

CONSOLIDATED FINANCIAL STATEMENTS

With Supplementary Information

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

DECATUR, ALABAMA

For the year ended December 31, 2014

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FINANCIAL SECTION

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Community Action Partnership of North Alabama, Inc. (a non-profit organization) and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the consolidated financial statements of the subsidiaries as outlined in Note 17 to the consolidated financial statements, which statements reflect total assets of \$32,636,937 as of December 31, 2014 and total revenues of \$2,414,377 for the year ended December 31, 2014. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for the above referenced subsidiaries, is based solely on the report of other auditors. 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Action Partnership of North Alabama, Inc. and subsidiaries as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion and the opinion of other auditors, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Community Action Partnership of North Alabama, Inc.'s internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS
Decatur, Alabama

June 24, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 1,583,974
Grants receivable	540,444
Other accounts receivable	57,697
Prepaid expenses	39,046
TOTAL CURRENT ASSETS	<u>2,221,161</u>
RESTRICTED ASSETS	
Restricted deposits and reserves	1,815,625
NONCURRENT ASSETS	
Notes receivable - related parties	3,323,043
Property and equipment - net	32,535,782
Other assets	443,112
TOTAL NONCURRENT ASSETS	<u>36,301,937</u>
TOTAL ASSETS	<u>\$ 40,338,723</u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable	\$ 61,992
Accrued interest	576,888
Other accrued expenses	1,118,924
Deferred revenue	258,966
Current portion of long-term debt	198,061
TOTAL CURRENT LIABILITIES	<u>2,214,831</u>
NONCURRENT LIABILITIES	
Tenant security deposits	139,300
Accumulated deficit investment in partnerships	28,844
Developer fees payable	507,053
Long-term debt - net	13,139,829
TOTAL NONCURRENT LIABILITIES	<u>13,815,026</u>
NET ASSETS	
Unrestricted	21,532,854
Temporarily restricted	2,446,012
Permanently restricted	330,000
TOTAL NET ASSETS	<u>24,308,866</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 40,338,723</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, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
State of Alabama	\$ -	\$ 6,366,505	\$ -	\$ 6,366,505
Dept. of Health & Human Services	-	20,456,270	-	20,456,270
Corporation for National and Community Service	-	494,090	-	494,090
NeighborWorks America	-	193,093	160,000	353,093
Local United Way	-	134,028	-	134,028
Department of HUD	-	13,293	-	13,293
Other support	-	280,555	-	280,555
Rent income	2,312,162	-	-	2,312,162
Other revenue	-	740,791	-	740,791
Non-cash contributions	-	4,856,014	-	4,856,014
Net assets released from restriction:				
Restrictions satisfied by payments	32,305,689	(32,305,689)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	34,617,851	1,228,950	160,000	36,006,801
EXPENSES				
Personnel costs:				
Salaries	12,446,844	-	-	12,446,844
Stipends	298,920	-	-	298,920
Benefits and payroll taxes	6,573,252	-	-	6,573,252
Contract services	490,526	-	-	490,526
TOTAL PERSONNEL COSTS	19,809,542	-	-	19,809,542
Travel and transportation costs	526,375	-	-	526,375
Space costs	4,896,296	-	-	4,896,296
Consumable supplies	1,156,311	-	-	1,156,311
Direct assistance	2,506,024	-	-	2,506,024
Other costs	4,324,540	-	-	4,324,540
Interest expense	300,608	-	-	300,608
Rental property expenses	1,828,380	-	-	1,828,380
Depreciation and amortization expense	1,590,489	-	-	1,590,489
TOTAL EXPENSES	36,938,565	-	-	36,938,565
CHANGE IN NET ASSETS	(2,320,714)	1,228,950	160,000	(931,764)
Net assets, beginning of year - as adjusted, see Note 18	23,629,540	1,217,062	170,000	25,016,602
	21,308,826	2,446,012	330,000	24,084,838
Capital contributions - net	224,028	-	-	224,028
NET ASSETS, END OF YEAR	\$ 21,532,854	\$ 2,446,012	\$ 330,000	\$ 24,308,866

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, 2014

<u>Increase (Decrease) in Cash</u>	
Cash flows from operating activities:	
Change in net assets	\$ (931,764)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,590,489
Changes in operating assets and liabilities:	
Grants receivable	489,729
Other accounts receivable	78,707
Prepaid expenses	6,044
Other assets	(2,482)
Accounts payable and accrued expenses	605,426
Deferred revenue	(317,891)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,518,258</u>
Cash flows from investing activities:	
Net deposits to reserve and escrow accounts	227,007
Purchase of property and equipment	(388,056)
NET CASH USED IN INVESTING ACTIVITIES	<u>(161,049)</u>
Cash flows from financing activities:	
Proceeds from long-term debt	36,555
Principal payments on long-term debt	(354,092)
Developer fee payments	(337,930)
Equity contributions	57,346
NET CASH USED IN FINANCING ACTIVITIES	<u>(598,121)</u>
	NET INCREASE IN CASH 759,088
Cash, beginning of year	824,886
	CASH, END OF YEAR <u>\$ 1,583,974</u>
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 261,358</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, 2014

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 consolidated 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. CLASSIFICATION OF NET ASSETS

Net assets, 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 consolidated statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that are 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 or specific purposes. Permanently restricted net assets consist of NeighborWorks America Revolving Loan and Capital Projects funds. These funds are intended for making loans and funding capital projects. Only income derived from the capital assets is permitted to be transferred or expended.

F. USE OF ESTIMATES

The preparation of the consolidated 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 consolidated statement of cash flows, the Agency and subsidiaries 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

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 therefrom, 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.

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 20 years
Buildings and improvements	7 to 40 years
Furniture and equipment	3 to 25 years
Transportation equipment	5 to 10 years

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 consolidated financial statements.

L. INCOME TAXES

The Agency is a not-for-profit organization exempt from income taxes as described in Section 501 (c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. The Agency believes that they have appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

The Agency's federal exempt organization Business Income Tax Returns (Form 990) for 2011 and after remain open and subject to examination by the Internal Revenue Service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. SUBSEQUENT EVENTS

Subsequent events for the parent organization have been evaluated through the report date, June 24, 2015, which is the date the financial statements were available to be issued. Subsequent events for the subsidiaries included in the consolidated financial statements were evaluated through February 15, 2015, the date on which these financial statements were available for issuance.

NOTE 2 – SUBSIDIARIES

The Agency had the following wholly owned subsidiaries at December 31, 2014:

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 that the agency serves as the general partner.
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, 2014, the corporation was general partner in seven limited partnerships. The assets, liabilities and equity of these entities are included in the Agency's consolidated financial statements.
5. Reworx of North Alabama – This is a non-profit limited liability company owned entirely by the Agency. Reworx is dedicated to the safe, responsible, and environmentally conscious removal of e-waste, which includes computers, smart phones, office equipment, etc.

The above entities have been included in the consolidated financial statements of the Agency for the year ended December 31, 2014.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

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, balances in these accounts may exceed the insured limits, however at December 31, 2014, there were no uninsured balances. The Agency believes it is not exposed to any significant credit risk on cash balances.

During the year ended December 31, 2014 the Agency received 18.9% and 60.9% of its total revenues, gains and support from the State of Alabama and the U. S. Department of Health and Human Services, respectively.

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:

CSBG	\$ 139,402
CDBG	53,504
Weatherization	85,990
Foster Grandparent Senior Companion	47,823
Head Start	23,746
Department of Housing & Urban Development - Housing Counseling	20,772
State of Alabama Department of Education - USDA	10,317
Alabama School Readiness	118,791
Neighborworks	12,074
Other	28,025
TOTAL GRANTS RECEIVABLE	<u>\$ 540,444</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 5 – NOTES RECEIVABLE – RELATED PARTIES

The Agency has long-term notes receivable from the following Limited Liability Partnerships at December 31, 2014, 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	\$ 259,253
Northgate Place Apartments, LTD	317,452
Saddle Ridge Apartments, LTD	227,807
Holly Pond Apartments, LTD	85,898
Holly Pond Apartments Phase II, LTD	42,944
Reform Manor , LTD	157,564
Oliver Place, LTD	575,000
Palmettos Way, LLC	390,000
Azalea Gardens, LLC	400,000
Loris Gardens, LLC	400,000
Wyndsor Downs, LLC	224,000
Millers Ridge, L.P.	360,000
TOTAL NOTES RECEIVABLE-RELATED PARTIES	<u>\$ 3,439,918</u>

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2014 is as follows:

	Parent	Subsidiaries			
	Community Action Partnership of North Alabama	CAPNA Limited Liability Entity Investments	Property Holdings, LLC	Southern Community Builders, Inc.	Consolidated
Land	\$ -	\$ 418,159	\$ 286,069	\$ 2,392,217	\$ 3,096,445
Land improvements	-	151,596	-	4,013,760	4,165,356
Buildings and improvements	1,775,405	7,903,202	645,117	26,124,850	36,448,574
Furniture and equipment	101,160	396,879	-	1,552,448	2,050,487
Transportation equipment	404,417	-	-	-	404,417
TOTAL PROPERTY AND EQUIPMENT	2,280,982	8,869,836	931,186	34,083,275	46,165,279
Less accumulated depreciation	666,736	4,079,733	134,410	8,748,618	13,629,497
PROPERTY AND EQUIPMENT - NET	<u>\$1,614,246</u>	<u>\$4,790,103</u>	<u>\$ 796,776</u>	<u>\$25,334,657</u>	<u>\$32,535,782</u>
Depreciation expense for each entity was charged to expenses as shown:	<u>\$ 234,506</u>	<u>\$ 254,169</u>	<u>\$ 15,128</u>	<u>\$ 1,086,686</u>	<u>\$ 1,590,489</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 7 – LONG-TERM DEBT

The Community Action Partnership of North Alabama, Inc. and Subsidiaries' long-term debt at December 31, 2014 is as follows:

Property Holdings, LLC:

Note payable - Regions Bank, bearing interest at 4.75% per annum, payable in 60 monthly installments of \$1,246, maturing February 27, 2017.	\$ 31,757
TOTAL PROPERTY HOLDINGS, LLC	<u>31,757</u>

CAPNA Limited Liability Entity Investments:

Deer Run Apartments, LTD:

The Partnership has a \$127,452 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.	127,452
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The Partnership has a \$965,077 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.	<u>965,077</u>
TOTAL DEER RUN APARTMENTS, LTD	1,092,529

Alexander Terrace Apartments, LTD:

The Partnership has a \$31,208 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.	31,208
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The Partnership has a \$657,000 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.	<u>657,000</u>
TOTAL ALEXANDER TERRACE APARTMENTS, LTD	688,208

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 7 – LONG-TERM DEBT - CONTINUED

Harbor Square Apartments, LTD:

The Partnership has a \$1,366,000 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

Mound Plaza, LTD:

The Partnership has a \$572,037 mortgage note, secured by the Project, payable in monthly installments of \$5,027 net of the interest subsidy at 9.5%, payable through 2039. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.

572,037

TOTAL CAPNA LIMITED LIABILITY ENTITY INVESTMENTS

3,718,774

Southern Community Builders, Inc.

Pine Creek Apartments, LTD:

The Partnership has a \$312,387 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.

312,387

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

952,987

Sophia's Landing Apartments, LTD:

The Partnership has a \$1,219,133 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.

1,219,133

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 7 – LONG-TERM DEBT - CONTINUED

The Oaks Apartments, LTD:

The Partnership has a \$431,529 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.

431,529

The Partnership has a \$533,100 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

964,629

Alexander Terrace Apartments, II, LTD:

The Partnership has a \$180,895 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.

180,895

The Partnership has a \$1,033,140 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

1,214,035

Bankhead Court Apartments, LTD:

The Partnership has a \$100,736 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.

100,736

The Partnership has a \$953,570 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

1,054,306

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 7 – LONG-TERM DEBT - CONTINUED

The Springs Apartments, LTD:

The Partnership has a \$175,776 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.

175,776

The Partnership has a \$486,380 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

662,156

Mountainside Apartments, LTD:

The Partnership has a \$115,905 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.

115,905

The Partnership has a \$1,618,650 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 \$252,000 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

1,986,555

The Village at Blackwell Farm, LTD:

The Partnership has a \$236,128 mortgage note, secured by the Project, payable in monthly installments of \$1,771 including interest at 6.00%, payable through 2033. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.

236,128

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 7 – LONG-TERM DEBT - CONTINUED

The Partnership has a \$1,297,430 second mortgage note,
secured by the Project, under the State of Alabama's
HOME Investment Partnership program payable in full
in 2033, including interest which accrues at the rate of
1/2 of 1 percent per year.

	1,297,430
TOTAL VILLAGE AT BLACKWELL FARM, LTD	<u>1,533,558</u>
TOTAL SOUTHERN COMMUNITY BUILDERS, INC.	<u>9,587,359</u>
	TOTAL LONG-TERM DEBT 13,337,890
Less current maturities on long-term debt	198,061
	LONG-TERM DEBT - NET <u>\$ 13,139,829</u>

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

<u>For the year ending December 31,</u>	<u>Amount</u>
2015	\$ 198,061
2016	231,217
2017	1,598,241
2018	908,628
2019	264,836
2020 and thereafter	<u>10,136,907</u>
	<u>\$13,337,890</u>

NOTE 8 – DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2014:

Department of Health & Human Services - Head Start	\$ 91,260
Department of Health & Human Services - Low-Income Home Energy Assistance	167,706
TOTAL DEFERRED REVENUE	<u>\$ 258,966</u>

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 9 – DEFINED BENEFIT PENSION PLAN - CONTINUED

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, and amended by Act 2012-377 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, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy:

Tier 1 Employees and Tier 2 Employees of the Agency are required to contribute seven and one half percent and six percent of their salary, respectively, to the Teacher's Retirement System. Tier 1 Employees are employees hired before January 1, 2013 and Tier 2 Employees are employees hired after January 1, 2013. 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, 2014 as follows:

Contributions:	<u>Tier 1</u>	<u>Tier 2</u>
Percentage contributed by the Agency:		
For current year service:		
1/1/14-9/30/14	11.71%	11.08%
10/1/14-12/31/14	11.71%	11.05%
Percentage contributed by employees		
1/1/14-12/31/14	7.50%	6.00%
Tier 1 and Tier 2:		
Amount contributed by the Agency	\$1,262,040	
Amount contributed by employees	746,984	
TOTAL CONTRIBUTIONS	<u>\$2,009,024</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 10 – NON-CASH CONTRIBUTIONS

Non-cash contributions consisted of the following for the year ended December 31, 2014:

Space costs	\$ 3,402,341
Salaries and benefits	1,453,673
TOTAL NON-CASH CONTRIBUTIONS	<u>\$ 4,856,014</u>

NOTE 11 – OPERATING 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, 2014 was \$384,414. The terms of the operating leases in effect as of December 31, 2014, are as follows:

- A. Lease agreement for the Administration and Head Start 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>
2015	\$ 142,200
2016	142,200
2017	142,200
2018	130,350
TOTAL FUTURE COMMITMENT	<u>\$ 556,950</u>

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

The Agency also rents facilities from Property Holdings, LLC, a related party, on a year to year agreement. During the year ended December 31, 2014 the total rent expense was \$82,775.

The Agency is also furnished certain facilities as non-cash contributions from various agencies. The value of these facilities for the year ended December 31, 2014, as reflected in the consolidated financial statements was approximately \$3,402,341.

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, 2014

NOTE 12 – COMPENSATED ABSENCES – ACCRUED LEAVE

Certain programs of the Agency allow twelve-month employees up to five weeks of vacation per year with pay. The leave policy requires 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 leave at December 31, 2014.

NOTE 13 – DEVELOPER FEES PAYABLE

Certain of the Limited Liability Entities have entered into agreements with the general partner (developer) to provide services related to the development of the Entity's project. The total fees under these agreements had not been paid as of December 31, 2014. The following Limited Liability Entities had developer fees payable at December 31, 2014:

Pine Creek Apartments, LTD	\$ 97,632
The Oaks Apartments, LTD	129,316
Alexander Terrace II Apartments, LTD	59,418
The Village at Blackwell Farm, LTD	107,901
Bankhead Court Apartments, LTD	112,786
TOTAL DEVELOPER FEES PAYABLE	<u>\$ 507,053</u>

NOTE 14– RESTRICTED DEPOSITS AND RESERVES

Certain Limited Liability Entities that are included in the consolidated financial statements are required to maintain the following restricted deposits and funded reserves:

1. Security Deposits Held in Trust
2. Replacement Reserve – To be used for the replacement, improvement, or major repair of property and equipment.
3. Tax and Insurance Escrow – To be used for the payment of annual property taxes and property insurance premiums.
4. Operating Deficit Reserve – These funds may be withdrawn for operating expenses and debt service subject to conditions outlined in the loan agreements.

Withdrawals from the replacement reserves require Alabama Housing Finance Authority (AHFA) approval. The balance in the Restricted Deposits and Reserves accounts at December 31, 2014 amounted to \$1,815,625.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 15 – ACCUMULATED DEFICIT INVESTMENT IN PARTNERSHIPS

In addition to the investment in limited partnerships as outlined in Note 2 to the consolidated financial statements, The Community Action Partnership of North Alabama, Inc. and its subsidiaries have the following deficit investment in other limited partnerships:

Limited Liability Partnerships	Percentage Ownership	Balance 12/31/13	Share of Income (Loss) for 2014	Balance 12/31/14
Community Action Partnership of North Alabama, Inc.:				
Saddle Ridge Apts, LTD	0.075%	\$ (11,325)	\$ (1)	\$ (11,326)
Northgate Place Apts, LTD	0.005%	(120)	55	(65)
Park Hill Apts, LTD	0.500%	(7,580)	(140)	(7,720)
Ivy Pointe Apts, LTD	0.500%	(3,790)	(300)	(4,090)
Hickory Run Apts, LTD	0.500%	(4,688)	(123)	(4,811)
Holly Pond Apts, LTD	0.005%	(15)	-	(15)
Holly Pond Apts. II, LTD	0.005%	(8)	-	(8)
Reform Manor, LTD	1.000%	(23)	(3)	(26)
Millers Ridge Apts, LP	0.010%	(215)	-	(215)
Loris Gardens, LLC	0.005%	(42)	(1)	(43)
Wyndsor Downs, LLC	0.001%	(52)	(7)	(59)
Palmettos Way, LLC	0.001%	(12)	-	(12)
Mountainside Apts, LTD	0.001%	(20)	8	(12)
Azalea Gardens, LLC	0.001%	(10)	-	(10)
TOTAL COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC.		(27,900)	(512)	(28,412)
Southern Community Builders, Inc.:				
Parkway Place Apts, LTD	0.001%	(32)	(4)	(36)
Pecan Cove Apts, LTD	0.001%	(64)	(8)	(72)
Harbor Pointe Apts, LTD	0.001%	(34)	(4)	(38)
Harbor Pointe Apts. II, LTD	0.001%	(5)	(2)	(7)
Greenwood Park, LTD	0.001%	(59)	(8)	(67)
Community Village I, LTD	0.001%	(84)	(12)	(96)
Sara's Ridge Apts, LTD	0.001%	(75)	(12)	(87)
Anne Place Apts, LTD	0.001%	(24)	(5)	(29)
TOTAL SOUTHERN COMMUNITY BUILDERS, INC.		(377)	(55)	(432)
TOTAL		<u>\$ (28,277)</u>	<u>\$ (567)</u>	<u>\$ (28,844)</u>

The investment in these limited partnerships is recorded using the equity method and costs adjusted for the Agency's proportionate share of undistributed earnings or losses. The Organization is liable for their proportionate share of any losses in each of the limited partnerships.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

NOTE 15 – ACCUMULATED DEFICIT INVESTMENT IN PARTNERSHIPS - CONTINUED

The fiscal year-end for all of the limited partnerships is December 31. The financial status and activities in the limited partnerships as of and for the year ended December 31, 2014, are as follows:

	Community Action Partnership of North Alabama	Southern Community Builders, Inc.	Total
Assets	\$ 26,789,750	\$ 50,509,527	\$ 77,299,277
Liabilities	18,211,084	18,551,886	36,762,970
Equity	<u>\$ 8,578,666</u>	<u>\$ 31,957,641</u>	<u>\$ 40,536,307</u>
Current year loss	<u>\$ (2,659,362)</u>	<u>\$ (1,904,727)</u>	<u>\$ (4,564,089)</u>

NOTE 16 – 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.

Tax Credits:

The Agency and Southern Community Builders, Inc. are partners in multiple apartment complexes that have received tax credits for low income housing. They are the general partner and guaranty for these tax credits. The Agency can be held responsible for noncompliance with the tax credits and be held liable for the entire amount of the credit. No provision has been made for any liabilities that may arise from noncompliance with the tax credits since the amounts, if any, cannot be determined at this date.

NOTE 17 – AUDITED FINANCIAL STATEMENTS OF OTHER AUDITORS

The consolidated financial statements of Southern Community Builders, Inc., with eight limited partnerships and CAPNA Limited Liability Entity Investments a division of The Community Action Partnership of North Alabama, Inc. with four limited partnerships were audited by other auditors whose reports have been furnished to the principle auditors. A summary of the total assets and total revenues as of and for the year ended December 31, 2014 is presented below:

	Total Assets	Total Revenues
Southern Community Builders, Inc.	\$ 27,190,780	\$ 1,767,207
CAPNA Limited Liability Investments	5,446,157	647,170
TOTALS	<u>\$ 32,636,937</u>	<u>\$ 2,414,377</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 THE COMMUNITY ACTION PARTNERSHIP
 OF NORTH ALABAMA, INC. AND SUBSIDIARIES
 December 31, 2014

NOTE 18 – PRIOR PERIOD ADJUSTMENT

Consolidated unrestricted net assets as of December 31, 2013: \$ 21,280,540

The Community Action Partnership of North Alabama, Inc.

Net assets balance as of December 31, 2013 \$ 3,321,123

Adjustment to add additional note receivables
 from related parties as of December 31, 2013 2,349,000 2,349,000

Net Assets as adjusted at December 31, 2013 \$ 5,670,123

CONSOLIDATED UNRESTRICTED NET ASSETS AT
 DECEMBER 31, 2013 AS ADJUSTED 23,629,540

CONSOLIDATED TEMPORARILY RESTRICTED NET ASSETS 1,217,062

CONSOLIDATED PERMANENTLY RESTRICTED NET ASSETS 170,000

TOTAL CONSOLIDATED NET ASSETS
 AT DECEMBER 31, 2013 AS ADJUSTED \$ 25,016,602

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2014

	Parent	Subsidiaries	
	Community Action Partnership of North Alabama, Inc.	CAPNA Limited Liability Entity Investments	North Alabama Community Partnership Fund, LLC
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,207,804	\$ 132,016	\$ 9,733
Grants receivable	540,444	-	-
Other accounts receivable	56,659	5,731	85,758
Prepaid expenses	875	5,750	-
TOTAL CURRENT ASSETS	1,805,782	143,497	95,491
RESTRICTED ASSETS			
Restricted deposits and reserves	-	512,557	-
NONCURRENT ASSETS			
Accounts receivable - related parties	255,105	-	-
Notes receivable - related parties	3,439,918	-	-
Property and equipment - net	1,614,246	4,790,103	-
Other assets	164,199	-	20
TOTAL NONCURRENT ASSETS	5,473,468	4,790,103	20
TOTAL ASSETS	\$ 7,279,250	\$ 5,446,157	\$ 95,511
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ 82,325	\$ -
Accrued interest	-	255,295	-
Other accrued expenses	1,069,088	10,605	-
Deferred revenue	258,966	-	-
Current portion of long-term debt	-	30,493	-
TOTAL CURRENT LIABILITIES	1,328,054	378,718	-
NONCURRENT LIABILITIES			
Accounts payable related parties	-	41,780	-
Tenant security deposits	-	38,150	-
Accumulated deficit investment in partnerships	28,412	-	-
Developer fees payable	-	-	-
Long-term debt - net	-	3,688,281	-
TOTAL NONCURRENT LIABILITIES	28,412	3,768,211	-
NET ASSETS			
Unrestricted	3,242,283	1,299,228	-
Temporarily restricted	2,350,501	-	95,511
Permanently restricted	330,000	-	-
TOTAL NET ASSETS	5,922,784	1,299,228	95,511
TOTAL LIABILITIES AND NET ASSETS	\$ 7,279,250	\$ 5,446,157	\$ 95,511

See independent auditor's report.

Property Holdings, LLC	Southern Community Builders, Inc.	Reworx of North Alabama, LLC	Eliminations	Consolidated
\$ -	\$ 231,993	\$ 2,428	\$ -	\$ 1,583,974
-	-	-	-	540,444
-	9,748	-	(100,199)	57,697
-	32,421	-	-	39,046
-	274,162	2,428	(100,199)	2,221,161
-	1,303,068	-	-	1,815,625
-	-	-	(255,105)	-
-	-	-	(116,875)	3,323,043
796,776	25,334,657	-	-	32,535,782
-	278,893	-	-	443,112
796,776	25,613,550	-	(371,980)	36,301,937
<u>\$ 796,776</u>	<u>\$ 27,190,780</u>	<u>\$ 2,428</u>	<u>\$ (472,179)</u>	<u>\$ 40,338,723</u>
\$ -	\$ 52,529	\$ -	\$ (72,862)	\$ 61,992
-	321,593	-	-	576,888
-	39,231	30,199	(30,199)	1,118,924
-	-	-	-	258,966
13,802	153,766	-	-	198,061
13,802	567,119	30,199	(103,061)	2,214,831
257,338	-	-	(299,118)	-
-	101,150	-	-	139,300
-	432	-	-	28,844
-	507,053	-	-	507,053
17,955	9,433,593	70,000	(70,000)	13,139,829
275,293	10,042,228	70,000	(369,118)	13,815,026
507,681	16,581,433	(97,771)	-	21,532,854
-	-	-	-	2,446,012
-	-	-	-	330,000
507,681	16,581,433	(97,771)	-	24,308,866
<u>\$ 796,776</u>	<u>\$ 27,190,780</u>	<u>\$ 2,428</u>	<u>\$ (472,179)</u>	<u>\$ 40,338,723</u>

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, 2014

	Parent	Subsidiaries	
	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	\$ 6,366,505	\$ -	\$ -
Dept. of Health & Human Services	20,456,270	-	-
Corporation for National and Community Service	494,090	-	-
NeighborWorks America	353,093	-	-
Local United Way	134,028	-	-
Department of HUD	13,293	-	-
Other support	280,555	-	-
Rent income	-	633,946	-
Other revenue	630,851	13,224	-
Non-cash contributions	4,856,014	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	33,584,699	647,170	-
EXPENSES			
Personnel costs:			
Salaries	12,446,844	-	-
Stipends	298,920	-	-
Benefits and payroll taxes	6,573,252	-	-
Contract services	490,526	-	-
TOTAL PERSONNEL COSTS	19,809,542	-	-
Travel and transportation costs	525,049	-	-
Space costs	4,946,841	-	-
Consumable supplies	1,154,731	-	-
Direct assistance	2,506,024	-	-
Other costs	4,320,418	-	-
Interest expense	1,609	41,629	-
Rental property expense	-	572,169	-
Depreciation and amortization expense	234,506	254,169	-
TOTAL EXPENSES	33,498,720	867,967	-
CHANGE IN NET ASSETS	85,979	(220,797)	-
Net assets (deficit), beginning of year	5,670,123	1,539,166	95,511
	5,756,102	1,318,369	95,511
Capital contributions (distributions)	166,682	(19,141)	-
NET ASSETS (DEFICIT), END OF YEAR	\$ 5,922,784	\$ 1,299,228	\$ 95,511

See independent auditor's report.

Property Holdings, LLC	Southern Community Builders, Inc.	Reworx of North Alabama, LLC	Eliminations	Consolidated
\$ -	\$ -	\$ -	\$ -	\$ 6,366,505
-	-	-	-	20,456,270
-	-	-	-	494,090
-	-	-	-	353,093
-	-	-	-	134,028
-	-	-	-	13,293
-	-	-	-	280,555
82,775	1,678,216	-	(82,775)	2,312,162
-	88,991	7,725	-	740,791
-	-	-	-	4,856,014
82,775	1,767,207	7,725	(82,775)	36,006,801
-	-	-	-	12,446,844
-	-	-	-	298,920
-	-	-	-	6,573,252
-	-	-	-	490,526
-	-	-	-	19,809,542
-	-	1,326	-	526,375
-	991	31,239	(82,775)	4,896,296
-	-	1,580	-	1,156,311
-	-	-	-	2,506,024
-	1,100	3,022	-	4,324,540
4,457	252,913	-	-	300,608
-	1,252,083	4,128	-	1,828,380
15,128	1,086,686	-	-	1,590,489
19,585	2,593,773	41,295	(82,775)	36,938,565
63,190	(826,566)	(33,570)	-	(931,764)
444,491	17,331,512	(64,201)	-	25,016,602
507,681	16,504,946	(97,771)	-	24,084,838
-	76,487	-	-	224,028
\$ 507,681	\$ 16,581,433	\$ (97,771)	\$ -	\$ 24,308,866

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
CAPNA LIMITED LIABILITY ENTITY INVESTMENTS
December 31, 2014

<u>ASSETS</u>	Deer Run Apartments, LTD	Alexander Terrace Apartments, LTD	Harbor Square Apartments, LTD	Mound Plaza, LTD	Total
CURRENT ASSETS					
Cash	\$ 38,785	\$ 17,922	\$ 72,706	\$ 2,603	\$ 132,016
Accounts receivable	1,388	-	-	4,343	5,731
Prepaid expenses	1,800	2,279	1,671	-	5,750
TOTAL CURRENT ASSETS	41,973	20,201	74,377	6,946	143,497
RESTRICTED DEPOSITS AND RESERVES					
Security deposits held in trust	11,555	6,190	16,955	3,450	38,150
Replacement reserves	101,900	53,054	98,858	68,604	322,416
Tax and insurance escrow	4,688	3,055	4,330	9,685	21,758
Operating deficit reserve	53,587	25,839	50,807	-	130,233
TOTAL RESTRICTED DEPOSITS AND RESERVES	171,730	88,138	170,950	81,739	512,557
PROPERTY AND EQUIPMENT					
Land	156,100	45,000	200,000	17,059	418,159
Land improvements	6,267	143,214	2,115	-	151,596
Buildings	2,704,397	1,380,076	2,970,517	848,212	7,903,202
Furniture and equipment	189,962	95,411	106,966	4,540	396,879
TOTAL PROPERTY AND EQUIPMENT	3,056,726	1,663,701	3,279,598	869,811	8,869,836
Less accumulated depreciation	1,183,352	763,006	1,377,766	755,609	4,079,733
PROPERTY AND EQUIPMENT - NET	1,873,374	900,695	1,901,832	114,202	4,790,103
TOTAL ASSETS	\$ 2,087,077	\$ 1,009,034	\$ 2,147,159	\$ 202,887	\$ 5,446,157
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 21,090	\$ 7,365	\$ 46,430	\$ 7,440	\$ 82,325
Accrued interest	74,236	54,990	125,233	836	255,295
Other accrued expenses	3,434	2,298	3,156	1,717	10,605
Current portion of long-term debt	17,146	7,094	-	6,253	30,493
TOTAL CURRENT LIABILITIES	115,906	71,747	174,819	16,246	378,718
NONCURRENT LIABILITIES					
Tenant security deposits	11,555	6,190	16,955	3,450	38,150
Accounts payable related parties	-	-	-	41,780	41,780
Long-term debt - net	1,075,383	681,114	1,366,000	565,784	3,688,281
TOTAL NONCURRENT LIABILITIES	1,086,938	687,304	1,382,955	611,014	3,768,211
PARTNER'S EQUITY	884,233	249,983	589,385	(424,373)	1,299,228
TOTAL LIABILITIES AND NET ASSETS	\$ 2,087,077	\$ 1,009,034	\$ 2,147,159	\$ 202,887	\$ 5,446,157

See independent auditor's report.

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
CAPNA LIMITED LIABILITY ENTITY INVESTMENTS
For the year ended December 31, 2014

	Deer Run Apartments, LTD	Alexander Terrace Apartments, LTD	Harbor Square Apartments, LTD	Mound Plaza, LTD	Total
REVENUES					
Rent income	\$ 206,445	\$ 94,024	\$ 228,192	\$ 105,285	\$ 633,946
Tenant charges	6,295	3,130	1,685	1,130	12,240
Interest income	363	99	77	189	728
Other	201	55	-	-	256
TOTAL REVENUES	213,304	97,308	229,954	106,604	647,170
EXPENSES					
Administrative	32,346	18,967	35,916	16,564	103,793
Utilities	16,995	4,222	11,774	5,220	38,211
Operating and maintenance	61,783	35,547	75,247	40,552	213,129
Taxes and insurance	25,916	15,327	26,075	13,774	81,092
Interest expense	18,185	6,332	7,419	9,693	41,629
Management fees	39,670	13,804	64,750	17,720	135,944
Depreciation expense	81,521	48,998	89,644	34,006	254,169
TOTAL EXPENSES	276,416	143,197	310,825	137,529	867,967
NET INCOME (LOSS)	(63,112)	(45,889)	(80,871)	(30,925)	(220,797)
Net assets (deficit), beginning of year	956,467	295,872	680,275	(393,448)	1,539,166
	893,355	249,983	599,404	(424,373)	1,318,369
Distributions	9,122	-	10,019	-	19,141
NET ASSETS (DEFICIT), END OF YEAR	\$ 884,233	\$ 249,983	\$ 589,385	\$ (424,373)	\$ 1,299,228

See independent auditor's report.

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
SOUTHERN COMMUNITY BUILDERS, INC.
December 31, 2014

		Pine Creek Apartments, LTD	Sophia's Landing Apartments, LTD	The Oaks Apartments, LTD
	<u>ASSETS</u>			
CURRENT ASSETS				
Cash		\$ 29,276	\$ 40,093	\$ 4,710
Accounts receivable		-	4,775	1,125
Prepaid expenses		1,801	24,835	-
TOTAL CURRENT ASSETS		31,077	69,703	5,835
RESTRICTED DEPOSITS AND RESERVES				
Security deposits held in trust		13,050	23,400	11,950
Replacement reserves		84,252	110,381	82,834
Tax and insurance escrow		5,156	8,591	6,026
Operating deficit reserve		-	122,808	-
TOTAL RESTRICTED DEPOSITS AND RESERVES		102,458	265,180	100,810
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		87,788	352,300	128,180
TOTAL PROPERTY AND EQUIPMENT		2,912,805	8,007,691	3,539,516
Less accumulated depreciation		1,039,645	1,814,330	1,321,075
PROPERTY AND EQUIPMENT - NET		1,873,160	6,193,361	2,218,441
OTHER ASSETS - NET		-	97,317	-
TOTAL ASSETS		<u>\$ 2,006,695</u>	<u>\$ 6,625,561</u>	<u>\$ 2,325,086</u>
	<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES				
Accounts payable		\$ -	\$ 26,132	\$ -
Accrued interest		46,268	-	38,744
Other accrued expenses		3,830	6,456	6,161
Current portion of long-term debt		37,512	18,985	53,441
TOTAL CURRENT LIABILITIES		87,610	51,573	98,346
NONCURRENT LIABILITIES				
Tenant security deposits		13,050	23,400	11,950
Accumulated deficit investment in partnership		-	-	-
Developer fees payable		97,632	-	129,316
Long-term debt - net		915,475	1,200,148	911,188
TOTAL NONCURRENT LIABILITIES		1,026,157	1,223,548	1,052,454
PARTNER'S NET ASSETS		892,928	5,350,440	1,174,286
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,006,695</u>	<u>\$ 6,625,561</u>	<u>\$ 2,325,086</u>

See independent auditor's report.

Alexander Terrace Apartments, II, LTD	Bankhead Court Apartments, LTD	The Springs Apartments, LTD	Mountainside Apartments, LTD	The Village at Blackwell Farm, LTD	Southern Community Builders, Inc.	Total
\$ 17,673	\$ 899	\$ 17,025	\$ 26,517	\$ 57,391	\$ 38,409	\$ 231,993
2,023	223	-	1,602	-	-	9,748
1,996	-	1,223	2,172	394	-	32,421
21,692	1,122	18,248	30,291	57,785	38,409	274,162
8,700	6,400	7,200	13,250	17,200	-	101,150
69,540	61,756	43,554	98,235	180,180	-	730,732
4,867	1,080	2,980	7,725	5,238	-	41,663
51,608	48,731	28,726	82,897	94,753	-	429,523
134,715	117,967	82,460	202,107	297,371	-	1,303,068
109,540	164,000	60,000	154,882	636,132	-	2,392,217
475,719	229,592	130,190	338,469	996,260	-	4,013,760
2,223,289	2,518,290	1,535,307	4,075,234	4,960,290	31,889	26,124,850
163,675	135,645	79,094	179,016	426,750	-	1,552,448
2,972,223	3,047,527	1,804,591	4,747,601	7,019,432	31,889	34,083,275
915,102	1,178,313	609,477	1,319,126	551,550	-	8,748,618
2,057,121	1,869,214	1,195,114	3,428,475	6,467,882	31,889	25,334,657
27,854	-	4,050	26,978	122,694	-	278,893
<u>\$ 2,241,382</u>	<u>\$ 1,988,303</u>	<u>\$ 1,299,872</u>	<u>\$ 3,687,851</u>	<u>\$ 6,945,732</u>	<u>\$ 70,298</u>	<u>\$ 27,190,780</u>
\$ -	\$ 7,900	\$ 3,513	\$ 14,984	\$ -	\$ -	\$ 52,529
43,829	64,635	28,717	89,108	10,292	-	321,593
3,617	4,282	2,330	6,009	6,546	-	39,231
8,521	11,245	13,399	4,163	6,500	-	153,766
55,967	88,062	47,959	114,264	23,338	-	567,119
8,700	6,400	7,200	13,250	17,200	-	101,150
-	-	-	-	-	432	432
59,418	112,786	-	-	107,901	-	507,053
1,205,514	1,043,061	648,757	1,982,392	1,527,058	-	9,433,593
1,273,632	1,162,247	655,957	1,995,642	1,652,159	432	10,042,228
911,783	737,994	595,956	1,577,945	5,270,235	69,866	16,581,433
<u>\$ 2,241,382</u>	<u>\$ 1,988,303</u>	<u>\$ 1,299,872</u>	<u>\$ 3,687,851</u>	<u>\$ 6,945,732</u>	<u>\$ 70,298</u>	<u>\$ 27,190,780</u>

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
SOUTHERN COMMUNITY BUILDERS, INC.
For the year ended December 31, 2014

	Pine Creek Apartments, LTD	Sophia's Landing Apartments, LTD	The Oaks Apartments, LTD
REVENUES			
Rent income	\$ 231,552	\$ 373,588	\$ 229,356
Tenant charges	1,690	9,440	3,629
Interest income	106	411	93
Other	-	9,385	-
TOTAL REVENUES	233,348	392,824	233,078
EXPENSES			
Administrative	36,505	76,834	28,255
Utilities	8,839	10,287	8,993
Operating and maintenance	55,030	92,240	51,538
Taxes and insurance	29,169	58,547	25,721
Interest expense	32,089	83,044	42,522
Management fees	18,524	27,231	13,761
Depreciation expense	74,447	249,919	99,138
Amortization expense	-	10,890	-
TOTAL EXPENSES	254,603	608,992	269,928
NET INCOME (LOSS)	(21,255)	(216,168)	(36,850)
Net assets, beginning of year	917,239	5,568,738	1,211,136
	895,984	5,352,570	1,174,286
Contributions(Distributions)	(3,056)	(2,130)	-
NET ASSETS, END OF YEAR	\$ 892,928	\$ 5,350,440	\$ 1,174,286

See independent auditor's report.

Alexander Terrace Apartments, II, LTD	Bankhead Court Apartments, LTD	The Springs Apartments, LTD	Mountainside Apartments, LTD	The Village at Blackwell Farm, LTD	Southern Community Builders, Inc.	Total
\$ 136,020	\$ 124,199	\$ 117,244	\$ 240,157	\$ 221,173	\$ 4,927	\$ 1,678,216
2,485	4,698	775	4,409	1,930	-	29,056
18	11	9	69	137	-	854
-	60	-	2,081	13,639	33,916	59,081
138,523	128,968	118,028	246,716	236,879	38,843	1,767,207
23,985	24,018	22,678	58,003	36,785	2,199	309,262
5,248	9,073	5,279	34,285	31,221	79	113,304
41,637	44,754	33,665	81,753	52,855	2,560	456,032
24,664	21,957	15,903	41,121	33,299	-	250,381
22,278	13,924	17,868	20,087	21,101	-	252,913
9,427	7,829	10,552	19,215	18,656	-	125,195
93,020	81,392	46,419	139,130	275,775	-	1,059,240
3,069	-	476	4,139	8,872	-	27,446
223,328	202,947	152,840	397,733	478,564	4,838	2,593,773
(84,805)	(73,979)	(34,812)	(151,017)	(241,685)	34,005	(826,566)
997,588	811,973	637,420	1,729,582	5,421,920	35,916	17,331,512
912,783	737,994	602,608	1,578,565	5,180,235	69,921	16,504,946
(1,000)	-	(6,652)	(620)	90,000	(55)	76,487
\$ 911,783	\$ 737,994	\$ 595,956	\$ 1,577,945	\$ 5,270,235	\$ 69,866	\$ 16,581,433

COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA
(Parent Organization Only)
For the year ended December 31, 2014

	ADECA Funded Programs	Senior Service Programs	Head Start	NeighborWorks	Alabama School Readiness
REVENUES, GAINS, AND OTHER SUPPORT					
State of Alabama	\$ 2,965,563	\$ -	\$ 1,470,190	\$ -	\$ 1,024,961
Dept. of Health & Human Services	-	-	20,456,270	-	-
Corp. for National and Community Services	-	494,090	-	-	-
NeighborWorks America	-	-	-	314,823	-
Local United Way	-	26,323	-	-	-
Department of HUD	-	-	-	-	-
Other support	-	25,736	-	-	47,065
Interest income	-	-	-	-	-
Other revenues	-	150	2,000	-	-
Non-cash contributions	-	-	4,856,014	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	2,965,563	546,299	26,784,474	314,823	1,072,026
EXPENSES					
Personnel costs:					
Salaries	309,432	79,270	10,376,655	-	627,437
Stipends	-	298,920	-	-	-
Benefits and payroll taxes	122,438	22,110	5,727,868	-	347,364
Contract services	74,347	2,428	270,581	15,210	142
TOTAL PERSONNEL COSTS	506,217	402,728	16,375,104	15,210	974,943
Travel and transportation costs	10,647	76,168	361,438	860	14,577
Space costs	63,862	17,697	4,679,079	2,358	-
Consumable supplies	81,532	697	965,431	2,113	7,958
Direct assistance	2,152,975	-	287	-	-
Other costs	107,924	27,018	3,244,710	141,392	39,211
Net transfers	-	-	-	-	-
Indirect costs	42,443	10,775	1,174,719	-	17,464
TOTAL EXPENSES	2,965,600	535,083	26,800,768	161,933	1,054,153
CHANGE IN NET ASSETS	(37)	11,216	(16,294)	152,890	17,873
Net assets (deficit), beginning of year	(1,569)	10,806	7,979	183,344	(676)
NET ASSETS (DEFICIT), END OF YEAR	\$ (1,606)	\$ 22,022	\$ (8,315)	\$ 336,234	\$ 17,197

See independent auditor's report.

Meals On Wheels	HUD Housing Counseling	Disaster Assistance	Restricted Non-Federal Programs	Unrestricted Non-Federal Programs	Indirect Cost Program	TOTAL
\$ -	\$ -	\$ 317,309	\$ 13,482	\$ 575,000	\$ -	\$ 6,366,505
-	-	-	-	-	-	20,456,270
-	-	-	-	-	-	494,090
-	38,270	-	-	-	-	353,093
107,705	-	-	-	-	-	134,028
-	13,293	-	-	-	-	13,293
130,087	-	-	64,098	13,569	-	280,555
-	-	-	-	489	-	489
18,188	225	13,700	13,546	582,553	-	630,362
-	-	-	-	-	-	4,856,014
255,980	51,788	331,009	91,126	1,171,611	-	33,584,699
80,721	23,674	40,627	-	263,937	645,091	12,446,844
-	-	-	-	-	-	298,920
54,707	7,174	8,777	-	76,590	206,224	6,573,252
3,624	1,590	3,701	2,425	50,102	66,376	490,526
139,052	32,438	53,105	2,425	390,629	917,691	19,809,542
55	1,104	3,477	4,496	12,100	40,127	525,049
20,618	14,178	-	-	56,983	92,066	4,946,841
9,951	3,262	114	7,512	38,417	37,744	1,154,731
-	-	307,720	45,042	-	-	2,506,024
106,109	9,631	2,324	11,274	833,212	185,820	4,708,625
-	(10,073)	-	10,073	350	-	350
10,897	1,412	5,489	-	10,786	(1,275,419)	(1,434)
286,682	51,952	372,229	80,822	1,342,477	(1,971)	33,649,728
(30,702)	(164)	(41,220)	10,304	(170,866)	1,971	(65,029)
199,515	7,198	41,193	66,002	316,192	(6)	829,978
\$ 168,813	\$ 7,034	\$ (27)	\$ 76,306	\$ 145,326	\$ 1,965	\$ 764,949

RECONCILIATION OF COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS

THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA

(Parent Organization Only)

For the year ended December 31, 2014

For the year ended December 31, 2014			
	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	\$ 6,366,505	\$ -	\$ 6,366,505
Dept. of Health & Human Services	20,456,270	-	20,456,270
Corp. for National & Comm. Services	494,090	-	494,090
NeighborWorks America	353,093	-	353,093
Local United Way	134,028	-	134,028
Department of HUD	13,293	-	13,293
Other support	280,555	-	280,555
Interest income	489	-	489
Other revenues	630,362	-	630,362
Non-cash contributions	4,856,014	-	4,856,014
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	33,584,699	-	33,584,699
EXPENSES			
Personnel costs:			
Salaries	12,446,844	-	12,446,844
Stipends	298,920	-	298,920
Benefits and payroll taxes	6,573,252	-	6,573,252
Contract services	490,526	-	490,526
TOTAL PERSONNEL COSTS	19,809,542	-	19,809,542
Transportation costs	525,049	-	525,049
Space costs	4,946,841	-	4,946,841
Consumable supplies	1,154,731	-	1,154,731
Direct assistance	2,506,024	-	2,506,024
Other costs	4,707,191	(385,514)	(1) 4,321,677
Net transfers	350	-	350
Depreciation expense	-	234,506	(1) 234,506
TOTAL EXPENSES	33,649,728	(151,008)	33,498,720
CHANGE IN NET ASSETS	\$ (65,029)	\$ 151,008	\$ 85,979

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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
(Parent Organization Only)

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Community Action Partnership of North Alabama, Inc. (a non-profit organization) and subsidiaries which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Community Action Partnership of North Alabama, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Community Action Partnership of North Alabama, Inc.'s consolidated 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*.

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS
Decatur, Alabama

June 24, 2015

FEDERAL AWARDS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report on Compliance For Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133
(Parent Organization Only)

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

Report on Compliance for Each Major Federal Program

We have audited The Community Action Partnership of North Alabama, Inc.'s (a non-profit organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Community Action Partnership of North Alabama, Inc.'s major federal programs for the year ended December 31, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Community Action Partnership of North Alabama, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of The Community Action Partnership of North Alabama, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The Community Action Partnership of North Alabama, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

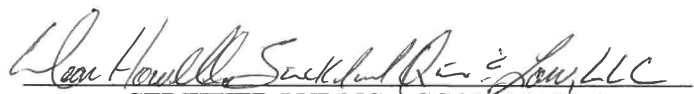
Report on Internal Control Over Compliance

Management of The Community Action Partnership of North Alabama, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Community Action Partnership of North Alabama, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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


CERTIFIED PUBLIC ACCOUNTANTS
Decatur, Alabama

June 24, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2014

	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	04CH4700/01	\$ 314,863
Head Start Program	93.600	04CH4655/01	7,171,905
Head Start Program	93.600	04CH4655/02	6,989,315
Head Start Program	93.600	04CH4646/01	1,292,967
Head Start Program	93.600	04CH4646/02	2,592,514
Head Start Program	93.600	90CH0110/01	1,047,594
Head Start Program	93.600	04CH4745/01	467,131
Head Start Program	93.600	04CH4745/02	579,981
Total Head Start Program			<u>20,456,270</u>
Passed through the Alabama Department of Economic and Community Affairs:			
Weatherization Assistance for Low-Income Persons	93.568	LIWAP-021-13	6,646
Weatherization Assistance for Low-Income Persons	93.568	LIWAP-021-14	43,679
Low Income Home Energy Assistance	93.568	LI-021-14	1,982,950
Low Income Home Energy Assistance	93.568	LI-021-15	169,859
Community Services Block Grant	93.569	CS-021-14	474,589
Community Services Block Grant	93.569	CS-021-13	135,069
			<u>2,812,792</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			23,269,062
DEPARTMENT OF ENERGY			
Passed through the Alabama Department of Economic and Community Affairs:			
Weatherization Assistance for Low-Income Persons	81.042	DOE-021-13	15,834
Weatherization Assistance for Low-Income Persons	81.042	DOE-021-14	136,938
TOTAL DEPARTMENT OF ENERGY			<u>152,772</u>
DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Education:			
Child Care Food Program - Head Start	10.558	AAD-0000	389,435
Child Care Food Program - Head Start	10.558	AAD-0000	1,080,755
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,470,190</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2014

	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	13SFAL003	43,409
Foster Grandparent Program	94.011	10SFAL005	256,041
Senior Companion Program	94.016	13SCSAL001	194,640
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			494,090
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Housing Counseling Assistance Program	14.169	HC14-0421-045	13,293
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			13,293
DEPARTMENT OF HOMELAND SECURITY			
DIRECT PROGRAMS			
Passed Through the State Department of Mental Health:			
Disaster Assistance Projects	97.088	12ALDCMP002	317,309
TOTAL DEPARTMENT OF HOMELAND SECURITY DIRECT PROGRAMS			317,309
DEPARTMENT OF TREASURY			
NeighborWorks America	21.000	N/A	200,202
TOTAL DEPARTMENT OF TREASURY			200,202
TOTAL FEDERAL AWARDS			\$ 25,916,918

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 PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2014

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 ended December 31, 2014. The Agency also did not have any insurance guarantees, or loans, or loan guarantees outstanding at December 31, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2014

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

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

\$ 777,508

93.600

Head Start

93.568

Low-Income Home Energy Assistance

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, 2014

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported