CONSOLIDATED FINANCIAL STATEMENTS

With Supplementary Information

THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
DECATUR, ALABAMA

For the year ended December 31, 2011

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2012, on our consideration of The Community Action Partnership of North Alabama, Inc.'s (Parent Organization Only) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the 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.

Wear, Howell, Stinklard, Quinn Law, LLC
CERTIFIED PUBLIC ACCOUNTANTS

May 24, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2011

ASSETS		
CURRENT ASSETS		
Cash	$	862,528
Grants receivable		378,393
Other accounts receivable		521,612
Prepaid expenses		27,714
TOTAL CURRENT ASSETS		1,790,247
RESTRICTED ASSETS		
Restricted deposits and reserves		1,390,943
NONCURRENT ASSETS		
Notes receivable - related parties		1,084,963
Property and equipment - net		28,594,543
Other assets		272,287
TOTAL NONCURRENT ASSETS		29,951,793
TOTAL ASSETS	$	33,132,983
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	172,709
Accrued interest		677,830
Other accrued expenses		397,423
Deferred revenue		139,652
Current portion of long-term debt		305,703
TOTALCURRENT LIABILITIES		1,693,317
NONCURRENT LIABILITIES		
Tenant security deposits		139,816
Accumulated deficit investment in partnerships		26,816
Developer fees payable		764,008
Long-term debt - net		12,575,978
TOTAL NONCURRENT LIABILITIES		13,506,618
NET ASSETS		
Unrestricted		17,388,058
Temporarily restricted		544,990
TOTAL NET ASSETS		17,933,048
TOTAL LIABILITIES AND NET ASSETS	$	33,132,983

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
State of Alabama	$ -	$ 5,737,126	$ 5,737,126
Dept. of Health & Human Services	-	12,759,059	12,759,059
Corporation for National and Community Service	-	523,462	523,462
NeighborWorks America	-	182,000	182,000
U.S. Department of Agriculture	-	24,216	24,216
Local United Way	-	166,221	166,221
Department of HUD	-	28,088	28,088
United Way of America	-	18,170	18,170
Other support	-	332,480	332,480
Rent income	2,223,302	-	2,223,302
Other revenue	160,662	585,217	745,879
Non-cash contributions	-	2,897,867	2,897,867
Net assets released from restriction:			
Restrictions satisfied by payments	23,010,051	(23,010,051)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	25,394,015	243,855	25,637,870
EXPENSES			
Personnel costs:			
Salaries	8,529,862	-	8,529,862
Stipends	341,145	-	341,145
Benefits and payroll taxes	4,840,644	-	4,840,644
Contract services	670,387	-	670,387
TOTAL PERSONNEL COSTS	14,382,038	-	14,382,038
Travel and transportation costs	307,204	-	307,204
Space costs	2,012,529	-	2,012,529
Consumable supplies	731,644	-	731,644
Direct assistance	2,691,492	-	2,691,492
Other costs	3,032,804	-	3,032,804
Interest expense	379,250	-	379,250
Rental property expenses	1,860,908	-	1,860,908
Loss on impairment of long-lived assets	3,473,411	-	3,473,411
Depreciation expense	1,344,917	-	1,344,917
TOTAL EXPENSES	30,216,197	-	30,216,197
CHANGES IN NET ASSETS	(4,822,182)	243,855	(4,578,327)
Net assets, beginning of year	22,093,153	301,135	22,394,288
	17,270,971	544,990	17,815,961
Capital contributions - net	117,087	-	117,087
NET ASSETS, END OF YEAR	$ 17,388,058	$ 544,990	$ 17,933,048

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, 2011

Increase (Decrease) in Cash

Cash flows from operating activities:	
Changes in net assets	$ (4,578,327)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,344,917
Loss on disposal of property and equipment	19,390
Loss on impairment of long-lived assets	3,473,411
Changes in operating assets and liabilities:	
Grants receivable	85,203
Accounts receivable	(32,384)
Prepaid expenses	6,007
Accounts payable and accrued expenses	211,778
Deferred revenue	(74,694)
NET CASH PROVIDED BY OPERATING ACTIVITIES	455,301
Cash flows from investing activities:	
Net deposits to reserve and escrow accounts	44,879
Purchase of property and equipment	(185,197)
NET CASH USED IN INVESTING ACTIVITIES	(140,318)
Cash flows from financing activities:	
Principal payments on long-term debt	(203,061)
Developer fee payments	(43,884)
Capital contributions	128,850
Equity distributions	(11,763)
NET CASH USED IN FINANCING ACTIVITIES	(129,858)
NET INCREASE IN CASH	185,125
Cash, beginning of year	677,403
CASH, END OF YEAR	$ 862,528
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for interest	$ 314,722

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

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. REVENUE RECOGNITION

The Community Action Partnership of North Alabama, Inc. is primarily supported through federal, state and local government grants. The revenues from the grants are usually not recognized as income until the funds have been obligated and disbursed.

Rent income received by the limited liability entities is principally derived from tenants through rental payments provided under operating leases. Tenant leasing arrangements are generally one-year lease terms.

C. 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.

D. BASIS OF ACCOUNTING

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. A separate schedule of support, revenues, and expenses is maintained for each program operated within the agency.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. CLASSIFICATION OF NET ASSETS

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the agency 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.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Agency and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the 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 Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned on any related investments for general of specific purposes. Currently, the Agency does not have any permanently restricted net assets.

F. USE OF ESTIMATES

The preparation of the 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.

G. CASH

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

H. ACCOUNTS RECEIVABLE

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

I. PROPERTY AND EQUIPMENT

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The Organization capitalizes property and equipment with a value greater than or equal to $5,000 and a useful life of greater than one year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and equipment purchased with grant funds are owned by the Agency while used in the program for which it was 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 there from, is subject to funding source regulations. The property and equipment purchased with grant funds are normally restricted for use in specific programs operated by the Agency.

Property and equipment of the other consolidated entities are recorded at cost. General repair and maintenance expenditures are expensed as incurred. Maintenance expenditures that significantly increase the life of the asset are capitalized. Upon disposal of depreciable property and equipment, related costs and accumulated depreciation are reduced in the appropriate accounts. The gains and losses on disposal are credited or charged to operations.

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:

Land Improvements	10 to 15 years
Buildings	40 years
Equipment	5 to 25 years
Transportation equipment	5 to 10 years

In accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360-10-35, *Impairment of Disposal of Long-Lived Assets*, the Agency and its subsidiaries review their investment in long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to the future net discounted cash flows expected to be generated by the property including any estimated proceeds from the eventual disposition of the property. If the property is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. Based on current estimates, management believes that no impairment indicators are present, except as outlined in Note 18 to the consolidated financial statements.

J. DEFERRED REVENUE

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

K. 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.

L. 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.

M. ADVERTISING COSTS

The Agency and its subsidiaries expenses all advertising and marketing costs during the period in which they are incurred.

N. SUBSEQUENT EVENTS

Subsequent events for the parent organization and two subsidiaries have been evaluated through May 24, 2012 which is the date the consolidated financial statements were available to be issued. There were no subsequent events required to be reported.

One subsidiary, audited by another CPA firm evaluated subsequent events through May 16, 2012, which was the date the financial statements were available to be issued. The following subsequent events were disclosed.

1. On January 6, 2012, the Entity was named as a defendant in a wrongful death lawsuit filed by the estate of a former tenant of the Project. The lawsuit alleges negligence by the Entity in its maintenance of the property. The plaintiff seeks actual and punitive damages, which it claims are in excess of $100,000. The outcome of this lawsuit cannot be determined at this time. Accordingly, the audited financial statements do not include any adjustments related to the ultimate outcome of this uncertainty.

2. During April 2012, management initiated a disposition plan with respect to the Project. Management plans to vacate the Project during 2012 and donate the Project's land and fixed to the local housing authority.

Subsequent events for the other subsidiaries, included in the consolidated financial statements, were evaluated by other auditors through February 7, 2011, the date on which those financial statements were available to be issued. There were not subsequent events required to be reported.

NOTE 2 – SUBSIDIARIES

The Agency had the following wholly owned subsidiaries at December 31, 2011:

1. Community Action Partnership of North Alabama (CAPNA) Limited Liability Entity Investments – This division was set up to account for the operations of various limited partnerships the agency serves as the general partner. The assets, liabilities and equity of these entities are included in the Agency's consolidated financial statements.

2. North Alabama Community Partnership Fund, LLC – This is a Limited Liability Company created for the purpose of providing information and assistance to prospective low income homeowners and renters; providing technical assistance in connection with the development, constructing, rehabilitation, ownership and financing of affordable housing and ancillary and supporting businesses and services; providing financing for affordable housing; providing other charitable programs for low-income individuals; and engaging in any and all actions necessary or incidental to the forgoing. The Agency is the sole member of the Company.

3. 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.

4. 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, 2011, the corporation was general partner in seven limited partnerships. The assets, liabilities and equity of these entities are included in the Organization's financial statements.

5. 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, 2011, the corporation was general partner in one limited partnership. The assets, liabilities and equity if the entity is included in the Organization's financial statements.

The above entities have been included in the consolidated financial statements of the Organization for the year ended December 31, 2011.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Community Action Partnership of North Alabama Inc. and Subsidiaries maintains cash balances at several financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. At times throughout the year, balance in these accounts may exceed the insured limits. The Agency bank account is swept daily into an account that is fully insured.

The Agency received 24.6% and 54.7% 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, 2011.

NOTE 4 – GRANTS RECEIVABLE

The grants receivable balance represents amounts due from the various funding sources as follows:

Federal Funding Sources:	
Alabama Department of Economic and Community Affairs:	
LIHEAP/LIWAP	$ 56,120
Weatherization	78,859
Department of Housing & Urban Development - Housing Counseling	13,263
State of Alabama Department of Education - USDA	116,226
Other	113,925
TOTAL GRANTS RECEIVABLE	$ 378,393

NOTE 5 – NOTES RECEIVABLE – RELATED PARTIES

The Agency has long-term notes receivable from the following Limited Liability Partnerships at December 31, 2011, with a predefault interest rate payable at one half of one percent for periods ranging from 15 years to 20 years. Interest earned is added to the notes annually.

Mountainside Apartments, LTD.	$ 257,963
Northgate Place Apartments, LTD.	315,345
Saddle Ridge Apartments, LTD.	226,674
Holly Pond Apartments, LTD	85,471
Holly Pond Apartments Phase II, LTD	42,730
Reform Manor, LTD	156,780
TOTAL NOTES RECEIVABLE-RELATED PARTIES	$ 1,084,963

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2011 is as follows:

	Parent	Subsidiaries				
	Community Action Partnership of North Alabama	CAPNA Limited Liability Entity Investments	Property Holdings, LLC	Southern Community Builders, Inc.	Southern Community Builders of South Carolina, Inc.	Consolidated
Land	$ -	$ 401,100	$ 286,069	$ 1,756,085	$ 223,598	$ 2,666,852
Land improvements	-	151,596	-	3,017,500	194,835	3,363,931
Buildings and improvements	1,459,246	7,054,990	645,117	21,132,671	4,588,382	34,880,406
Furniture and equipment	111,610	325,016	-	998,732	220,570	1,655,928
Transportation equipment	278,994	-	-	-	-	278,994
TOTAL PROPERTY AND EQUIPMENT	1,849,850	7,932,702	931,186	26,904,988	5,227,385	42,846,111
Less accumulated depreciation	507,117	2,663,754	89,026	5,764,286	1,753,974	10,778,157
PROPERTY AND EQUIPMENT - NET BEFORE IMPAIRMENT OF LONG LIVED ASSETS	1,342,733	5,268,948	842,160	21,140,702	3,473,411	32,067,954
Less loss on impairment of long-lived assets	-	-	-	-	3,473,411	3,473,411
PROPERTY AND EQUIPMENT - NET	$ 1,342,733	$ 5,268,948	$ 842,160	$ 21,140,702	$ -	$ 28,594,543
Depreciation expense for each entity was charged to expenses as shown:	$ 120,410	$ 209,630	$ 15,128	$ 860,233	$ 139,516	$ 1,344,917
Loss on impairment of long-lived assets was charged to expense as shown:	$ -	$ -	$ -	$ -	$ 3,473,411	$ 3,473,411

NOTE 7 – LONG-TERM DEBT

The Community Action Partnership of North Alabama, Inc. and Subsidiaries' long-term debt at December 31, 2011 is as follows:

Property Holdings, LLC:	
Note payable - Regions Bank, bearing interest at 7.35% per annum, payable in annual installments of $31,780 with final payment due January 19, 2015 of $17,877.	$ 98,118
Note payable - Regions Bank, bearing interest at 5.35%, due in one installment of $58,878 on February 4, 2012.	58,857
Note payable - Regions Bank, loan dated December 30, 2011 bearing interest at 5.55% per annum due in monthly installments beginning February 1, 2012, in the amount of $7,218 and final payment due on January 1, 2019. The mortgage is secured by real property as outlined in the mortgage.	500,000
TOTAL PROPERTY HOLDINGS, LLC	656,975
CAPNA Limited Liability Entity Investments:	
Deer Run Apartments, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $2,377 including interest at 9.50%, payable through 2020. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	169,603
The Partnership has a second mortgage note, secured by the Project, under the State of Alabama's HOME Investment Partnership program payable in full in 2020, including interest which accrues at the rate of 1/2 of 1 percent per year.	965,077
TOTAL DEER RUN APARTMENTS, LTD	1,134,680
Alexander Terrace Apartments, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $778 including interest at 8%, payable through 2018. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	49,263

NOTE 7 – LONG-TERM DEBT - CONTINUED

The Partnership has a second mortgage note, secured by the Project, under the State of Alabama's HOME Investment Partnership program payable in full in 2018, including interest which accrues at the rate of 1/2 of 1 percent per year.	657,000
TOTAL ALEXANDER TERRACE APARTMENTS, LTD	706,263
Harbor Square Apartments, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $2,971 including interest at 8.5%, payable through 2013. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	54,558
The Partnership has a second mortgage note, secured by the Project, under the State of Alabama's HOME Investment Partnership program payable in full in 2017, including interest which accrues at the rate of 1/2 of 1 percent per year.	1,366,000
TOTAL HARBOR SQUARE APARTMENTS, LTD	1,420,558
TOTAL CAPNA LIMITED LIABILITY ENTITY INVESTMENTS	3,261,501
Southern Community Builders, Inc.	
Pine Creek Apartments, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $5,528 including interest at 8.5%, payable through 2020. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	416,256
The Partnership has a $640,600 second mortgage note, secured by the Project, under the State of Alabama's HOME Investment Partnership program payable in full in 2021, including interest which accrues at the rate of 1/2 of 1 percent per year.	640,600
TOTAL PINE CREEK APARTMENTS, LTD	1,056,856

NOTE 7 – LONG-TERM DEBT-CONTINUED

Sophia's Landing Apartments, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $8,536 including interest at 6.75%, payable through 2024. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	1,275,041
The Oaks Apartments, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $7,779 including interest at 8.5%, payable through 2020. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	579,524
The Partnership has a second mortgage note, secured by the Project, under the State of Alabama's HOME Investment Partnership program payable in full in 2020, including interest which accrues at the rate of 1/2 of 1 percent per year.	533,100
TOTAL THE OAKS APARTMENTS, LTD	1,112,624
Alexander Terrace Apartments, II, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $2,081 including interest at 8.75%, payable through 2026. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	204,833
The Partnership has a second mortgage note, secured by the Project, under the State of Alabama's HOME Investment Partnership program payable in full in 2026, including interest which accrues at the rate of 1/2 of 1 percent per year.	1,033,140
TOTAL ALEXANDER TERRACE APARTMENTS, II, LTD	1,237,973
Bankhead Court Apartments, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $1,604 including interest at 8.25%, payable through 2021. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	129,333

NOTE 7 – LONG-TERM DEBT-CONTINUED

The Partnership has a second mortgage note, secured by the Project, under the State of Alabama's HOME Investment Partnership program payable in full in 2021, including interest which accrues at the rate of 1/2 of 1 percent per year.	953,570
TOTAL BANKHEAD COURT APARTMENTS, LTD	1,082,903
The Springs Apartments, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $2,399 including interest at 8.25%, payable through 2023. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	213,030
The Partnership has a second mortgage note, secured by the Project, under the State of Alabama's HOME Investment Partnership program payable in full in 2023, including interest which accrues at the rate of 1/2 of 1 percent per year.	486,380
TOTAL THE SPRINGS APARTMENTS, LTD	699,410
Mountainside Apartments, LTD:	
The Partnership has a mortgage note, secured by the Project, payable in monthly installments of $1,173 including interest at 8.25%, payable through 2025. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	127,748
The Partnership has a second mortgage note, secured by the Project, under the State of Alabama's HOME Investment Partnership program payable in full in 2025, including interest which accrues at the rate of 1/2 of 1 percent per year.	1,618,650
The Partnership has a third mortgage note, secured by the Project, with the special limited partner payable in full in 2025, including interest which accrues at the rate of 1/2 of 1 percent per year.	252,000
TOTAL MOUNTAINSIDE APARTMENTS, LTD	1,998,398
TOTAL SOUTHERN COMMUNITY BUILDERS, INC.	8,463,205

NOTE 7 – LONG-TERM DEBT-CONTINUED

Southern Community Builders of South Carolina, Inc.:

Hanover Ridge Apartments, LP:

During 2000, the Partnership obtained financing from the General Partner in the form of a promissary note. The Note is payable in 360 equal monthly payments through June, 2030. The payments are due solely from cash from operations, cash from sale, or cash from refinancing as defined by the Partnership Agreement. The Note matures in June, 2030. As of December 31, 2011, the principal balance of the Note was $500,000 and accrued interest was $239,827. Interest expense for the year ended December 31, 2010 was $31,450. 500,000

TOTAL LONG-TERM DEBT	12,881,681
Less current maturities on long-term debt	305,703
LONG-TERM DEBT - NET	$ 12,575,978

Maturities of the long-term debt in each of the next five years and thereafter are as follows:

For the year ending December 31,	Amount
2012	$ 305,703
2013	267,127
2014	264,038
2015	271,803
2016	273,759
2017 and thereafter	11,499,251
	$12,881,681

NOTE 8 – DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2011:

Department of Health & Human Services - Head Start	$	85,646
Department of Energy - Weatherization		351
Department of Health & Human Services - CSBG		20,032
Alabama School Readiness Pre-K		33,623
TOTAL DEFERRED REVENUE	$	139,652

NOTE 9 – 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.

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.

NOTE 9 – DEFINED BENEFIT PENSION PLAN-CONTINUED

Funding Policy:

Employees of the Agency are required to contribute a certain 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, 2011 as follows:

Total percentage of covered payroll:	
1/1/11 to 9/30/11	17.51%
10/1/11 to 12/31/11	17.25%
Contributions:	
Percentage contributed by the Agency:	
For current year service:	
1/1/11 to 9/30/11	12.51%
10/1/11 to 12/31/11	10.00%
Percentage contributed by employees	
1/1/11 to 09/30/11	5.00%
10/1/11 to 12/31/11	7.25%
Amount contributed by the Agency	$ 955,064
Amount contributed by employees	384,732
TOTAL CONTRIBUTIONS	$ 1,339,796

NOTE 10 – NON CASH CONTRIBUTIONS

Non cash contributions consisted of the following for the year ended December 31, 2011:

Space costs	$ 1,100,883
Salaries and benefits	1,749,417
Contract services	24,157
Food costs	20,947
Supplies	2,463
TOTAL NON CASH CONTRIBUTIONS	$ 2,897,867

NOTE 18 – IMPAIRMENT OF LONG-LIVED ASSETS - CONTINUED

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input this is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Partnership's own assumptions.

The table below presents amounts at December 31, 2011 for significant items measured at fair value on a nonrecurring basis. Certain of these fair value measurements are based on significant unobservable inputs classified within Level 3 of the valuation hierarchy. When a determination is made to classify a fair value measurement within Level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 components, observable components that can be validated to observable external sources; accordingly, the fair values in the table below are due in part to observable factors that are part of the valuation methodology.

Level 3	
Impairment of long-lived assets	$ 3,473,411

Impairment of long-lived assets:

The Entity reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. The Entity initiated a disposition plan with respect to the Project in April 2012. As a result, the Entity has recognized impairment of long-lived assets of $3,473,411 during 2011.

Going Concern:

The financial statements of the Entity have been prepared assuming it will continue as a going concern. The disposition plan with respect to the property in April 2012 raises substantial doubt about the Entity's ability to continue as a going concern. The financial statements do not include any adjustment that might result from the outcome of this uncertainty.

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2011

	Parent		
	Community Action Partnership of North Alabama, Inc.	CAPNA Limited Liability Entity Investments	North Alabama Community Partnership Fund, LLC
ASSETS			
CURRENT ASSETS			
Cash	$ 593,027	$ 25,795	$ 58,398
Grants receivable	378,393	-	-
Other accounts receivable	8,308	2,577	568
Prepaid expenses	199	5,586	-
TOTAL CURRENT ASSETS	979,927	33,958	58,966
RESTRICTED ASSETS			
Restricted deposits and reserves	-	425,693	-
NONCURRENT ASSETS			
Accounts receivable - related parties	195,178	-	-
Notes receivable - related parties	1,084,963	-	-
Property and equipment - net	1,342,733	5,268,948	-
Other assets	-	-	34,445
TOTAL NONCURRENT ASSETS	2,622,874	5,268,948	34,445
TOTAL ASSETS	$ 3,602,801	$ 5,728,599	$ 93,411
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 80	$ 14,413	$ -
Accrued interest	-	206,839	-
Other accrued expenses	323,566	17,332	-
Deferred revenue	139,652	-	-
Current portion of long-term debt	-	50,747	-
TOTAL CURRENT LIABILITIES	463,298	289,331	-
NONCURRENT LIABILITIES			
Accounts payable related parties	-	-	-
Tenant security deposits	-	31,467	-
Accumulated deficit investment in partnerships	26,559	-	-
Developer fees payable	-	-	-
Long-term debt - net	-	3,210,754	-
TOTAL NONCURRENT LIABILITIES	26,559	3,242,221	-
NET ASSETS			
Unrestricted	2,661,365	2,197,047	-
Temporarily restricted	451,579	-	93,411
TOTAL NET ASSETS	3,112,944	2,197,047	93,411
TOTAL LIABILITIES AND NET ASSETS	$ 3,602,801	$ 5,728,599	$ 93,411

See independent auditor's report

Subsidiaries				
Property Holdings, LLC	Southern Community Builders, Inc.	Southern Community Builders of South Carolina, Inc.	Eliminations	Consolidated
$ -	$ 163,783	$ 21,525	$ -	$ 862,528
-	-	-	-	378,393
-	7,460	502,699	-	521,612
-	12,630	9,299	-	27,714
-	183,873	533,523	-	1,790,247
-	940,502	24,748	-	1,390,943
-	-	-	(195,178)	-
-	-	-	-	1,084,963
842,160	21,140,702	-	-	28,594,543
-	211,921	25,921	-	272,287
842,160	21,352,623	25,921	(195,178)	29,951,793
$ 842,160	$ 22,476,998	$ 584,192	$ (195,178)	$ 33,132,983
$ -	$ 55,894	$ 102,322	$ -	$ 172,709
-	231,164	239,827	-	677,830
-	53,872	2,653	-	397,423
-	-	-	-	139,652
138,314	116,642	-	-	305,703
138,314	457,572	344,802	-	1,693,317
195,178	-	-	(195,178)	-
-	83,600	24,749	-	139,816
-	257	-	-	26,816
-	483,624	280,384	-	764,008
518,661	8,346,563	500,000	-	12,575,978
713,839	8,914,044	805,133	(195,178)	13,506,618
(9,993)	13,105,382	(565,743)	-	17,388,058
-	-	-	-	544,990
(9,993)	13,105,382	(565,743)	-	17,933,048
$ 842,160	$ 22,476,998	$ 584,192	$ (195,178)	$ 33,132,983

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC. AND SUBSIDIARIES
For the year ended December 31, 2011

	Parent		
	Community Action Partnership of North Alabama, Inc.	CAPNA Limited Liability Entity Investments	North Alabama Community Partnership Fund, LLC
REVENUES, GAINS, AND OTHER SUPPORT			
State of Alabama	$ 5,737,126	$ -	$ -
Dept. of Health & Human Services	12,759,059	-	-
Corporation for National and Community Service	523,462	-	-
NeighborWorks America	182,000	-	-
U.S. Department of Agriculture	24,216	-	-
Local United Way	166,221	-	-
Department of HUD	28,088	-	-
United Way of America	18,170	-	-
Other support	332,480	-	-
Rent income	-	475,822	-
Other revenue	649,635	17,814	-
Non-cash contributions	2,897,867	-	-
OTAL REVENUES, GAINS, AND OTHER SUPPORT	23,318,324	493,636	-
EXPENSES			
Personnel costs:			
Salaries	8,529,862	-	-
Stipends	341,145	-	-
Benefits and payroll taxes	4,840,644	-	-
Contract services	670,387	-	-
TOTAL PERSONNEL COSTS	14,382,038	-	-
Travel and transportation costs	307,204	-	-
Space costs	2,045,889	-	-
Consumable supplies	731,644	-	-
Direct assistance	2,691,492	-	-
Other costs	3,028,799	-	4,005
Interest expense	-	42,845	-
Rental property expenses	-	394,701	-
Loss on impairment of long-lived assets	-	-	-
Depreciation expense	120,410	209,630	-
TOTAL EXPENSES	23,307,476	647,176	4,005
CHANGES IN NET ASSETS	10,848	(153,540)	(4,005)
Net assets, beginning of year	3,102,096	2,357,496	97,416
	3,112,944	2,203,956	93,411
Capital contributions (distributions)	-	(6,909)	-
NET ASSETS, END OF YEAR	$ 3,112,944	$ 2,197,047	$ 93,411

See independent auditor's report

Subsidiaries				
Property Holdings, LLC	Southern Community Builders, Inc.	Southern Community Builders of South Carolina, Inc.	Eliminations	Consolidated
$ -	$ -	$ -	$ -	$ 5,737,126
-	-	-	-	12,759,059
-	-	-	-	523,462
-	-	-	-	182,000
-	-	-	-	24,216
-	-	-	-	166,221
-	-	-	-	28,088
-	-	-	-	18,170
-	-	-	-	332,480
33,360	1,335,653	411,827	(33,360)	2,223,302
7,431	58,472	12,527	-	745,879
-	-	-	-	2,897,867
40,791	1,394,125	424,354	(33,360)	25,637,870
-	-	-	-	8,529,862
-	-	-	-	341,145
-	-	-	-	4,840,644
-	-	-	-	670,387
-	-	-	-	14,382,038
-	-	-	-	307,204
-	-	-	(33,360)	2,012,529
-	-	-	-	731,644
-	-	-	-	2,691,492
-	-	-	-	3,032,804
41,982	262,973	31,450	-	379,250
-	859,339	606,868	-	1,860,908
-	-	3,473,411	-	3,473,411
15,128	860,233	139,516	-	1,344,917
57,110	1,982,545	4,251,245	(33,360)	30,216,197
(16,319)	(588,420)	(3,826,891)	-	(4,578,327)
6,326	13,698,656	3,132,298	-	22,394,288
(9,993)	13,110,236	(694,593)	-	17,815,961
-	(4,854)	128,850	-	117,087
$ (9,993)	$ 13,105,382	$ (565,743)	$ -	$ 17,933,048

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
CAPNA LIMITED LIABILITY ENTITY INVESTMENTS
December 31, 2011

ASSETS	Deer Run Apartments, LTD	Alexander Terrace Apartments, LTD	Harbor Square Apartments, LTD	Total
CURRENT ASSETS				
Cash	$ 13,117	$ 2,837	$ 9,841	$ 25,795
Accounts receivable	2,217	-	360	2,577
Prepaid expenses	1,825	3,203	558	5,586
TOTAL CURRENT ASSETS	17,159	6,040	10,759	33,958
RESTRICTED DEPOSITS AND RESERVES				
Security deposits held in trust	10,927	5,760	14,780	31,467
Replacement reserves	101,250	55,478	85,177	241,905
Tax and insurance escrow	8,610	2,900	11,110	22,620
Operating deficit reserve	53,243	25,752	50,706	129,701
TOTAL RESTRICTED DEPOSITS AND RESERVES	174,030	89,890	161,773	425,693
PROPERTY AND EQUIPMENT				
Land	156,100	45,000	200,000	401,100
Land improvements	6,267	143,214	2,115	151,596
Buildings	2,704,397	1,380,076	2,970,517	7,054,990
Furniture and equipment	166,989	80,898	77,129	325,016
TOTAL PROPERTY AND EQUIPMENT	3,033,753	1,649,188	3,249,761	7,932,702
Less accumulated depreciation	936,824	620,056	1,106,874	2,663,754
PROPERTY AND EQUIPMENT - NET	2,096,929	1,029,132	2,142,887	5,268,948
TOTAL ASSETS	$ 2,288,118	$ 1,125,062	$ 2,315,419	$ 5,728,599
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 7,702	$ 2,117	$ 4,594	$ 14,413
Accrued interest	58,983	44,489	103,367	206,839
Other accrued expenses	6,152	4,493	6,657	17,302
Current portion of long-term debt	12,916	5,584	32,247	50,747
TOTALCURRENT LIABILITIES	85,753	56,683	146,865	289,301
NONCURRENT LIABILITIES				
Tennant securing deposits	10,927	5,760	14,780	31,467
Long-term debt - net	1,121,764	700,679	1,388,341	3,210,784
TOTAL NONCURRENT LIABILITIES	1,132,691	706,439	1,403,121	3,242,251
PARTNER'S EQUITY	1,069,674	361,940	765,433	2,197,047
TOTAL LIABILITIES AND NET ASSETS	$ 2,288,118	$ 1,125,062	$ 2,315,419	$ 5,728,599

See independent auditor's report

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
CAPNA LIMITED LIABILITY ENTITY INVESTMENTS
For the year ended December 31, 2011

	Deer Run Apartments, LTD	Alexander Terrace Apartments, LTD	Harbor Square Apartments, LTD	Total
REVENUE				
Rent	$ 181,814	$ 89,718	$ 204,290	$ 475,822
Tenant Charges	10,357	1,415	4,047	15,819
Interest income	1,259	179	287	1,725
Other	120	50	100	270
TOTAL REVENUES	193,550	91,362	208,724	493,636
EXPENSES				
Administrative	46,973	29,222	54,443	130,638
Utilities	13,435	3,572	11,863	28,870
Operating and maintence	53,595	25,722	68,568	147,885
Taxes and insurance	24,787	15,030	28,101	67,918
Interest	21,981	7,691	13,173	42,845
Loss on disposal of propery and Equipment	-	-	19,390	19,390
Depreciation	77,083	46,271	86,276	209,630
TOTAL EXPENSES	237,854	127,508	281,814	647,176
NET INCOME (LOSS)	(44,304)	(36,146)	(73,090)	(153,540)
Net assets, beginning of year	1,119,487	398,086	839,923	2,357,496
	1,075,183	361,940	766,833	2,203,956
Distributions	5,509	-	1,400	6,909
NET ASSETS, END OF YEAR	$ 1,069,674	$ 361,940	$ 765,433	$ 2,197,047

See independent auditor's report

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
SOUTHERN COMMUNITY BUILDERS, INC.
December 31, 2011

ASSETS	Pine Creek Apartments, LTD	Sophia's Landing Apartments, LTD	The Oaks Apartments, LTD
CURRENT ASSETS			
Cash	$ 24,414	$ 64,843	$ 1,763
Accounts receivable	-	5,323	-
Prepaid expenses	3,825	-	1,019
TOTAL CURRENT ASSETS	28,239	70,166	2,782
RESTRICTED DEPOSITS AND RESERVES			
Security deposits held in trust	12,400	23,800	10,750
Replacement reserves	82,379	97,410	65,479
Tax and insurance escrow	6,440	6,860	9,776
Operating deficit reserve	-	95,254	-
TOTAL RESTRICTED DEPOSITS AND RESERVES	101,219	223,324	86,005
PROPERTY AND EQUIPMENT			
Land	279,770	732,893	255,000
Land improvements	112,973	1,574,314	156,243
Buildings	2,432,274	5,348,184	3,000,093
Furniture and equipment	75,492	311,348	103,947
TOTAL PROPERTY AND EQUIPMENT	2,900,509	7,966,739	3,515,283
Less accumulated depreciation	817,351	970,361	1,033,679
PROPERTY AND EQUIPMENT - NET	2,083,158	6,996,378	2,481,604
OTHER ASSETS - NET	-	129,985	-
TOTAL ASSETS	$ 2,212,616	$ 7,419,853	$ 2,570,391
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 3,309	$ 19,549	$ 1,628
Accrued interest	36,067	4,859	30,252
Other accrued expenses	5,827	10,768	13,082
Current portion of long-term debt	28,915	16,877	41,197
TOTAL CURRENT LIABILITIES	74,118	52,053	86,159
NONCURRENT LIABILITIES			
Tennant securing deposits	12,400	23,800	10,750
Accumulated deficit investment in partnership	-	-	-
Developer fee payable	139,086	26,677	129,316
Long-term debt - net	1,027,941	1,258,164	1,071,427
TOTAL NONCURRENT LIABILITIES	1,179,427	1,308,641	1,211,493
PARTNER'S NET ASSETS	959,071	6,059,159	1,272,739
TOTAL LIABILITIES AND NET ASSETS	$ 2,212,616	$ 7,419,853	$ 2,570,391

See independent auditor's report

Alexander Terrace Apartments, II, LTD	Bankhead Court Apartments, LTD	The Springs Apartments, LTD	Mountainside Apartments, LTD	Southern Community Builders, Inc.	Total
$ 17,590	$ 4,649	$ 17,479	$ 31,545	$ 1,500	$ 163,783
-	407	-	1,730	-	7,460
2,146	932	3,203	1,505	-	12,630
19,736	5,988	20,682	34,780	1,500	183,873
8,700	7,600	6,800	13,550	-	83,600
55,520	45,074	42,034	89,883	-	477,779
6,550	2,213	2,860	13,380	-	48,079
60,365	48,710	31,279	95,436	-	331,044
131,135	103,597	82,973	212,249	-	940,502
109,540	164,000	60,000	154,882	-	1,756,085
475,719	229,592	130,190	338,469	-	3,017,500
2,223,289	2,518,290	1,535,307	4,075,234	-	21,132,671
145,899	127,750	74,656	159,640	-	998,732
2,954,447	3,039,632	1,800,153	4,728,225	-	26,904,988
641,047	931,968	464,171	905,709	-	5,764,286
2,313,400	2,107,664	1,335,982	3,822,516	-	21,140,702
37,062	-	5,479	39,395	-	211,921
$ 2,501,333	$ 2,217,249	$ 1,445,116	$ 4,108,940	$ 1,500	$ 22,476,998
$ 373	$ 10,419	$ 3,332	$ 17,284	$ -	$ 55,894
28,880	49,624	21,068	60,414	-	231,164
4,707	7,041	3,583	8,864	-	53,872
7,035	8,728	10,395	3,495	-	116,642
40,995	75,812	38,378	90,057	-	457,572
8,700	7,600	6,800	13,550	-	83,600
-	-	-	-	257	257
75,759	112,786	-	-	-	483,624
1,230,938	1,074,175	689,015	1,994,903	-	8,346,563
1,315,397	1,194,561	695,815	2,008,453	257	8,914,044
1,144,941	946,876	710,923	2,010,430	1,243	13,105,382
$ 2,501,333	$ 2,217,249	$ 1,445,116	$ 4,108,940	$ 1,500	$ 22,476,998

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
SOUTHERN COMMUNITY BUILDERS, INC.
For the year ended December 31, 2011

	Pine Creek Apartments, LTD	Sophia's Landing Apartments, LTD	The Oaks Apartments, LTD
REVENUE			
Rent	$ 213,036	$ 349,166	$ 210,470
Tenant Charges	905	8,180	6,149
Interest income	304	705	244
Other	-	26,535	52
TOTAL REVENUES	214,245	384,586	216,915
EXPENSES			
Administrative	50,843	62,229	33,004
Utilities	8,931	10,623	9,171
Operating and maintence	40,551	56,011	36,588
Taxes and insurance	21,991	58,534	27,709
Interest	40,603	86,588	54,668
Management fees	-	16,030	-
Depreciation	73,347	299,961	93,316
Amortization	-	10,889	-
TOTAL EXPENSES	236,266	600,865	254,456
NET INCOME (LOSS)	(22,021)	(216,279)	(37,541)
Net assets, beginning of year	981,092	6,277,438	1,310,280
	959,071	6,061,159	1,272,739
Distributions	-	2,000	-
NET ASSETS, END OF YEAR	$ 959,071	$ 6,059,159	$ 1,272,739

See independent auditor's report

Alexander Terrace Apartments, II, LTD	Bankhead Court Apartments, LTD	The Springs Apartments, LTD	Mountainside Apartments, LTD	Southern Community Builders, Inc.	Total
$ 122,610	$ 117,112	$ 107,544	$ 215,715	$ -	$ 1,335,653
1,990	4,119	415	6,565	-	28,323
67	46	42	225	-	1,633
-	50	-	443	1,436	28,516
124,667	121,327	108,001	222,948	1,436	1,394,125
26,531	31,038	27,233	50,406	-	281,284
4,577	7,610	4,894	35,018	-	80,824
25,985	30,641	21,427	52,708	-	263,911
21,857	20,167	14,102	36,290	-	200,650
23,731	16,142	20,815	20,426	-	262,973
-	-	2,823	13,817	-	32,670
105,983	81,121	52,846	135,086	-	841,660
3,069	-	476	4,139	-	18,573
211,733	186,719	144,616	347,890	-	1,982,545
(87,066)	(65,392)	(36,615)	(124,942)	1,436	(588,420)
1,233,007	1,012,268	747,538	2,137,226	(193)	13,698,656
1,145,941	946,876	710,923	2,012,284	1,243	13,110,236
1,000	-	-	1,854	-	4,854
$ 1,144,941	$ 946,876	$ 710,923	$ 2,010,430	$ 1,243	$ 13,105,382

COMBINING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA
(Parent Organization Only)
For the year ended December 31, 2011

	ADECA Funded Programs	Senior Service Programs	USDA Housing Preservation	Emergency Food & Shelter	Head Start
REVENUES, GAINS, AND OTHER SUPPORT					
State of Alabama	$ 4,279,838	$ -	$ -	$ -	$ 1,151,728
Dept. of Health & Human Services	-	-	-	-	12,759,059
Corp. for National and Community Servi	-	523,462	-	-	-
NeighborWorks America	-	-	-	-	-
US Department of Agriculture	-	-	24,216	-	-
Local United Way	-	30,979	-	-	-
Department of HUD	-	-	-	-	-
United Way of America	-	-	-	18,170	-
Other support	-	46,764	-	-	-
Non-cash contributions	-	45,104	-	-	2,852,763
Interest income	-	-	-	-	-
Other revenues	-	250	-	-	6,025
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	4,279,838	646,559	24,216	18,170	16,769,575
EXPENSES					
Personnel costs:					
Salaries	259,486	100,195	-	-	7,097,241
Stipends	-	341,145	-	-	-
Benefits and payroll taxes	146,275	50,607	-	-	4,183,114
Contract services	450,281	25,740	10,433	-	75,737
TOTAL PERSONNEL COSTS	856,042	517,687	10,433	-	11,356,092
Travel and transportation costs	3,844	71,697	-	-	190,082
Space costs	52,701	9,580	-	-	1,889,494
Consumable supplies	510,944	1,080	13,783	363	138,156
Direct assistance	2,578,785	-	-	17,807	-
Other costs	140,013	52,070	-	-	2,243,265
Net transfers	47,179	-	-	-	-
Indirect costs	94,216	14,417	-	-	955,922
TOTAL EXPENSES	4,283,724	666,531	24,216	18,170	16,773,011
CHANGES IN NET ASSETS	(3,886)	(19,972)	-	-	(3,436)
Net assets (deficit), beginning of year	3,886	44,477	-	(280)	3,436
NET ASSETS (DEFICIT), END OF YEAR	$ -	$ 24,505	$ -	$ (280)	$ -

See independent auditor's report.

NeighborWorks	Alabama School Readiness	Meals On Wheels	HUD Housing Counseling	Other Restricted Non-Federal Programs	Unrestricted Non-Federal Programs	Indirect Cost Program	TOTAL
$ -	$ 265,338	$ -	$ -	$ 40,222	$ -	$ -	$ 5,737,126
-	-	-	-	-	-	-	12,759,059
-	-	-	-	-	-	-	523,462
171,591	-	-	10,409	-	-	-	182,000
-	-	-	-	-	-	-	24,216
-	-	104,928	-	30,314	-	-	166,221
-	-	-	28,088	-	-	-	28,088
-	-	-	-	-	-	-	18,170
-	-	152,652	-	133,064	-	-	332,480
-	-	-	-	-	-	-	2,897,867
-	-	8	-	-	4,550	-	4,558
1,000	-	116,275	500	31,854	489,173	-	645,077
172,591	265,338	373,863	38,997	235,454	493,723	-	23,318,324
19,747	170,612	79,364	49,837	32,787	124,965	595,628	8,529,862
-	-	-	-	-	-	-	341,145
7,660	81,012	61,015	21,094	16,651	59,278	213,938	4,840,644
3,350	-	2,279	106	24,974	38,111	39,376	670,387
30,757	251,624	142,658	71,037	74,412	222,354	848,942	14,382,038
2,599	5,237	29	1,129	2,238	4,759	25,590	307,204
2,910	-	16,662	3,416	3,753	26,169	41,204	2,045,889
2,546	6,306	10,429	1,067	20,992	6,513	19,465	731,644
48,145	-	-	-	46,755	-	-	2,691,492
21,852	2,846	117,065	3,216	51,887	223,005	158,921	3,014,140
-	-	-	(48,612)	16,092	-	-	14,659
1,734	-	11,496	7,204	4,569	4,564	(1,094,122)	-
110,543	266,013	298,339	38,457	220,698	487,364	-	23,187,066
62,048	(675)	75,524	540	14,756	6,359	-	131,258
-	-	199,308	3,541	72,312	398,603	-	725,283
$ 62,048	$ (675)	$ 274,832	$ 4,081	$ 87,068	$ 404,962	$ -	$ 856,541

RECONCILIATION OF COMBINING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS PARENT TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS-PARENT

THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC.

For the year ended December 31, 2011

	For the year ended December 31, 2011			
	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	$ 5,737,126	$ -		$ 5,737,126
Dept. of Health & Human Services	12,759,059	-		12,759,059
Corp. for National & Comm. Services	523,462	-		523,462
NeighborWorks America	-	-		182,000
U.S. Department of Agriculture	24,216	-		24,216
Local United Way	166,221	-		166,221
Department of HUD	28,088	-		28,088
United Way of America	18,170	-		18,170
Other support	514,480	-		332,480
Non-cash contributions	2,897,867	-		2,897,867
Interest income	4,558	-		4,558
Other revenues	645,077	-		645,077
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	23,318,324	-		23,318,324
EXPENSES				
Personnel costs:				
Salaries	8,529,862	-		8,529,862
Stipends	341,145	-		341,145
Benefits and payroll taxes	4,840,644	-		4,840,644
Contract services	670,387	-		670,387
TOTAL PERSONNEL COSTS	14,382,038	-		14,382,038
Transportation costs	307,204	-		307,204
Space costs	2,045,889	-		2,045,889
Consumable supplies	731,644	-		731,644
Direct assistance	2,691,492	-		2,691,492
Other costs	3,028,799	-		3,028,799
Depreciation expense	-	120,410	(1)	120,410
TOTAL EXPENSES	23,187,066	120,410		23,307,476
CHANGES IN NET ASSETS	$ 131,258	$ (120,410)		$ 10,848

Note 1 – The combining schedule of activities and changes in net assets - parent includes capital additions as expenditures. However, in the statement of activities and changes 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 (PARENT ORGANIZATION ONLY)

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

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- ALABAMA SOCIETY OF
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Parent Organization Only)

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, 2011, and have issued our report thereon dated May 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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.

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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.

Wear, Howell, Strickland, Quinn & Lowe, LLC
CERTIFIED PUBLIC ACCOUNTANTS

May 24, 2012

FEDERAL AWARDS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (PARENT ORGANIZATION ONLY)

IRVIN R. STRICKLAND, CPA
C. KENT QUINN, CPA PC
ANTHONY T. LAW, CPA PC
JOSEPH V. WYNN, CPA PC
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- ALABAMA SOCIETY OF
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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 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 could have a direct and material effect on each of The Community Action Partnership of North Alabama, Inc.'s major federal programs for the year ended December 31, 2011. 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.

In our opinion, The Community Action Partnership of North Alabama, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Community Action Partnership of North Alabama, Inc.'s internal control over compliance.

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

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

The Community Action Partnership of North Alabama, Inc.'s response to the status of the prior year 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.

Wear, Howell, Stricklin, Quinn & Lay, LLC
CERTIFIED PUBLIC ACCOUNTANTS

May 24, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2011

	Federal CFDA Number	Grant No. or Pass-Through Grantor's Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct programs :			
Head Start Program	93.600	04CH3145/44	$ 5,899,196
Head Start Program	93.600	04CH3145/45	6,060,378
Head Start Program - ARRA	93.708	04SH3145/01	517,463
Early Head Start Program - ARRA	93.709	04SA3145/01	282,022
Total Head Start Program			12,759,059
Passed through the Alabama Department of Economic and Community Affairs:			
Low Income Home Energy Assistance	93.568	LI-021-11	2,589,991
Low Income Home Energy Assistance	93.568	LI-021-12	129,520
Community Services Block Grant	93.569	CS-021-11	312,612
Community Services Block Grant	93.569	CS-021-12	23,839
			3,055,962
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			15,815,021
DEPARTMENT OF ENERGY			
Passed through the Alabama Department of Economic and Community Affairs :			
Weatherization Assistance for Low-Income Persons	81.042	DOE-021-10	72,881
Weatherization Assistance for Low-Income Persons	81.042	ARRADOE-021-09	1,152,542
TOTAL DEPARTMENT OF ENERGY			1,225,423
DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Education :			
Rural Housing Preservation	10.433	N/A	24,216
Child Care Food Program - Head Start	10.558	690-H11	833,275
Child Care Food Program - Head Start	10.558	690-H11	318,453
TOTAL DEPARTMENT OF AGRICULTURE			1,175,944

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2011

	Federal CFDA Number	Grant No. or Pass-Through Grantor's Number	Federal Expenditures
THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Foster Grandparent Program	94.011	10SFSAL005	7,114
Foster Grandparent Program	94.011	10SFSAL005	269,622
Senior Companion Program	94.016	10SCSAL001	5,777
Senior Companion Program	94.016	10SCSAL001	240,949
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			523,462
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed Through United Way of America :			
Emergency Food & Shelter - Morgan County	97.024	27-0142-00	18,170
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			18,170
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Comprehensive Housing Counseling Grant	14.169	HC09-0421-004	21,447
Comprehensive Housing Counseling Grant	14.169	HC10-0421-002	6,641
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			28,088
DEPARTMENT OF TREASURY			
NeighborWorks America	21.000	N/A	119,952
TOTAL DEPARTMENT OF TREASURY			119,952
TOTAL FEDERAL AWARDS			$ 18,906,060

The notes to the Schedule of Federal Awards is an integral part of this Schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
THE COMMUNITY ACTION PARNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Agency (the Parent organization only) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts reported in this schedule may differ from amounts presented in, or used in the preparation of, the requests for reimbursement. These differences are temporary in nature and are resolved at the conclusion and final request for reimbursement of each program year.

NOTE 2 – NONCASH ASSISTANCE, INSURANCE, AND LOANS

The Agency (the Parent organization only) did not receive any noncash awards during the year. The Agency also did not have any insurance guarantees, or loans, or loan guarantees outstanding at the end of the year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
THE COMMUNITY ACTION PARNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2011

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? _____ yes ___X___ 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: Unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.600	Head Start Program
93.708	Head Start Program - ARRA
93.709	Early Head Start Program - ARRA
81.042	Weatherization Assistance
81.042	Weatherization Assistance - ARRA
93.568	Low Income Home Energy Assistance

Dollar threshold used to distinguish between type A and type B programs: $ 567,182

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

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported

Status of Prior Year Findings:

Summary Schedule of Prior Audit Findings:

Finding Number 2009-1:

The Corporation for National and Community Service:

Name of Program	CFDA No.	Grant No.	Grant Period
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

Status of Finding Number 2009-1:

Management has received correspondence on June 9, 2011 (Senior Companion Program) and August 4, 2011 (Foster Grandparent Program) that all administrative and financial actions and other requirements of the above grants have been completed. See Management's status report on prior year Prior Year Finding Number 2009-1 shown below.

Management Status Report on Prior Year Findings – Number 2009-1

The Community Action Partnership of North Alabama has continued to implement all planned activities as reported in the Management Response letter in our 2009 audit report. We have continued to contact the funding source for any additional guidance on the method to refund the $9,786.39 that has been agreed on. No information has been provided.

However, on June 9, 2011 (Senior Companion Program), and August 4, 2011 (Foster Grandparent Program), we received emails from the Corporation for National Service that "*formally advise you that our records indicate that all applicable final administrative and financial actions and other requirements of the above grant have been completed and, accordingly, the award may be considered closed out.*" Since we have had no other correspondence indicating to the contrary, we consider the issue closed.