

CONSOLIDATED FINANCIAL STATEMENTS
With Supplementary Information
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
DECATUR, ALABAMA
For the year ended December 31, 2009

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FINANCIAL SECTION

IRVIN R. STRICKLAND, CPA
C. KENT QUINN, CPA/PC
ANTHONY E. LAW, CPA/PC
JOSEPH V. WYNN, CPA/PC
LANN H. REEVES, CPA/PC

B. FORD WEAR, JR., CPA

WEAR, HOWELL, STRICKLAND,
QUINN & LAW, LLC
Certified Public Accountants & Financial Advisors

MEMBERS OF
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
The Community Action Partnership of North Alabama, Inc.
Decatur, Alabama

We have audited the accompanying consolidated statement of financial position of The Community Action Partnership of North Alabama, Inc. (a non-profit organization) and subsidiaries as of December 31, 2009, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Community Action Partnership of North Alabama, Inc. and subsidiaries as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010, on our consideration of The Community Action Partnership of North Alabama, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Board of Directors
The Community Action Partnership of North Alabama, Inc.
Decatur, Alabama
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Our audit was performed for the purpose of forming an opinion on the consolidated financial statements of The Community Action Partnership of North Alabama, Inc. and subsidiaries, taken as a whole. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying Schedule of Expenditures of Federal Awards for The Community Action Partnership of North Alabama, Inc., is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.


CERTIFIED PUBLIC ACCOUNTANTS

September 15, 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

ASSETS

Cash	\$ 486,787
Accounts receivable:	
Federal funding sources	538,862
Related parties	921,146
Other	220,031
Property and equipment, net	1,930,133
TOTAL ASSETS	<u>\$ 4,096,959</u>

LIABILITIES

Accounts payable	\$ 203,684
Payroll taxes accrued and withheld	34,420
Other accrued liabilities	4,726
Long-term debt	219,919
Deferred support	539,184
TOTAL LIABILITIES	<u>1,001,933</u>

NET ASSETS

Unrestricted	2,885,078
Temporarily restricted	209,948
TOTAL NET ASSETS	<u>3,095,026</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,096,959</u>

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
For the year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
State of Alabama	\$ -	\$ 4,723,319	\$ 4,723,319
Dept. of Health & Human Services	-	12,860,038	12,860,038
Corporation for National and Community Service	-	643,639	643,639
Local United Way	-	208,956	208,956
Department of HUD	-	25,191	25,191
United Way of America	-	75,229	75,229
Other support	-	467,726	467,726
Investment return	7,532	158	7,690
Other revenues	498,466	29,317	527,783
Non-cash contributions	-	3,555,939	3,555,939
Net assets released from restriction:			
Restrictions satisfied by payments	<u>22,621,600</u>	<u>(22,621,600)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	23,127,598	(32,088)	23,095,510
EXPENSES			
Personnel costs:			
Salaries	8,225,088	-	8,225,088
Stipends	413,077	-	413,077
Benefits and payroll taxes	4,746,731	-	4,746,731
Contract services	<u>574,051</u>	<u>-</u>	<u>574,051</u>
TOTAL PERSONNEL COSTS	13,958,947	-	13,958,947
Transportation costs	368,630	-	368,630
Space costs	2,219,651	-	2,219,651
Consumable supplies	819,997	-	819,997
Direct assistance	2,047,379	-	2,047,379
Other costs	3,189,955	-	3,189,955
Interest expense	16,828	-	16,828
Depreciation expense	<u>104,408</u>	<u>-</u>	<u>104,408</u>
TOTAL EXPENSES	<u>22,725,795</u>	<u>-</u>	<u>22,725,795</u>
CHANGE IN NET ASSETS	401,803	(32,088)	369,715
Net assets, beginning of year, as restated - Note 14	<u>2,483,275</u>	<u>242,036</u>	<u>2,725,311</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,885,078</u></u>	<u><u>\$ 209,948</u></u>	<u><u>\$ 3,095,026</u></u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
For the year ended December 31, 2009

<u>Increase (Decrease) in Cash</u>	
Cash flows from operating activities:	
Change in net assets	\$ 369,715
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	104,408
Changes in operating assets and liabilities:	
Accounts receivable - federal funding sources	(139,444)
Accounts receivable - other	28,681
Accounts payable and other liabilities	67,149
Deferred support	403,971
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>834,480</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(505,861)</u>
NET CASH USED IN INVESTING ACTIVITIES	(505,861)
Cash flows from financing activities:	
Principal payments on long-term debt	<u>(34,934)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(34,934)</u>
	NET INCREASE IN CASH
	293,685
Cash, beginning of year	193,102
	CASH, END OF YEAR
	<u><u>\$ 486,787</u></u>
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for interest	<u><u>\$ 16,828</u></u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Community Action Partnership of North Alabama, Inc. (the Agency and Parent Organization) is a private non-profit organization that is controlled by a Board of Directors. Its purpose or purposes are to transact any and all lawful business for which non-profit corporations may be incorporated including the following:

1. To eliminate the paradox of poverty in the midst of plenty in North Alabama;
2. To help mobilize and utilize resources, both public and private, of North Alabama, in a concerted attack on poverty;
3. To stimulate and help provide services, assistance and other activities which give promise of progress toward the elimination of poverty or cause or causes of poverty through developing employment opportunities, improving human performance, motivation and productivity, or bettering the conditions under which people live, learn and work;
4. To stimulate a better focusing of all available local, state, private and federal resources upon the goal of enabling low-income families, and low-income individuals, of all ages, in rural and urban areas, to attain the skill, knowledge and motivations and secure the opportunities needed for them to become fully self-sufficient.

The Agency is funded by grants from Federal, State and Local Governments and from contributions by local businesses, organizations, and individuals.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of The Community Action Partnership of North Alabama, Inc. and its subsidiaries as described more fully in Note 2 to the financial statements. All material interorganization transactions have been eliminated in consolidation.

C. BASIS OF ACCOUNTING

The financial statements are prepared on the accrual basis of accounting with support, revenues and expenses maintained by funding source, for each program operated by the Agency.

D. 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 Agency are classified according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently the organization does not have any permanently restricted net assets.

E. CASH

For purposes of the statement of cash flows, the Agency considers amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Agency to be cash and cash equivalents.

F. ACCOUNTS RECEIVABLE

Accounts receivable represents amounts due from funding sources and others at the balance sheet date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. PROPERTY AND EQUIPMENT

The Organization capitalizes all property and equipment with a cost of \$5,000 or more if purchased and a fair value of \$5,000 or more at date of donation if received by contribution. Donations of property and equipment are recorded as support at their estimated fair value.

Property acquired is considered to be owned by the Organization 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 therefore is subject to federal and state regulations.

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

Buildings	40 years
Equipment	5 to 25 years
Transportation equipment	5 to 10 years

H. DEFERRED SUPPORT

Deferred support represents grant funds received but not expended during the current year.

I. DONATED MATERIALS, FACILITIES AND SERVICES

Volunteers, business firms, and others contribute substantial amounts of materials and services toward the fulfillment of the Agency's projects.

Donated materials and services consist of contributions of materials valued at current market prices, and services valued at current market prices for particular skills and/or professions.

Donated facilities consist of donated space used for classrooms, valued at current market rates.

To the extent that contributions of materials, facilities and services are made under the control of the Agency; are objectively measurable and represent program or support expenditures which would otherwise be incurred by the Agency's personnel, they are reflected in support, revenues and expenses in the accompanying financial statements.

J. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

K. INCOME TAXES

The Organization is a not-for-profit organization exempt from income taxes as described in Section 501 (c)(3) of the Internal Revenue Code.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 2 – SUBSIDIARIES

The Agency had the following wholly owned subsidiaries at December 31, 2009:

1. Property Holdings, LLC – This is a non-profit limited liability company owned entirely by the Agency to serve as a real estate holding company. The Agency has control through a majority voting interest.
2. Southern Community Builders, Inc. – This is a for-profit regular corporation owned entirely by the Agency to serve as a general partner of various limited partnerships. The Agency has control through a majority voting interest. At December 31, 2009, the corporation was general partner in fourteen limited partnerships.
3. Southern Community Builders of South Carolina, Inc. – This is a for-profit regular corporation owned entirely by the Agency to serve as a general partner of limited partnerships. The Agency has control through a majority interest. At December 31, 2009, the corporation was general partner in one limited partnership.

The above entities have been included in the consolidated financial statements of the Agency for the year ended December 31, 2009.

In addition to the above the Agency has a majority interest in North Alabama Community Partnership Fund, LLC in which there had been no activity as of December 31, 2009.

NOTE 3 – CASH

The Agency maintains its cash balances in several financial institutions, all of which are located in Decatur, Alabama. The cash balances at times may exceed federally insured limits. The Agency believes it is not exposed to any significant credit risk on cash balances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2009:

Federal Funding Sources:

Alabama Department of Economic and Community Affairs:	
CSBG	\$ 124,150
LIHEAP/LIWAP	144,398
Weatherization	129,552
Head Start	72,266
Senior Service Programs	-
Department of Housing & Urban Development - Housing Counseling	24,499
State of Alabama Department of Education - USDA	43,997
TOTAL FEDERAL FUNDING SOURCES	<u>\$ 538,862</u>

Related Parties:

Long-term receivable due from the following at December 31, 2009
with a pre-default interest rate payable at one half of one percent
per year for a period of 20 years:

Saddle Ridge Place Apartments, LTD.	\$ 224,440
Mountainside Apartments, LTD.	255,403
Northgate Place Apartments, LTD.	314,374
Holly Pond Apartments, LTD	84,623
Holly Pond Apartments Phase II, LTD	42,306
TOTAL RELATED PARTIES	<u>\$ 921,146</u>

Other:

Agency:

Development Services, Inc.	\$ 53,961
State and local funding sources	10,618
Amounts due to Property Holdings, L.L.C.	2,125
Amounts due from the limited partnerships that the following corporations act as general partner:	
Southern Community Builders, Inc.	153,099
Southern Community Builders of South Carolina, Inc.	228
TOTAL OTHER ACCOUNTS RECEIVABLE	<u>\$ 220,031</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Retirements	Balance 12/31/2009
Property and equipment:				
Agency:				
Buildings and leasehold improvements	\$ 1,079,185	\$ 405,061	\$ -	\$ 1,484,246
Office and instructional equipment	94,661	16,949	-	111,610
Transportation equipment	583,179	83,851	-	667,030
TOTAL AGENCY	1,757,025	\$ 505,861	\$ -	2,262,886
Less accumulated depreciation	600,652	\$ 97,074	\$ -	697,726
NET AGENCY	1,156,373			1,565,160
Property Holdings, LLC:				
Land and buildings	426,602	\$ -	\$ -	426,602
Less accumulated depreciation	54,295	\$ 7,334	\$ -	61,629
NET PROPERTY HOLDINGS, LLC	372,307			364,973
PROPERTY AND EQUIPMENT, NET	\$ 1,528,680			\$ 1,930,133

Depreciation expense in the amount outlined below was charged to:

Agency	\$ 97,074
Property Holdings LLC	7,334
TOTAL	\$ 104,408

NOTE 6 – LONG-TERM DEBT

A summary of long-term debt at December 31, 2009 is as follows:

	Balance 12/31/08	Increase	Decrease	Balance 12/31/09
Note payable - Regions Bank, payable in one installment on October 28, 2010, bearing interest at 5.75% annually. The note is collateralized by real estate.	\$ 93,210	\$ -	\$ 15,035	\$ 78,175
Note Payable - Regions Bank, payable in four annual installments of \$31,780, bearing interest at 7.350% annually. The note is collateralized by real estate and matures on January 19, 2012.	161,643	-	19,899	141,744
TOTAL LONG-TERM DEBT	\$ 254,853	\$ -	\$ 34,934	\$ 219,919

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 6 – LONG-TERM DEBT-CONTINUED

Future scheduled maturities on notes payable are as follows:

<u>Year ending December 31</u>	<u>Principal</u>
2010	\$ 99,842
2011	22,954
2012	97,123
TOTAL	<u><u>\$219,919</u></u>

NOTE 7 – DEFERRED SUPPORT

Deferred support consisted of the following at December 31, 2009:

Department of Health & Human Services - Head Start	\$ 365,819
Department of Energy - Weatherization	74,110
Foster Grandparent/Senior Companion	6,250
Alabama School Readiness Pre-K	56,459
Alabama Business Charitable Trust - Weatherization	30,915
Special Project	5,420
ABC Trust	211
TOTAL DEFERRED SUPPORT	<u><u>\$ 539,184</u></u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description:

The Agency contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple employer public retirement system for the various state-supported educational agencies and institutions. The plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Agency are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the Agency. Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age sixty or after twenty-five years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are: (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 8 – DEFINED BENEFIT PENSION PLAN-CONTINUED

The Teachers' Retirement System was established October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently fourteen members). Benefit provisions are established by the Code of Alabama 1975, §§ 16-25-1 through 16-25-113, as amended, and §§ 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement Systems of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Funding Policy:

Employees of the Agency are required to contribute five percent of their salary to the Teacher's Retirement System. The Agency is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Alabama Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriations bill. The percentages of the contributions and the amount of contributions made by the Agency and the Agency's employees equal the required contributions for year ended December 31, 2009 as follows:

Total percentage of covered payroll:

1/1/09 to 9/30/09	17.07%
10/1/09 to 12/31/09	17.51%

Contributions:

Percentage contributed by the Agency:

For current year service:

1/1/09 to 9/30/09	12.07%
10/1/09 to 12/31/09	12.51%

Percentage contributed by employees	5.00%
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Amount contributed by the Agency	\$ 756,654
Amount contributed by employees	302,418
TOTAL CONTRIBUTIONS	<u>\$ 1,059,072</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 9 – NON CASH CONTRIBUTIONS

Non cash contributions consisted of the following at December 31, 2009:

Space costs	\$ 1,181,031
Salaries and benefits	2,232,392
Contract services	13,451
Food costs	21,036
Supplies	108,030
TOTAL NON CASH CONTRIBUTIONS	<u>\$ 3,555,940</u>

NOTE 10 – LEASES

The Agency occupies office space and other facilities under operating leases. Total expense for rental of office space and other facilities for the year ended December 31, 2009 was \$589,614. The terms of the operating leases in effect as of December 31, 2009, are as follows:

- A. Lease agreement for the Administration and Headstart facility for a period of fifteen years beginning December 1, 2003, and ending November 30, 2018. Monthly rental payments increase in five-year increments as follows: \$9,750 per month for the first five years, \$10,800 per month for the second five years, and \$11,850 per month for the last five years. The Agency has the option to purchase the building at the end of each five-year increment for appraised value.

Future annual payments for this lease are as follows:

<u>For the year ending December 31,</u>	<u>Amount</u>
2010	\$ 129,600
2011	129,600
2012	129,600
2013	130,650
2014	142,200
2015 and thereafter	556,950
TOTAL FUTURE COMMITMENT	<u>\$ 1,218,600</u>

- B. Lease agreements for office space and Head Start classrooms with monthly rentals of \$325 to \$6,000.

The Agency is also furnished certain facilities as non-cash in-kind contributions from various agencies. The value of these facilities for the year ended December 31, 2009, as reflected in the financial statements was approximately \$1,181,031.

The Agency also leases certain office equipment with lease terms ranging from 24 to 36 months. However, the leases are contingent upon the Agency receiving the necessary funding from Federal and State Governmental Agencies and there is no cancellation penalty should the leases be terminated due to lack of funding.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Grant Audits:

The Agency receives awards from federal, state, and local government entities that are subject to review and audit. Such audits could result in claims against the Agency 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 at this date.

NOTE 12 – COMPENSATED ABSENCES – ACCRUED LEAVE

Certain programs of the Agency allow twelve-month employees up to five weeks of vacation pay per year with pay. The leave policy was amended effective January 1, 2006 to require unused vacation leave to be transferred to sick leave at December 31st of each year. Sick leave is not paid upon termination. There is no accrual for accrued leave at December 31, 2009.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

The Agency received 20.3% and 55.4% of its total revenues, gains and support from the State of Alabama and the U. S. Department of Health and Human Services, respectively, during the year ended December 31, 2009.

NOTE 14 – ADJUSTMENT TO NET ASSETS

The consolidated net assets have been adjusted to reflect the correction of the investments in the subsidiaries in the limited liability companies.

		<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets as of December 31, 2008 as originally presented		\$ 2,635,501	\$ 242,036	\$ 2,877,537
Correction of an error in beginning net assets of the following subsidiaries due to change in basis of investment in other entities:				
Southern Community Builders, Inc.:				
Balance as of December 31, 2008 as originally presented	\$ 198,937			
Balance as corrected at December 31, 2008	<u>153,274</u>			
ERROR CORRECTION		(45,663)	-	(45,663)
Southern Community Builders of South Carolina, Inc.:				
Balance as of December 31, 2008 as originally presented	\$ 106,959			
Balance as corrected at December 31, 2008	<u>396</u>			
ERROR CORRECTION		(106,563)	-	(106,563)
NET ASSETS AS OF DECEMBER 31, 2008				
AS RESTATED		<u>\$ 2,483,275</u>	<u>\$ 242,036</u>	<u>\$ 2,725,311</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2009

NOTE 15 - INVESTMENT IN LIMITED PARTNERSHIPS

The Community Action Partnership of North Alabama, Inc. and two of its wholly owned subsidiaries have a general or limited partnership interest in various limited liability partnerships as outlined below:

1. The Community Action Partnership of North Alabama, Inc. has interest in fourteen different limited liability partnerships.
2. Southern Community Builders, Inc. has interest in eighteen different limited liability partnerships.
3. Southern Community Builders of South Carolina, Inc. has an interest in one limited liability partnership.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, September 15, 2010, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC. AND SUBSIDIARIES
For the year ended December 31, 2009

	Parent	Subsidiaries				Eliminations	Consolidated
	Community Action Partnership of North Alabama, Inc.	Property Holdings, LLC	Southern Community Builders, Inc.	Southern Community Builders of South Carolina, Inc.			
<u>ASSETS</u>							
Cash	\$ 486,787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 486,787
Accounts receivable:							
Federal funding sources	538,862	-	-	-	-	-	538,862
Related parties	1,039,794	-	-	-	(118,648)	-	921,146
Other	64,579	2,125	153,099	228	-	-	220,031
Property and equipment, net	1,565,160	364,973	-	-	-	-	1,930,133
TOTAL ASSETS	\$ 3,695,182	\$ 367,098	\$ 153,099	\$ 228	\$ (118,648)		\$ 4,096,959
<u>LIABILITIES</u>							
Accounts payable	\$ 203,684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,684
Due to related parties	-	118,648	-	-	(118,648)	-	-
Payroll tax accrual and withheld	34,420	-	-	-	-	-	34,420
Other accrued expenses	4,726	-	-	-	-	-	4,726
Notes payable	-	219,919	-	-	-	-	219,919
Deferred support	539,184	-	-	-	-	-	539,184
TOTAL LIABILITIES	782,014	338,567	-	-	(118,648)		1,001,933
<u>NET ASSETS</u>							
Unrestricted	2,703,220	28,531	153,099	228	-	-	2,885,078
Temporarily restricted	209,948	-	-	-	-	-	209,948
TOTAL NET ASSETS	2,913,168	28,531	153,099	228	-	-	3,095,026
TOTAL LIABILITIES AND NET ASSETS	\$ 3,695,182	\$ 367,098	\$ 153,099	\$ 228	\$ (118,648)		\$ 4,096,959

See independent auditor's report

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC. AND SUBSIDIARIES
For the year ended December 31, 2009

	Parent	Subsidiaries			Consolidated
	Community Action Partnership of North Alabama, Inc.	Property Holdings, LLC	Southern Community Builders, Inc.	Southern Community Builders of South Carolina, Inc.	
REVENUES, GAINS, AND OTHER SUPPORT					
State of Alabama	\$ 4,723,319	\$ -	\$ -	\$ -	\$ 4,723,319
Dept. of Health & Human Services	12,860,038	-	-	-	12,860,038
Corporation for National and Community Service	643,639	-	-	-	643,639
Local United Way	208,956	-	-	-	208,956
Department of HUD	25,191	-	-	-	25,191
United Way of America	75,229	-	-	-	75,229
Other support	467,726	-	-	-	467,726
Non-cash contributions	3,555,939	-	-	-	3,555,939
Interest income	7,690	-	-	-	7,690
Other revenues	527,783	-	-	-	527,783
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	23,095,510	-	-	-	23,095,510
EXPENSES					
Personnel costs:					
Salaries	8,225,088	-	-	-	8,225,088
Stipends	413,077	-	-	-	413,077
Benefits and payroll taxes	4,746,731	-	-	-	4,746,731
Contract services	574,051	-	-	-	574,051
TOTAL PERSONNEL COSTS	13,958,947	-	-	-	13,958,947
Travel and transportation costs	368,630	-	-	-	368,630
Space costs	2,219,651	-	-	-	2,219,651
Consumable supplies	819,997	-	-	-	819,997
Direct assistance	2,047,379	-	-	-	2,047,379
Other costs	3,189,038	574	175	168	3,189,955
Interest expense	-	16,828	-	-	16,828
Depreciation expense	97,074	7,334	-	-	104,408
TOTAL EXPENSES	22,700,716	24,736	175	168	22,725,795
CHANGE IN NET ASSETS	394,794	(24,736)	(175)	(168)	369,715
Net assets, beginning of year, as restated - Note 14	2,518,374	53,267	153,274	396	2,725,311
NET ASSETS, END OF YEAR	\$ 2,913,168	\$ 28,531	\$ 153,099	\$ 228	\$ 3,095,026

See independent auditor's report

COMBINING SCHEDULE OF ACTIVITIES
THE COMMUNITY ACTION PARTNERSHIP

(Parent
For the year ended

	ADECA Funded Programs	Senior Service Programs	Emergency Food & Shelter	Head Start
REVENUES, GAINS, AND OTHER SUPPORT				
State of Alabama	\$ 3,450,036	\$ -	\$ -	\$ 1,069,398
Dept. of Health & Human Services	-	-	-	12,860,038
Corp. for National and Community Services	-	643,639	-	-
Local United Way	-	42,120	-	-
Department of HUD	-	-	-	-
United Way of America	-	-	75,229	-
Other support	-	56,013	-	-
Non-cash contributions	-	34,487	-	3,521,452
Interest income	-	-	-	-
Other revenues	-	3,050	-	19,346
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	3,450,036	779,309	75,229	17,470,234
EXPENSES				
Personnel costs:				
Salaries	305,638	103,851	-	6,893,823
Stipends	-	413,077	-	-
Benefits and payroll taxes	148,062	49,512	-	4,178,229
Contract services	328,112	21,687	-	146,369
TOTAL PERSONNEL COSTS	781,812	588,127	-	11,218,421
Travel and transportation costs	20,467	94,251	-	216,316
Space costs	42,541	11,543	-	2,034,938
Consumable supplies	313,153	3,063	1,516	299,338
Direct assistance	1,906,838	-	73,996	-
Other costs	120,158	64,020	-	2,940,492
Net transfers	46,779	-	-	-
Indirect costs	218,288	17,568	-	769,201
TOTAL EXPENSES	3,450,036	778,572	75,512	17,478,706
CHANGE IN NET ASSETS	-	737	(283)	(8,472)
Net assets (deficit), beginning of year	-	17,669	3	8,472
NET ASSETS (DEFICIT), END OF YEAR	\$ -	\$ 18,406	\$ (280)	\$ -

AND CHANGE IN NET ASSETS
OF NORTH ALABAMA
Organization Only)
December 31, 2009

Alabama School Readiness	Meals On Wheels	HUD Housing Counseling	Other Restricted Non-Federal Programs	Unrestricted Non-Federal Programs	Indirect Cost Program	TOTAL
\$ 170,606	\$ -	\$ -	\$ 33,279	\$ -	\$ -	\$ 4,723,319
-	-	-	-	-	-	12,860,038
-	-	-	-	-	-	643,639
-	129,334	-	37,502	-	-	208,956
-	-	25,191	-	-	-	25,191
-	-	-	-	-	-	75,229
-	183,657	999	227,057	-	-	467,726
-	-	-	-	-	-	3,555,939
-	145	-	13	7,532	-	7,690
-	-	-	6,921	498,466	-	527,783
170,606	313,136	26,190	304,772	505,998	-	23,095,510
109,739	80,370	50,019	20,352	141,188	520,108	8,225,088
-	-	-	-	-	-	413,077
43,354	60,040	19,609	4,413	71,097	172,415	4,746,731
-	1,239	4,859	9,410	10,574	51,801	574,051
153,093	141,649	74,487	34,175	222,859	744,324	13,958,947
(25)	143	558	1,358	7,512	28,050	368,630
-	20,367	3,456	55,923	20,807	30,076	2,219,651
15,001	12,586	52	65,351	37,252	72,685	819,997
-	-	-	66,045	500	-	2,047,379
2,537	140,853	1,226	57,135	198,973	174,076	3,699,470
-	-	(62,383)	28,807	-	-	13,203
-	14,065	8,753	3,562	-	(1,049,210)	(17,774)
170,606	329,663	26,149	312,356	487,903	0	23,109,503
-	(16,527)	41	(7,584)	18,095	(0)	(13,993)
-	160,278	3,500	52,114	337,370	-	579,406
\$ -	\$ 143,751	\$ 3,541	\$ 44,530	\$ 355,465	\$ (0)	\$ 565,413

See independent auditor's report.

RECONCILIATION OF COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET
ASSETS PARENT TO THE STATEMENT OF ACTIVITIES AND CHANGE
IN NET ASSETS-PARENT
THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC.
For the year ended December 31, 2009

For the year ended December 31, 2009			
	Combining Schedule of Activities and Change in Net Assets - Parent	Increase (Decrease)	Statement of Activities and Change in Net Assets - Parent
REVENUES, GAINS, AND OTHER SUPPORT			
State of Alabama	\$ 4,723,319	\$ -	\$ 4,723,319
Dept. of Health & Human Services	12,860,038	-	12,860,038
Corp. for National & Comm. Services	643,639	-	643,639
Local United Way	208,956	-	208,956
Department of HUD	25,191	-	25,191
United Way of America	75,229	-	75,229
Other support	467,726	-	467,726
Non-cash contributions	3,555,939	-	3,555,939
Interest income	7,690	-	7,690
Other revenues	527,783	-	527,783
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	23,095,510	-	23,095,510
EXPENSES			
Personnel costs:			
Salaries	8,225,088	-	8,225,088
Stipends	413,077	-	413,077
Benefits and payroll taxes	4,746,731	-	4,746,731
Contract services	574,051	-	574,051
TOTAL PERSONNEL COSTS	13,958,947	-	13,958,947
Transportation costs	368,630	-	368,630
Space costs	2,219,651	-	2,219,651
Consumable supplies	819,997	-	819,997
Direct assistance	2,047,379	-	2,047,379
Other costs	3,694,899	(505,861)	(1) 3,189,038
Depreciation expense	-	97,074	(1) 97,074
TOTAL EXPENSES	23,109,503	(408,787)	22,700,716
CHANGE IN NET ASSETS	(13,993)	408,787	394,794
Net assets, beginning of year	579,406	-	645,435
NET ASSETS, END OF YEAR	\$ 565,413	\$ 408,787	\$ 1,040,229

Note 1 – The combining schedule of activities and change in net assets - parent includes capital additions as expenditures. However, in the statement of activities and change in net assets - parent, the net cost of those assets is allocated over their estimated useful lives as depreciation expense.

See independent auditor's report.

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

IRVIN R. STRICKLAND, CPA
C. KENT QUINN, CPA/PC
ANTHONY F. LAW, CPA/PC
JOSEPH V. WYNN, CPA/PC
LYNN B. REEVES, CPA/PC

B. FORD WEAR, JR., CPA

WEAR, HOWELL, STRICKLAND,
QUINN & LAW, LLC
Certified Public Accountants & Financial Advisors

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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
The Community Action Partnership of North Alabama, Inc.
Decatur, Alabama

We have audited the consolidated financial statements of The Community Action Partnership of North Alabama, Inc. (a non-profit organization) and subsidiaries as of and for the year ended December 31, 2009, and have issued our report thereon dated September 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
The Community Action Partnership of North Alabama, Inc.
Decatur, Alabama
Page 2

Compliance and Other Matters

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

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


CERTIFIED PUBLIC ACCOUNTANTS

September 15, 2010

FEDERAL AWARDS

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

IRVIN R. STRICKLAND, CPA
C. KENT QUINN, CPA PC
ANTHONY E. LAW, CPA PC
JOSEPH V. WYNN, CPA PC
LYNN H. REEVES, CPA PC

B. FORD WEAR, JR., CPA

WEAR, HOWELL, STRICKLAND,
QUINN & LAW, LLC
Certified Public Accountants & Financial Advisors

MEMBERS OF
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133
(Parent Organization Only)

Board of Directors
The Community Action Partnership of North Alabama, Inc.
Decatur, Alabama

Compliance

We have audited the compliance of The Community Action Partnership of North Alabama, Inc. (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Community Action Partnership of North Alabama, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The Community Action Partnership of North Alabama, Inc.'s management. Our responsibility is to express an opinion on The Community Action Partnership of North Alabama, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 Community Action Partnership of North Alabama, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Community Action Partnership of North Alabama, Inc.'s compliance with those requirements.

As described in Finding 2009-1 in the accompanying schedule of findings and questioned costs The Community Action Partnership of North Alabama, Inc., did not comply with requirements regarding eligibility that is applicable to The Corporation for National and Community Service cluster of programs as follows:

Foster Grandparent Program, CFDA number 94-011, Grant number 04SFSAL004
and Senior Companion Program, CFDA number 94.016, Grant number 04SCSAL001
for the period January 1, 2009 to December 31, 2009.

Compliance with such requirements is necessary, in our opinion for The Community Action Partnership of North Alabama, Inc. to comply with requirements applicable to The Corporation for National and Community Service Cluster of Programs outlined above.

In our opinion, except for the noncompliance described in the preceding paragraph, The Community Action Partnership of North Alabama, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of The Community Action Partnership of North Alabama, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Community Action Partnership of North Alabama, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Community Action Partnership of North Alabama, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a significant deficiency in internal control over compliance that we consider to be a material weakness.

Board of Directors
The Community Action Partnership of North Alabama, Inc.
Decatur, Alabama
Page 3

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 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. We consider the significant deficiency in internal control over compliance described in Finding 2009-1, in the accompanying schedule of findings and questioned costs, to be a material weakness.

The Community Action Partnership of North Alabama, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The Community Action Partnership of North Alabama, Inc.'s response and accordingly, we express no opinion on it.

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


CERTIFIED PUBLIC ACCOUNTANTS

September 15, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) 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? X yes _____ no

Reportable condition(s) identified that are
not considered to be material weakness(es)? _____ yes X no

Type of report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be
reported in accordance with OMB Circular A-133,
section .510(a)? _____ X yes _____ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

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

\$ 543,978

93.600	Head Start Program
93.708	Head Start Program - ARRA
93.710	Community Service Block Grant - ARRA
94.011	Foster Grandparent Program
94.016	Senior Companion Program
97.114	Emergency Food and Shelter - ARRA
81.042	Weatherization Assistance
81.042	Weatherization Assistance - ARRA

Does auditee qualify as low-risk auditee? _____ X yes _____ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -CONTINUED
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2009

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

Finding Number 2009-1:

The Corporation for National and Community Service:

<u>Name of Program</u>	<u>CFDA No.</u>	<u>Grant No.</u>	<u>Grant Period</u>
Foster Grandparent Program	94.011	04SFSAL004	January 1, 2009 to December 31, 2009
Senior Companion Program	94.016	04SCSAL001	January 1, 2009 to December 31, 2009

Criteria

Management is responsible for establishing and maintaining proper internal controls including monitoring ongoing activities and implementing controls to insure that all participants meet the eligibility requirements of the programs.

Condition

The Community Action Partnership of North Alabama, Inc. had an ineffective control environment related to the determination of eligibility of the participants in the above listed Federal Award Programs. There was insufficient review of the applications used to determine the participants' eligibility to receive stipends from these programs.

Effect

As a result of not maintaining an adequate review over the application process it became possible for noneligible participants to receive stipends from these programs.

Questioned Costs

\$41,150

See management response on following page.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -CONTINUED
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2009

Management Response

We agree with the auditors' comments that there was an "ineffective" internal control environment specifically in the Foster Grandparent and the Senior Companion Programs. Upon discovery of this weakness and the ultimate consequences, we took immediate steps to improve the situation. Some of the steps that have been taken are as follows:

- Within 1 day of the discovery, we contacted the Corporation for National Service and informed them of the findings. We asked for them to come on site and assist us in determining how wide spread the issue was.
- When confronted with the issues at hand, the FG/SC Team Leader immediately decided to resign/retire without any notice. Her resignation was accepted without any discussion.
- We immediately transferred a former FG/SC employee from within the Partnership back to the program to assume the position of interim Team Leader. This employee has several years experience as a FG/SC Coordinator. We also assigned another former FG/SC employee with several years' previous experience to assist in the reorganization efforts.
- We have taken extra measures in the reviewing of each and every participant file, not only looking at income eligibility, but also all other required file documentation.
- We are in the process of establishing a system of checks and balances to insure no ineligible participants are paid any stipends. One step that has been added is the review of all "new" participant income eligibility documents by the Fiscal Department when the first time sheet is submitted for payment. This will be flagged as new participants are added to the Accounts Payable system.
- While we understand the method the auditors' must use in determining questioned costs, after our review of all files, we determined the total cost of paid stipends to ineligible participants to be \$19,789.

The Partnership is fully prepared to cover these questioned costs with non-federal funds.