

**Community Action, Inc. of Rock &
Walworth Counties and Related Entities**

Beloit, Wisconsin

Consolidated Financial Statements and
Supplementary Information
Year Ended December 31, 2018

Community Action, Inc. of Rock & Walworth Counties and Related Entities

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Year Ended December 31, 2018

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Independent Auditor's Report

Board of Directors
Community Action, Inc. of Rock & Walworth Counties and Related Entities
Beloit, Wisconsin

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Community Action, Inc. of Rock & Walworth Counties (a nonprofit organization) and Related Entities, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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; 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 conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Beloit Mature Adult Housing, LLC, Delavan Mature Adult Housing, LLC, Evansville Senior Housing, LP, and Community Action Properties, LLC were not audited in accordance with *Government Auditing Standards* as they did not receive federal funding.

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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Action, Inc. of Rock & Walworth Counties and Related Entities as of December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Community Action, Inc. of Rock & Walworth Counties and Related Entities adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended December 31, 2018.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Program Activity, Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, Consolidating Statement of Financial Position, Consolidating Statement of Activities, Statement of Financial Position – Low-Income Housing Partnerships, Statement of Activities – Low-Income Housing Partnerships, Schedule of Emergency Furnace Activity by Contract, and DHS Cost Reimbursement Award Schedule are presented for the purposes of additional analysis, and are 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the statement of financial position of Community Action, Inc. of Rock & Walworth Counties as of December 31, 2017, and the related statements of activities and cash flows for the year then ended (none of which is presented herein), and we expressed an unmodified opinion on those financial statements. That audit was conducted for purposes of forming an opinion on the financial statements as a whole. The supplementary schedule on page 43 is presented for purposes of additional analysis. 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 December 31, 2017, financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the prior year expenses included on the supplementary schedule on page 43 is fairly presented, in all material respects, in relation to the financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, on our consideration of Community Action, Inc. of Rock & Walworth Counties' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Action, Inc. of Rock & Walworth Counties' 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 Community Action, Inc. of Rock & Walworth Counties' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

June 26, 2019
Madison, Wisconsin

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Consolidated Statement of Financial Position

December 31, 2018

<i>Assets</i>	
Current assets:	
Cash	\$ 834,886
Restricted cash	712,110
Grants receivable	527,092
Accounts receivable, net	54,885
Weatherization inventory	193,260
Housing inventory	160,924
Current portion of loans receivable - Vehicle	3,903
Prepaid expenses and other assets	68,619
Total current assets	2,555,679
Other assets:	
Investments	351,071
Loans receivable - Housing partnership	220,000
Loans receivable - Housing, net	1,086,293
Total other assets	1,657,364
Property and equipment, net	6,026,206
TOTAL ASSETS	\$ 10,239,249

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Consolidated Statement of Financial Position (Continued)

December 31, 2018

<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of mortgages payable	\$ 19,843
Accounts payable	181,311
Accrued payroll and related expenses	79,179
Other liabilities	95,110
Grant funds received in advance	339,977
Total current liabilities	715,420
Long-term liabilities:	
Long-term advance	9,720
Mortgages payable	1,171,823
Total long-term liabilities	1,181,543
Total liabilities	1,896,963
Net assets:	
Without donor restrictions - CAI	1,516,869
Without donor restrictions - BALI	1,515,289
Without donor restrictions - Board designated	351,071
Without donor restrictions - Low-Income housing partnerships	1,280,071
Total without donor restrictions	4,663,300
With donor restrictions - CAI	3,678,986
Total net assets	8,342,286
TOTAL LIABILITIES AND NET ASSETS	\$ 10,239,249

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Consolidated Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grant and contract revenue	\$ 6,236,981	\$ 0	\$ 6,236,981
Fee for services revenue	1,192,582	0	1,192,582
Program and other contributions	474,752	26,273	501,025
Rental income	832,543	0	832,543
Investment loss	(17,487)	0	(17,487)
Net assets released from restriction through satisfaction of program restrictions	353,495	(353,495)	0
Total revenue	9,072,866	(327,222)	8,745,644
Expenses:			
Program activities:			
Weatherization/energy assistance	2,503,332	0	2,503,332
Housing and housing rehabilitation	1,516,021	0	1,516,021
Employment training	1,165,896	0	1,165,896
Child programs	954,373	0	954,373
Health Care	540,336	0	540,336
Community services programs	501,402	0	501,402
Food programs	441,894	0	441,894
Homeless/shelter programs	207,732	0	207,732
Other	37,789	0	37,789
Total program activities	7,868,775	0	7,868,775
Support services:			
Fund-raising	34,965		34,965
Management and general	1,030,761	0	1,030,761
Total supportive services	1,065,726	0	1,065,726
Total expenses	8,934,501	0	8,934,501
Change in net assets	138,365	(327,222)	(188,857)
Net assets at beginning of year	4,260,615	4,270,528	8,531,143
Reclassification of net assets - change in accounting policy	264,320	(264,320)	0
Net assets at end of year	\$ 4,663,300	\$ 3,678,986	\$ 8,342,286

See accompanying notes to consolidated financial statements.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 2,334,501	\$ 584,430	\$ 11,160	\$ 2,930,091
Fringe benefits	576,883	114,469	0	691,352
Consultants/contractual	153,374	144,347	0	297,721
Travel	71,803	5,814	0	77,617
Occupancy	871,425	96,914	0	968,339
Supplies	177,758	15,921	0	193,679
Weatherization materials and other inventory	1,660,207	0	0	1,660,207
Client/participant costs	1,097,565	563	0	1,098,128
Depreciation	256,076	0	0	256,076
Commodities distributed	382,363	0	0	382,363
Other	286,820	68,303	23,805	378,928
Total expenses	\$ 7,868,775	\$ 1,030,761	\$ 34,965	\$ 8,934,501

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Consolidated Statement of Cash Flows

Year Ended December 31, 2018

Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net assets	(\$	188,857)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		256,076
Amortized interest expense		1,457
Realized and unrealized loss on investments		27,192
Provision allowance for uncollectible accounts receivable		81,662
Write down of housing inventory		48,583
Provision allowance for loan losses		31,056
Net change in discount on loans receivable	(	43,393)
Changes in operating assets and liabilities:		
Restricted cash		4,541
Grants receivable		144,842
Accounts receivable	(	62,251)
Weatherization inventory	(	96,012)
Housing inventory	(	42,748)
Prepaid expenses and other assets		51,681
Accounts payable	(	26,076)
Accrued payroll and related expenses		957
Other liabilities		31,614
Grant funds received in advance		207,286
Long-term advances	(	25,858)
Net cash provided by operating activities		401,752
Cash flows from investing activities:		
Capital expenditures	(	190,498)
Purchase of investments	(	3,060)
Collections on loans receivable		123,569
Issuance of loans receivable	(	1,921)
Net cash used in investing activities	(	71,910)
Cash flows from financing activities:		
Payments on mortgages payable	(	18,981)
Net cash used in financing activities	(	18,981)
Change in cash		310,861
Cash at beginning of year		524,025
Cash at end of year	\$	834,886
Supplemental schedule of operating activities:		
Interest paid and expensed	\$	63,282

See accompanying notes to consolidated financial statements.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Community Action, Inc. of Rock & Walworth Counties (CAI) was organized as a nonprofit corporation in 1965. CAI was formed to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs in Rock and Walworth Counties in Wisconsin. CAI is supported through federal and state government grants, fees for services, and private contributions. Approximately 45% of grant revenue is received from the State of Wisconsin under the Weatherization program.

Beloit Assisted Living, Inc. (BALI) was organized as a private nonprofit corporation in 2001. BALI has common board members with CAI and is under common control with CAI. BALI was organized to provide affordable housing for the elderly. BALI currently owns and operates a 30-unit housing project. The project is funded through a forgivable loan from the U.S. Department of Housing and Urban Development (HUD). A separate Single Audit was also issued for BALI as of and for the year ended December 31, 2018.

Beloit Mature Adult Housing, LLC (BMAH), a Wisconsin limited liability company, was formed in January 1997, under the Wisconsin Limited Liability Company Act to acquire and operate a 47-unit residential rental housing project called Olympian Hill Apartments located in Beloit, Wisconsin. The project is financed and regulated by the Wisconsin Housing and Economic Development Authority (WHEDA).

Delavan Mature Adult Housing, LLC (DMAH), a Wisconsin limited liability company, was formed in April 1999, under the Wisconsin Limited Liability Company Act to acquire and operate a 24-unit residential rental housing project called Prairie View Apartments located in Delavan, Wisconsin. The Project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Service Code. The Project receives rent and interest subsidies from Rural Housing Service (RHS) of the U.S. Department of Agriculture, Rural Development (USDA-RD).

Evansville Senior Housing, LP (ESH) was formed in July 2000, as a limited partnership under the Wisconsin Uniform Limited Partnership Act to construct and operate a 24-unit residential rental housing project called Arbor Glen Apartments (the "Project") located in Evansville, Wisconsin. The Project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Service Code (IRC). The Project receives rent and interest subsidies from Rural Housing Service (RHS) of the U.S. Department of Agriculture, Rural Development (USDA-RD).

Community Action Properties, LLC (CAP) is a wholly owned limited liability corporation of CAI. CAP was organized in order to support CAI's efforts to develop affordable housing. CAP owned houses in the Beloit Merrill Neighborhood and title to these were transferred to CAI in 2010. In addition, CAP owns a duplex in Walworth County.

Basis of Presentation

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Principles of Consolidation

These financial statements are consolidated and include the accounts of CAI, BALI, BMAH, DMAH, ESH, and CAP (the "Organizations"). All material inter-company transactions and accounts are eliminated in consolidation.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets Without Donor Restrictions, Board Designated - The trust managed investments have been designated by the Board of Directors as a reserve for contingencies and are not available for use in operations. As these amounts are only restricted by Board policy, the amounts have been classified as net assets without donor restrictions. The Board's intent is that the amount of net assets without donor restrictions that are classified as a reserve for contingencies will always be equal to the market value of the funds in the investment trust. The Board may designate additional amounts from time to time to be added to the investment trust.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or may not be met either by actions of the Organizations and/or the passage of time. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. If a restriction is satisfied in the year of contribution, the contribution is recorded as revenue without restrictions.

Use of Estimates

The preparation of consolidated financial statements in accordance 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.

Revenue Recognition/Grant Funds Received in Advance

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with restrictions are reclassified as net assets without restrictions and reported in the consolidated statement of activities as net assets released from restrictions. If a restriction is satisfied in the year of contribution, the contribution is recorded as revenue without restrictions.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition/Grant Funds Received in Advance (Continued)

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Program contributions represent amounts contributed by program beneficiaries, individuals, or organizations. The contributions are to help defray the cost of a specific program. The contributions are recorded as revenue with donor restrictions if the contribution is used in the specific program when there is a stipulation by the donor. When a restriction expires, net assets with restrictions are reclassified as net assets without restrictions and reported in the consolidated statement of activities as net assets released from restrictions. If the restriction is satisfied in the period of contribution, the contribution is recorded as revenue without restrictions.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Fee for Services Revenue

Fee for services revenue includes performance contracts for childcare and health care services. The performance contracts reimburse based on a predetermined rate for services performed. Other fee for services revenue consists of various activities performed by CAI on a predetermined fee basis. The revenue is recognized in the period the service is performed.

Rental Income

Rental income is derived primarily from annual leases by BALI, BMAH, DMAH, and ESH with tenants. Rental income is recognized when earned.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of amounts billed under performance contracts and client service fees. The Organizations analyze the receivables and record an allowance that management believes will reserve for possible losses on existing receivables that may become uncollectible. The evaluations take into consideration such factors as changes in the customer's creditworthiness, prior loss experience, and current economic conditions. An account is considered uncollectible when all collection efforts prove worthless. The allowance for doubtful accounts was \$9,331 at December 31, 2018.

Investments

Investments are carried at fair value. Unrealized gains or losses of investments are included in investment income in the consolidated statement of activities. Fair values are determined based on active publicly traded markets.

Inventory

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Weatherization Inventory - CAI hires contractors to do a large portion of the weatherization activity. The contractors provide labor and materials. Weatherization materials, crew, and contractor labor are expensed in the accounting period when the unit weatherized is claimed as a completed unit. A completed unit represents a dwelling that has received weatherization services within the limits established in the weatherization contract, the final inspection has been performed, and the owner sign-off has been obtained.

Housing Inventory (homes held for resale) - CAI purchased houses in the Beloit Merrill Neighborhood in prior years. CAI is rehabilitating the houses and will sell them to income eligible buyers upon completion.

Commodities Distributed

Commodity food distributed represents the value of food received through the State of Wisconsin and is distributed to low-income households. Valuations are provided by the State of Wisconsin. Commodity inventory is charged to expense when the commodities are distributed.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Loans Receivable

CAI operates several loan funds that provide assistance to low-income residents in CAI's service area. The assistance provided is recorded as a receivable with a corresponding increase in net assets with donor restrictions. Any loans subsequently repaid will reduce the loan receivable and provide funds for loans or other assistance to other eligible participants.

Management has the intent and ability to hold all loans for the foreseeable future or until maturity or pay-off. Management has reported the loans at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for expected loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are recognized as income or expense when received or incurred since capitalization of these fees or costs would not have a significant impact on the financial statements.

At such time when a loan is determined to be past due, the interest-bearing loans are placed on nonaccrual status. The determination of past due loans for purposes of placing on nonaccrual status is made on a case-by-case basis. Interest accrued but not collected for loans that are placed on nonaccrual status is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The allowance for loan losses is a valuation allowance for probable incurred credit losses based on an evaluation of the outstanding loans. Loans losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management regularly evaluates the allowance for loan losses taking into consideration such factors as historical loss experience, changes in the nature and volume of the loan portfolio, overall portfolio quality, a review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay.

A loan is considered impaired when, based on current information and events, it is probable that CAI will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for housing and business loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

CAI has the following types of loans receivable:

Loans Receivable - Housing

CAI operates a revolving loan program funded by grant awards. CAI receives funds to loan to eligible individuals for housing assistance. Loans are either to be repaid or are forgiven. The repaid loans are to be repaid over a time period determined by the grant or are to be repaid when the property is sold, title changes, or the property is refinanced. The forgivable loans are forgiven over a time period determined by the individual grant. Any funds repaid must be used in accordance with the original grant agreement, which includes covering a certain percentage of administrative costs. The loans are low or non-interest-bearing. Loans receivable are discounted to their net present value at a 4.5% discount rate and are stated at the amount of unpaid principal.

Loans Receivable - Vehicle

CAI operates a revolving loan program funded by grant awards. CAI receives funds to loan to eligible individuals for vehicle purchase assistance. Loans are to be repaid in monthly installments over a time period of 30 months. Any funds repaid must be used in accordance with the original grant agreement. The loans are non-interest-bearing. Due to the short term nature of these loans and the amount of the discount, they have not been discounted to their net present value.

Loans Receivable – Housing Partnership

CAI received a Rental Housing Development grant award from the State of Wisconsin to provide housing assistance to low-income households. The grant funds are loaned to a limited liability company (LLC), of which CAI was a member, for the development of housing projects.

Property and Equipment

Property and equipment are capitalized at cost. Depreciation is provided for using the straight-line method over the estimated useful life of the asset. The Organizations consider property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Property and equipment purchased with grant funds are owned by CAI while used in the program for which they were 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. The disposition of property and equipment, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of property and equipment purchased with grant funds is \$249,409 at December 31, 2018.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Financing Fees

Financing fees represent costs associated with obtaining debt to finance the purchase of the BMAH housing project. Unamortized financing fees have been recorded as a reduction to the related debt obligation. The costs are being amortized to interest expense over the maximum term provided in the debt agreement using the straight-line method.

Income Taxes

CAI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax.

BALI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax.

BMAH, DMAH, ESH and CAP are sole member LLCs or LPs and, therefore, are treated as disregarded entities for tax purposes. The activity of BMAH, DMAH, ESH, and CAP are included in CAI's annual federal and state returns.

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Indirect Cost Rate

Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective. A provisional indirect cost rate of 14% of modified total direct costs has been approved by the U.S. Department of Health and Human Services (DHHS). A provisional indirect cost rate is based upon the projected costs of the Organization for the fiscal year under consideration. CAI adjusts the provisional rate based upon actual experience. This adjusted rate is subject to approval at which time the indirect cost rate becomes final. Any adjustments to the rate will be reflected in the consolidated financial statements when the rate is finalized.

Functional Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policy

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958)*. This ASU provides certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance was adopted effective January 1, 2018.

Prior to the adoption of the ASU, CAI had a policy of implying a time restriction for property and equipment acquired with grant funds. Under the time restriction policy, the net asset value of property and equipment acquired with grant funds was reported as net assets with donor restrictions. The ASU requires a placed-in-service approach in which net assets for property and equipment acquired with grant funds are reported as without donor restrictions. Accordingly, net assets with donor restrictions of \$264,320 were transferred to net assets without donor restrictions on January 1, 2018 on the consolidated statement of activities.

New Accounting Pronouncements

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard replaces the current revenue recognition requirements and most industry-specific guidance. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as the resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity services as the resource provider. Early application of the amendments in this update is permitted.

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively.

The Organizations are currently evaluating the impact of the provisions of the ASUs.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through June 26, 2019, which is the date the financial statements were available to be issued.

Note 2: Liquidity and Availability

As of December 31, 2018, the following are the financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	\$	834,886
Grants receivable		527,092
Accounts receivable		54,885
Less: accounts payable	(	181,311)
Less: accrued payroll and related expenses	(	79,179)
Less: grant funds received in advance included in financial assets	(	146,717)
Less: long-term advance	(	9,720)
Less: net assets with donor restrictions included in financial assets	(	963,381)
<u>Total</u>		<u>\$ 36,555</u>

In accordance with the Organization's policies, the Finance Director monitors cash flow needs on a daily basis to eliminate idle funds and to ensure that payment obligations can be met. In addition to the financial assets available, CAI has access to draw on its line of credit of \$750,000, and with approval from the Board of Directors, has access to convert investments to cash. CAI can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source. CAI has grant commitments for future expenses of approximately \$4,000,000 at December 31, 2018.

Note 3: Concentration of Credit Risk

The Organizations maintain their cash balances at several financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

CAI's cash balances at times exceed insured limits as designated by FDIC. CAI has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

CAI's investments consisting of equity and fixed income funds and a money market fund are not insured (see Note 7).

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 4: Restricted Cash

The restricted cash balance at December 31, 2018, consisted of the following.

CAI reserve for unemployment claims	\$	85,183
BALI reserves and security deposits		112,992
BMAH reserves and security deposits		227,937
DMAH reserves and security deposits		201,699
ESH reserves and security deposits		84,299
<u>Total</u>		<u>\$ 712,110</u>

Note 5: Grants Receivable

Grants receivable at December 31, 2018, consisted of the following:

State programs	\$	303,761
Direct federal programs		885
Other programs		222,446
<u>Total</u>		<u>\$ 527,092</u>

Note 6: Accounts Receivable

Accounts receivable at December 31, 2018, consisted of funds due for the following activities:

CAI miscellaneous activities, net of \$9,331 allowance for uncollectible amounts	\$	25,072
BALI, DMAH, and ESH rental activities		29,813
<u>Total</u>		<u>\$ 54,885</u>

There is no allowance for the rental activities receivables.

Note 7: Investments

The investments consist of funds in a trust managed by BMO Harris Bank. The trust account is invested in equity and fixed income funds and a money market fund and is carried at fair value.

As of December 31, 2018, investments consist of the following:

Money market fund	\$	2,970
Equity and fixed income funds		348,101
<u>Total</u>		<u>\$ 351,071</u>

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 7: Investments (Continued)

Total investment loss as of December 31, 2018, was as follows:

Interest and dividends	\$ 13,646
Realized and unrealized loss on investments	(27,192)
Fees	(3,941)
Investment loss	(\$ 17,487)

Note 8: Loan Receivable – Housing Partnership

CAI has received Community Housing Development Organization (CHDO) Rental Housing Development awards from the State of Wisconsin DOA. The awards were used for the development of HOME-assisted units. The loan receivable – housing partnership at December 31, 2018, consists of \$220,000 in State of Wisconsin CHDO funds loaned to Mulberry Grove, LLC. The loan is non-interest bearing. CAI had a 3% interest in Mulberry Grove LLC. that interest was sold in 2018.

If CAI ceases to exist and their partnership interest is not acquired by a nonprofit organization approved by the State of Wisconsin DOA, the original CHDO grant amounts will be returned to the State of Wisconsin DOA at the time the development is sold. The above requirements will survive should CAI's interest be acquired or assigned to another eligible nonprofit CHDO organization.

There is no allowance for uncollectible loans for the loan receivable – housing partnership. CAI determined this loan was not considered impaired. CAI regularly evaluates attributes of loans to determine the appropriateness of the allowance for loan losses. Given the long-term nature of this loan and the fact that payment is not due until maturity, CAI has not attributed an allowance against the loan above. The loan receivable - affiliate is generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan.

In addition, the loan receivable – housing partnership is not past due. Due to the nature of the loan terms, no payments of principal or interest are required until loan maturity.

When, for economic or legal reasons related to the borrower's financial difficulties, CAI grants a concession to the borrower that CAI would not otherwise consider, the modified loan is classified as a troubled debt restructuring. Loan modifications may consist of interest-only payments for a period of time, extending amortization terms, a reduction of the interest rate, and/or forgiveness of interest and/or principal. There were no troubled debt restructurings during 2018.

Note 9: Weatherization Inventory

At December 31, 2018, CAI's inventory of weatherization material included the following:

Materials inventory	\$ 5,165
Work in process	188,095
Total	\$ 193,260

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 10: Housing Inventory

The inventory of houses included the following:

Beginning cost of house inventory - Beloit Merrill Neighborhood	\$ 166,759
Current year additions	139,053
Current year cost of sales	(96,305)
Current year write-down (lower of cost or net realizable value)	(48,583)
Ending cost of house inventory - Beloit Merrill Neighborhood	\$ 160,924

CAI has purchased older homes in Beloit and Janesville to repair and sell in an effort to provide affordable housing and to stimulate private redevelopment in these locations. The homes were severely worn, required significant demolition prior to repair, and required major repairs. Four of the homes in the Beloit Merrill Neighborhood were completely demolished and the remaining lots may be held for future development or may be sold with the adjacent house being repaired to reduce the density in the neighborhood. The write-down is based upon the costs to acquire and do repairs less than estimated market value based upon the percentage of repairs completed times the estimated average market value. CAI is making every effort to cover the acquisition, repair, and write-down costs with grants and donations.

Note 11: Loans Receivable - Housing

CAI operates several programs that provide assistance to participants for housing. Unless noted otherwise, the funds were received from the State of Wisconsin, Department of Administration. The assistance is provided in the form of various low- or no-interest deferred or installment loans. As detailed more fully below, the loans are due and payable on the occurrence of various events including sale, transfer, or reassignment of the property, death of the homeowner, the homeowner no longer occupying the property, refinancing, or the passage of time. Unless otherwise noted below, any repaid loans and interest are to be used by CAI for similar purposes.

CAI received a CHDO grant award to provide rental housing rehabilitation assistance for properties rented to low-income persons. The assistance is provided in the form of low-interest deferred payment loans. The loans are at 3% interest with the principal and interest deferred for five years. After the five-year deferral period, the loans are to be repaid on a monthly installment basis ranging from 60 to 180 months.

\$ 39,379

CAI received a HOME grant award to help low-income homebuyers bring their homes up to housing quality standards. Rehabilitation assistance is in the form of a no-interest deferred loan. The loan is payable at the earliest of the sale, transfer, or reassignment of the property.

93,754

CAI received a HOME grant and a Housing Cost Reduction Initiative (HCRI) grant to provide no-interest deferred loans to help low-income homebuyers acquire a lot for the construction of a home and for down payment and closing cost assistance. The assistance is given as a no-interest deferred loan payable at the earliest of the sale or transfer of the property.

238,071

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 11: Loans Receivable – Housing (Continued)

CAI received a HOME grant award and a HCRI grant from the City of Beloit to provide no-interest deferred loans to help low-income homebuyers with construction of a new home. The assistance is given as a no-interest deferred loan payable at the earliest of the sale or transfer of the property.	26,850
CAI received a Home Weatherization Rehabilitation grant to provide for weatherization and/or home rehabilitation assistance to eligible participants. The assistance is given as a no-interest deferred loan payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	146,283
CAI received a Home Weatherization Rehabilitation grant to provide for weatherization and/or home rehabilitation assistance to eligible participants. The assistance is given as a no-interest deferred loan payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	515,544
CAI received a Home Lead Hazard Reduction grant to provide for lead hazard reduction assistance to eligible participants. The assistance is given as a 4% interest deferred loan payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	30,414
CAI was assigned HOME and HCRI loans that were used to help low-income homebuyers with down payment and closing cost assistance. The loans are at 3% annual interest deferred until the loan is repaid. The loan is payable at the earliest of the sale, transfer, or reassignment of the property or death of the participant.	597,454
Total loans receivable - Housing	1,687,749
Allowance for uncollectible	(356,214)
Expected revolving loans to be received	1,331,535
Discounted at 4.5%	(245,242)
<u>Long-term loans receivable, net</u>	<u>\$ 1,086,293</u>

The unamortized discount is the difference between the face amount of the loan receivable and its present value discounted at a compound interest rate. This discount is then amortized over the life of the loan.

CAI monitors the credit quality of housing loans based on collections received.

For the year ended December 31, 2018, the allowance for loan losses change is as follows:

Balance at the beginning of the year	\$ 385,893
Provision for loan losses	29,679
Charge-offs	(59,358)
<u>Balance at the end of year</u>	<u>\$ 356,214</u>

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 11: Loans Receivable – Housing (Continued)

There are \$39,379 in housing loans that are considered past due by 90 days or over at December 31, 2018. These loans are on nonaccrual status. There were no loans evaluated individually for impairment. There were no loans restructured under a troubled debt restructuring in 2018. The last two loan categories in the above table have also been placed on nonaccrual status at December 31, 2018 given the fact that the loan is not payable until a certain event occurs. Interest income recognized on loans that have been placed on nonaccrual status was \$8,263 during 2018.

Note 12: Loans Receivable - Vehicle

CAI loaned funds to eligible individuals for vehicle purchase assistance as a part of the Work 'N Wheels Program. The assistance was provided in the form of no-interest installment loans. Loans are to be repaid in monthly installments over a time period of 30 months.

Total loans receivable - Vehicle	\$	9,598
Allowance for uncollectible	(	5,695)
Total current portion	\$	3,903

CAI monitors the credit quality of vehicle loans based on collections received. For the year ended December 31, 2018, the allowance for loan losses change is as follows:

Balance at the beginning of the year	\$	17,088
Provision for loan losses		1,377
Charge-offs	(	12,770)
Balance at the end of year	\$	5,695

There are \$5,695 in vehicle loans that are considered past due by 90 days or over at December 31, 2018. There were no loans evaluated individually for impairment. There were no loans restructured under a troubled debt restructuring in 2018.

Note 13: Property and Equipment

A summary of property and equipment as of December 31, 2018, is as follows:

	Land	Building	Equipment	Total
CAI	\$ 224,600	\$ 2,519,814	\$ 580,184	\$ 3,324,598
BALI	4,141	2,204,682	23,911	2,232,734
BMAH	0	1,351,339	0	1,351,339
DMAH	272,300	908,825	0	1,181,125
ESH	210,420	1,023,471	0	1,233,891
Subtotal	711,461	8,008,131	604,095	9,323,687
Accumulated depreciation				(3,297,481)
Property and equipment, net				\$ 6,026,206

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 14: Mortgages Payable

CAI has a mortgage loan with Rock County. The loan is a line of credit which allows CAI to draw upon the line of credit as needed to support the purchase and rehabilitation of a single family house at 1423 Hull Avenue, Beloit, Wisconsin. The maximum loan available is \$15,000. The interest rate is 0%. The outstanding loan balance is due upon sale or transfer of the property. The loan is collateralized by the house at 1423 Hull Avenue, Beloit, Wisconsin. \$ 15,000

BMAH has a mortgage payable to WHEDA, payable in monthly installments of \$3,687, including interest at a rate of the 7-year Treasury Rate plus 2.75% (5.34% at December 31, 2018). The maturity date of the mortgage is August 1, 2045. The mortgage is secured by BMAH's assets. 676,133

BMAH has a mortgage payable to WHEDA, payable in annual installments of \$7,589, including interest at a fixed rate of 3%. Debt service payments on this mortgage is subject to available surplus cash flow. The maturity date of the mortgage is August 1, 2045. The mortgage is secured by BMAH's assets. 140,054

DMAH has a mortgage payable to Rural Housing Services (RHS), payable in monthly installments of \$875, including interest at a fixed rate of 7.125% with a maturity date of December 1, 2031, in the form of a balloon payment equal to the principal balance at that date. The mortgage is secured by the DMAH's assets. 132,035

ESH has a mortgage payable to RHS, payable in monthly installments of \$1,655, including interest at a fixed rate of 6.875% with a maturity date of July 2030. The mortgage is secured by the ESH's assets. 259,701

Subtotals	1,222,923
Unamortized debt issuance costs, net of accumulated amortization of \$4,323	(31,257)
Current maturities of mortgages payable	(19,843)

Long-term mortgages payable \$ 1,171,823

Future payments of mortgages payable are as follows:

2019	\$ 19,843
2020	20,808
2021	21,825
2022	22,894
2023	24,019
Thereafter	1,113,534

Total \$ 1,222,923

CAI also has a line of credit at BMO Harris Bank with a maximum loan available of \$750,000. The line of credit matures in October 2020. The line of credit has an interest rate of the one-month LIBOR rate plus 3.15% (6.16% at December 31, 2018), and is collateralized by real property. There was no outstanding amount drawn on the line of credit at December 31, 2018.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 15: Advance

CAI received a cash advance from the state of Wisconsin – DHS to pay for inventory carrying costs in the Weatherization program. The long-term advance balance was \$9,720 at December 31, 2018.

Note 16: Capital Advance - HUD

BALI was financed principally by a HUD capital advance mortgage note (the “Note”) in the amount of \$2,251,500, payable to HUD. The Note bears no interest and repayment is not required so long as the housing remains available for very low-income elderly persons in accordance with the regulatory agreements and regulations.

The Note may not be prepaid prior to the maturity date without the prior written approval of HUD. Provided that (1) the housing has remained available for occupancy by eligible persons until the maturity date of the Note, and (2) the Note has not otherwise become due and payable by reason of default under the Note, mortgage or regulatory agreement or regulations, the Note will be considered to be paid in full and discharged at maturity, May 1, 2044.

If the Note is considered in default under the terms of the Note, mortgage, the regulatory agreement or the regulations, at the option of the holder of the Note, the entire principal shall become due and payable without notice. In addition, interest at a rate equal to 5.375% per annum shall be payable on demand with respect to the payment of principal. Interest expense will only be recognized if it becomes payable.

The Note, in its principal amount, is reflected as net assets without donor restrictions. Management currently intends to comply with all Note provisions over the term of the Note and management believes that the possibility that repayment may occur is remote and; therefore, believes recognition of the Note as net assets without donor restrictions is the appropriate treatment.

Note 17: Net Assets With Donor Restrictions

At December 31, 2018, net assets with donor restrictions are available for the following purposes:

Housing activities:

Housing projects	\$ 1,650,428
Revolving loans - Housing	1,717,961
Housing activities subtotal	3,368,389
Vehicle	136,536
Employment training	44,241
Other	129,820
Total	\$ 3,678,986

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 18: Related Party

CAI received CHDO rental housing assistance awards from the State of Wisconsin DOA. The award was for the development of HOME-assisted units. CAI has entered into an agreement with Mulberry Grove, LLC to construct and own a rental property, of which a certain number of units are HOME-assisted units as stipulated in the CHDO award.

CAI maintains a percentage ownership and receives certain fees. There are no or minimal costs associated with CAI's investment in this LLC. The ownership, loans, and service fees received relating to the LLC are as follows:

	Percentage Ownership	Loans Receivable	Management Service Fee Received in 2018
Mulberry Grove, LLC	3.00%	\$ 220,000	\$ 0

See additional information on loans receivable in Note 8. CAI's minority investment interest in the above LLC is \$0. The investment is accounted for on the equity method based on CAI's ownership status in the partnership.

Note 19: Employee Retirement Plan

CAI has a retirement plan that covers all employees who work a minimum of 1,000 hours per year and have been employed for two years. The pension plan is invested in individual employee 403(b) accounts. The retirement benefits are fully vested with the plan participant at the time the funds are contributed. Contributions for the plan were \$97,515 for the year ended December 31, 2018.

Note 20: Operating Lease Agreements

CAI leases various facilities and apartments for the operation of its programs. Lease expense for the year ended December 31, 2018, was \$290,007, which includes \$157,184 in lease expense related to CAI's Transitional Living Program. The future minimum lease obligations are as follows:

2019	\$ 183,181
2020	136,110
2021	138,304
2022	140,542
2023	142,903
Thereafter	1,013,816
Total lease obligations	\$ 1,754,856

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 21: Rental Income

Rental income from the affordable housing projects, primarily under annual leases, during the year ended December 31, 2018, was \$726,847. In addition, CAI subleases certain properties in the operation of some of their housing programs. Rental income recorded under subleases during the year ended December 31, 2018, was \$105,696. As per the sublease agreements, guaranteed annual rental payments due to CAI are as follows:

2019	\$	55,166
2020		8,561
<u>Total rental payments to be received in the future</u>		<u>\$ 63,727</u>

Note 22: Commitments and Contingencies

At December 31, 2018, CAI had commitments under various grants of approximately \$4,000,000. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

BMAH is liable on a 99-year lease with the City of Beloit for the land upon which the rental property sits. The City has assigned its rights to the lease to WHEDA. The lease requires an annual rent payment of \$1. The lease ends on December 11, 2096. BMAH has the option to purchase the land for \$1 at any time during the lease term.

Note 23: Sources of Revenue

Generally, revenue received is from government or private sources. The table below shows the sources of funds for 2018.

	Percentage	Amount
Government	65%	\$ 5,669,174
Private	35%	3,076,470
<u>Totals</u>	<u>100%</u>	<u>\$ 8,745,644</u>

Note 24: Fair Value Measurements

Generally accepted accounting principles require disclosure of the measurement of assets and liabilities at fair value. In general, the CAI determines fair values determined by Level 1 inputs utilizing quoted market prices in active markets. Fair values determined by Level 2 inputs utilize market information that is observable, such as quoted market prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves. Fair values determined by Level 3 inputs are based on valuation models or methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the CAI's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 24: Fair Value Measurements (Continued)

Some assets and liabilities are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets, such as write-down of housing inventory and low-income housing partnerships land and building and improvements, are measured at fair value on a nonrecurring basis. CAI does not have any liabilities that are measured at fair value.

Information regarding the fair value of assets measured at fair value on a recurring basis as of December 31, 2018, is as follows:

	Assets Measured at Fair Value	Recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market fund	\$ 2,970	\$ 2,970	\$ 0	\$ 0
Equity and fixed income funds:				
Large cap funds	108,991	108,991	0	0
Mid cap funds	35,235	35,235	0	0
Small cap funds	8,616	8,616	0	0
International development funds	51,020	51,020	0	0
Emerging markets	11,323	11,323	0	0
Multi-strategy funds	25,638	25,638	0	0
Bonds	107,278	107,278	0	0
Totals	\$ 351,071	\$ 351,071	\$ 0	\$ 0

The following is a description of the valuation methodology used for each asset measured at fair value on a recurring basis:

- Money market and equity and fixed income funds are valued at quoted market prices.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Notes to Consolidated Financial Statements

Note 24: Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a non-recurring basis as of December 31, 2018, is as follows:

	Assets Measured at Fair Value	Non-recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Housing inventory	\$ 160,924	\$ 0	\$ 0	\$ 160,924

Housing inventory with a carrying amount of \$209,507 was written down to its fair value of \$160,924 since this impairment was deemed to be other than temporary. As a result, an impairment charge of \$48,583 is included in the consolidated statement of activities for the year ended December 31, 2018.

The following is a description of the valuation methodology used for each asset measured at fair value on a nonrecurring basis:

- Housing inventory is valued using appraisals and other observable market data.

Supplementary Information

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-1

Schedule of Program Activity

Year Ended December 31, 2018

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE					
Department of Agriculture					
10.558	53-6801	Community Kids Janesville (USDA)	State of WI Dept. of Public Instruction	10/01/17-09/30/18	N/A
10.558	53-6801	Community Kids Janesville (USDA)	State of WI Dept. of Public Instruction	10/01/18-09/30/19	N/A
		Subtotal 10.558			
10.561	FY18-CAI-FSET	FSET-Fatherhood	SWWDB	10/01/17-09/30/18	83,475
10.561	FY19-CAI-FSET	FSET-Fatherhood	SWWDB	10/01/18-09/30/19	89,627
		Subtotal 10.561			
10.568	435100-G-18-10078-210484-890	Temporary Emerg. Food Asst. Prog.	State of WI Dept. of Health Services	10/01/17-09/30/18	53,534
10.568	435100-G-19-12204-210484-990	Temporary Emerg. Food Asst. Prog.	State of WI Dept. of Health Services	10/01/18-09/30/19	39,666
		Subtotal 10.568			
10.569	N/A	Commodity Food Program	State of WI Dept. of Health Services	01/01/18-12/31/18	N/A
		Subtotal 10.568 & 10.569 Cluster			
Department of Housing and Urban Development					
14.218	94520966-2018	Community Development Block Grant	City of Beloit	10/01/17-12/31/18	75,000
14.218	94520966-2018	Community Development Block Grant	City of Beloit	01/01/18-12/31/18	50,000
14.218	94520966-2028	Community Development Block Grant	City of Beloit	01/01/18-12/31/18	24,641
14.218	B-18-MC-55-0014	Community Development Block Grant	City of Janesville	07/01/18-06/30/19	6,500
		Subtotal 14.218			
14.231	ETH 16-05	Emergency Shelter & Homeless Prevention	State of WI Dept. of Administration	07/01/17-12/31/18	56,499
14.231	ETH 17-04	Emergency Shelter & Homeless Prevention	State of WI Dept. of Administration	07/01/18-06/30/19	56,499
		Subtotal 14.231			
14.235	SPC 17-01	Supportive Housing Prog.-Shelter Plus Care	State of WI Dept. of Administration	06/01/17-03/31/19	261,692
		Subtotal 14.235			
14.239	N/A	HOME Invest. Partnership - Rock	City of Janesville	07/31/17-12/31/20	131,771
14.267	WI0016L5I001609	HUD Continuum of Care	U.S. Dept. of HUD	09/01/17-08/31/18	544,442
14.267	WI0203L5I001700	HUD Continuum of Care	U.S. Dept. of HUD	09/01/18-08/31/19	218,692
14.267	WI0202L5I00170	HUD Continuum of Care	U.S. Dept. of HUD	09/01/18-08/31/19	452,695
		Subtotal 14.267			
17.274	YB-29990-17-60-A-55	Youth Build	U.S. Dept. of Labor	10/01/16 - 01/31/20	1,100,000
		Subtotal 17.274			
Department of Energy					
81.042	WX 1718.03	Weatherization Assistance DOE	State of WI Dept. of Administration	07/01/17-06/30/18	624,334
81.042	WX 1819.03	Weatherization Assistance DOE	State of WI Dept. of Administration	07/01/18-06/30/19	405,153
		Subtotal 81.043			

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-1 (Continued)
Schedule of Program Activity
Year Ended December 31, 2018

Net Assets (Deficit) 12/31/17	Grant funds Received in Advance 12/31/17	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/18	Net Assets (Deficit) 12/31/18
\$ 0	\$ 0	\$ 46,168	\$ 0	(\$ 51,605)	\$ 5,437	\$ 0	\$ 0
0	0	16,804	0	(23,843)	7,039	0	0
0	0	62,972	0	(75,448)	12,476	0	0
0	0	56,181	0	(56,181)	0	0	0
0	0	12,549	0	(12,549)	0	0	0
0	0	68,730	0	(68,730)	0	0	0
0	0	33,407	0	(33,407)	0	0	0
0	0	8,305	0	(8,305)	0	0	0
0	0	41,712	0	(41,712)	0	0	0
0	961	381,791	0	(382,363)	0	(389)	0
0	961	423,503	0	(424,075)	0	(389)	0
0	0	75,000	0	(75,000)	0	0	0
0	0	50,000	0	(50,000)	0	0	0
0	0	24,641	0	(24,641)	0	0	0
0	0	4,305	0	(4,305)	0	0	0
0	0	153,946	0	(153,946)	0	0	0
0	0	40,282	0	(40,282)	0	0	0
0	0	11,000	0	(11,000)	0	0	0
0	0	51,282	0	(51,282)	0	0	0
0	0	102,790	0	(102,790)	0	0	0
0	0	102,790	0	(102,790)	0	0	0
0	0	94,209	0	(94,209)	0	0	0
0	0	324,134	0	(324,134)	0	0	0
0	0	43,868	0	(43,868)	0	0	0
0	0	83,057	0	(83,057)	0	0	0
0	0	451,059	0	(451,059)	0	0	0
0	0	523,255	261,592	(784,847)	0	0	0
0	0	523,255	261,592	(784,847)	0	0	0
0	(21,892)	60,590	0	(38,698)	0	0	0
0	0	272,839	0	(307,226)	0	34,387	0
0	(21,892)	333,429	0	(345,924)	0	34,387	0

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-2

Schedule of Program Activity

Year Ended December 31, 2018

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (Continued)					
Department of Health and Human Services					
93.092	N/A	Health Care Employment & Training	The Medical College of Wisconsin	01/01/18-12/31/18	13,790
93.092	4351000000-G-2018-9929-210484	Personal Responsibility Education Program	State of WI Dept. of Health Services	10/01/17-09/30/18	100,000
93.092	435100-G-19-12221-210484-990	Personal Responsibility Education Program	State of WI Dept. of Health Services	10/01/18-09/30/19	100,000
		Subtotal 93.092			
93.217	N/A	Family Planning	Planned Parenthood of WI, Inc.	04/01/17-03/31/18	211,733
93.217	N/A	Family Planning	Planned Parenthood of WI, Inc.	04/01/18-10/31/18	211,733
		Subtotal 93.217			
93.558	437004-G16-0000742-000-01	Transitional Jobs	State of WI Dept. of Children & Families	07/01/17-12/31/19	1,479,700
93.568	WX 1718.03	Weatherization Assistance EAP	State of WI Dept. of Administration	07/01/16-06/30/18	2,565,124
93.568	WX 1819.03	Weatherization Assistance EAP	State of WI Dept. of Administration	07/01/18-06/30/19	741,437
93.568	2017.03	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/17-09/30/18	N/A
93.568	2018.03	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/18-09/30/19	N/A
		Subtotal 93.568			
93.569	437004-G18-0001160-000-04	Community Services Block Grant	State of WI Dept. of Children & Families	01/01/18-12/31/18	375,139
93.959	HSD_2018_0066 A1	AODA Juvenile Justice	Rock County Human Services	01/01/18-12/31/18	31,386
93.959	HSD_2018_0066 A2	AODA Inner City	Rock County Human Services	01/01/18-12/31/18	46,500
		Subtotal 93.959			
Corporation for National and Community Service					
94.006	N/A	AmeriCorps	Serve Wisconsin	08/15/16 -07/14/18	65,950
94.006	N/A	AmeriCorps	Serve Wisconsin	08/15/17-08/14/18	92,000
94.006	N/A	AmeriCorps	Serve Wisconsin	08/15/18-08/14/19	92,000
		Subtotal 94.006			
Total Federal Programs					
STATE AND LOCAL PROGRAMS					
N/A	WX 1718.03	Public Benefits Weatherization	State of WI Dept. of Administration	07/01/17-06/30/18	3,607,779
N/A	WX 1819.03	Public Benefits Weatherization	State of WI Dept. of Administration	07/01/18-06/30/19	1,784,841
N/A	2017.03	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/17-09/30/18	N/A
N/A	2018.03	Emergency Furnace Replacement	State of WI Dept. of Administration	10/01/18-09/30/19	N/A
N/A	SSSG 18-07	State Shelter Subsidy Grant	State of WI Dept. of Administration	01/01/18-12/31/18	18,400
N/A	DOH-CA-FC-WHC-18	Women's Health Services	Kenosha County Dept. of Public Health	01/01/18-12/31/18	47,250
N/A	N/A	Early Intervention	Rock County Human Services	01/01/18-12/31/18	33,600
N/A	N/A	AWARE	City of Evansville	01/01/18-12/31/18	10,000
N/A	N/A	AWARE	United Way Blackhawk Region	01/01/18-06/30/19	28,500
N/A	N/A	AWARE	Donations	01/01/18-12/31/18	N/A
N/A	N/A	Fresh Start	School District of Beloit-WI DPI	01/01/18-12/31/18	136,000
N/A	N/A	Twin Oaks Shelter for the Homeless	United Way of Walworth County	01/01/18-12/31/18	10,400
N/A	N/A	TLP/SHP	United Way of Walworth County	01/01/18-12/31/18	16,250
N/A	N/A	Merrill After School Program	United Way Blackhawk Region	01/01/18-06/30/19	86,532
N/A	N/A	Merrill Senior Program	United Way Blackhawk Region	01/01/18-06/30/19	19,968
N/A	N/A	Community Kids Janesville	United Way Blackhawk Region	01/01/18-06/30/19	90,000
N/A	N/A	Personal Responsibility Education Program	United Way Blackhawk Region	01/01/18-06/30/19	15,000
N/A	N/A	Fatherhood	United Way Blackhawk Region	01/01/18-06/30/19	45,000
N/A	N/A	Fresh Start	United Way Blackhawk Region	01/01/18-06/30/19	15,000
N/A	N/A	TLP SHP Connection	United Way Blackhawk Region	01/01/18-06/30/19	81,000

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-2 (Continued)
Schedule of Program Activity
Year Ended December 31, 2018

Net Assets (Deficit) 12/31/17	Grant funds Received in Advance 12/31/17	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/18	Net Assets (Deficit) 12/31/18
0	0	7,800	0	(10,066)	2,266	0	0
0	0	76,895	0	(84,447)	7,552	0	0
0	0	34,971	0	(34,971)	0	0	0
0	0	119,666	0	(129,484)	9,818	0	0
0	0	39,817	0	(39,817)	0	0	0
0	0	123,706	25,858	(149,564)	0	0	0
0	0	163,523	25,858	(189,381)	0	0	0
0	0	90,454	0	(90,454)	0	0	0
0	153,919	0	0	(153,919)	0	0	0
0	0	398,555	0	(207,032)	0	(191,523)	0
0	0	31,177	0	(31,177)	0	0	0
0	0	20,865	0	(20,865)	0	0	0
0	153,919	450,597	0	(412,993)	0	(191,523)	0
0	0	371,030	0	(409,418)	38,388	0	0
0	0	31,386	0	(31,386)	0	0	0
0	0	46,500	0	(46,500)	0	0	0
0	0	77,886	0	(77,886)	0	0	0
0	0	18,241	0	(18,241)	0	0	0
0	0	49,930	0	(49,930)	0	0	0
0	0	31,128	0	(31,128)	0	0	0
0	0	99,299	0	(99,299)	0	0	0
0	132,988	3,637,630	287,450	(3,961,225)	60,682	(157,525)	0
0	(297)	1,315,438	7,113	(1,322,254)	0	0	0
0	0	658,464	0	(504,367)	0	(154,097)	0
0	0	128,739	0	(128,739)	0	0	0
0	0	115,525	0	(115,525)	0	0	0
0	0	18,400	0	(18,400)	0	0	0
0	0	47,250	0	(47,250)	0	0	0
0	0	33,600	0	(33,600)	0	0	0
0	0	10,000	0	(10,000)	0	0	0
0	0	19,000	0	(19,000)	0	0	0
55,320	0	70,086	0	(50,543)	0	0	74,863
74,306	0	136,000	1,538	(167,603)	0	0	44,241
0	0	10,400	0	(10,400)	0	0	0
0	0	10,000	0	(10,000)	0	0	0
0	0	86,043	0	(57,688)	0	(28,355)	0
0	0	13,312	0	(13,312)	0	0	0
0	0	58,736	0	(58,736)	0	0	0
0	0	10,000	0	(10,000)	0	0	0
0	0	25,601	0	(25,601)	0	0	0
0	0	5,000	0	(5,000)	0	0	0
0	0	35,043	0	(35,043)	0	0	0

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-3

Schedule of Program Activity

Year Ended December 31, 2018

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount
STATE AND LOCAL PROGRAMS (Continued)					
N/A	N/A	Fatherhood Initiative	Stateline Community Foundation	01/01/18-12/31/18	975
N/A	N/A	Fatherhood Initiative	Foundations/Donations	Ongoing	N/A
N/A	N/A	WETAP PD Vehicle Available to Loan	State of WI Dept of Transportation	Ongoing	N/A
N/A	N/A	Internal Unemployment Fund	Fees to Programs	Ongoing	N/A
N/A	N/A	Revolving Housing Funds	Revolving Program Income	Ongoing	N/A
N/A	N/A	Loans to Affiliates	N/A	Ongoing	N/A
N/A	N/A	1318 Porter Ave.	Sale Proceeds	01/01/18-12/31/18	N/A
N/A	N/A	152 Linn St.	Sale Proceeds	01/01/18-12/31/18	N/A
N/A	N/A	Twin Oaks Homeless Shelter	WHEDA	09/01/17-12/31/18	19,680
N/A	N/A	Twin Oaks Homeless Shelter	Donations	01/01/18-12/31/18	N/A
Total State and Local Programs					
Total Program Activity					
GENERALLY ACCEPTED ACCOUNTING PRINCIPLE (GAAP) ADJUSTMENTS					
N/A	N/A	Average Lease Adjustment Pathways Center	N/A	Ongoing	N/A
N/A	N/A	Fresh Start Match Elimination	N/A	Ongoing	N/A
N/A	N/A	Grant-Funded Equipment	N/A	Ongoing	N/A
Total GAAP Adjustments					
PRIVATE SUPPORT AND SERVICE FEES					
N/A	N/A	First Choice	Client Fees	Ongoing	N/A
N/A	N/A	Community Kids Janesville and Beloit	Rock County Dept. of H.S., YoungStar, and	01/01/18-12/31/18	N/A
N/A	N/A	Community Kids P4J	School District of Janesville Fees	01/01/18-12/31/18	N/A
N/A	N/A	Community Kids Pathways	Fees/Donations	01/01/18-12/31/18	N/A
N/A	N/A	122 Knoll	HRRP Revolving Loan/Rent	Ongoing	N/A
N/A	N/A	Beloit Merrill Houses	Rent/Donations	01/01/18-12/31/18	N/A
N/A	N/A	BMI Community Development	Donations	01/01/18-12/31/18	N/A
N/A	N/A	Merrill After School Program	Fees/Donations	01/01/18-12/31/18	N/A
N/A	N/A	Merrill Senior Program	Fees/Donations	01/01/18-12/31/18	N/A
N/A	N/A	Housing Development	Fees/Donations	01/01/18-12/31/18	N/A
N/A	N/A	Mentoring	Fees/Donations	01/01/18-12/31/18	N/A
N/A	N/A	PREP	Fees/Donations	01/01/18-12/31/18	N/A
N/A	N/A	Fresh Start	Fees/Donations	01/01/18-12/31/18	N/A
N/A	N/A	TLP/SHP/PSH/RRH	Fees/Donations	01/01/18-12/31/18	N/A
N/A	N/A	Accounting Fees	WISCAP Fee for Service	01/01/18-12/31/18	N/A
N/A	N/A	Training	Fee for Service	01/01/18-12/31/18	N/A
N/A	N/A	Corporate Fund	Donations, Rent Inc. and Interest	01/01/18-12/31/18	N/A
Total CAI Discretionary Activity					
Total CAI Activity					
N/A	N/A	Beloit Assisted Living, Inc.	Rent	01/01/18-12/31/18	N/A
N/A	N/A	Beloit Mature Adult Housing LLC	Rent	01/01/18-12/31/18	N/A
N/A	N/A	Delavan Mature Adult Housing, LLC	Rent	01/01/18-12/31/18	N/A
N/A	N/A	Evansville Senior Housing, LP	Rent	01/01/18-12/31/18	N/A
Total Subsidiary Activity					
GRAND TOTALS					

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule A-3 (Continued)
Schedule of Program Activity
Year Ended December 31, 2018

Net Assets (Deficit) 12/31/17	Grant funds Received in Advance 12/31/17	Current Grant Revenue	Other Revenue	Expenses	Transfers	Grant funds Received in Advance 12/31/18	Net Assets (Deficit) 12/31/18
0	0	0	975	(975)	0	0	0
0	0	0	24,027	(29,027)	5,000	0	0
163,201	0	0	0	(26,665)	0	0	136,536
54,957	0	0	0	0	0	0	54,957
1,732,998	0	0	19,803	(32,660)	(2,180)	0	1,717,961
1,844,040	0	0	0	0	(218,631)	0	1,625,409
0	0	0	66,000	(60,639)	0	0	5,361
19,658	0	0	0	0	0	0	19,658
19,680	0	0	0	(19,680)	0	0	0
42,048	0	0	136,135	(145,461)	(32,722)	0	0
4,006,208	(297)	2,806,637	255,591	(2,958,168)	(248,533)	(182,452)	3,678,986
4,006,208	132,691	6,444,267	543,041	(6,919,393)	(187,851)	(339,977)	3,678,986
0	0	0	0	6,329	(6,329)	0	0
0	0	0	(261,592)	261,592	0	0	0
264,320	0	0	0	(14,911)	0	0	249,409
264,320	0	0	(261,592)	253,010	(6,329)	0	249,409
37,907	0	0	190,460	(234,689)	6,322	0	0
(64,802)	0	0	870,229	(893,006)	11,797	0	(75,782)
5,258	0	0	92,560	(86,021)	(11,797)	0	0
3,114	0	0	37,960	(41,074)	0	0	0
(37,421)	0	0	10,765	(13,039)	0	0	(39,695)
0	0	0	23,556	(24,390)	834	0	0
6,288	0	0	0	(6,288)	0	0	0
0	0	0	1,140	(1,140)	0	0	0
0	0	0	5,691	(5,691)	0	0	0
1,261	0	0	0	0	0	0	1,261
0	0	0	15,705	(15,705)	0	0	0
0	0	0	10,000	0	0	0	10,000
0	0	0	200	(200)	0	0	0
(4,443)	0	0	11,064	(11,044)	4,423	0	0
0	0	0	6,250	(4,372)	(1,878)	0	0
13,683	0	0	27,125	(17,036)	0	0	23,772
1,406,428	0	0	160,320	(52,252)	184,479	0	1,698,975
1,367,273	0	0	1,463,025	(1,405,947)	194,180	0	1,618,531
5,637,801	132,691	6,444,267	1,744,474	(8,072,330)	0	(339,977)	5,546,926
1,563,605	0	0	152,807	(201,123)	0	0	1,515,289
687,121	0	0	307,138	(323,293)	0	0	670,966
380,782	0	0	148,956	(162,605)	0	0	367,133
261,834	0	0	155,288	(175,150)	0	0	241,972
2,893,342	0	0	764,189	(862,171)	0	0	2,795,360
\$ 8,531,143	\$ 132,691	\$ 6,444,267	\$ 2,508,663	(\$ 8,934,501)	\$ 0	(\$ 339,977)	\$ 8,342,286
Reconciliation of Grant and Contract Revenue With Statement of Activities:				Reconciliation of Other Revenue With Statement of Activities:			
Prior year grant funds received in advance			\$ 132,691	Fee for services revenue			\$ 1,192,582
Current grant revenue			6,444,267	Program and other contributions			501,025
Current year grant funds received in advance			(339,977)	Rental income			832,543
				Investment income			(17,487)
TOTAL			\$ 6,236,981				\$ 2,508,663

Community Action, Inc. of Rock and Walworth Counties

Schedule B-1

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Subrecipient Expenditures	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed-Through Wisconsin Department of Public Instruction				
USDA Reimbursement	10.558	53-6801	\$ 0	\$ 62,972
Passed-Through Southwest Wisconsin Workforce Development Board				
SNAP Cluster:				
FSET-Fatherhood	10.561	FY18-CAI-FSET	0	56,181
FSET-Fatherhood	10.561	FY19-CAI-FSET	0	12,549
Subtotal 10.561			0	68,730
Passed-Through Wisconsin Department of Health Services				
Emergency Food Assistance Cluster:				
Temporary Emergency Food Assistance Program	10.568	435100-G-18-10078-210484-890	0	33,407
Temporary Emergency Food Assistance Program		435100-G-19-12204-210484-990	0	8,305
Subtotal 10.568			0	41,712
Commodity Food Program	10.569	N/A	0	382,363
Subtotal Emergency Food Assistance Cluster CFDA #10.568 and #10.569			0	424,075
SUBTOTAL U.S. DEPARTMENT OF AGRICULTURE			0	555,777
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed-Through City of Beloit				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	94520966-2018	0	75,000
Community Development Block Grant		94520966-2018	0	50,000
Community Development Block Grant		94520966-2018	0	24,641
Passed-Through City of Janesville				
Community Development Block Grant		B-18-MC-55-0014	0	4,305
Subtotal 14.218			0	153,946
Passed-Through Wisconsin Department of Administration				
Emergency Shelter & Homeless Prevention	14.231	ETH 16-05	10,345	40,282
Emergency Shelter & Homeless Prevention		ETH 17-04	0	11,000
Subtotal 14.231			10,345	51,282
Passed-Through Wisconsin Department of Administration				
Supportive Housing Program	14.235	SPC 17-01	0	102,790
Passed-Through City of Janesville				
HOME Investment Partnership	14.239	N/A	0	94,209
Direct Grant				
HUD Continuum of Care	14.267	WI0016L5I001609	0	324,134
HUD Continuum of Care		WI0203L5I001700	0	43,868
HUD Continuum of Care		WI0202L5I00170	0	83,057
Subtotal 14.267			0	451,059
SUBTOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			10,345	853,286
U.S. DEPARTMENT OF LABOR				
Direct Grant - Youth Build	17.274	YB-29990-17-60-A-55	0	523,255
SUBTOTAL U.S. DEPARTMENT OF LABOR			0	523,255

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.

Community Action, Inc. of Rock and Walworth Counties

Schedule B-2

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Subrecipient Expenditures	Federal Expenditures
U.S. DEPARTMENT OF ENERGY (DOE)				
Passed-Through Wisconsin Department of Administration				
Weatherization Assistance DOE	81.042	WX 1718.03	0	38,698
Weatherization Assistance DOE		WX 1819.03	0	307,226
Subtotal 81.042			0	345,924
SUBTOTAL U.S. DEPARTMENT OF ENERGY			0	345,924
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed-Through The Medical College of Wisconsin				
Health Care Employment & Training	93.092	N/A	0	7,800
Passed-Through Wisconsin Department of Health Services				
Personal Responsibility Education Program		4351000000-G-2018-9929-210484	0	76,895
Personal Responsibility Education Program		435100-G-19-12221-210484-990	0	34,971
Subtotal 93.092			0	119,666
Passed-Through Planned Parenthood of Wisconsin, Inc.				
Family Planning	93.217	N/A	0	39,817
Family Planning		N/A	0	123,706
Subtotal 93.217			0	163,523
Passed-Through Wisconsin Department of Children & Families				
TANF Cluster:	93.558	437004-G16-0000742-000-01	0	90,454
Transitional Jobs				
Passed-Through Wisconsin Department of Administration				
Weatherization Assistance EAP	93.568	WX 1718.03	0	153,919
Weatherization Assistance EAP		WX 1819.03	0	207,032
Emergency Furnace Repair and Replacement		2017.03, 2018.03	0	52,042
Subtotal 93.568			0	412,993
Passed-Through Wisconsin Department of Children & Families				
Community Service Block Grant	93.569	437004-G18-0001160-000-04	0	371,030
Passed-Through Rock County Human Services				
AODA Juvenile Justice	93.959	HSD_2018_0066 A1	0	31,386
AODA Inner City		HSD_2018_0066 A2	0	46,500
Subtotal 93.959			0	77,886
SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			0	1,235,552
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Passed-Through Serve Wisconsin				
Americorps	94.006	N/A	0	99,299
SUBTOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			0	99,299
TOTAL SUBRECIPIENT EXPENDITURES AND FEDERAL EXPENDITURES			\$ 10,345	\$ 3,613,093

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.

Community Action, Inc. of Rock and Walworth Counties

Notes to the Schedule of Expenditures of Federal Awards

December 31, 2018

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal and other grant activity of Community Action, Inc. of Rock and Walworth Counties under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Community Action, Inc. of Rock and Walworth Counties, it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action, Inc. of Rock and Walworth Counties.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Allocation

Community Action, Inc. of Rock and Walworth Counties has an approved indirect cost rate, and therefore, has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule C

Consolidating Statement of Financial Position

December 31, 2018

	Community Action, Inc. of Rock & Walworth *	Beloit Assisted Living, Inc.
<i>Assets</i>		
Current assets:		
Cash	\$ 754,273	\$ 6,955
Restricted cash	85,183	112,992
Grants receivable	527,092	0
Accounts receivable, net	30,330	2,402
Weatherization inventory	193,260	0
Housing inventory	160,924	0
Current portion of loans receivable - Vehicle	3,903	0
Prepaid expenses and other assets	51,940	2,131
Total current assets	1,806,905	124,480
Other assets:		
Investments	351,071	0
Loans receivable - Housing partnership	1,845,409	0
Loans receivable - Housing, net	1,086,293	0
Total other assets	3,282,773	0
Property and equipment, net	1,064,736	1,416,054
TOTAL ASSETS	\$ 6,154,414	\$ 1,540,534
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Current portion of mortgages payable	\$ 0	\$ 0
Accounts payable	166,341	3,635
Accrued payroll and related expenses	76,450	2,729
Other liabilities	0	18,881
Grant funds received in advance	339,977	0
Total current liabilities	582,768	25,245
Long-term liabilities:		
Long-term advance	9,720	0
Operating loan payable - related party	0	0
Mortgages payable	15,000	0
Total long-term liabilities	24,720	0
Total liabilities	607,488	25,245
Net assets:		
Without donor restrictions	1,516,869	1,515,289
Without donor restrictions - Board designated	351,071	0
Total without donor restrictions	1,867,940	1,515,289
With donor restrictions	3,678,986	0
Total net assets	5,546,926	1,515,289
TOTAL LIABILITIES AND NET ASSETS	\$ 6,154,414	\$ 1,540,534

* Includes activity for both CAI and CAP.

** Includes activity for Beloit Mature Adult Housing LLC, Delavan Mature Adult Housing LLC, and Evansville Senior Housing LP.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule C

Consolidating Statement of Financial Position (Continued)

December 31, 2018

<i>Assets</i>	Low-Income Housing Partnerships **	Subtotal	Eliminations	Consolidated
Current assets:				
Cash	\$ 73,658	\$ 834,886	\$ 0	\$ 834,886
Restricted cash	513,935	712,110	0	712,110
Grants receivable	0	527,092	0	527,092
Accounts receivable, net	27,411	60,143	(5,258)	54,885
Weatherization inventory	0	193,260	0	193,260
Housing inventory	0	160,924	0	160,924
Current portion of loans receivable - Vehicle	0	3,903	0	3,903
Prepaid expenses and other assets	14,548	68,619	0	68,619
Total current assets	629,552	2,560,937	(5,258)	2,555,679
Other assets:				
Investments	0	351,071	0	351,071
Loans receivable - Affiliates, net	0	1,845,409	(1,625,409)	220,000
Loans receivable - Housing, net	0	1,086,293	0	1,086,293
Total other assets	0	3,282,773	(1,625,409)	1,657,364
Property and equipment, net	3,545,416	6,026,206	0	6,026,206
TOTAL ASSETS	\$ 4,174,968	\$ 11,869,916	(\$ 1,630,667)	\$ 10,239,249
<i>Liabilities and Net Assets</i>				
Current liabilities:				
Current portion of mortgages payable	\$ 19,843	\$ 19,843	\$ 0	\$ 19,843
Accounts payable	11,335	181,311	0	181,311
Accrued payroll and related expenses	0	79,179	0	79,179
Other liabilities	76,229	95,110	0	95,110
Grant funds received in advance	0	339,977	0	339,977
Total current liabilities	107,407	715,420	0	715,420
Long-term liabilities:				
Long-term advance	0	9,720	0	9,720
Operating loan payable - related party	5,258	5,258	(5,258)	0
Mortgages payable	2,782,232	2,797,232	(1,625,409)	1,171,823
Total long-term liabilities	2,787,490	2,812,210	(1,630,667)	1,181,543
Total liabilities	2,894,897	3,527,630	(1,630,667)	1,896,963
Net assets:				
Without donor restrictions	1,280,071	4,312,229	0	4,312,229
Without donor restrictions - Board designated	0	351,071	0	351,071
Total without donor restrictions	1,280,071	4,663,300	0	4,663,300
With donor restrictions	0	3,678,986	0	3,678,986
Total net assets	1,280,071	8,342,286	0	8,342,286
TOTAL LIABILITIES AND NET ASSETS	\$ 4,174,968	\$ 11,869,916	(\$ 1,630,667)	\$ 10,239,249

* Includes activity for both CAI and CAP.

** Includes activity for Beloit Mature Adult Housing LLC, Delavan Mature Adult Housing LLC, and Evansville Senior Housing LP.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule D

Consolidating Statement of Activities

Year Ended December 31, 2018

	Community Action, Inc. of Rock & Walworth *	Beloit Assisted Living, Inc.	Low-Income Housing Partnerships **	Eliminations	Consolidated
Revenue:					
Grant and contract revenue	\$ 6,236,981	\$ 0	\$ 0	\$ 0	\$ 6,236,981
Fee for services revenue	1,161,885	3,320	27,377	0	1,192,582
Program and other contributions	512,525	0	0	(11,500)	501,025
Rental income	105,696	148,889	577,958	0	832,543
Investment income (loss)	(24,132)	598	6,047	0	(17,487)
Total revenue	7,992,955	152,807	611,382	(11,500)	8,745,644
Expenses:					
Salaries and wages	2,831,789	26,797	71,505	0	2,930,091
Fringe benefits	691,352	0	0	0	691,352
Consultants/contractual	163,100	35,008	99,613	0	297,721
Travel	77,617	0	0	0	77,617
Occupancy	696,809	25,042	246,488	0	968,339
Supplies	148,452	1,817	43,410	0	193,679
Weatherization materials	1,660,207	0	0	0	1,660,207
Client/participant costs	1,098,128	0	0	0	1,098,128
Depreciation	115,825	55,948	84,303	0	256,076
Commodities distributed	382,363	0	0	0	382,363
Other	218,188	56,511	115,729	(11,500)	378,928
Total expenses	8,083,830	201,123	661,048	(11,500)	8,934,501
Change in net assets	(90,875)	(48,316)	(49,666)	0	(188,857)
Net assets at beginning of year	5,637,801	1,563,605	1,329,737	0	8,531,143
Net assets at end of year	\$ 5,546,926	\$ 1,515,289	\$ 1,280,071	\$ 0	\$ 8,342,286

* Includes activity for both CAI and CAP.

** Includes activity for Beloit Mature Adult Housing LLC, Delavan Mature Adult Housing LLC, and Evansville Senior Housing LP.

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule E

Statement of Financial Position - Low-Income Housing Partnerships

December 31, 2018

<i>Assets</i>	Beloit Mature Adult Housing, LLC	Delavan Mature Adult Housing, LLC	Evansville Senior Housing, LP	Low-Income Housing Partnerships Subtotal
Current assets:				
Cash	\$ 14,931	\$ 40,886	\$ 17,841	\$ 73,658
Restricted cash	227,937	201,699	84,299	513,935
Accounts receivable, net	13,186	6,185	8,040	27,411
Prepaid expenses and other assets	2,596	9,509	2,443	14,548
Total current assets	258,650	258,279	112,623	629,552
Property and equipment, net	1,239,888	1,126,270	1,179,258	3,545,416
TOTAL ASSETS	\$ 1,498,538	\$ 1,384,549	\$ 1,291,881	\$ 4,174,968
<i>Liabilities and Net Assets</i>				
Current liabilities:				
Current portion of mortgages payable	\$ 16,472	\$ 1,131	\$ 2,240	\$ 19,843
Accounts payable	10,031	1,304	0	11,335
Other liabilities	27,623	27,685	20,921	76,229
Total current liabilities	54,126	30,120	23,161	107,407
Long-term liabilities:				
Operating loan payable - related party	5,258	0	0	5,258
Mortgages payable	768,188	987,296	1,026,748	2,782,232
Total long-term liabilities	773,446	987,296	1,026,748	2,787,490
Total liabilities	827,572	1,017,416	1,049,909	2,894,897
Net assets:				
Without donor restrictions	670,966	367,133	241,972	1,280,071
TOTAL LIABILITIES AND NET ASSETS	\$ 1,498,538	\$ 1,384,549	\$ 1,291,881	\$ 4,174,968

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule F

Statement of Activities - Low-Income Housing Partnerships

Year Ended December 31, 2018

	Beloit Mature Adult Housing, LLC	Delavan Mature Adult Housing, LLC	Evansville Senior Housing, LP	Low-Income Housing Partnerships Subtotal
Revenue:				
Fee for services revenue	\$ 16,412	\$ 2,657	\$ 8,308	\$ 27,377
Rental income	285,568	145,578	146,812	577,958
Investment income	5,158	721	168	6,047
Total revenue	307,138	148,956	155,288	611,382
Expenses:				
Salaries and wages	36,129	21,162	14,214	71,505
Fringe benefits	0	0	0	0
Consultants/contractual	69,148	15,604	14,861	99,613
Occupancy	79,964	76,348	90,176	246,488
Supplies	40,365	744	2,301	43,410
Depreciation	34,420	22,849	27,034	84,303
Other	63,267	25,898	26,564	115,729
Total expenses	323,293	162,605	175,150	661,048
Change in net assets	(16,155)	(13,649)	(19,862)	(49,666)
Net assets at beginning of year	687,121	380,782	261,834	1,329,737
Net assets at end of year	\$ 670,966	\$ 367,133	\$ 241,972	\$ 1,280,071

Community Action, Inc. of Rock and Walworth Counties

Schedule G

Schedule of Emergency Furnace Activity by Contract

Year Ended December 31, 2018

Contract #	Prior Audit Period Cash Received	Current Audit Period Cash Received	True up Received (Paid)	Net Contract to Date Cash Received	Prior Audit Period Expenses	Current Audit Period Expenses	Contract to Date Expenses
2017.03	\$ 82,423	\$ 206,334	\$ 0	\$ 288,757	\$ 128,841	\$ 159,916	\$ 288,757
2018.03	0	114,586	0	114,586	0	136,390	136,390
	<u>\$ 82,423</u>	<u>\$ 320,920</u>	<u>\$ 0</u>	<u>\$ 403,343</u>	<u>\$ 128,841</u>	<u>\$ 296,306</u>	<u>\$ 425,147</u>

Community Action, Inc. of Rock and Walworth Counties

Schedule H

DHS Cost Reimbursement Award Schedule

Year Ended December 31, 2018

DHS Identification number	TEFAP/EFO's CARS profile 70010	TEFAP/EFO's CARS profile 70010	PREP CARS profile 159354	PREP CARS profile 159354
Award amount	\$39,666	\$55,354	\$100,000	\$100,000
Award period	10/01/18-09/30/19	10/01/17-09/30/18	10/01/18-09/30/19	10/01/17-09/30/18
Period of award within audit period	10/01/18-12/31/18	01/01/18-09/30/18	10/01/18-12/31/18	01/01/18-09/30/18
A. Expenditures reported to DHS or revenue received	\$ 3,340	\$ 33,407	\$ 0	\$ 76,895
B. Actual allowable cost of award reported in audit				
1. Employee Salaries and Wages	4,155	9,810	15,389	37,367
2. Employee Fringe Benefits	300	1,265	1,988	4,837
3. Payroll Taxes	318	961	589	3,860
4. Rent or Occupancy	222	2,773	1,132	1,051
5. Professional Services	0	0	2,437	1,106
6. Employee Travel	516	77	1,458	6,743
7. Conferences, Meetings or Education	0	0	0	0
8. Employee Licenses and Dues	0	0	0	0
9. Supplies	1,685	14,662	794	3,466
10. Telephone	90	273	1,747	44
11. Equipment	0	0	0	0
12. Depreciation	0	0	0	0
13. Utilities	0	0	339	200
14. Bad Debts	0	0	0	0
15. Postage and Shipping	0	6	0	4
16. Insurance	0	0	180	199
17. Interest	0	0	0	0
18. Bank Fees and Charges	0	0	0	0
19. Advertising and Marketing	0	0	0	0
20. Other	1,019	3,580	8,918	18,018
Total operating costs of award	8,305	33,407	34,971	76,895
C. Less disallowed costs	0	0	0	0
D. Less program revenue and other offsets to costs	0	0	0	0
E. Net allowable operating costs before profit	8,305	33,407	34,971	76,895
F. Add allowable profit	0	0	0	0
G. Total Allowable Costs	\$ 8,305	\$ 33,407	\$ 34,971	\$ 76,895



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Community Action, Inc. of Rock & Walworth Counties
Beloit, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Community Action, Inc. of Rock & Walworth Counties (a nonprofit organization) and Related Entities, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statement of activities, functional expenses, 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 26, 2019. The financial statements of Beloit Mature Adult Housing, LLC, Delavan Mature Adult Housing, LLC, Evansville Senior Housing LP, and Community Action Properties, LLC were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Beloit Mature Adult Housing, LLC and Community Action Properties, LLC.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action, Inc. of Rock & Walworth Counties' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action, Inc. of Rock & Walworth Counties' internal control. Accordingly, we do not express an opinion on the effectiveness of Community Action, Inc. of Rock & Walworth Counties' 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 Community Action, Inc. of Rock & Walworth Counties' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

June 26, 2019
Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal and State Program and Internal Control Over Compliance

Board of Directors
Community Action, Inc. of Rock & Walworth Counties
Beloit, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Community Action, Inc. of Rock & Walworth Counties' (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines*, issued by the State of Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2018. Community Action, Inc. of Rock & Walworth Counties' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Community Action, Inc. of Rock & Walworth Counties' consolidated financial statements include Beloit Assisted Living, Inc. a related entity, which had expenditures greater than \$750,000 in federal awards in the year ended December 31, 2018, and has had a separate single audit, which is not included in this single audit. Therefore, our audit, described below, did not include the operations of Beloit Assisted Living, Inc.

Management's Responsibility for Compliance

Management is responsible for compliance with statutes, regulations, and the terms and conditions of its grant awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action, Inc. of Rock & Walworth Counties' major federal and state 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and the Uniform Guidance 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 or state program occurred. An audit includes examining, on a test basis, evidence about Community Action, Inc. of Rock & Walworth Counties' 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 and state program. However, our audit does not provide a legal determination on Community Action, Inc. of Rock & Walworth Counties' compliance.

Opinion on Each Major Federal and State Program

In our opinion, Community Action, Inc. of Rock & Walworth Counties' 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 and state programs for the year ended December 31, 2018.

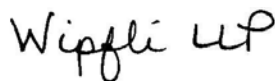
Report on Internal Control Over Compliance

Management of Community Action, Inc. of Rock & Walworth Counties 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, we considered Community Action, Inc. of Rock & Walworth Counties' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and *State Single Audit Guidelines*, 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 Community Action, Inc. of Rock & Walworth Counties' 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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 or state 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 or state 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 the Uniform Guidance and *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

June 26, 2019
Madison, Wisconsin

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued? Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

Federal and State Awards

Internal control over major federal and state programs:

Material weaknesses identified? No

Significant deficiencies identified? No

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)] and *State Single Audit Guidelines*? No

Identification of major federal and state programs:

<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
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Weatherization	81.042
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Low-Income Home Energy Assistance Program	93.568
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<u>Name of State Major Program or Cluster</u>	<u>State ID No.</u>
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Public Benefits Program	505.371
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Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$750,000
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State	250,000
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Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None

Community Action, Inc. of Rock & Walworth Counties and Related Entities

Schedule of Findings and Questioned Costs

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

None

Section V - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

No

Does the audit report show audit issues related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*?

Department of Health Services

No

Department of Administration

No

Department of Public Instruction

No

Department of Transportation

No

Was a management letter or other document conveying audit comments issued as a result of this audit?

No

Name and signature of partner



Date of report

Jean M. Christensen, CPA
June 26, 2019