

CONSOLIDATED FINANCIAL STATEMENTS
With Supplementary Information
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
DECATUR, ALABAMA
For the year ended December 31, 2013

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FINANCIAL SECTION

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- ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying consolidated 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, 2013, 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 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 \$34,125,461 as of December 31, 2013 and total revenues of \$2,233,206 for the year ended December 31, 2013. 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. 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

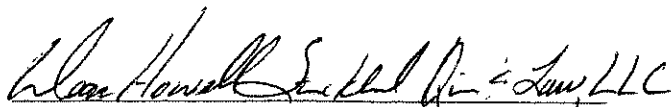
In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Action Partnership of North Alabama, Inc. and subsidiaries as of December 31, 2013, and the changes 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 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 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 May 29, 2014, 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

May 29, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 824,886
Grants receivable	1,030,173
Other accounts receivable	52,961
Prepaid expenses	45,390
TOTAL CURRENT ASSETS	<u>1,953,410</u>
RESTRICTED ASSETS	
Restricted deposits and reserves	2,045,584
NONCURRENT ASSETS	
Notes receivable - related parties	1,090,918
Property and equipment - net	33,708,436
Other assets	306,359
TOTAL NONCURRENT ASSETS	<u>35,105,713</u>
TOTAL ASSETS	<u><u>\$ 39,104,707</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable	\$ 117,383
Accrued interest	535,011
Other accrued expenses	478,348
Deferred revenue	576,857
Current portion of long-term debt	272,132
TOTAL CURRENT LIABILITIES	<u>1,979,731</u>
NONCURRENT LIABILITIES	
Accounts payable related parties	93,984
Tenant security deposits	140,280
Accumulated deficit investment in partnerships	28,277
Developer fees payable	844,983
Long-term debt - net	13,349,850
TOTAL NONCURRENT LIABILITIES	<u>14,457,374</u>
NET ASSETS	
Unrestricted	21,280,540
Temporarily restricted	1,217,062
Permanently restricted	170,000
TOTAL NET ASSETS	<u>22,667,602</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 39,104,707</u></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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
State of Alabama	\$ -	\$ 6,039,008	\$ -	\$ 6,039,008
Dept. of Health & Human Services	-	14,380,589	-	14,380,589
Corporation for National and Community Service	-	494,104	-	494,104
NeighborWorks America	-	134,827	170,000	304,827
Local United Way	-	138,315	-	138,315
Department of HUD	-	20,012	-	20,012
United Way of America	-	2,829	-	2,829
Other support	-	351,593	-	351,593
Rent income	2,148,150	-	-	2,148,150
Other revenue	-	744,196	-	744,196
Non-cash contributions	-	2,735,210	-	2,735,210
Net assets released from restriction:				
Restrictions satisfied by payments	24,393,316	(24,393,316)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	26,541,466	647,367	170,000	27,358,833
EXPENSES				
Personnel costs:				
Salaries	9,327,368	-	-	9,327,368
Stipends	325,733	-	-	325,733
Benefits and payroll taxes	4,808,766	-	-	4,808,766
Contract services	350,605	-	-	350,605
TOTAL PERSONNEL COSTS	14,812,472	-	-	14,812,472
Travel and transportation costs	414,002	-	-	414,002
Space costs	2,496,831	-	-	2,496,831
Consumable supplies	611,762	-	-	611,762
Direct assistance	2,577,935	-	-	2,577,935
Other costs	3,595,965	-	-	3,595,965
Interest expense	385,089	-	-	385,089
Rental property expenses	1,650,209	-	-	1,650,209
Depreciation and amortization expense	1,499,680	-	-	1,499,680
TOTAL EXPENSES	28,043,945	-	-	28,043,945
CHANGE IN NET ASSETS	(1,502,479)	647,367	170,000	(685,112)
Net assets, beginning of year - as adjusted, see Note 18	18,426,823	569,695	-	18,996,518
	16,924,344	1,217,062	170,000	18,311,406
Capital contributions - net	4,356,196	-	-	4,356,196
NET ASSETS, END OF YEAR	\$ 21,280,540	\$ 1,217,062	\$ 170,000	\$ 22,667,602

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, 2013

<u>Increase (Decrease) in Cash</u>	
Cash flows from operating activities:	
Change in net assets	\$ (685,112)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,499,680
Changes in operating assets and liabilities:	
Grants receivable	(637,131)
Accounts receivable	495,742
Prepaid expenses	(21,514)
Other assets	(47,878)
Accounts payable and accrued expenses	(533,980)
Deferred revenue	336,652
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>406,459</u>
Cash flows from investing activities:	
Net deposits to reserve and escrow accounts	(522,453)
Purchase of property and equipment	(1,713,326)
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,235,779)</u>
Cash flows from financing activities:	
Proceeds from long-term debt	1,553,985
Principal payments on long-term debt	(4,333,513)
Developer fee payments	(68,142)
Equity contributions	4,336,185
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,488,515</u>
	NET DECREASE IN CASH
	(340,805)
Cash, beginning of year	1,165,691
	CASH, END OF YEAR
	<u>\$ 824,886</u>
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 409,094</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, 2013

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, 2013

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 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 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, 2013

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	10 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 2010 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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. SUBSEQUENT EVENTS

Subsequent events for the parent organization have been evaluated through the report date, May 29, 2014, 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, 2013, 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, 2013:

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, 2013, the corporation was general partner in seven limited partnerships. The assets, liabilities and equity of these entities are included in the Organization'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 Organization for the year ended December 31, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

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, 2013, there were no uninsured balances. The Agency believes it is not exposed to any significant credit risk on cash balances.

The Agency received 21.8% and 51.9% 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, 2013.

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	\$ 82,748
LIHEAP/LIWAP	181,839
Weatherization	141,058
Head Start	43,278
Department of Housing & Urban Development - Housing Counseling	27,491
State of Alabama Department of Education - USDA	65,270
Alabama School Readiness	348,297
Other	140,192

TOTAL GRANTS RECEIVABLE	<u>\$ 1,030,173</u>
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NOTE 5 – NOTES RECEIVABLE – RELATED PARTIES

The Agency has long-term notes receivable from the following Limited Liability Partnerships at December 31, 2013, 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
TOTAL NOTES RECEIVABLE-RELATED PARTIES	<u>\$ 1,090,918</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2013 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	1,639,766	7,901,832	645,117	26,124,850	36,311,565
Furniture and equipment	118,110	399,574	-	1,563,299	2,080,983
Transportation equipment	397,381	-	-	-	397,381
TOTAL PROPERTY AND EQUIPMENT	2,155,257	8,871,161	931,186	34,094,126	46,051,730
Less accumulated depreciation	692,013	3,832,259	119,282	7,699,740	12,343,294
PROPERTY AND EQUIPMENT - NET	\$1,463,244	\$5,038,902	\$ 811,904	\$26,394,386	\$33,708,436
Depreciation expense for each entity was charged to expenses as shown:	<u>\$ 101,576</u>	<u>\$ 256,804</u>	<u>\$ 15,128</u>	<u>\$ 1,126,172</u>	<u>\$ 1,499,680</u>

NOTE 7 – LONG-TERM DEBT

The Community Action Partnership of North Alabama, Inc. and Subsidiaries' long-term debt at December 31, 2013 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.	\$ 44,910
Note payable - Regions Bank, bearing interest at 4.80%, due in one installment of \$19,858 on August 1, 2014.	19,847
Note payable - Regions Bank, bearing interest at 5.55% per annum, due in monthly installments of \$7,218. The mortgage is secured by real property.	66,142
TOTAL PROPERTY HOLDINGS, LLC	<u>130,899</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 7 – LONG-TERM DEBT - CONTINUED

CAPNA Limited Liability Entity Investments:

Deer Run Apartments, LTD:

The Partnership has a \$142,889 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. 142,889

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. 965,077

TOTAL DEER RUN APARTMENTS, LTD 1,107,966

Alexander Terrace Apartments, LTD:

The Partnership has a \$37,725 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. 37,725

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. 657,000

TOTAL ALEXANDER TERRACE APARTMENTS, LTD 694,725

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 7 – LONG-TERM DEBT - CONTINUED

Mound Plaza, LTD:

The Partnership has a \$578,019 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.

578,019

TOTAL CAPNA LIMITED LIABILITY ENTITY INVESTMENTS

3,746,710

Southern Community Builders, Inc.

Pine Creek Apartments, LTD:

The Partnership has a \$350,055 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.

350,055

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

990,655

Sophia's Landing Apartments, LTD:

The Partnership has a \$1,240,111 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.

1,240,111

The Oaks Apartments, LTD:

The Partnership has a \$485,203 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.

485,203

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

1,018,303

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 7 – LONG-TERM DEBT - CONTINUED

Alexander Terrace Apartments, II, LTD:

The Partnership has a \$190,061 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.

190,061

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 1,223,201

Bankhead Court Apartments, LTD:

The Partnership has a \$111,084 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.

111,084

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 1,064,654

The Springs Apartments, LTD:

The Partnership has a \$189,260 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.

189,260

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 675,640

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 7 – LONG-TERM DEBT - CONTINUED

Mountainside Apartments, LTD:

The Partnership has a \$120,420 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.

120,420

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 1,991,070

The Village at Blackwell Farm, LTD:

The Partnership has a \$243,309 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.

243,309

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 1,540,739

TOTAL SOUTHERN COMMUNITY BUILDERS, INC. 9,744,373

TOTAL LONG-TERM DEBT 13,621,982

Less current maturities on long-term debt 272,132

LONG-TERM DEBT - NET \$ 13,349,850

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 7 – LONG-TERM DEBT - CONTINUED

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>
2014	\$ 272,132
2015	209,314
2016	227,751
2017	1,601,732
2018	908,599
2019 and thereafter	10,402,454
	<u>\$13,621,982</u>

NOTE 8 – DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2013:

Department of Health & Human Services - Head Start	\$ 561,937
Department of Health & Human Services - CSBG	1,493
Alabama Disaster Case Management	5,696
ABC Trust	7,731
TOTAL DEFERRED REVENUE	<u>\$ 576,857</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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 9 – DEFINED BENEFIT PENSION PLAN - CONTINUED

general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently fourteen members). Benefit provisions are established by the Code of Alabama 1975, §§ 16-25-1 through 16-25-113, as amended, and §§ 36-27B-1 through 36-27B-6, as amended.

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

Funding Policy:

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 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, 2013 as follows:

Contributions:	<u>Tier 1</u>	<u>Tier 2</u>
Percentage contributed by the Agency:		
For current year service:		
1/1/13-9/30/13	10.08%	9.44%
10/1/13-12/31/13	11.71%	11.08%
Percentage contributed by employees		
1/1/13-12/31/13	7.50%	6.00%
Tier 1 and Tier 2:		
Amount contributed by the Agency	\$ 876,265	
Amount contributed by employees	557,564	
TOTAL CONTRIBUTIONS	<u>\$ 1,433,829</u>	

NOTE 10 – NON CASH CONTRIBUTIONS

Non cash contributions consisted of the following for the year ended December 31, 2013:

Space costs	\$ 1,571,936
Salaries and benefits	1,144,512
Contract services	2,762
Food costs	16,000
TOTAL NON CASH CONTRIBUTIONS	<u>\$ 2,735,210</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

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, 2013 was \$384,414. The terms of the operating leases in effect as of December 31, 2013, 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>
2014	\$ 142,200
2015	142,200
2016	142,200
2017	142,200
2018	130,350
TOTAL FUTURE COMMITMENT	<u>\$ 699,150</u>

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

The Agency is also furnished certain facilities as non-cash contributions from various agencies. The value of these facilities for the year ended December 31, 2013, as reflected in the consolidated financial statements was approximately \$1,571,936.

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.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grant Audits:

The Agency receives awards from federal, state, and local government entities that are subject to review and audit. Such audits could result in claims against the Agency for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 13 – COMPENSATED ABSENCES – ACCRUED LEAVE

Certain programs of the Agency allow twelve-month employees up to five weeks of vacation pay per year with pay. The leave policy 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, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 14 – 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, 2013. The following Limited Liability Entities had developer fees payable at December 31, 2013:

Pine Creek Aparments, LTD	\$ 114,947
The Oaks Apartments, LTD	129,316
Alexander Terrace II Apartments, LTD	70,613
The Village at Blackwell Farm, LTD	417,321
Bankhead Court Apartments, LTD	112,786
TOTAL DEVELOPER FEES PAYABLE	<u>\$ 844,983</u>

NOTE 15– 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 AHFA approval. The balance in the Restricted Deposits and Reserves accounts at December 31, 2013 amounted to \$2,045,584.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 16 – 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:

<u>Limited Liability Partnerships</u>	<u>Percentage Ownership</u>	<u>Balance 12/31/12</u>	<u>Share of Income (Loss) for 2013</u>	<u>Balance 12/31/13</u>
Community Action Partnership of North Alabama, Inc.:				
Saddle Ridge Apts, LTD	0.075%	\$ (11,324)	\$ (1)	\$ (11,325)
Northgate Place Apts, LTD	0.005%	(110)	(10)	(120)
Park Hill Apts, LTD	0.500%	(7,307)	(273)	(7,580)
Ivy Pointe Apts, LTD	0.500%	(3,589)	(201)	(3,790)
Hickery Run Apts, LTD	0.500%	(4,395)	(293)	(4,688)
Holly Pond Apts, LTD	0.005%	(16)	1	(15)
Holly Pond Apts. II, LTD	0.005%	(7)	(1)	(8)
Reform Manor, LTD	1.000%	(15)	(8)	(23)
Millers Ridge Apts, LP	0.010%	(211)	(4)	(215)
Loris Gardens, LLC	0.005%	(37)	(5)	(42)
Wyndsor Downs, LLC	0.001%	(47)	(5)	(52)
Palmettos Way, LLC	0.001%	(11)	(1)	(12)
Mountainside Apts, LTD	0.001%	(9)	(11)	(20)
Azalea Gardens, LLC	0.001%	(9)	(1)	(10)
TOTAL COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC.		(27,087)	(813)	(27,900)
Southern Community Builders, Inc.:				
Parkway Place Apts, LTD	0.001%	(27)	(5)	(32)
Pecan Cove Apts, LTD	0.001%	(55)	(9)	(64)
Harbor Pointe Apts, LTD	0.001%	(30)	(4)	(34)
Harbor Pointe Apts. II, LTD	0.001%	-	(5)	(5)
Greenwood Park, LTD	0.001%	(51)	(8)	(59)
Community Village I, LTD	0.001%	(72)	(12)	(84)
Sara's Ridge Apts, LTD	0.001%	(61)	(14)	(75)
Anne Place Apts, LTD	0.001%	(18)	(6)	(24)
TOTAL SOUTHERN COMMUNITY BUILDERS, INC.		(314)	(63)	(377)
TOTAL		<u>\$ (27,401)</u>	<u>\$ (876)</u>	<u>\$ (28,277)</u>

The investment in these limited partnerships is recorded using the equity method and costs adjusted for the Organizations 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, 2013

NOTE 16 – 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, 2013, are as follows:

	Community Action Partnership of North Alabama	South Community Builders, Inc.	Total
Assets	\$ 31,746,099	\$ 52,725,672	\$ 84,471,771
Liabilities	20,360,440	18,863,113	39,223,553
Equity	<u>\$ 11,385,659</u>	<u>\$ 33,862,559</u>	<u>\$ 45,248,218</u>
Current year loss	<u>\$ (1,082,445)</u>	<u>\$ (1,783,620)</u>	<u>\$ (2,866,065)</u>

NOTE 17 – AUDITED FINANCIAL STATEMENTS OF OTHER AUDITORS

The consolidated financial statements of Southern Community Builders, Inc., with seven limited partnerships and CAPNA Limited Liability Entity Investments a division of The Community Action Partnership of North Alabama, Inc. with three 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, 2013 is presented below:

	Total Assets	Total Revenues
Southern Community Builders, Inc.	\$ 28,440,812	\$ 1,598,548
CAPNA Limited Liability Investments	5,684,649	634,658
TOTALS	<u>\$ 34,125,461</u>	<u>\$ 2,233,206</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

NOTE 18 – PRIOR PERIOD ADJUSTMENT

Consolidated unrestricted net assets as of December 31, 2012: \$ 16,955,043

Southern Community Builders, Inc.:

Net assets balance as of December 31, 2012 \$ 12,551,162

Adjustment to add The Village at Blackwell
Farm, LTD Net Assets (Deficit) to the entity
as of December 31, 2012

1,471,780 1,471,780

Net Assets as adjusted at December 31, 2012 \$ 14,022,942

CONSOLIDATED UNRESTRICTED NET ASSETS AT
DECEMBER 31, 2012 AS ADJUSTED

18,426,823

CONSOLIDATED TEMPORARILY RESTRICTED NET ASSETS

569,695

TOTAL CONSOLIDATED NET ASSETS
AT DECEMBER 31, 2012 AS ADJUSTED

\$ 18,996,518

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
THE COMMUNITY ACTION PARTNERSHIP OF NORTH ALABAMA, INC. AND SUBSIDIARIES
December 31, 2013

	Parent	Subsidiaries	
	Community Action Partnership of North Alabama, Inc.	CAPNA Limited Liability Entity Investments	North Alabama Community Partnership Fund, LLC
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 495,370	\$ 118,317	\$ 44,733
Grants receivable	1,030,173	-	-
Other accounts receivable	54,659	5,538	50,758
Prepaid expenses	1,668	10,195	-
TOTAL CURRENT ASSETS	1,581,870	134,050	95,491
RESTRICTED ASSETS			
Restricted deposits and reserves	-	511,697	-
NONCURRENT ASSETS			
Accounts receivable - related parties	235,781	-	-
Notes receivable - related parties	1,090,918	-	-
Property and equipment - net	1,463,244	5,038,902	-
Other assets	-	-	20
TOTAL NONCURRENT ASSETS	2,789,943	5,038,902	20
TOTAL ASSETS	\$ 4,371,813	\$ 5,684,649	\$ 95,511
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ 62,950	\$ -
Accrued interest	-	241,935	-
Other accrued expenses	392,907	15,783	-
Deferred revenue	576,857	-	-
Current portion of long-term debt	-	27,855	-
TOTAL CURRENT LIABILITIES	969,764	348,523	-
NONCURRENT LIABILITIES			
Accounts payable related parties	53,026	40,225	-
Tenant security deposits	-	37,880	-
Accumulated deficit investment in partnerships	27,900	-	-
Developer fees payable	-	-	-
Long-term debt - net	-	3,718,855	-
TOTAL NONCURRENT LIABILITIES	80,926	3,796,960	-
NET ASSETS			
Unrestricted	2,029,572	1,539,166	-
Temporarily restricted	1,121,551	-	95,511
Permanently restricted	170,000	-	-
TOTAL NET ASSETS	3,321,123	1,539,166	95,511
TOTAL LIABILITIES AND NET ASSETS	\$ 4,371,813	\$ 5,684,649	\$ 95,511

See independent auditor's report.

<u>Property Holdings, LLC</u>	<u>Southern Community Builders, Inc.</u>	<u>Rework of North Alabama, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ 165,468	\$ 998	\$ -	\$ 824,886
-	-	-	-	1,030,173
-	7,205	-	(65,199)	52,961
-	33,527	-	-	45,390
-	206,200	998	(65,199)	1,953,410
-	1,533,887	-	-	2,045,584
-	-	-	(235,781)	-
-	-	-	-	1,090,918
811,904	26,394,386	-	-	33,708,436
-	306,339	-	-	306,359
811,904	26,700,725	-	(235,781)	35,105,713
<u>\$ 811,904</u>	<u>\$ 28,440,812</u>	<u>\$ 998</u>	<u>\$ (300,980)</u>	<u>\$ 39,104,707</u>
\$ -	\$ 54,433	\$ -	\$ -	\$ 117,383
-	293,076	-	-	535,011
-	69,658	30,199	(30,199)	478,348
-	-	-	-	576,857
99,162	145,115	-	-	272,132
99,162	562,282	30,199	(30,199)	1,979,731
236,514	-	-	(235,781)	93,984
-	102,400	-	-	140,280
-	377	-	-	28,277
-	844,983	-	-	844,983
31,737	9,599,258	35,000	(35,000)	13,349,850
268,251	10,547,018	35,000	(270,781)	14,457,374
444,491	17,331,512	(64,201)	-	21,280,540
-	-	-	-	1,217,062
-	-	-	-	170,000
444,491	17,331,512	(64,201)	-	22,667,602
<u>\$ 811,904</u>	<u>\$ 28,440,812</u>	<u>\$ 998</u>	<u>\$ (300,980)</u>	<u>\$ 39,104,707</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, 2013

	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	\$ 6,039,008	\$ -	\$ -
Dept. of Health & Human Services	14,380,589	-	-
Corporation for National and Community Service	494,104	-	-
NeighborWorks America	304,827	-	-
Local United Way	138,315	-	-
Department of HUD	20,012	-	-
United Way of America	2,829	-	-
Other support	351,593	-	-
Rent income	-	624,250	-
Other revenue	648,498	10,408	-
Non-cash contributions	2,735,210	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	25,114,985	634,658	-
EXPENSES			
Personnel costs:			
Salaries	9,327,368	-	-
Stipends	325,733	-	-
Benefits and payroll taxes	4,806,673	-	-
Contract services	350,605	-	-
TOTAL PERSONNEL COSTS	14,810,379	-	-
Travel and transportation costs	413,505	-	-
Space costs	2,818,437	-	-
Consumable supplies	609,744	-	-
Direct assistance	2,577,935	-	-
Other costs	3,591,020	-	-
Interest expense	13,767	45,186	-
Rental property expense	-	490,453	3,059
Depreciation and amortization expense	101,576	256,804	-
TOTAL EXPENSES	24,936,363	792,443	3,059
CHANGE IN NET ASSETS	178,622	(157,785)	(3,059)
Net assets (deficit), beginning of year	3,067,501	1,701,617	98,570
	3,246,123	1,543,832	95,511
Capital contributions (distributions)	75,000	(4,666)	-
NET ASSETS (DEFICIT), END OF YEAR	\$ 3,321,123	\$ 1,539,166	\$ 95,511

See independent auditor's report.

Property Holdings, LLC	Southern Community Builders, Inc.	Reworx of North Alabama, LLC	Eliminations	Consolidated
\$ -	\$ -	\$ -	\$ -	\$ 6,039,008
-	-	-	-	14,380,589
-	-	-	-	494,104
-	-	-	-	304,827
-	-	-	-	138,315
-	-	-	-	20,012
-	-	-	-	2,829
-	-	-	-	351,593
351,606	1,523,900	-	(351,606)	2,148,150
-	74,648	10,642	-	744,196
-	-	-	-	2,735,210
<u>351,606</u>	<u>1,598,548</u>	<u>10,642</u>	<u>(351,606)</u>	<u>27,358,833</u>
-	-	-	-	9,327,368
-	-	-	-	325,733
-	-	2,093	-	4,808,766
-	-	-	-	350,605
-	-	2,093	-	14,812,472
-	-	497	-	414,002
-	-	30,000	(351,606)	2,496,831
-	-	2,018	-	611,762
-	-	-	-	2,577,935
756	-	4,189	-	3,595,965
16,110	310,026	-	-	385,089
-	1,139,642	17,055	-	1,650,209
15,128	1,126,172	-	-	1,499,680
<u>31,994</u>	<u>2,575,840</u>	<u>55,852</u>	<u>(351,606)</u>	<u>28,043,945</u>
319,612	(977,292)	(45,210)	-	(685,112)
124,879	14,022,942	(18,991)	-	18,996,518
444,491	13,045,650	(64,201)	-	18,311,406
-	4,285,862	-	-	4,356,196
<u>\$ 444,491</u>	<u>\$ 17,331,512</u>	<u>\$ (64,201)</u>	<u>\$ -</u>	<u>\$ 22,667,602</u>

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
CAPNA LIMITED LIABILITY ENTITY INVESTMENTS
December 31, 2013

<u>ASSETS</u>	Deer Run Apartments, LTD	Alexander Terrace Apartments, LTD	Harbor Square Apartments, LTD	Mound Plaza, LTD	Total
CURRENT ASSETS					
Cash	\$ 50,637	\$ 9,869	\$ 52,149	\$ 5,662	\$ 118,317
Accounts receivable	1,388	375	-	3,775	5,538
Prepaid expenses	1,800	3,276	1,671	3,448	10,195
TOTAL CURRENT ASSETS	53,825	13,520	53,820	12,885	134,050
RESTRICTED DEPOSITS AND RESERVES					
Security deposits held in trust	11,305	6,150	17,125	3,300	37,880
Replacement reserves	101,696	52,995	98,806	70,123	323,620
Tax and insurance escrow	4,620	4,769	4,400	6,341	20,130
Operating deficit reserve	53,478	25,809	50,780	-	130,067
TOTAL RESTRICTED DEPOSITS AND RESERVES	171,099	89,723	171,111	79,764	511,697
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	846,842	7,901,832
Furniture and equipment	189,962	98,106	106,966	4,540	399,574
TOTAL PROPERTY AND EQUIPMENT	3,056,726	1,666,396	3,279,598	868,441	8,871,161
Less accumulated depreciation	1,101,831	716,703	1,288,122	725,603	3,832,259
PROPERTY AND EQUIPMENT - NET	1,954,895	949,693	1,991,476	142,838	5,038,902
TOTAL ASSETS	\$ 2,179,819	\$ 1,052,936	\$ 2,216,407	\$ 235,487	\$ 5,684,649
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES					
Accounts payable	\$ 28,379	\$ 879	\$ 28,898	\$ 4,794	\$ 62,950
Accrued interest	71,673	51,474	117,907	881	241,935
Other accrued expenses	4,029	3,836	6,202	1,716	15,783
Current portion of long-term debt	15,614	6,553	-	5,688	27,855
TOTAL CURRENT LIABILITIES	119,695	62,742	153,007	13,079	348,523
NONCURRENT LIABILITIES					
Tenant security deposits	11,305	6,150	17,125	3,300	37,880
Accounts payable related parties	-	-	-	40,225	40,225
Long-term debt - net	1,092,352	688,172	1,366,000	572,331	3,718,855
TOTAL NONCURRENT LIABILITIES	1,103,657	694,322	1,383,125	615,856	3,796,960
PARTNER'S EQUITY	956,467	295,872	680,275	(393,448)	1,539,166
TOTAL LIABILITIES AND NET ASSETS	\$ 2,179,819	\$ 1,052,936	\$ 2,216,407	\$ 235,487	\$ 5,684,649

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, 2013

	Deer Run Apartments, LTD	Alexander Terrace Apartments, LTD	Harbor Square Apartments, LTD	Mound Plaza, LTD	Total
REVENUES					
Rent income	\$ 203,970	\$ 95,694	\$ 221,158	\$ 103,428	\$ 624,250
Tenant charges	5,508	1,525	2,482	-	9,515
Interest income	349	97	76	55	577
Other	256	60	-	-	316
TOTAL REVENUES	210,083	97,376	223,716	103,483	634,658
EXPENSES					
Administrative	32,921	18,508	33,502	12,568	97,499
Utilities	12,910	3,297	11,185	5,294	32,686
Operating and maintenance	54,375	24,916	52,490	35,564	167,345
Taxes and insurance	24,537	15,071	26,966	13,477	80,051
Interest expense	19,585	6,826	7,969	10,806	45,186
Management fees	43,724	8,564	45,352	15,232	112,872
Depreciation expense	84,176	48,693	91,847	32,088	256,804
TOTAL EXPENSES	272,228	125,875	269,311	125,029	792,443
NET INCOME (LOSS)	(62,145)	(28,499)	(45,595)	(21,546)	(157,785)
Net assets (deficit), beginning of year	1,023,278	324,371	725,870	(371,902)	1,701,617
	961,133	295,872	680,275	(393,448)	1,543,832
Distributions	4,666	-	-	-	4,666
NET ASSETS (DEFICIT), END OF YEAR	\$ 956,467	\$ 295,872	\$ 680,275	\$ (393,448)	\$ 1,539,166

See independent auditor's report.

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
SOUTHERN COMMUNITY BUILDERS, INC.
December 31, 2013

		Pine Creek Apartments, LTD	Sophia's Landing Apartments, LTD	The Oaks Apartments, LTD
<u>ASSETS</u>				
CURRENT ASSETS				
Cash		\$ 35,886	\$ 27,789	\$ 4,168
Accounts receivable		-	4,255	1,125
Prepaid expenses		1,801	22,620	-
TOTAL CURRENT ASSETS		37,687	54,664	5,293
RESTRICTED DEPOSITS AND RESERVES				
Security deposits held in trust		13,550	23,900	11,950
Replacement reserves		84,177	92,179	78,743
Tax and insurance escrow		5,140	8,991	5,438
Operating deficit reserve		-	128,368	-
TOTAL RESTRICTED DEPOSITS AND RESERVES		102,867	253,438	96,131
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		90,946	352,300	132,095
TOTAL PROPERTY AND EQUIPMENT		2,915,963	8,007,691	3,543,431
Less accumulated depreciation		967,929	1,564,411	1,225,852
PROPERTY AND EQUIPMENT - NET		1,948,034	6,443,280	2,317,579
OTHER ASSETS - NET		-	108,207	-
TOTAL ASSETS		\$ 2,088,588	\$ 6,859,589	\$ 2,419,003
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable		\$ 2,882	\$ 10,687	\$ 2,284
Accrued interest		42,851	4,725	35,899
Other accrued expenses		6,464	11,428	10,115
Current portion of long-term debt		34,431	19,309	49,437
TOTAL CURRENT LIABILITIES		86,628	46,149	97,735
NONCURRENT LIABILITIES				
Tenant security deposits		13,550	23,900	11,950
Accumulated deficit investment in partnership		-	-	-
Developer fees payable		114,947	-	129,316
Long-term debt - net		956,224	1,220,802	968,866
TOTAL NONCURRENT LIABILITIES		1,084,721	1,244,702	1,110,132
PARTNER'S NET ASSETS		917,239	5,568,738	1,211,136
TOTAL LIABILITIES AND NET ASSETS		\$ 2,088,588	\$ 6,859,589	\$ 2,419,003

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
\$ 25,786	\$ 5,717	\$ 25,088	\$ 22,909	\$ 13,721	\$ 4,404	\$ 165,468
-	223	-	1,602	-	-	7,205
1,996	-	3,626	2,172	1,312	-	33,527
27,782	5,940	28,714	26,683	15,033	4,404	206,200
8,400	6,200	7,200	13,750	17,450	-	102,400
69,804	61,748	43,547	98,184	399,528	-	927,910
4,770	4,003	2,940	7,770	22,090	-	61,142
54,631	48,724	28,721	87,287	94,704	-	442,435
137,605	120,675	82,408	206,991	533,772	-	1,533,887
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
164,842	135,645	80,777	179,944	426,750	-	1,563,299
2,973,390	3,047,527	1,806,274	4,748,529	7,019,432	31,889	34,094,126
823,249	1,096,921	564,741	1,180,862	275,775	-	7,699,740
2,150,141	1,950,606	1,241,533	3,567,667	6,743,657	31,889	26,394,386
30,923	-	4,526	31,117	131,566	-	306,339
\$ 2,346,451	\$ 2,077,221	\$ 1,357,181	\$ 3,832,458	\$ 7,424,028	\$ 36,293	\$ 28,440,812
\$ 801	\$ 15,144	\$ 7,065	\$ 9,498	\$ 6,072	\$ -	\$ 54,433
39,441	59,609	26,155	79,758	4,638	-	293,076
6,407	6,855	3,701	8,800	15,888	-	69,658
8,453	10,346	12,343	4,163	6,633	-	145,115
55,102	91,954	49,264	102,219	33,231	-	562,282
8,400	6,200	7,200	13,750	17,450	-	102,400
-	-	-	-	-	377	377
70,613	112,786	-	-	417,321	-	844,983
1,214,748	1,054,308	663,297	1,986,907	1,534,106	-	9,599,258
1,293,761	1,173,294	670,497	2,000,657	1,968,877	377	10,547,018
997,588	811,973	637,420	1,729,582	5,421,920	35,916	17,331,512
\$ 2,346,451	\$ 2,077,221	\$ 1,357,181	\$ 3,832,458	\$ 7,424,028	\$ 36,293	\$ 28,440,812

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
SOUTHERN COMMUNITY BUILDERS, INC.
For the year ended December 31, 2013

	Pine Creek Apartments, LTD	Sophia's Landing Apartments, LTD	The Oaks Apartments, LTD
REVENUES			
Rent income	\$ 223,498	\$ 357,422	\$ 221,373
Tenant charges	1,767	10,962	8,179
Interest income	133	405	113
Other	-	735	-
TOTAL REVENUES	225,398	369,524	229,665
EXPENSES			
Administrative	35,775	58,400	24,984
Utilities	8,241	12,318	9,849
Operating and maintenance	42,583	66,860	40,938
Taxes and insurance	28,483	56,492	29,643
Interest expense	35,193	84,305	46,935
Management fees	18,381	25,471	13,282
Depreciation expense	75,323	291,564	97,183
Amortization expense	-	10,889	-
TOTAL EXPENSES	243,979	606,299	262,814
NET INCOME (LOSS)	(18,581)	(236,775)	(33,149)
Net assets, beginning of year	938,796	5,808,096	1,244,285
	920,215	5,571,321	1,211,136
Contributions(Distributions)	(2,976)	(2,583)	-
NET ASSETS, END OF YEAR	\$ 917,239	\$ 5,568,738	\$ 1,211,136

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
\$ 135,956	\$ 115,499	\$ 114,659	\$ 226,385	\$ 123,858	\$ 5,250	\$ 1,523,900
2,190	3,371	28	4,546	825	-	31,868
17	11	9	68	63	-	819
-	69	-	3,046	1,244	36,867	41,961
138,163	118,950	114,696	234,045	125,990	42,117	1,598,548
24,380	24,768	27,230	46,350	35,728	265	277,880
4,443	8,784	4,601	35,695	27,431	661	112,023
27,965	32,002	20,691	77,760	21,805	63,223	393,827
23,228	22,134	15,564	42,478	24,492	308	242,822
22,529	14,729	18,933	19,946	67,456	-	310,026
9,417	8,085	10,364	18,099	9,991	-	113,090
91,953	82,203	47,115	138,270	275,775	-	1,099,386
3,069	-	477	4,139	8,212	-	26,786
206,984	192,705	144,975	382,737	470,890	64,457	2,575,840
(68,821)	(73,755)	(30,279)	(148,692)	(344,900)	(22,340)	(977,292)
1,066,409	885,728	669,386	1,880,143	1,471,780	58,319	14,022,942
997,588	811,973	639,107	1,731,451	1,126,880	35,979	13,045,650
-	-	(1,687)	(1,869)	4,295,040	(63)	4,285,862
\$ 997,588	\$ 811,973	\$ 637,420	\$ 1,729,582	\$ 5,421,920	\$ 35,916	\$ 17,331,512

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, 2013

	ADECA Funded Programs	Senior Service Programs	Emergency Food & Shelter	Head Start	NeighborWorks	Alabama School Readiness
REVENUES, GAINS, AND OTHER SUPPORT						
State of Alabama	\$ 2,869,048	\$ -	\$ -	\$ 1,172,943	\$ -	\$ 694,068
Dept. of Health & Human Services	-	-	-	14,380,589	-	-
Corp. for National and Community Services	-	494,104	-	-	-	-
NeighborWorks America	-	-	-	-	198,755	-
Local United Way	-	26,673	-	-	-	-
Department of HUD	-	-	-	-	-	-
United Way of America	-	-	2,829	-	-	-
Other support	-	35,667	-	-	-	110,066
Interest income	-	-	-	-	-	-
Other revenues	-	350	-	12,856	62,994	-
Non-cash contributions	-	18,762	-	2,716,448	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	2,869,048	575,556	2,829	18,282,836	261,749	804,134
EXPENSES						
Personnel costs:						
Salaries	292,189	70,189	-	7,011,380	-	520,418
Stipends	-	325,733	-	-	-	-
Benefits and payroll taxes	112,875	28,011	-	4,081,016	-	196,669
Contract services	99,339	6,680	-	59,931	58,384	-
TOTAL PERSONNEL COSTS	504,403	430,613	-	11,152,327	58,384	717,087
Travel and transportation costs	4,764	89,276	-	235,997	9,615	2,007
Space costs	48,983	13,465	-	2,565,527	21,154	-
Consumable supplies	130,831	3,756	-	277,377	10,550	84,214
Direct assistance	2,049,048	-	2,829	-	60	862
Other costs	90,952	44,293	-	3,029,126	55,535	(36)
Net transfers	-	-	-	-	-	-
Indirect costs	41,688	9,998	-	1,014,468	-	-
TOTAL EXPENSES	2,870,669	591,401	2,829	18,274,822	155,298	804,134
CHANGE IN NET ASSETS	(1,621)	(15,845)	-	8,014	106,451	-
Net assets (deficit), beginning of year	52	26,651	-	(35)	76,893	(676)
NET ASSETS (DEFICIT), END OF YEAR	\$ (1,569)	\$ 10,806	\$ -	\$ 7,979	\$ 183,344	\$ (676)

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
\$ -	\$ -	\$ 1,290,743	\$ 12,206	\$ -	\$ -	\$ 6,039,008
-	-	-	-	-	-	14,380,589
-	-	-	-	-	-	494,104
-	26,072	-	-	80,000	-	304,827
111,642	-	-	-	-	-	138,315
-	20,012	-	-	-	-	20,012
-	-	-	-	-	-	2,829
133,607	-	-	60,253	12,000	-	351,593
-	-	-	-	310	-	310
35,000	600	-	16,744	519,644	-	648,188
-	-	-	-	-	-	2,735,210
280,249	46,684	1,290,743	89,203	611,954	-	25,114,985
79,405	22,629	566,348	-	214,228	550,582	9,327,368
-	-	-	-	-	-	325,733
52,418	8,642	83,349	-	69,631	174,062	4,806,673
4,195	457	1,679	800	51,539	67,601	350,605
136,018	31,728	651,376	800	335,398	792,245	14,810,379
96	441	28,154	4,346	11,446	27,363	413,505
16,734	6,152	39,534	-	39,061	67,827	2,818,437
11,302	2,642	17,074	7,690	19,086	45,222	609,744
-	-	459,187	65,949	-	-	2,577,935
121,089	7,938	52,160	14,841	208,999	158,826	3,783,723
-	(7,860)	-	7,860	70	-	70
11,395	2,452	2,065	-	9,411	(1,091,477)	-
296,634	43,493	1,249,550	101,486	623,471	6	25,013,793
(16,385)	3,191	41,193	(12,283)	(11,517)	(6)	101,192
215,900	4,007	-	78,285	327,709	-	728,786
\$ 199,515	\$ 7,198	\$ 41,193	\$ 66,002	\$ 316,192	\$ (6)	\$ 829,978

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, 2013

For the year ended December 31, 2013			
	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	\$ 6,039,008	\$ -	\$ 6,039,008
Dept. of Health & Human Services	14,380,589	-	14,380,589
Corp. for National & Comm. Services	494,104	-	494,104
NeighborWorks America	304,827	-	304,827
Local United Way	138,315	-	138,315
Department of HUD	20,012	-	20,012
United Way of America	2,829	-	2,829
Other support	351,593	-	351,593
Interest income	310	-	310
Other revenues	648,188	-	648,188
Non-cash contributions	2,735,210	-	2,735,210
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	25,114,985	-	25,114,985
EXPENSES			
Personnel costs:			
Salaries	9,327,368	-	9,327,368
Stipends	325,733	-	325,733
Benefits and payroll taxes	4,806,673	-	4,806,673
Contract services	350,605	-	350,605
TOTAL PERSONNEL COSTS	14,810,379	-	14,810,379
Transportation costs	413,505	-	413,505
Space costs	2,818,437	-	2,818,437
Consumable supplies	609,744	-	609,744
Direct assistance	2,577,935	-	2,577,935
Other costs	3,783,723	(179,006) (1)	3,604,717
Net transfers	70	-	70
Depreciation expense	-	101,576 (1)	101,576
TOTAL EXPENSES	25,013,793	(77,430)	24,936,363
CHANGE IN NET ASSETS	\$ 101,192	\$ 77,430	\$ 178,622

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.

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

IRVIN R. STRICKLAND, CPA
C. KENT QUINN, CPA PC
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Certified Public Accountants & Financial Advisors

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- ALABAMA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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 statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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.

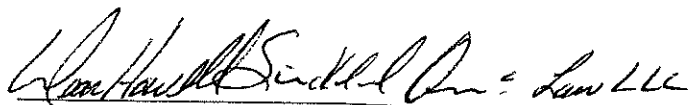
Board of Directors
The Community Action Partnership of North Alabama, Inc.
Decatur, Alabama
Page 2

Compliance and Other Matters

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

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

May 29, 2014

FEDERAL AWARDS

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

IRVIN R. STRICKLAND, CPA
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ANTHONY T. LAW, CPA PC
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CERTIFIED PUBLIC ACCOUNTANTS

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, 2013. 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, 2013.

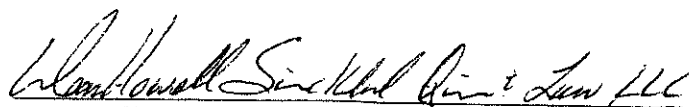
Report on Internal Control Over Compliance

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

May 29, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2013

	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	04CH3145/46	\$ 7,379,757
Head Start Program	93.600	04CH4655/01	5,422,975
Head Start Program	93.600	04CH4646/01	1,213,297
Head Start Program	93.600	90CH0110/01	364,560
Total Head Start Program			<u>14,380,589</u>
Passed through the Alabama Department of Economic and Community Affairs:			
Weatherization Assistance for Low-Income Persons	93.568	LIWAP-021-13	63,019
Low Income Home Energy Assistance	93.568	LI-021-13	1,875,204
Low Income Home Energy Assistance	93.568	LI-021-14	181,839
Community Services Block Grant	93.569	CS-021-12	165,242
Community Services Block Grant	93.569	CS-021-13	357,193
			<u>2,642,497</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			17,023,086
DEPARTMENT OF ENERGY			
Passed through the Alabama Department of Economic and Community Affairs:			
Weatherization Assistance for Low-Income Persons	81.042	DOE-021-12	196,990
Weatherization Assistance for Low-Income Persons	81.042	ARRADOE-021-09	29,561
TOTAL DEPARTMENT OF ENERGY			<u>226,551</u>
DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Education:			
Child Care Food Program - Head Start	10.558		834,890
Child Care Food Program - Head Start	10.558		338,053
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,172,943</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
THE COMMUNITY ACTION PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2013

	<u>Federal CFDA Number</u>	<u>Grant No. or Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Foster Grandparent Program	94.011	13SFAL003	244,520
Foster Grandparent Program	94.011	10SFAL005	24,642
Senior Companion Program	94.016	10SCSAL001	12,162
Senior Companion Program	94.016	13SCSAL001	212,780
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>494,104</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant	14.228	DTR-PS-12-001	482,221
Housing Counseling Assistance Program	14.169	HC13-0421-021	20,012
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>502,233</u>
DEPARTMENT OF HOMELAND SECURITY			
DIRECT PROGRAMS			
Passed Through the State Department of Mental Health:			
Disaster Assistance Projects	97.088	12ALDCMP002	767,330
TOTAL DEPARTMENT OF HOMELAND SECURITY DIRECT PROGRAMS			<u>767,330</u>
DEPARTMENT OF TREASURY			
NeighborWorks America	21.000	N/A	157,282
TOTAL DEPARTMENT OF TREASURY			<u>157,282</u>
TOTAL FEDERAL AWARDS			<u>\$ 20,343,529</u>

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, 2013

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 PARTNERSHIP
OF NORTH ALABAMA, INC.
For the year ended December 31, 2013

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:

\$ 610,306

93.600	Head Start Program
10.558	Child and Adult Care Food Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	Weatherization Assistance for Low-Income Persons - ARRA
93.568	Weatherization Assistance for Low-Income Persons

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, 2013

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported