortization expenses amounted to \$9,587 in 2013.

**Note 9 – 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, 2013 consisted of the following:

Note payable to KHC (NHPR 04/05), Interest at 1% annual payments of \$5,250 through July, 2024	\$ 10,500
Note payable to KHC (NHPR 05/06), Interest at 1% annual payments of \$10,650 through July, 2025	31,950
Note payable to KHC (NHPR 06/07), Interest at 1% annual payments of \$1,159 through July, 2026	11,966
Note payable to KHC (NHPR 08/09), Interest at 1% annual payments of \$5,921 through July, 2028	<u>30,800</u>
Total	85,216
Less: Current Maturities	<u>25,877</u>
Total Long-Term Debt	<u><u>\$ 59,339</u></u>

Interest expense amounts to \$1,032 for 2013.

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>	
2014	\$ 25,877
2015	25,877
2016	20,628
2017	5,989
2018	6,845
Thereafter	<u>-</u>
Total	<u><u>\$ 85,216</u></u>

Interest paid during 2012-2013 amounted to \$1,032.

**Note 10 – 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.

**Note 10 – Retirement Plan (Continued)**

Members contribute 5% of gross compensation with an additional 1% from members entering the system after September 1, 2008. 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.

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. Contributions for the year ended June 30, 2013 totaled \$186,305. Employer contributions for the Retirement Plan (CERS) are as follows:

<u>Years</u>	<u>Employer Contributions</u>
2012-2013	\$ 149,507
2011-2012	\$ 162,635
2010-2011	\$ 153,335
2009-2010	\$ 121,789
2008-2009	\$ 84,289

The contributions for yearend June 30, 2013 from CAK's employees totaled \$36,798.

In addition to the pension benefits described above, KRS require CERS to provide access to post-employment healthcare benefits to eligible members and dependents. The CERS medical insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KERS Board of Trustees, the Kentucky Department of Insurance and the General Assembly.

**Note 11 – Non-Compliance 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 if 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, 2013.



**Note 12 – 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 2012-2013 totaled to \$840.

**Note 13 – Subsequent Events**

Management did not indicate financially impacting information regarding subsequent events. Subsequent events were evaluated through December 17, 2013, 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, 2013 as listed in the table of contents.



Charles T. Mitchell Company, PLLC  
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Partners  
William G. Johnson, Jr., CPA  
James E. Clouse, CPA  
Klm Field, CPA  
Greg Miklavcic, CPA  
Rick Yates, CPA  
Consultants  
Don C. Giles, CPA

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 Kentucky, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Action, Kentucky Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date].

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Action, Kentucky Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action, Kentucky Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Community Action, Kentucky Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

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

*Charles T. Mitchell Co.*

Frankfort, Kentucky  
December 17, 2013



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#### Partners

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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.

### Report on Compliance for Each Major Federal Program

We have audited Community Action, Kentucky Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community Action, Kentucky Inc.'s major federal programs for the year ended June 30, 2013. Community Action, Kentucky Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action, Kentucky Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 Community Action, Kentucky Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Action, Kentucky Inc.'s compliance.

### Opinion on Each Major Federal Program

In our opinion, Community Action, Kentucky Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items.

## Report on Internal Control over Compliance

Management of Community Action, Kentucky Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action, Kentucky Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Community Action, Kentucky 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Charles T. Mitchell Co.*

Frankfort, Kentucky

December 17, 2013

Community Action, Kentucky Inc.  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Grant	Pass-Through Grantor	Federal CFDA Number	Pass Through Grant Number	Grant Period Ending	Federal Award Expenditures
<i>U.S. Department of Health and Human Services:</i>					
Low Income Home Energy Assistance Program	KY Cabinet for Health & Family Services	93.568	736-1200014851	6/30/13	\$ 37,324,608
LIHEAP-Weatherization	Kentucky Housing Corporation	93.568	LH13-0073-01	6/30/13	2,894,413
Community Service Block Grant	KY Cabinet for Health & Family Services	93.569	736-1200014851	6/30/13	150,000
HHS-RCAP	W.S.O.S Community Action Comm.	93.570	PY 11-12	9/30/12	28,319
HHS-RCAP	W.S.O.S Community Action Comm.	93.570	PY12-13	9/30/13	62,909
RPIC	Office of Community Services	93.570	90EQ0241-01	2/28/13	78,211
RPIC	Office of Community Services	935.700	90EQ0244-01-00	9/29/13	256,623
Total Department of Health and Human Services					<u>40,795,083</u>
<i>U.S. Department of Energy:</i>					
Weatherization - Regular	Kentucky Housing Corporation	81.042	WX13-0373-02	6/30/13	4,001,902
Weatherization - ARRA	Kentucky Housing Corporation	81.042	WX12-0373-01	12/31/12	488,291
Total Department of Energy					<u>4,490,193</u>
<i>U.S. Department of Agriculture:</i>					
RCDI-RCAP	W.S.O.S Community Action Comm.	10.446	PY 11-12	9/30/12	22,808
RCDI-RCAP	W.S.O.S Community Action Comm.	10.446	PY 12-13	9/30/13	43,191
Technitrain-RCAP	W.S.O.S Community Action Comm.	10.761	PY 11-12	9/30/12	7,669
Technitrain-RCAP	W.S.O.S Community Action Comm.	10.761	PY 11-12	9/30/12	87,232
Total Department of Agriculture					<u>160,900</u>
<i>Environmental Protection Agency:</i>					
EPAW - RCAP	W.S.O.S Community Action Comm.	66.606	PY 12-13	9/30/13	30,123
Total Expenditures of Federal Awards					<u>\$ 45,476,299</u>

Community Action, Kentucky Inc.  
Schedule of Subrecipient Expenditures  
For the Year Ended June 30, 2013

	LIHEAP 93,568	Regular WX 81,042	LIHEAP WX 93,568	ARRA WX 81,042	WX Total
Audubon Area	\$ 1,406,851	\$ 154,240	\$ 224,041	\$ 17,650	\$ 395,931
Bell-Whitley CAA	1,058,218	162,968	92,518	-	255,486
Big Sandy CAP	2,875,976	187,500	176,263	17,220	380,983
Blue Grass CAA	1,747,729	154,592	127,024	-	281,616
Central Ky CAA	1,768,323	191,131	176,327	17,636	385,094
Daniel Boone CAA	1,977,888	181,342	143,823	33,050	358,215
Gateway CAA	975,134	165,713	157,649	-	323,362
Harlan Co CAA	528,843	149,514	80,848	17,650	248,012
KCEOC CAP	751,279	142,221	105,253	17,650	265,124
Foothills CAP	1,461,779	155,455	75,255	130,157	360,867
LKLP CAA	1,687,054	186,903	147,022	17,650	351,575
Lake Cumberland CAA	2,537,088	210,576	178,497	17,650	406,723
CAC - Lexington	1,961,498	183,627	79,663	17,650	280,940
Licking Valley CAP	712,995	170,568	182,963	17,650	371,181
Louisville Metro	4,138,131	-	-	-	-
Middle Ky CAP	1,289,782	151,665	106,051	-	257,716
Multi-Purpose CAA	525,897	103,062	5,166	47,941	156,169
Northeast Ky CAA	2,177,197	187,756	125,835	16,341	329,932
Northern Ky CAC	1,848,905	201,053	127,146	17,650	345,849
Pennyrile Allied	1,627,781	155,076	154,807	2,500	312,383
CAA of Southern Ky	2,130,648	208,763	182,058	-	390,821
Tri-County CAA	287,996	104,233	34,988	-	139,221
West Ky Allied	1,406,467	163,721	103,852	19,993	287,566
Dept of Housing	-	289,763	-	-	289,763
Prior Year Audit	(5,141)	(13,252)	-	(716)	(13,968)
	<u>\$ 36,878,318</u>	<u>\$ 3,948,190</u>	<u>\$ 2,787,049</u>	<u>\$ 425,322</u>	<u>\$ 7,160,561</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  no
- Significant deficiency identified that are not considered to be material weaknesses  yes  no

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiency identified that are not considered to be material weaknesses  yes  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  no

Identification of major programs:

CFDA Number	Name of Federal Program of Cluster
93.568	LIHEAP
81.042	Weatherization

Dollar threshold used to distinguish between type A and type B programs \$ 1,357,861

Auditee qualified as low-risk auditee?  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, 2013

No prior audit findings were noted.

Community Action, Kentucky Inc.  
Statement of Activity by Program  
For the Year Ended June 30, 2013

Revenues	Housing	RCAP 11/12	RCAP 12/13	CDAP	CDAP	LIHEAP	WX	CSBG	OCS 11/12	OCS 12/13	AEP 11/12	AEP 12/13	KU Energy 07/12	Treasury	Total
Grant Revenue	\$ -	\$ 58,796	\$ 223,455	\$ 112,699	\$ 27,170	\$ 37,249,541	\$ 7,384,606	\$ 150,000	\$ 78,211	\$ 256,623	\$ 10,559	\$ 27,894	\$ 95,236	\$ -	\$ 45,674,790
Commission															130,435
Dues															17,859
Rental Income															10,200
Interest Income	816														30,270
Recognized Gain															91,080
Unrecognized Loss															(33,090)
Other Income															290,054
<b>Total Revenues</b>	<b>\$ 816</b>	<b>\$ 58,796</b>	<b>\$ 223,455</b>	<b>\$ 112,699</b>	<b>\$ 27,170</b>	<b>\$ 37,249,541</b>	<b>\$ 7,384,606</b>	<b>\$ 150,000</b>	<b>\$ 78,211</b>	<b>\$ 256,623</b>	<b>\$ 10,559</b>	<b>\$ 27,894</b>	<b>\$ 95,236</b>	<b>\$ 536,808</b>	<b>\$ 46,212,414</b>
<b>Expenses</b>															
Salaries	\$ -	\$ 31,818	\$ 113,194	\$ 5,940	\$ 15,115	\$ 243,143	\$ 91,047	\$ 70,478	\$ (664)	\$ 48,262	\$ 2,839	\$ 2,040	\$ 245	\$ 94,404	\$ 717,861
Fringe Benefits		12,346	46,462	2,438	6,204	99,920	37,226	28,787	1,438	19,813	1,067	838	100	38,314	294,953
Professional Services														10,150	10,150
Consultants		477		103,584	3,472	9,675	3,915	8,000	75,704	160,454				7,540	372,821
Education			5,659			595	1	1,985	1,047	1,265				6,031	16,583
Travel		3,600	17,417		463	3,487	1,084	7,788		9,960				22,199	66,001
Telephone		(114)				1,252	77		63	190	3		44	170	1,682
Office Exp & Supplies		163	625			189	111	701		78				3,008	4,875
Dues/Fees			(1)			175								22,023	22,197
Insurance		(148)	128			9,757	2,696			128				536	13,097
Pollution Insurance							67,390								67,390
Postage		(8)	91											81	164
Printing		66	41			3,280	(23)	1,958						103	5,425
Publications		147						500							647
Marketing														14,862	14,862
Advertising		161													161
Utilities		57					23							1	81
Repairs & Maintenance		1,242	1,392			3,244	2,654	2,736						11,633	22,901
Meeting		(12)				1,593		2,678						34,101	38,360
Depreciation			(122)											9,709	9,587
Interest	1,032														1,032
Other			1,803											248,798	250,601
Indirect		9,123	36,644			69,980	17,844	24,389	623	16,473			60	23,287	198,423
Subrecipients						36,878,318	7,160,561				6,606	25,002	70,434		44,140,921
<b>Total Expenses</b>	<b>\$ 1,032</b>	<b>\$ 58,796</b>	<b>\$ 223,455</b>	<b>\$ 111,962</b>	<b>\$ 25,254</b>	<b>\$ 37,324,608</b>	<b>\$ 7,384,606</b>	<b>\$ 150,000</b>	<b>\$ 78,211</b>	<b>\$ 256,623</b>	<b>\$ 10,559</b>	<b>\$ 27,880</b>	<b>\$ 70,839</b>	<b>\$ 546,950</b>	<b>\$ 46,270,775</b>
<b>Change in Net Assets</b>	<b>\$ (216)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 737</b>	<b>\$ 1,916</b>	<b>\$ (75,067)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14</b>	<b>\$ 24,397</b>	<b>\$ (10,142)</b>	<b>\$ (58,361)</b>

Community Action, Kentucky Inc.  
 LIHEAP Grant – CFDA 93.568  
 Contract #736-12000014851  
 Statement of Program Expenses  
 For the Period July 01, 2012 through June 30, 2013

Payments to Subrecipients		
Agency Subsidy Benefits (CAK records)	\$ 14,380,417	
Agency Crisis Benefits (CAK records)	19,188,125	
Agency Prior Year Adjustments (CAK records)	(5,141)	
Agency Administration (CAK records)	3,314,917	
	<hr/>	
Total Payments To Subrecipients		<u>\$ 36,878,318</u>
CAK Administration		
Salaries	\$ 259,615	
Fringe Benefits	106,681	
Professional Services	6,172	
Consultants	9,675	
Education	595	
Travel	3,547	
Telephone	10,092	
Meeting	2,754	
Postage	460	
Office Exp & Supplies	2,729	
Publications	24	
Dues/Fees	180	
Insurance	17,909	
Printing	3,298	
Advertising	12	
Utilities	3,625	
Repairs & Maintenance	12,155	
Depreciation	6,767	
	<hr/>	
Total CAK Administration		<u>446,290</u>
Total Expenditures		<u>37,324,608</u>
Questioned Costs (See Schedule)		-
Allowable Cost		37,324,608
Amount Received From CHFS - HEAP		37,232,532
Accounts Receivable From Funding Sources		17,009
		<hr/>
Excess (Shortage) Receipts over Expenditures		<u>\$ (75,067)</u>

Community Action, Kentucky Inc.  
 LIHEAP Grant – CFDA 93.568  
 Contract #736-12000014851  
 Statement of Program Expenses  
 For the Period July 01, 2012 through June 30, 2013

Cost Category	Budget	Actual	(Over)/ Under Budget
Administrative Cost			
Subrecipient	\$ 3,349,090	\$ 3,314,917	\$ 34,173
Community Action Kentucky	342,120	417,187	(75,067)
Total Administrative	<u>3,691,210</u>	<u>3,732,104</u>	<u>(40,894)</u>
Benefits - Direct Assistance			
Subsidy	14,395,343	14,380,417	14,926
Crisis	19,246,280	19,188,125	58,155
Total Benefits	<u>33,641,623</u>	<u>33,568,542</u>	<u>73,081</u>
Other Expenditures			
DSM	30,000	29,103	897
Prior Year Adjustments	-	(5,141)	5,141
Total Other	<u>30,000</u>	<u>23,962</u>	<u>6,038</u>
Total Contract	<u><u>\$ 37,362,833</u></u>	<u><u>\$ 37,324,608</u></u>	<u><u>\$ 38,225</u></u>

Community Action, Kentucky Inc.  
 LIHEAP Weatherization Grant  
 Contract: Kentucky Housing Corporation  
 Statement of Program Expenses  
 For the Period July 01, 2012 through June 30, 2013

Payments to Subrecipients		\$ 2,787,049
HHS		<u>2,787,049</u>
CAK Administration		
Salaries	\$ 24,236	
Fringe Benefits	9,333	
Professional Services	716	
Education	141	
Travel	135	
Telephone	1,026	
Postage	53	
Office Exp & Supplies	295	
Publications	2	
Dues/Fees	1	
Insurance	946	
Pollution Insurance	67,390	
Printing	1	
Advertising	2	
Utilities	1	
Repairs & Maintenance	421	
Depreciation	1,879	
Indirect	786	
Total CAK Administration		<u>107,364</u>
Total Expenditures		<u>2,894,413</u>
Questioned Costs (See Schedule)		<u>-</u>
Allowable Cost		2,894,413
Amount Received From CHFS - HEAP		981,015
Accounts Receivable From Funding Sources		<u>1,913,398</u>
Excess (Shortage) Receipts over Expenditures		<u><u>\$ -</u></u>

Community Action, Kentucky Inc.  
 LIFHEAP Weatherization Grant  
 Contract: Kentucky Housing Corporation  
 Statement of Program Expenses  
 For the Period July 01, 2012 through June 30, 2013

Kentucky Housing Corporation(Federal)  
 Department of Energy

Cost Category	<u>\$ 2,787,049</u>		(Over)/ Under Budget
	Budget	Actual	
CAK Admin	\$ 62,580	\$ 39,974	\$ 22,606
Pollution Insurance	67,390	67,390	-
Subrecipient Agencies:			
Administration	312,902	142,001	170,901
Program Operations:			
Materials	-	510,846	-
Program Support	-	985,377	-
Labor	-	710,982	-
Health & Safety	-	437,843	-
Total Program Operations	5,632,231	2,645,048	2,987,183
Total Subrecipient Agencies	5,945,133	2,787,049	3,158,084
Total	<u>\$ 6,075,103</u>	<u>\$ 2,894,413</u>	<u>\$ 3,180,690</u>

Community Action, Kentucky Inc.  
 Regular Weatherization Grant  
 Contract: Kentucky Housing Corporation  
 Statement of Program Expenses  
 For the Period July 01, 2012 through June 30, 2013

Payments To Subrecipients		
Department of Energy		\$ 3,948,190
CAK Administration		
Salaries	\$ 32,342	
Fringe Benefits	14,016	
Professional Services	264	
Travel	927	
Meeting	50	
Telephone	454	
Postage	20	
Office Exp & Supplies	219	
Publications	1	
Insurance	3,044	
Pollution Insurance	1	
Printing	1	
Utilities	155	
Repairs & Maintenance	1,929	
Depreciation	289	
Total CAK Administration		<u>53,712</u>
Total Expenditures		<u>4,001,902</u>
Questioned Costs (See Schedule)		<u>-</u>
Allowable Cost		4,001,902
Amount Received From KHC - WX		3,438,383
Accounts Receivable From Funding Sources		<u>563,519</u>
Excess (Shortage) Receipts over Expenditures		<u><u>\$ -</u></u>



Community Action, Kentucky Inc.  
Regular Weatherization Grant  
Contract: Kentucky Housing Corporation  
Statement of Program Expenses  
For the Period July 01, 2012 through June 30, 2013

Kentucky Housing Corporation(Federal)		<u>\$ 4,001,902</u>		
Department of Energy				(Over)/ Under Budget
Cost Category	Budget	Actual		
CAK Admin	\$ 56,612	\$ 53,712	\$	2,900
Subrecipient Agencies:				
Administration	240,834	230,897		9,937
Materials	-	687,172		-
Program Support	-	1,234,077		-
Labor	-	902,939		-
Health & Safety	-	512,618		-
Vehicles/Equipment	-	(45,535)		-
Liability Insurance	-	87,386		-
Audit	-	60,202		-
Total Program Operations	3,562,418	3,438,859		123,559
Training	322,610	278,434		44,176
Total Subrecipient Agencies	4,125,862	3,948,190		177,672
Total	<u>\$ 4,182,474</u>	<u>\$ 4,001,902</u>	<u>\$</u>	<u>180,572</u>

Community Action, Kentucky Inc.  
ARRA Weatherization Grant  
Contract: Kentucky Housing Corporation  
Statement of Program Expenses  
For the Period July 01, 2012 through June 30, 2013

Payments To Subrecipients		
Department of Energy	\$	425,322
CAK Administration		
Salaries	\$	38,670
Fringe Benefits		15,601
Professional Services		594
Consultants		3,915
Travel		31
Meeting		112
Telephone		851
Postage		44
Office Exp & Supplies		244
Publications		2
Insurance		784
Printing		2
Advertising		1
Utilities		349
Repairs & Main		1,118
Depreciation		651
Total CAK Administration		62,969
Total Expenditures		488,291
Questioned Costs (See Schedule)		-
Allowable Cost		488,291
Amount Received From KHC - WX		488,291
Excess (Shortage) Receipts over Expenditures	\$	-

Community Action, Kentucky Inc.  
 ARRA Weatherization Grant  
 Contract: Kentucky Housing Corporation  
 Statement of Program Expenses  
 For the Period July 01, 2012 through June 30, 2013

Kentucky Housing Corporation(Federal)

Department of Energy

\$ 488,291

Cost Category	Budget	Actual	(Over)/ Under Budget
CAK Admin	\$ 79,608	\$ 62,969	\$ 16,639
Pollution Insurance	-	-	-
Subrecipient Agencies:			
Administration	-	-	-
Materials	-	-	-
Program Support	-	-	-
Labor	-	-	-
Health & Safety	-	-	-
Vehicles/Equipment	-	-	-
Liability Insurance	-	-	-
Audit	-	-	-
Total Program Operations	405,507	423,792	(18,285)
Training	1,530	1,530	-
Total Subrecipient Agencies	407,037	425,322	(18,285)
Total	<u>\$ 486,645</u>	<u>\$ 488,291</u>	<u>\$ (1,646)</u>

Community Action, Kentucky Inc.  
 CSBG Grant  
 Contract #736-12000014851  
 Statement of Program Expenses  
 For the Period July 01, 2012 through June 30, 2013

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

Contract Award		\$	<u>150,000</u>
Expenditures			
Salaries	\$		76,219
Fringe Benefits			31,144
Professional Services			2,151
Consultants			8,000
Education			1,985
Travel			7,808
Meeting			3,082
Telephone			3,081
Postage			161
Office Exp & Supplies			1,586
Dues/Fees			508
Publications			2
Insurance			2,841
Printing			1,965
Advertising			4
Utilities			1,263
Repairs & Maintenance			5,841
Depreciation			<u>2,359</u>
Total Expenditures			<u>150,000</u>
Questioned Costs (See Schedule)			-
Allowable Cost			<u>150,000</u>
Amount Received From CHFS - CSBG			139,989
Accounts Receivable From Funding Sources			<u>10,011</u>
Excess (Shortage) Receipts over Expenditures		\$	<u><u>-</u></u>

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, 2012 through June 30, 2013

HHS-CFDA 93.570	\$	88,238
RCDI-CFDA 10.446		75,000
Technitrain-CFDA 10.761		111,715
Safety & Security-CFDA 93.570		2,050
Contract Awards	<u>\$</u>	<u>277,003</u>

	Actual 2012	Actual 2013	Total
Expenditures			
Salaries	\$ 123,278	\$ 33,966	\$ 157,244
Fringe Benefits	49,046	13,227	62,273
Professional Services	3,097	805	3,902
Education	860	-	860
Travel	15,440	3,904	19,344
Meeting	900	151	1,051
Telephone	3,967	1,153	5,120
Postage	375	60	435
Office Exp & Supplies	7,267	539	7,806
Publications	10	3	13
Dues/Fees	200	1	201
Insurance	4,026	1,063	5,089
Printing	47	2	49
Advertising	120	2	122
Utilities	1,450	473	1,923
Repairs & Maintenance	4,729	2,565	7,294
Depreciation	3,395	882	4,277
Total Expenditures	<u>218,207</u>	<u>58,796</u>	<u>277,003</u>
Questioned Costs (See Schedule)	-	-	-
Adjusted Costs	<u>218,207</u>	<u>58,796</u>	<u>277,003</u>
Contract Payments Received	206,070	70,933	277,003
Excess (Shortage) Receipts over Expenditures	<u>\$ 12,137</u>	<u>\$ (12,137)</u>	<u>\$ -</u>

Community Action, Kentucky Inc.  
 WSOS Community Action, Inc. RCAP Grant  
 Contract PE 12/13  
 (For Contracts Ending September 30, 2013)  
 Statement of Program Expenses  
 For the Period July 01, 2012 through June 30, 2013

HHS-CFDA 93.570	\$	62,909	
RCDI-CFDA 10.446		43,191	
Technitrain-CFDA 10.761		87,232	
EPA-CFDA 66.606		30,123	
Contract Award			\$ 223,455
Expenditures			
Salaries	\$	121,820	
Fringe Benefits		50,002	
Professional Services		3,232	
Education		5,659	
Travel		17,447	
Meeting		608	
Telephone		4,629	
Postage		332	
Office Exp & Supplies		3,754	
Publications		12	
Dues/Fees		3	
Insurance		4,397	
Printing		51	
Advertising		6	
Utilities		1,898	
Repairs & Maintenance		6,062	
Depreciation		3,543	
Total Expenditures			223,455
Questioned Costs (See Schedule)			-
Adjusted Costs			223,455
Excess (Shortage) Receipts over Expenditures			143,364
Accounts Receivable from Funding Source			80,091
			-
Excess (Shortage) Receipts over Expenditures	\$		-

Community Action, Kentucky Inc.  
OCS  
Contract #90EQ0241/01  
(For Contracts Ending February 28, 2013)  
For the Period July 01, 2012 through June 30, 2013

RPIC-CFDA 93.570			
Contract Award			<u>\$ 425,000</u>
Expenditures	Actual <u>2012</u>	Actual <u>2013</u>	Total
Salaries	\$ 33,304	\$ (518)	\$ 32,786
Fringe Benefits	13,250	1,498	14,748
Professional Services	844	55	899
Consultants	281,551	75,704	357,255
Education	1,093	1,047	2,140
Travel	10,891	1	10,892
Meeting	245	11	256
Telephone	1,250	142	1,392
Postage	101	4	105
Office Exp & Supplies	393	23	416
Publications	3	-	3
Insurance	1,225	73	1,298
Printing	30	-	30
Utilities	395	32	427
Repairs & Maintenance	1,288	79	1,367
Depreciation	926	60	986
Total Expenditures	<u>346,789</u>	<u>78,211</u>	<u>425,000</u>
Questioned Cost (See Schedule)	-	-	-
Adjusted Cost	<u>346,789</u>	<u>78,211</u>	<u>425,000</u>
Contract Payment Received	344,950	80,050	425,000
Accounts Receivable from Funding Sources	-	-	-
Excess (Shortage) Receipts over Expenditures	<u>\$ 1,839</u>	<u>\$ (1,839)</u>	<u>\$ -</u>

Community Action, Kentucky Inc.  
OCS  
Contract #90EQ0244-01-00  
(For Contracts Ending September 29, 2014)  
For the Period July 01, 2012 through June 30, 2013

RPIC-CFDA 93.570		
Contract Award		<u>\$ 256,623</u>
Expenditures		
Salaries	\$ 52,140	
Fringe Benefits	21,405	
Professional Services	1,453	
Consultants	160,453	
Education	1,265	
Travel	9,974	
Meeting	273	
Telephone	2,271	
Postage	108	
Office Exp & Supplies	676	
Publications	6	
Dues/Fees	1	
Insurance	2,047	
Printing	4	
Advertising	3	
Utilities	853	
Repairs & Maintenance	2,098	
Depreciation	<u>1,593</u>	
Total Expenditures		<u>256,623</u>
Questioned Cost (See Schedule)		-
Adjusted Cost		<u>256,623</u>
Contract Payment Received		254,530
Accounts Receivable from Funding Source		<u>2,093</u>
Excess (Shortage) Receipts over Expenditures		<u><u>\$ -</u></u>



**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, 2013

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

Consolidated Financial Statements and Supplementary Information  
Year Ended June 30, 2013

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## Table of Contents

Independent Auditor's Report .....	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position .....	3
Consolidated Statement of Activities .....	4
Consolidated Statement of Functional Expenses .....	5
Consolidated Statement of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7
Supplementary Information	
Schedule of Expenditures of Federal Awards .....	20
Consolidating Statement of Financial Position .....	23
Consolidating Statement of Activities .....	24
LIHEAP Weatherization Supplemental Schedules .....	25
ARRA Weatherization Supplemental Schedules .....	28
Weatherization Supplemental Schedules .....	31
LIHEAP Supplemental Schedules .....	34
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters .....	37
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance .....	39
Schedule of Findings and Questioned Costs .....	41



## **Independent Auditor's Report**

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

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

We have audited the accompanying consolidated financial statements of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates as of June 30, 2013, 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.


## **Other Matters**

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedules on pages 23 to 36 are presented for purposes of additional analysis, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, on our consideration of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates' 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* in considering Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates' internal control over financial reporting and compliance. The financial statements of WinterCare Energy Fund, Inc., an affiliate, were not audited in accordance with Government Auditing Standards as they did not receive any federal funding.

  
Wipfli LLP

December 27, 2013  
Madison, Wisconsin

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

## Consolidated Statement of Financial Position

June 30, 2013

<i>Assets</i>	
Current assets:	
Cash	\$ 75,900
Restricted deposits	44,325
Investments	1,695,934
Grants receivable	1,206,386
Accounts receivable	292,551
Other assets	150,708
<b>Total current assets</b>	<b>3,465,804</b>
Long-term assets:	
Beneficial interest in assets held by others	80,253
Other assets	62,665
<b>Total long-term assets</b>	<b>142,918</b>
Property and equipment, net	7,125,957
<b>TOTAL ASSETS</b>	<b>\$ 10,734,679</b>
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of notes payable	\$ 426,580
Accounts payable	607,419
Accrued payroll and related expenses	891,956
Grant funds received in advance	60,575
<b>Total current liabilities</b>	<b>1,986,530</b>
Long-term liabilities:	
Line of credit	320,000
Notes payable	2,438,811
Fair value of interest rate swap agreement	191,989
Tenant security deposits	4,156
Capital advance - HUD	1,061,800
<b>Total long-term liabilities</b>	<b>4,016,756</b>
<b>Total liabilities</b>	<b>6,003,286</b>
Net assets:	
Unrestricted	3,087,842
Temporarily restricted	1,643,551
<b>Total net assets</b>	<b>4,731,393</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,734,679</b>

See accompanying notes to consolidated financial statements.

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

## Consolidated Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 18,680,953	\$ 0	\$ 18,680,953
Investment income	100,207	49,692	149,899
Other income	4,290,511	65,419	4,355,930
In-kind contributions	2,504,227	0	2,504,227
Net assets released from restriction through satisfaction of program restrictions	183,463	( 183,463)	0
<b>Total revenue</b>	<b>25,759,361</b>	<b>( 68,352)</b>	<b>25,691,009</b>
Expenses:			
Program activities:			
Child education	16,649,181	0	16,649,181
Transportation	595,359	0	595,359
Community services	2,076,418	0	2,076,418
Weatherization services	3,756,865	0	3,756,865
Senior programs	326,406	0	326,406
Total program activities	23,404,229	0	23,404,229
Fund-raising	56,353	0	56,353
Management and general expenses	1,943,927	0	1,943,927
<b>Total expenses</b>	<b>25,404,509</b>	<b>0</b>	<b>25,404,509</b>
Change in net assets	354,852	( 68,352)	286,500
Net assets - Beginning of year	2,732,990	1,711,903	4,444,893
<b>Net assets - End of year</b>	<b>\$ 3,087,842</b>	<b>\$ 1,643,551</b>	<b>\$ 4,731,393</b>

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

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2013

	<u>Child Education</u>	<u>Transportation</u>	<u>Community Services</u>	<u>Weatherization Services</u>	<u>Senior Programs</u>	<u>Total Program Activities</u>	<u>Management and General Expenses</u>	<u>Fund-raising</u>	<u>Total Expenses</u>
<b>EXPENSES</b>									
Salaries	\$ 6,373,673	\$ 254,708	\$ 645,135	\$ 352,958	\$ 95,354	\$ 7,721,828	\$ 1,073,411	\$ 19,120	\$ 8,814,359
Fringe benefits	2,994,931	139,143	295,059	157,319	45,377	3,631,829	326,073	6,780	3,964,682
Consultant/contractual	2,855,240	12,216	331,295	607,141	0	3,805,892	131,880	2,831	3,940,603
Space	1,016,142	39,415	97,489	51,110	51,635	1,255,791	237,694	0	1,493,485
Supplies	544,015	3,703	13,853	93,866	1,825	657,262	6,228	306	663,796
Travel	51,783	123,876	15,926	14,228	8,238	214,051	27,763	0	241,814
Communications and IT	236,904	8,128	22,839	11,839	3,233	282,943	95,859	0	378,802
Beneficiary assistance	31,610	0	613,775	2,450,839	11,466	3,107,690	0	0	3,107,690
Other	46,095	14,170	35,608	17,565	109,278	222,716	45,019	27,316	295,051
In-kind expenses	2,498,788	0	5,439	0	0	2,504,227	0	0	2,504,227
<b>TOTAL EXPENSES</b>	<b>\$ 16,649,181</b>	<b>\$ 595,359</b>	<b>\$ 2,076,418</b>	<b>\$ 3,756,865</b>	<b>\$ 326,406</b>	<b>\$ 23,404,229</b>	<b>\$ 1,943,927</b>	<b>\$ 56,353</b>	<b>\$ 25,404,509</b>

See accompanying notes to consolidated financial statements.

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

## Consolidated Statement of Cash Flows

Year Ended June 30, 2013

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	\$ 286,500
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	493,008
Gain on disposition of capital leases	( 32,982)
Receipt of donated equipment	( 107,327)
Net realized and unrealized gain on investments	( 112,323)
Net realized and unrealized gain on beneficial interest in assets held by others	( 9,267)
Change in fair value of interest rate swap agreement	( 78,642)
Changes in operating assets and liabilities:	
Restricted deposits	( 3,705)
Grants receivable	( 127,758)
Accounts receivable	( 223,892)
Other assets	( 4,621)
Accounts payable	63,040
Accrued payroll and related expenses	( 19,130)
Tenant security deposits	263
Grant funds received in advance	( 88,115)
<b>Net cash provided by operating activities</b>	<b>35,049</b>
Cash flows from investing activities:	
Net sales of investments	63,318
Proceeds from beneficial interest in assets held by others	17,874
Purchase of property and equipment	( 57,135)
<b>Net cash provided by investing activities</b>	<b>24,057</b>
Cash flows from financing activities:	
Proceeds from line of credit	320,000
Payments on capital leases	( 18,500)
Payments on notes payable	( 426,376)
<b>Net cash used in financing activities</b>	<b>( 124,876)</b>
Change in cash	( 65,770)
Cash - Beginning of year	141,670
<b>Cash - End of year</b>	<b>\$ 75,900</b>
<b>Supplemental schedule of operating activities:</b>	
Interest paid and expensed	\$ 207,956
<b>Supplemental schedule of noncash investing and financing activities:</b>	
Debt acquired for purchase of equipment	\$ 229,240

See accompanying notes to consolidated financial statements.



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

## Notes to Consolidated Financial Statements

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

#### **Nature of Operations**

Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. (CAC), a nonprofit organization, was established in 1965. CAC studies the causes and effects of poverty and, in turn, creates opportunities for individuals and families, which enable them to become self-sufficient members of the community. Approximately 74% of CAC's grant funding is received under its federal Head Start grant.

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

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

#### **Basis of Presentation**

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

#### **Principles of Consolidation**

These financial statements are consolidated and include the accounts of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., Shepherd Place, Inc., and WinterCare Energy Fund, Inc. (the "Organizations"). The Organizations are nonprofits that share some common board members with CAC and are operated by the management team of CAC. All material intercompany transactions and accounts are eliminated in consolidation.

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

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

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

## Notes to Consolidated Financial Statements

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

#### **Classification of Net Assets (Continued)**

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

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

#### **Revenue Recognition**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

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

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

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

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

#### **B. Grant Awards that are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in excess of those earned are reflected as deferred revenue.

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

## Notes to Consolidated Financial Statements

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

#### **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; therefore, no allowance for uncollectible amounts has been recorded.

#### **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 \$2,255,924 at June 30, 2013.

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

## Notes to Consolidated Financial Statements

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

#### **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. The capital leases ended or were terminated during the year ended June 30, 2013.

#### **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 2010 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 \$ 934,968, 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

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### **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 December 27, 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, 2013, are composed of the following:

Escrow fund	\$	6,397
Reserve for replacement		33,772
Tenant security deposits		4,156
<hr/>		
Total	\$	44,325

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

The grants receivable balance represents amounts due as of June 30, 2013, as follows:

Direct federal programs	\$	642,001
State and local programs		564,385
<hr/>		
Total	\$	1,206,386

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

## Notes to Consolidated Financial Statements

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### Note 5 Investments

CAC has a health insurance trust for self-funded health insurance costs of CAC. The allocation of investments in the trust at June 30, 2013, was 40% fixed income, and 60% in a variety of mutual funds. The health insurance trust investments of \$564,309 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 CAC's portion of the investment pool at June 30, 2013 was \$1,131,625 and represents approximately 19% of the pooled investment total. The fair value of the investment pool at June 30, 2013, was \$6,072,613. The allocation of the investments in the pool at June 30, 2013, was 43% equities, 34% fixed income, and 23% in a variety of mutual funds.

Investment income for the year ended June 30, 2013 included interest and dividends of \$28,131 and a net realized and unrealized gain of \$112,323 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, 2013, consists of the following:

Community Action Council RSVP	\$	16,165
Community Action Council		64,088
<hr/>		
Total	\$	80,253

# 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:

	<b>Board-Designated (Unrestricted)</b>	<b>Donor-Designated (Temporarily Restricted)</b>	<b>Total</b>
Endowments at July 1, 2012	\$ 70,902	\$ 17,958	\$ 88,860
Withdrawn	( 14,146)	( 3,728)	( 17,874)
Net appreciation	7,332	1,935	9,267
<u>Endowments at June 30, 2013</u>	<u>\$ 64,088</u>	<u>\$ 16,165</u>	<u>\$ 80,253</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	8,347,633
Leasehold improvements	187,477
<u>Equipment</u>	<u>2,765,926</u>
Subtotal	12,047,729
<u>Accumulated depreciation</u>	<u>( 4,921,772)</u>
<u>Total</u>	<u>\$ 7,125,957</u>

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

## Notes to Consolidated Financial Statements

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### **Note 9**            **Line of Credit**

CAC has an available line of credit in the amount of \$750,000 with Central Bank & Trust Co. with a maturity date of December 25, 2013. Subsequent to June 30, 2013, the line of credit was extended through December 25, 2014. The interest rate on the line of credit is variable at the prime rate with a floor of 5%. The rate is 5% at June 30, 2013. At June 30, 2013, the balance on the line of credit was \$320,000. The line of credit is secured by three properties.

### **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; 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, 2013, 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.	\$        24,140
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# Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates

## Notes to Consolidated Financial Statements

<b>Note 11</b>	<b>Notes Payable (Continued)</b>	
	Revenue bonds payable, series 2000B, with fixed interest at 6.5%. Monthly payments of \$13,967 until December 2015, secured by real estate.	385,831
	Note payable at a variable interest rate, (rate at June 30, 2013, is 5%), with monthly principal and interest payments of \$1,789, due November 2018. The note is secured by two school buses.	100,026
	Revenue bonds payable, series 2000A, annual principal and semiannual interest payments until June 2016, interest at 7% to 7.6%, secured by real estate.	75,000
	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.	1,670,000
	Note payable at 5.5% interest, with monthly payments of \$403, due January 2016. The note is secured by a vehicle.	11,609
	Note payable at 6.25% interest, with monthly payments of \$1,842, due August 2016. The note is secured by real estate.	140,559
	Note payable at a fixed rate of 6% interest, with monthly payments of \$4,418, due December 2013. Subsequent to June 30, 2013, the note was extended to December 2016 at 5% interest, with monthly payments of \$4,467 The note is unsecured.	166,909
	Note payable at a fixed rate of 5.75%, with monthly principal and interest payments of \$2,004, due September 2017. The note is secured by two school buses.	180,687
	Note payable at a fixed rate of 5.25%, with monthly principal and interest payments of \$899, due September 2017. The note is secured by agency assets.	41,629
	Note payable at a fixed rate of 6.25 %, interest, with monthly payments of \$2,493, due December 2015. The note is secured by furniture and equipment.	69,001
	<b>Total notes payable</b>	<b>2,865,391</b>
	<b>Current portion</b>	<b>( 426,580)</b>
	<u>Long-term notes payable</u>	<u>\$ 2,438,811</u>

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

## Notes to Consolidated Financial Statements

### Note 11 Notes Payable (Continued)

The future maturities of notes payable subsequent to June 30, 2013, under refinanced terms are as follows:

2014	\$ 426,580
2015	461,181
2016	377,631
2017	314,766
2018	288,244
Thereafter	996,989
<hr/>	
<u>Total long-term notes payable</u>	<u>\$ 2,865,391</u>

### 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, 2013, the interest rate swap had a notional amount of \$1,670,000 with interest fixed at 3.74%, and expires November 2023.

The interest rate swap was issued at market terms; 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, 2013 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 \$191,989. Adjustments to the carrying amount of the interest rate swap are reported as other income.

### Note 13 Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2013, consist of the following:

Self-funded health insurance trust	\$ 334,742
Unemployment insurance trust	1,121,447
Beneficial interest in assets held by others	16,165
Other	171,197
<hr/>	
<u>Total temporarily restricted net assets</u>	<u>\$ 1,643,551</u>

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

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

## Notes to Consolidated Financial Statements

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### Note 14 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, 2013, was \$174,117. Future minimum lease payments beyond 2013, are as follows:

2014	\$	81,743
2015		77,061
2016		75,559
2017		29,081
2018		6,650
Thereafter		9
Total	\$	270,103

### Note 15 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, 2013, were \$611,852.

### Note 16 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.

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.

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

## Notes to Consolidated Financial Statements

### Note 16 Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a recurring basis as of June 30, 2013, is as follows:

	Recurring Fair Value Measurements Using			
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
CAC share of unemployment investment pool:				
Mutual funds	\$ 260,274	\$ 260,274	\$ 0	\$ 0
Fixed income	384,752	384,752	0	0
Equities	486,599	486,599	0	0
Investments held by health trust:				
Fixed income	228,926	228,926	0	0
Mutual funds	335,383	335,383	0	0
Total investments	1,695,934	1,695,934	0	0
Endowment funds held by Foundation	80,253	0	0	80,253
Total assets	\$ 1,776,187	\$ 1,695,934	\$ 0	\$ 80,253
Liability – Interest rate swap	\$ 191,989	\$ 0	\$ 191,989	\$ 0

Following is a description of the valuation methodology used for each asset and liability measured at fair value on a recurring basis:

- The interest rate swap was valued using a discounted cash flow model that utilizes observable market data, such as market interest rates and interest rate curves.
- Endowment funds held by Foundation are valued using amounts provided by the Blue Grass Community Foundation.

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

## Notes to Consolidated Financial Statements

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### Note 16 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, 2013:

Endowment funds – Beginning of year	\$	88,860
Withdrawals	(	17,874)
Net realized and unrealized gain		9,267
<hr/>		
Endowments funds – End of year	\$	80,253

### Note 17 Grant Awards

At June 30, 2013, CAC had commitments under various ongoing grant awards of approximately \$3,125,000. The revenue relating to these grants is not recognized in the accompanying consolidated financial statements because the revenue recognition is conditional on the incurrence of expenditures or the performance of services in the next fiscal year.

### Note 18 Contingencies

CAC participates in a number of federal and state grant programs. These programs are subject to program compliance monitoring by the grantors or their representatives. Compliance issues raised from a program compliance audit could result in grant dollars being returned or reduced. As of the date of this report, CAC had an open issue for its Head Start and Migrant Head Start programs related to whether or not a federal reversionary interest exists for several properties. CAC has filed a form 1309 application based on instruction from the Department of Health and Human Services Region IV office which CAC's management believes will resolve the issue. In addition, CAC has an open issue related to nonfederal share documentation for its Migrant Head Start program as a result of the same compliance monitoring report. No adjustments relating to these issues have been recorded as CAC believes they are in compliance with Head Start regulations and the issues will therefore be resolved. These issues were on-going at the time of the issuance of this report.

CAC is involved in legal matters arising in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not be material to CAC's financial statements.

# **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, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed-Through the Kentucky Department of Education			
Child and Adult Care Food Program	10.558	034-D30-999	\$ <u>476,728</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed-Through the Lexington-Fayette Urban County Housing Authority			
Section 8 Housing Assistance Payments	14.195	N/A	<u>24,238</u>
Passed-Through the Lexington-Fayette Urban County Government			
CDBG/Wx	14.218	R-424-2003	<u>15,299</u>
Passed-Through the Kentucky Housing Corporation			
Emergency Shelter 2012	14.231	ES12-0128-01	6,042
Emergency Shelter Phase II		EX11-0128-II	17,262
<b>Total Federal Expenditures CFDA #14.231</b>			<u><u>23,304</u></u>
<b>Direct Funding</b>			
Project Independence	14.235	KY088B4I020803	8,595
Project Independence		KY088B4I021104	40,186
Samaritan		KY022B4I001003	8,254
Samaritan		KY022B4I001104	75,692
Passed-Through the Kentucky Housing Corporation			
Continuum of Care/Bourbon County		KY0008B4I000803	20,562
Continuum of Care/Bourbon County		KY0008B4I001104	131,909
Samaritan - Fayette		KY0103B4I021002	212
Samaritan - Fayette		KY0103B4I031103	34,492
Public Housing - Bonus		KY0113B4I001000	26,627
<b>Total Federal Expenditures CFDA #14.235</b>			<u><u>346,529</u></u>
Passed-Through the Kentucky Housing Corporation			
TBRA	14.239	TB11-0128-01	40,586
TBRA		TB12-0553-01	22,434
Passed-Through the Lexington-Fayette Urban County Government			
TBRA LFUCG		N/A	29,601
<b>Total Federal Expenditures CFDA #14.239</b>			<u><u>92,621</u></u>
Passed-Through the Kentucky Cabinet for Health and Family Services			
Lead Base Paint	14.900	PON2 728 1200003605 1	<u>165,419</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed-Through Bluegrass Area Development District			
LEEP	17.259	274YT12	<u>79,249</u>

# 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, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF ENERGY</b>			
<b>Passed-Through the Kentucky Association of Community Action Agencies</b>			
DOE-Weatherization Assistance	81.042	WX13-0373-02	183,627
ARRA - DOE-Weatherization Assistance	81.042-ARRA	WX10-0534-08	17,650
<b>Total Federal Expenditures CFDA #81.042 &amp; #81.042-ARRA Cluster</b>			<b>201,277</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed-Through the Louisville/Jefferson County Metro Government</b>			
Senior Medicare Patrol	93.048	90MP0135/01	1,993
Senior Medicare Patrol		90MP0135/02	10,136
<b>Total Federal Expenditures CFDA #93.048</b>			<b>12,129</b>
<b>Passed-Through the Kentucky Association of Community Action Agencies</b>			
Low-Income Home Energy Assistance Program	93.568	736-1200001485	1,961,498
Low-Income Home Weatherization Assistance Program		LWX-006	79,664
<b>Total Federal Expenditures CFDA #93.568</b>			<b>2,041,162</b>
<b>Passed-Through the Kentucky Cabinet for Health and Family Services</b>			
Community Services Block Grant	93.569	PON2 736 1100001854	<b>646,390</b>
<b>Direct Funding</b>			
SAMSHA	93.243	5H79T1020483-04	83,263
SAMSHA		5H79T1020483-05	165,499
<b>Total Federal Expenditures CFDA #93.243</b>			<b>248,762</b>
<b>Direct Funding</b>			
Head Start	93.600	04CH2750/43	608,512
Head Start		04CH2750/44	6,718,312
Early Head Start		04CH2750/43	242,498
Early Head Start		04CH2750/44	3,386,917
Migrant Head Start		90CM9789/10	547,638
Migrant Head Start		90CM9789/11	2,304,883
<b>Total Federal Expenditures CFDA #93.600</b>			<b>13,808,760</b>
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</b>			
<b>Direct Funding</b>			
Retired Senior Volunteer Program 2012	94.002	11SRSKY001	65,323
Retired Senior Volunteer Program 2013		11SRSKY001	25,966
<b>Total Federal Expenditures CFDA #94.002</b>			<b>91,289</b>



# 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, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE (Continued)</b>			
<b>Direct Funding</b>			
Foster Grandparents Program 2012	94.011	11SFSKY001	67,739
Foster Grandparents Program 2013		11SFSKY001	68,958
	<b>Total Federal Expenditures CFDA #94.011</b>		<b>136,697</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Passed-Through Emergency Food and Shelter National Board</b>			
Emergency Food & Shelter Program/Nicholas County	97.024	30-3502-00	24,239
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 18,434,092</b>

**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, 2013

	Community Action Council	Shepherd Place	WinterCare Energy Fund	Eliminations	Consolidated Balance
Current assets:					
Cash	\$ 43,253	\$ 1,670	\$ 30,977	\$ 0	\$ 75,900
Restricted deposits	0	44,325	0	0	44,325
Investments	1,695,934	0	0	0	1,695,934
Grants receivable	1,206,386	0	0	0	1,206,386
Accounts receivable	239,353	0	61,620	( 8,422)	292,551
Other assets	150,708	0	0	0	150,708
<b>Total current assets</b>	<b>3,335,634</b>	<b>45,995</b>	<b>92,597</b>	<b>( 8,422)</b>	<b>3,465,804</b>
Long-term assets:					
Beneficial interest in assets held by others	80,253	0	0	0	80,253
Other assets	62,665	0	0	0	62,665
<b>Total long-term assets</b>	<b>142,918</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>142,918</b>
Property and equipment, net	6,666,609	459,348	0	0	7,125,957
<b>TOTAL ASSETS</b>	<b>\$ 10,145,161</b>	<b>\$ 505,343</b>	<b>\$ 92,597</b>	<b>(\$ 8,422)</b>	<b>\$ 10,734,679</b>
Current liabilities:					
Current portion of notes payable	\$ 426,580	\$ 0	\$ 0	\$ 0	\$ 426,580
Accounts payable	607,236	4,476	4,129	( 8,422)	607,419
Accrued payroll and related expenses	891,956	0	0	0	891,956
Grant funds received in advance	60,575	0	0	0	60,575
<b>Total current liabilities</b>	<b>1,986,347</b>	<b>4,476</b>	<b>4,129</b>	<b>( 8,422)</b>	<b>1,986,530</b>
Long-term liabilities:					
Line of credit	320,000	0	0	0	320,000
Notes payable	2,438,811	0	0	0	2,438,811
Fair value of interest rate swap agreement	191,989	0	0	0	191,989
Tenant security deposits	0	4,156	0	0	4,156
Capital advance - HUD	0	1,061,800	0	0	1,061,800
<b>Total long-term liabilities</b>	<b>2,950,800</b>	<b>1,065,956</b>	<b>0</b>	<b>0</b>	<b>4,016,756</b>
<b>Total liabilities</b>	<b>4,937,147</b>	<b>1,070,432</b>	<b>4,129</b>	<b>( 8,422)</b>	<b>6,003,286</b>
Net assets:					
Unrestricted (deficit)	3,564,463	( 565,089)	88,468	0	3,087,842
Temporarily restricted	1,643,551	0	0	0	1,643,551
<b>Total net assets (deficit)</b>	<b>5,208,014</b>	<b>( 565,089)</b>	<b>88,468</b>	<b>0</b>	<b>4,731,393</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,145,161</b>	<b>\$ 505,343</b>	<b>\$ 92,597</b>	<b>(\$ 8,422)</b>	<b>\$ 10,734,679</b>

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

Schedule C

Consolidating Statement of Activities

Year Ended June 30, 2013

	Community Action Council	Shepherd Place	Wintercare Energy Fund	Eliminations	Consolidated Balance
<b>Revenue:</b>					
Grant revenue	\$ 18,580,395	\$ 100,558	\$ 0	\$ 0	\$ 18,680,953
Investment income	149,807	35	57	0	149,899
Other income	4,190,666	1,483	382,458	( 218,677)	4,355,930
In-kind contributions	2,504,227	0	0	0	2,504,227
<b>Total revenue</b>	<b>25,425,095</b>	<b>102,076</b>	<b>382,515</b>	<b>( 218,677)</b>	<b>25,691,009</b>
<b>Expenses:</b>					
Salaries	8,814,359	0	0	0	8,814,359
Fringe benefits	3,964,683	0	0	0	3,964,683
Consultants/contractual	3,940,604	0	0	0	3,940,604
Space	1,458,491	34,994	0	0	1,493,485
Supplies	663,795	0	0	0	663,795
Travel	241,814	0	0	0	241,814
Communications and IT	378,802	0	0	0	378,802
Beneficiary assistance	2,902,292	0	361,403	( 156,006)	3,107,689
Other	248,587	94,968	14,167	( 62,671)	295,051
In-kind expenses	2,504,227	0	0	0	2,504,227
<b>Total expenses</b>	<b>25,117,654</b>	<b>129,962</b>	<b>375,570</b>	<b>( 218,677)</b>	<b>25,404,509</b>
Change in net assets	307,441	( 27,886)	6,945	0	286,500
Net assets (deficit) - Beginning of year	4,900,573	( 537,203)	81,523	0	4,444,893
<b>Net assets (deficit) - End of year</b>	<b>\$ 5,208,014</b>	<b>(\$ 565,089)</b>	<b>\$ 88,468</b>	<b>\$ 0</b>	<b>\$ 4,731,393</b>

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

**LIHEAP Weatherization Program  
Contract # LWX-006  
Sub Contract # 13**

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2013**

<b>Cost Category</b>	<b>Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>EXPENSES</b>			
Administration	\$ 14,042	\$ 4,193	\$ 9,849
WX Materials	65,607	21,132	44,475
WX Support	59,239	14,109	45,130
WX Labor	78,996	22,873	56,123
H&S Materials	21,954	9,461	12,493
H&S Labor	26,968	7,896	19,072
Liability Insurance	-	-	-
Training	-	-	-
Vehicles/Equipment	-	-	-
<b>TOTAL</b>	<b>\$ 266,806</b>	<b>\$ 79,664</b>	<b>\$ 187,142</b>

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

**LIHEAP Weatherization Program  
Contract # LWX-006  
Sub Contract # 13**

**Schedule of Program Expenses**

**For the Year Ended June 30, 2013**

Cost Category	Amount
<b>EXPENSES</b>	
Administration	\$ 4,193
WX Materials	21,132
WX Support	14,109
WX Labor	22,873
H&S Materials	9,461
H&S Labor	7,896
Liability Insurance	-
Training	-
Vehicles/Equipment	-
<b>TOTAL</b>	<u>79,664</u>
<b>LESS QUESTIONED COSTS</b>	<u>-</u>
<b>ALLOWABLE EXPENSES</b>	79,664
<b>LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2013</b>	<u>79,664</u>
<b>UNDER / (OVER) PAYMENT DUE AGENCY</b>	<u>\$ -</u>

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

**LIHEAP Weatherization Program  
Contract # LWX-006  
Sub Contract # 13**

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2013**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>EXPENSES</b>			
Administration	\$ 4,193	\$ -	\$ 4,193
WX Materials	21,132	-	21,132
WX Support	14,109	-	14,109
WX Labor	22,873	-	22,873
H&S Materials	9,461	-	9,461
H&S Labor	7,896	-	7,896
Liability Insurance	-	-	-
Training	-	-	-
Vehicles/Equipment	-	-	-
<b>TOTAL</b>	<b>\$ 79,664</b>	<b>\$ -</b>	<b>\$ 79,664</b>

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

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

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2013**

<b>Cost Category</b>	<b>Remaining Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>EXPENSES</b>			
Administration	\$ 883	\$ 883	\$ -
WX Materials	3,804	3,804	-
WX Support	1,951	1,951	-
WX Labor	7,168	7,168	-
H&S Materials	2,585	2,585	-
H&S Labor	1,259	1,259	-
Liability Insurance	-	-	-
Training	-	-	-
<b>TOTAL</b>	<b>\$ 17,650</b>	<b>\$ 17,650</b>	<b>\$ -</b>

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

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

**Schedule of Program Expenses**

**For the Year Ended June 30, 2013**

Cost Category	Amount
<b>EXPENSES</b>	
Administration	\$ 883
WX Materials	3,804
WX Support	1,951
WX Labor	7,168
H&S Materials	2,585
H&S Labor	1,259
Liability Insurance	-
Training	-
<b>TOTAL</b>	<u>17,650</u>
<b>LESS QUESTIONED COSTS</b>	<u>-</u>
<b>ALLOWABLE EXPENSES</b>	17,650
<b>LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2013</b>	<u>17,650</u>
<b>UNDER / (OVER) PAYMENT DUE AGENCY</b>	<u><u>\$ -</u></u>



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

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

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2013**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>EXPENSES</b>			
Administration	\$ 883	\$ -	\$ 883
WX Materials	3,804	-	3,804
WX Support	1,951	-	1,951
WX Labor	7,168	-	7,168
H&S Materials	2,585	-	2,585
H&S Labor	1,259	-	1,259
Liability Insurance	-	-	-
Training	-	-	-
<b>TOTAL</b>	<b>\$ 17,650</b>	<b>\$ -</b>	<b>\$ 17,650</b>

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

**Weatherization Program  
Contract # WX13-0373-02  
Sub Contract # 13**

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2013**

<b>Cost Category</b>	<b>Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>EXPENSES</b>			
Administration	\$ 10,825	\$ 10,825	\$ -
WX Materials	42,512	42,512	-
WX Support	38,556	38,556	-
WX Labor	46,330	46,330	-
H&S Materials	15,396	15,396	-
H&S Labor	14,504	14,504	-
Liability Insurance	-	-	-
Training	16,186	15,504	682
<b>TOTAL</b>	<b>\$ 184,309</b>	<b>\$ 183,627</b>	<b>\$ 682</b>

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

**Weatherization Program  
Contract # WX13-0373-02  
Sub Contract # 13**

**Schedule of Program Expenses**

**For the Year Ended June 30, 2013**

<b>Cost Category</b>	<b>Amount</b>
<b>EXPENSES</b>	
Administration	\$ 10,825
WX Materials	42,512
WX Support	38,556
WX Labor	46,330
H&S Materials	15,396
H&S Labor	14,504
Liability Insurance	-
Training	15,504
<b>TOTAL</b>	<u>183,627</u>
<b>LESS QUESTIONED COSTS</b>	<u>-</u>
<b>ALLOWABLE EXPENSES</b>	183,627
<b>LESS: CONTRACT PAYMENTS RECEIVED as of JUNE 30, 2013</b>	<u>31,517</u>
<b>UNDER / (OVER) PAYMENT DUE AGENCY</b>	<u><u>\$ 152,110</u></u>

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

**Weatherization Program  
Contract # WX13-0373-02  
Sub Contract # 13**

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2013**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>EXPENSES</b>			
Administration	\$ 10,825	\$ -	\$ 10,825
WX Materials	42,512	-	42,512
WX Support	38,556	-	38,556
WX Labor	46,330	-	46,330
H&S Materials	15,396	-	15,396
H&S Labor	14,504	-	14,504
Liability Insurance	-	-	-
Training	15,504	-	15,504
<b>TOTAL</b>	<b>\$ 183,627</b>	<b>\$ -</b>	<b>\$ 183,627</b>

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

**Low Income Housing Energy Assistance Program (LIHEAP)  
Contract # 736-1200001485  
Sub Contract # 13**

**Schedule of Budget and Actual Expenses**

**For the Year Ended June 30, 2013**

<b>Cost Category</b>	<b>Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>ADMINISTRATIVE</b>			
<b>Indirect Cost Allocation</b>	\$ 177,917	\$ 177,917	\$ -
<b>BENEFITS</b>			
Subsidy	625,235	624,728	507
Crisis	1,161,939	1,158,853	3,086
<b>TOTAL</b>	<u>\$ 1,965,091</u>	<u>\$ 1,961,498</u>	<u>\$ 3,593</u>

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

**Low Income Housing Energy Assistance Program (LIHEAP)  
Contract # 736-1200001485  
Sub Contract # 13**

**Schedule of Program Expenses**

**For the Year Ended June 30, 2013**

Cost Category	Amount
<b>ADMINISTRATIVE</b>	
Indirect Cost Allocation	\$ 177,917
<b>BENEFITS</b>	
Subsidy	624,728
Crisis	
Benefits	1,100,756
Energy Counseling	58,097
	<u>1,158,853</u>
<b>TOTAL EXPENSES</b>	1,961,498
<b>LESS QUESTIONED COSTS</b>	<u>-</u>
<b>TOTAL ALLOWABLE COSTS</b>	1,961,498
<b>CONTRACT PAYMENT RECEIVED as of JUNE 30, 2013</b>	<u>1,961,498</u>
<b>UNDER/OVER PAYMENT</b>	<u><u>\$ -</u></u>

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

**Low Income Housing Energy Assistance Program (LIHEAP)  
Contract # 736-1200001485  
Sub Contract # 13**

**Schedule of Questioned Costs**

**For the Year Ended June 30, 2013**

<b>Cost Category</b>	<b>Actual Expenses</b>	<b>Questioned Costs</b>	<b>Allowable Costs</b>
<b>ADMINISTRATIVE</b>			
<b>Indirect Cost Allocation</b>	\$ 177,917	\$ -	\$ 177,917
<b>BENEFITS</b>			
Subsidy	624,728	-	624,728
Crisis	1,158,853	-	1,158,853
<b>TOTAL</b>	<u>\$ 1,961,498</u>	<u>\$ -</u>	<u>\$ 1,961,498</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. and Affiliates which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statement of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 27, 2013. 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 reporting or instances of reportable noncompliance associated with that entity.

### **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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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. 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.

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

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



## Compliance and Other Matters

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

## Purpose of this Report

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

  
Wipfli LLP

December 27, 2013  
Madison, Wisconsin



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

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

### **Report on Compliance for Each Major Program**

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, 2013. Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

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, 2013, and has 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.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 on compliance for each major federal program. However, our audit does not provide legal determination Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s compliance with those requirements.

## Opinion

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, 2013.

## Report on Internal Control Over Compliance

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 the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.'s internal control.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

  
Wipfli LLP

December 27, 2013  
Madison, Wisconsin

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

## Schedule of Findings and Questioned Costs

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### **A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified 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.
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 for Each Major Program and on Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for CAC expresses an unmodified 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 Health and Human Services, Low-Income Home Energy Assistance Program, CFDA #93.568, Community Services Block Grant, CFDA #93.569 and Head Start, CFDA #93.600.
8. The threshold for distinguishing Types A and B programs was \$553,023.
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