

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.**

FINANCIAL STATEMENTS

August 31, 2013

With Independent Auditor's Report

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
Huntsville, Alabama**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Statements of Functional Expenses	7
Notes to the Financial Statements	8-11
Schedule of Expenditures of Federal Awards	12
Notes to the Schedule of Expenditures of Federal Awards	13
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14-15
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	16-17
Schedule of Findings and Questioned Costs	18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Community Action Partnership of Huntsville/Madison
& Limestone Counties, Inc.
Huntsville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action Partnership of Huntsville/Madison & Limestone Counties, Inc. ("the Agency") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.



To the Board of Directors of the
Community Action Partnership of Huntsville/Madison
& Limestone Counties, Inc.

Page 2

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 the Agency as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years 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 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 16, 2013, on our consideration of the Agency'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 the Agency's internal control over financial reporting and compliance.

December 16, 2013

Bank, Fenley, White & Co.

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash	\$ 680,312	\$ 717,459
Contributions receivable	593,778	869,369
Accounts receivable	10,895	22,404
Prepaid expense	<u>12,855</u>	<u>11,006</u>
Total current assets	<u>1,297,840</u>	<u>1,620,238</u>
Property and equipment:		
Land	52,023	52,023
Buildings	393,912	1,472,918
Leasehold improvements	65,608	234,991
Office equipment	35,246	203,391
Vehicles	121,509	278,431
Less: accumulated depreciation	<u>(505,760)</u>	<u>(1,755,841)</u>
Total property and equipment	<u>162,538</u>	<u>485,913</u>
Total assets	<u>\$ 1,460,378</u>	<u>\$ 2,106,151</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 338,369	\$ 549,107
Accrued expenses	89,376	258,515
Other liabilities	<u>8,879</u>	<u>13,268</u>
Total current liabilities	<u>436,624</u>	<u>820,890</u>
Total liabilities	<u>436,624</u>	<u>820,890</u>
Net Assets:		
Unrestricted	337,787	337,787
Temporarily restricted	<u>685,967</u>	<u>947,474</u>
Total net assets	<u>1,023,754</u>	<u>1,285,261</u>
Total liabilities and net assets	<u>\$ 1,460,378</u>	<u>\$ 2,106,151</u>

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
STATEMENT OF ACTIVITIES
For the year ended August 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Federal contribution	\$	7,097,686	\$ 7,097,686
State contribution	145,697		145,697
Local contribution	118,851		118,851
Non-cash contributions	993,029		993,029
Interest income	4,465		4,465
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>7,118,369</u>	<u>(7,118,369)</u>	<u> </u>
 Total revenues and other support	 <u>8,380,411</u>	 <u>(20,683)</u>	 <u>8,359,728</u>
EXPENSES			
Program service	7,870,524		7,870,524
Support service	<u>509,887</u>	<u> </u>	<u>509,887</u>
 Total expenses	 <u>8,380,411</u>	 <u> </u>	 <u>8,380,411</u>
 Change in net assets before extraordinary item	 <u> </u>	 <u>(20,683)</u>	 <u>(20,683)</u>
EXTRAORDINARY ITEM			
Loss on Disposal of Fixed Assets	<u> </u>	<u>(240,824)</u>	<u>(240,824)</u>
 Change in net assets	 <u> </u>	 <u>(261,507)</u>	 <u>(261,507)</u>
Net assets at beginning of the year	<u>337,787</u>	<u>947,474</u>	<u>1,285,261</u>
Net assets at end of the year	<u>\$ 337,787</u>	<u>685,967</u>	<u>\$ 1,023,754</u>

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
STATEMENT OF ACTIVITIES
For the year ended August 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Federal contribution	\$	9,373,471	\$ 9,373,471
State contribution	152,319		152,319
Local contribution	114,369		114,369
Non-cash contributions	1,093,858		1,093,858
Interest income	368		368
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>9,373,471</u>	<u>(9,373,471)</u>	<u> </u>
Total revenues and other support	<u>10,734,385</u>	<u> </u>	<u>10,734,385</u>
EXPENSES			
Program service	10,219,557		10,219,557
Support service	<u>529,054</u>		<u>529,054</u>
Total expenses	<u>10,748,611</u>	<u> </u>	<u>10,748,611</u>
Change in net assets	<u>(14,226)</u>	<u> </u>	<u>(14,226)</u>
Net assets at beginning of the year	<u>352,013</u>	<u>947,474</u>	<u>1,299,487</u>
Net assets at end of the year	<u>\$ 337,787</u>	<u>947,474</u>	<u>\$ 1,285,261</u>

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
STATEMENTS OF CASH FLOWS
For the years ended August 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(261,507)	\$ (14,226)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	82,552	84,871
Change in contributions receivable	275,591	322,816
Change in accounts receivable	11,508	(9,733)
Change in prepaid	(1,849)	(344)
Change in accounts payable	(210,738)	(268,387)
Change in accrued expenses	(169,139)	14,514
Change in other liabilities	<u>(4,389)</u>	<u>(46,436)</u>
Total adjustments	<u>(16,464)</u>	<u>97,301</u>
Net cash provided by operating activities	<u>(277,971)</u>	<u>83,075</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>240,824</u>	<u>(47,356)</u>
Net cash provided (used) by investing activities	<u>240,824</u>	<u>(47,356)</u>
Net increase in cash and cash equivalents	(37,147)	35,719
Cash and cash equivalents, beginning of the year	<u>717,459</u>	<u>681,740</u>
Cash and cash equivalents, end of the year	<u>\$ 680,312</u>	<u>\$ 717,459</u>

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended August 31, 2013 and 2012**

	2013		
	Program Service	Support Service	Total
Salaries	\$ 2,297,958	308,027	\$ 2,605,985
Employee Benefits	912,127	78,178	990,305
Travel	67,659	643	68,302
Depreciation	74,901	7,651	82,552
Insurance	49,971	4,362	54,333
Professional fees	400,782	48,475	449,257
Supplies	167,315	25,997	193,312
Printing and publications	1,199	474	1,673
Employment and procurement	13,617	269	13,886
Occupancy	1,116,139	16,718	1,132,857
Repairs and maintenance	31,993	11,217	43,210
Direct assistance	2,224,713		2,224,713
Vehicle	24,442	1,613	26,055
Board and Council	11,328	752	12,080
Meals	415,477		415,477
Children medical and dental	51,690		51,690
Other costs	<u>9,213</u>	<u>5,511</u>	<u>14,724</u>
	<u>\$ 7,870,524</u>	<u>509,887</u>	<u>\$ 8,380,411</u>

2012		
Program Service	Support Service	Total
\$ 2,605,649	311,207	\$ 2,916,856
1,040,178	93,385	1,133,563
99,061	1,649	100,710
77,855	7,016	84,871
46,069	4,197	50,266
471,752	45,667	517,419
275,273	40,564	315,837
1,804	1,146	2,950
10,604		10,604
1,221,740	11,078	1,232,818
69,423	5,924	75,347
3,736,263		3,736,263
26,819	1,523	28,342
13,088	862	13,950
401,994		401,994
60,518		60,518
<u>61,467</u>	<u>4,836</u>	<u>66,303</u>
<u>\$10,219,557</u>	<u>529,054</u>	<u>\$10,748,611</u>

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Community Action Partnership of Huntsville/Madison & Limestone Counties, Inc. ("the Agency") have been prepared on the accrual basis of accounting. The significant accounting policies described below are presented to enhance the usefulness of the financial statements to the reader.

A. Organization

The Agency was organized and incorporated October 30, 1991, under the Alabama Non-Profit Corporation Act of the State of Alabama in order to formulate a "Community Action Agency" under the terms of the Economic Opportunity Act of 1964 to help mobilize and utilize resources, both public and private, of Huntsville/Madison & Limestone Counties. The Agency administers several Federal and State funded grant programs for this purpose. The Agency is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code.

B. Cash and Cash Equivalents

For purposes of reporting cash flows, the Agency considers all highly-liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

C. Property and Equipment

Acquisition of non-expendable property and equipment are recorded as fixed assets on the balance sheet. For the purpose of the statement of cash flows, donation of property and equipment are recorded as support at their estimated fair value in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Purchased property and equipment are recorded at acquisition cost. Improvements and betterments are capitalized, while repairs and maintenance expenditures are expensed in the statement of activities.

Property acquired is considered to be owned by the Agency while used in programs for which it was acquired or in future authorized programs; however, the Federal and State government funding agencies have a reversionary interest in property purchased with grant funds or acquired through government appropriations. The disposition as well as ownership of any proceeds therefrom is subject to Federal and State regulations.

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS**

Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives by asset category are as follows:

Equipment	7 years
Vehicles	7 years

D. Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" the Agency reports information regarding its financial position and results of operations according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

E. Contributions Received

Grant and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulation that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

F. Use of Estimates

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

NOTE 2 CONCENTRATION OF CREDIT RISK

The Agency's cash is on deposit with one major financial institution. Cash on deposit is covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC).

A grant receivable is recognized by the Agency for the portion of the grant award not yet received. Consequently, the uncollected receivable represents a credit risk from possible nonpayment by the grantor. Management believes these receivables will be collected in the year 2013.

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3 LOSS OF FEDERAL FUNDING

During the prior fiscal year ending August 31, 2012 the Agency was notified by the Department of Health and Human Services (HHS) that it would be required to compete for its Head Start and Early Head Start grant programs. The Head Start Act of 2007 established a Federal regulation demanding grantees of Head Start and Early Head Start programs to enter into a Designated Renewal System (DRS) competition if any grantees were cited during a compliance review for one or more deficiencies that had been observed by the review team. The Agency's most recent compliance review occurred during February and March, 2011. At that time the Agency was cited for a deficiency regarding the Head Start Act Section 648A(g)(3)(A), Staff Qualifications and Development. The citation concerned two Early Childhood Specialists employed by the Agency that had not received State or Federal criminal background clearances as of March 3, 2011. Review of the Agency's personnel policies confirmed the grantee Agency did not have written personnel policies and procedures that guided Agency staff in securing criminal records checks prior to employing Head Start/Early Head Start staff. A follow-up examination conducted during June, 2011 by an HHS investigator determined that the Agency had received Child Abuse and Neglect clearances for both employees from the Alabama Department of Human Resources on March 1, 2011 and the Agency had made corrections and revised its policies and procedures to ensure all staff obtained State or Federal criminal record checks prior to hire; therefore, the Agency was in compliance with the regulation. However, the initial citation required the Agency to comply with the HHS's DRS regulations. The Agency submitted its required competitive proposal applications during August, 2012. The Agency was notified during May, 2013 that it was not the successful applicant for either the Head Start or Early Head Start grants. At that time HHS informed the Agency that its grants for the Head Start and Early Head Start programs would end as of June 30, 2013. Successor grantees were announced by HHS through its internet website and conveyed to the Agency. Upon receipt of notice from HHS the Agency was instructed to begin transition of its grant programs to both successor grantees. Due to the regulations regarding the government's federal interest in property and equipment acquired with federal funds the Agency was instructed to transfer title of fifteen (15) modular classroom buildings, three (3) in-ground storm shelters, nine (9) vehicles and various office equipment including computers, printers and software. The result of these transfers resulted in the write-down of fixed assets in the amount of \$240,824 and charged as an extraordinary loss as follows:

<u>Class of Property</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Book Value</u>
Buildings and Leasehold Improvements	\$ 1,248,389	\$ (1,056,840)	\$ 191,549
Vehicles	156,922	(131,260)	25,662
Office Equipment	168,146	(144,533)	23,613
Total Fixed Assets Disposed	<u>\$ 1,573,457</u>	<u>\$ (1,332,633)</u>	<u>\$ 240,824</u>

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4 **PROPERTY AND EQUIPMENT**

Property and equipment of the Agency as of August 31, 2013, are as follows:

<u>Class of Property</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Book Value</u>
Land	\$ 52,023		\$ 52,023
Building	393,912	\$ (152,633)	241,279
Leasehold Improvements	65,608	(234,991)	(169,383)
Office Equipment	35,246	(35,246)	
Vehicles	121,509	(82,890)	38,619
	<u>\$ 668,298</u>	<u>\$ (505,760)</u>	<u>\$ 162,538</u>

NOTE 5 **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Federal programs	<u>\$ 685,967</u>	<u>\$ 947,474</u>
Total	<u>\$ 685,967</u>	<u>\$ 947,474</u>

NOTE 6 **IN-KIND CONTRIBUTIONS**

During the year ended August 31, 2013 and 2012, the Agency received in-kind contributions of \$993,029 and \$1,093,858, respectively. The contributions were primarily used for occupancy and direct assistance.

NOTE 7 **RETIREMENT PLAN**

The Agency adopted a defined contribution retirement plan in March 1972. The plan is available to eligible employees, immediately upon employment. Employees qualify for retirement benefits upon reaching the age of 65, or completing 20 years of service. The Agency makes matching contributions to the plan of 6.9% of the employee's compensation. Employees become fully vested in the Agency's matching contributions after four years of service. Forfeited benefits may be used to reduce the Agency's contributions to the retirement plan.

NOTE 8 **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 16, 2013, which is the financial statement issuance date.

NOTE 9 **MANAGEMENT REVIEW**

Management of the Agency has reviewed the financial statements and the related notes on December 16, 2013.

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended August 31, 2013**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Award Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Head Start	93.600	04CH070645	\$ 3,734,113
Pass-Through Alabama Department of Economic and Community Affairs:			
Community Services Block Grant	93.569	CS-002-12	295,621
Community Services Block Grant	93.569	CS-002-13	247,792
Low-Income Home Energy Assistance	93.568	LI-002-12	102,895
Low-Income Home Energy Assistance	93.568	LI-002-13	<u>1,994,375</u>
Total U.S. Department of Health and Human Services			<u>6,374,796</u>
<u>U.S. Department of Energy</u>			
Pass-Through Alabama Department of Economic and Community Affairs:			
Weatherization Assistance for Low-Income Persons	81.042	DOE-002-12	106,575
Weatherization Assistance for Low-Income Persons	81.042	DOEARRA-002-09	<u>237,083</u>
Total U.S. Department of Energy			<u>343,658</u>
<u>U.S. Department of Housing and Urban Development</u>			
Comprehensive Housing Counseling Program	14.169	HC12-0421-020	310
Comprehensive Housing Counseling Program	14.169	HC12-0421-018	<u>14,107</u>
Total U.S. Department of Housing and Urban Development			<u>14,417</u>
<u>U.S. Department of Agriculture</u>			
Pass-Through Alabama Department of Education:			
Child Care Food Program	10.558	AAL-0000	<u>370,437</u>
Total U.S. Department of Agriculture			<u>370,437</u>
Total Federal Awards			<u>\$ 7,103,308</u>

Note: The accompanying schedule of federal awards is prepared on the accrual basis of accounting.

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include the federal grant activity of Community Action Partnership of Huntsville/Madison & Limestone Counties, Inc. ("the Agency"), 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."

NOTE 2 REVISION OF PRIOR YEAR REPORTING ON CHILD CARE PROGRAM

The Schedule of Expenditures of Federal Awards for the year ended August 31, 2012 reported expenditures of federal awards in excess of actual amounts. The specific error resulted in an overstatement of \$7,218 in the amount of federal expenditures for the Pass-Through Alabama Department of Education - Child Care Food Program. The correct expenditure amounts are reported as follows:

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Expenditures Previously Reported</u>	<u>Corrected Actual Expenses</u>
U.S. Department of Agriculture Pass-Through Alabama Department of Education: Child Care Food Program	10.558	AAL-0000	\$ 380,257	\$ 373,039

**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***

To the Board of Directors of
Community Action Partnership of Huntsville/Madison
& Limestone Counties, Inc.
Huntsville, Alabama

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 Partnership of Huntsville/Madison & Limestone Counties, Inc. (the Agency") (a nonprofit organization), which comprise the statement of financial position as of August 31, 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 December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.



To the Board of Directors of
Community Action Partnership of Huntsville/Madison
& Limestone Counties, Inc.

Page 2

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 the Agency'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.

December 16, 2013

Banks Finley White & Co.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
Community Action Partnership of Huntsville/Madison
& Limestone Counties, Inc.
Huntsville, Alabama

Report on Compliance for Each Major Federal Program

We have audited Community Action Partnership of Huntsville/Madison & Limestone Counties, Inc.'s ("the Agency") 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 the Agency's major federal programs for the year ended August 31, 2013. The Agency'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 the Agency'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 the Agency'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 the Agency's compliance.



To the Board of Directors of
Community Action Partnership of Huntsville/Madison
& Limestone Counties, Inc.

Page 2

Opinion on Each Major Federal Program

In our opinion, the Agency 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 August 31, 2013.

Report on Internal Control Over Compliance

Management of the Agency 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 the Agency'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 the Agency'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. 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.

December 16, 2013

Banks, Finley White & Co.

**COMMUNITY ACTION PARTNERSHIP OF
HUNTSVILLE/MADISON & LIMESTONE COUNTIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended August 31, 2013**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.568	Low-Income Home Energy Assistance
93.569	Community Services Block Grant
81.042	Weatherization Assistance for Low-Income Persons
10.558	Child Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II--Financial Statement Findings

No matters were reported.