

**COMMUNITY ACTION PROGRAM OF
LANCASTER COUNTY, INC.**

FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

JUNE 30, 2010 AND 2009

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COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

REPORT DISTRIBUTION LIST

JUNE 30, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Action Program
of Lancaster County, Inc.
Lancaster, Pennsylvania

We have audited the accompanying statements of financial position of Community Action Program of Lancaster County, Inc. as of June 30, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Community Action Program of Lancaster County, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Program of Lancaster County, Inc. as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2011 on our consideration of Community Action Program of Lancaster County, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Community Action Program of Lancaster County, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Reinsel Kuntz Leisher LLP

Lancaster, Pennsylvania
January 31, 2011

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>JUNE 30,</u> <u>2010</u>	<u>JUNE 30,</u> <u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,408,985	\$ 287,723
Revenue receivable	454,087	695,613
Grants receivable	1,549,712	1,406,189
Pledge receivable - United Way	89,160	37,883
Notes receivable	50,000	-
Inventories	154,496	90,617
Prepaid expenses	75,009	56,435
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	3,781,449	2,574,460
PROPERTY AND EQUIPMENT		
Land	18,633	53,633
Building, renovations, furniture, and fixtures	311,957	793,212
Equipment	101,692	101,692
Grant funded assets	1,359,106	1,315,515
	<hr/>	<hr/>
	1,791,388	2,264,052
Less accumulated depreciation and amortization	926,528	1,023,516
	<hr/>	<hr/>
NET PROPERTY AND EQUIPMENT	864,860	1,240,536
OTHER ASSETS		
Investments	476,191	453,515
Interest in partnerships	3,820	5,297
Accounts receivable - other	34,000	34,000
	<hr/>	<hr/>
TOTAL OTHER ASSETS	514,011	492,812
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 5,160,320</u>	<u>\$ 4,307,808</u>

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

	JUNE 30, 2010	JUNE 30, 2009
	<u> </u>	<u> </u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable - vendors	\$ 2,962,837	\$ 2,380,481
Accounts payable - other	4,993	-
Current portion of long-term debt	317,311	21,847
Accrued expenses and employee withholdings	289,340	297,163
Deferred revenue	259,458	209,091
Security deposits	2,436	2,436
Unemployment compensation reserve	161,876	163,296
Line of credit	-	173,000
	<u> </u>	<u> </u>
TOTAL CURRENT LIABILITIES	3,998,251	3,247,314
NONCURRENT LIABILITIES		
Deficit interest in partnerships	47,108	-
Notes payable, less current portion	276,347	794,022
	<u> </u>	<u> </u>
TOTAL NONCURRENT LIABILITIES	323,455	794,022
	<u> </u>	<u> </u>
TOTAL LIABILITIES	4,321,706	4,041,336
NET ASSETS		
Unrestricted:		
Board designated	50,000	50,000
Undesignated	(548,867)	(986,034)
	<u> </u>	<u> </u>
TOTAL UNRESTRICTED NET ASSETS (DEFICIT)	(498,867)	(936,034)
Temporarily restricted	1,337,481	1,202,506
	<u> </u>	<u> </u>
TOTAL NET ASSETS	838,614	266,472
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,160,320</u>	<u>\$ 4,307,808</u>

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30, 2010			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE AND GAINS				
Grant revenue	\$ 32,850,708	\$ 43,591	\$ -	\$ 32,894,299
Program service fees	115,626	-	-	115,626
Formula sales	11,493,294	63,880	-	11,557,174
Contributions	329,497	89,160	-	418,657
Interest income	1,617	-	-	1,617
Program income	83,866	-	-	83,866
Rent income	9,132	-	-	9,132
Special events	48,251	-	-	48,251
Miscellaneous	14,988	-	-	14,988
Unrealized gain on investments	989	22,676	-	23,665
Gain on sale of fixed assets	60,536	-	-	60,536
In-kind	1,304,681	-	-	1,304,681
TOTAL REVENUE AND GAINS	46,313,185	219,307	-	46,532,492
NET ASSETS RELEASED FROM RESTRICTIONS				
Revenue	37,883	(37,883)	-	-
Depreciation on grant-funded assets	46,449	(46,449)	-	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	84,332	(84,332)	-	-
TOTAL UNRESTRICTED REVENUE, GAINS, AND OTHER SUPPORT	46,397,517	134,975	-	46,532,492
EXPENSES				
Program services	44,433,512	-	-	44,433,512
Supporting services:				
Management and general	1,505,503	-	-	1,505,503
Fundraising	21,335	-	-	21,335
	1,526,838	-	-	1,526,838
TOTAL EXPENSES	45,960,350	-	-	45,960,350
INCREASE (DECREASE) IN NET ASSETS	437,167	134,975	-	572,142
Net assets - beginning of year	(936,034)	1,202,506	-	266,472
NET ASSETS (DEFICIT) - END OF YEAR	\$ (498,867)	\$ 1,337,481	\$ -	\$ 838,614

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

YEAR ENDED JUNE 30, 2009

UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
\$ 31,251,029	\$ -	\$ -	\$ 31,251,029
114,212	-	-	114,212
10,170,745	-	-	10,170,745
375,359	144,839	-	520,198
5,458	-	-	5,458
97,407	-	-	97,407
912	-	-	912
55,365	-	-	55,365
303,657	-	-	303,657
269	21,596	-	21,865
467,750	-	-	467,750
42,842,163	166,435	-	43,008,598
346,439	(346,439)	-	-
55,474	(55,474)	-	-
401,913	(401,913)	-	-
43,244,076	(235,478)	-	43,008,598
41,026,246	-	-	41,026,246
1,421,901	-	-	1,421,901
20,795	-	-	20,795
1,442,696	-	-	1,442,696
42,468,942	-	-	42,468,942
775,134	(235,478)	-	539,656
(1,711,168)	1,437,984	-	(273,184)
\$ (936,034)	\$ 1,202,506	\$ -	\$ 266,472

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

STATEMENTS OF CASH FLOWS

	<u>YEAR ENDED</u>	
	<u>JUNE 30,</u> <u>2010</u>	<u>JUNE 30,</u> <u>2009</u>
Cash flows from operating activities:		
Changes in net assets	\$ 572,142	\$ 539,656
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	79,306	92,465
Forgiveness of debt	(80,000)	-
Unrealized gain on investments	(22,676)	(21,596)
Gain on sale of fixed assets	(60,536)	-
Change in assets and liabilities:		
(Increase) decrease in revenue receivables	241,526	(225,185)
Increase in grant receivables	(143,523)	(330,347)
(Increase) decrease in pledges receivable - United Way	(51,277)	50,142
Increase in note receivable	(50,000)	-
(Increase) decrease in inventories	(63,879)	158,291
Increase in prepaid expenses	(18,574)	(7,893)
Increase (decrease) in accounts payable - vendor	582,356	(75,277)
Increase (decrease) in accounts payable - other	4,993	(841)
Increase (decrease) in accrued expenses and employee withholdings	(7,823)	81,433
Increase in deferred revenue	50,367	91,521
Decrease in unemployment compensation reserve	(1,420)	(8,430)
Total adjustments	<u>458,840</u>	<u>(195,717)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,030,982	343,939
Cash flows from investing activities:		
Decrease in interest in partnership	48,585	15
Proceeds from sale of assets	400,497	-
Capital expenditures	<u>(43,591)</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	405,491	15
Cash flows from financing activities:		
Payments on long-term debt	(142,211)	(24,008)
Repayment of line of credit	<u>(173,000)</u>	<u>(309,000)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(315,211)</u>	<u>(333,008)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,121,262	10,946
Cash and cash equivalents at beginning of year	<u>287,723</u>	<u>276,777</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,408,985</u>	<u>\$ 287,723</u>
Supplemental disclosures:		
Interest paid	<u>\$ 57,331</u>	<u>\$ 58,937</u>
Forgiveness of debt	<u>\$ 80,000</u>	<u>\$ -</u>

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

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 1 - NATURE OF ACTIVITY

Community Action Program of Lancaster County, Inc. (the Organization) is a nonprofit corporation which provides assistance to low-to-moderate income individuals and families in Lancaster County, Pennsylvania despite their inability to pay. The Organization operates a variety of programs including, but not limited to, Head Start, Child Care Information Services, Domestic Violence Services, Employment and Training, Energy Conservation, Outreach and Referral Services, Women, Infants, and Children (WIC), Child Daycare, Senior Centers, and WIC Formula Distribution. The Organization's programs are funded by various federal, state, and local grants, allocations, and private donations.

The Organization is recognized as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, therefore, is generally not subject to federal income taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Assets and liabilities, revenue and gains and expenses and losses are recognized on the accrual method of accounting. Revenue and gains are recognized in the period when earned and expenses and losses are recognized in the period when incurred.

CASH

For purposes of reporting cash flows, the Organization considers all unrestricted cash, which is not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash on the accompanying statements of financial position.

REVENUE RECEIVABLE

Revenue receivable consists of trade accounts and grants receivable and are shown net of an allowance for uncollectibles, as applicable. Revenue receivables are evaluated for collectability and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Revenue receivables are written off when deemed uncollectible. Recoveries of revenues receivable previously written off are recorded when received. As of June 30, 2010 and 2009, the allowance for uncollectable receivables was \$-0-.

INVENTORIES

Inventories are valued at the lower of cost (determined on an average cost method) or market.

PROPERTY AND EQUIPMENT

Property and equipment with a useful life of more than one year and composite cost over \$5,000 are carried at cost, less accumulated depreciation computed using the straight-line method over their estimated useful lives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Depreciation expense for each of the years ended June 30, 2010 and 2009 amounted to \$79,306 and \$92,465, respectively.

INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities are carried at fair value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

CONTRIBUTIONS

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

If the temporarily restricted net asset becomes unrestricted within the same period as the contribution, then the contribution is reported in the financial statements as unrestricted support.

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts or long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

The Organization accounts for contract and grant revenue, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal requirements of each individual program are used as guidance. All funds not expended in accordance with the grant or contract are recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract. Additionally, grant and contract funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position.

DONATED RENT, SERVICES, AND SUPPLIES

Rent, specialized skill services, and supplies received as donations are recorded and reflected in the accompanying financial statements at their fair value on the date of receipt.

PLEDGES RECEIVABLE

Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION

The Organization follows Accounting Standards Codification (ASC) 958-205, *Not-for-Profit-Entities - Presentation of Financial statements*. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2009, the Organization adopted FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB ASC as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with GAAP. The adoption of this standard did not have a material impact on the Organization's financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ESTIMATES, RISKS, AND UNCERTAINTIES

CONCENTRATION OF CREDIT RISK

The Organization maintains accounts with local banks. At June 30, 2010 and 2009, the balances of bank deposits exceeded the FDIC limit of \$250,000 by \$1,232,959 and \$176,425, respectively.

The Organization maintains a broker-sponsored money market investment account. At June 30, 2010 and 2009, the balances of brokerage deposits did not exceed the SPIC limit of \$500,000.

Management regularly monitors the financial condition of the financial and brokerage institutions, along with the Organization's balances of cash and cash equivalents in order to keep this potential risk to a minimum.

CONCENTRATION OF SUPPLIER RISK

Accounts payable-vendors at June 30, 2010 and 2009 were \$2,962,837 and \$2,380,481, respectively. At June 30, 2010 and 2009, four vendors represented approximately 26% and 36%, respectively, of the total balance.

CONTINGENT LIABILITY

The Organization participates in federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The Organization is potentially liable for any expenses which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenses.

NOTE 4 - GRANTS RECEIVABLE

Grants receivable at June 30, 2010 and 2009 are due from the following:

	<u>JUNE 30, 2010</u>	<u>JUNE 30, 2009</u>
County of Lancaster	\$ 145,772	\$ 506,574
City of Lancaster	2,684	4,972
Department of Health and Human Services	288,873	-
Department of Housing and Urban Development	30,316	79,946
Emergency Food and Shelter Program	-	15,833
Housing and Redevelopment Authorities	43,667	72,313
PA Commission on Crime and Delinquency	19,862	29,990
PA Coalition Against Domestic Violence	44,085	41,166
State of Pennsylvania	927,200	474,874
Pennsylvania State University	-	97,304
United Way of Lancaster County	<u>47,253</u>	<u>83,217</u>
	<u>\$1,549,712</u>	<u>\$1,406,189</u>

NOTE 5 - INVENTORIES

Inventories as of June 30, 2010 and 2009 consist of the following:

	<u>JUNE 30, 2010</u>	<u>JUNE 30, 2009</u>
Weatherization materials	\$ 26,282	\$ 26,282
WIC formula warehouse	<u>128,214</u>	<u>64,335</u>
TOTAL INVENTORIES	<u>\$ 154,496</u>	<u>\$ 90,617</u>

NOTE 6 - PREPAID EXPENSES

Prepaid expenses represent disbursements for the subsequent fiscal year made prior to the current fiscal year end as follows:

	<u>JUNE 30, 2010</u>	<u>JUNE 30, 2009</u>
Insurance	\$ 36,363	\$ 18,736
Prepaid other	<u>38,646</u>	<u>37,699</u>
TOTAL PREPAID EXPENSES	<u>\$ 75,009</u>	<u>\$ 56,435</u>

NOTE 7 - INVESTMENTS

These funds are restricted in use for the Nissly Chocolate Factory elderly housing project limited partnership. In 1996, \$500,000 was loaned to the limited partnership interest-free for 15 years. At the end of the term the principal is to be returned to the Organization. The funds then become unrestricted net assets to be used at the Organization's Board of Director's discretion.

NOTE 7 - INVESTMENTS (Continued)

The investment is reflected at fair value of \$476,191 and \$453,515 at June 30, 2010 and 2009, respectively. The discount rate used was 5%. Unrealized gain on investments for the years ended June 30, 2010 and 2009 is \$22,676 and \$21,596, respectively. This gain is reflected as an increase in temporarily restricted net assets.

NOTE 8 - INTEREST IN PARTNERSHIPS

The Organization is a one percent general partner in two tax-credit real estate partnerships. The Organization's equity interests are shown on the statement of financial position as other assets. At June 30, 2010 and 2009, the Organization's capital (deficit) accounts in those partnerships were as follows:

	<u>2010</u>	<u>2009</u>
Nissly Chocolate Factory Apartments Associates	\$ 3,820	\$ 3,828
Ephrata Family Housing Associates, LP	<u>(47,108)</u>	<u>1,469</u>
	<u>\$ (43,288)</u>	<u>\$ 5,297</u>

NOTE 9 - ACCOUNTS RECEIVABLE - OTHER

The Organization is a general partner in the Ephrata Family Housing Associates limited partnership. The Organization's ending capital balance in the limited partnership was \$(47,108) and \$1,469 as of December 31, 2010 and 2009, respectively. The Organization also has loaned the limited partnership \$34,000. The loan is non-interest bearing. The loan is due upon sale of the limited partnership or thirty years, whichever is first. The loan matures in April 2029.

NOTE 10 - ACCOUNTS PAYABLE - OTHER

Accounts payable - other at June 30, 2010 and 2009 consist of the following:

	<u>JUNE 30, 2010</u>	<u>JUNE 30, 2009</u>
Postage payable	<u>\$ 4,993</u>	<u>\$ -</u>

NOTE 11 - DEFERRED REVENUE

Deferred revenue is summarized as follows:

	<u>JUNE 30, 2010</u>	<u>JUNE 30, 2009</u>
Family Center	\$ 5,242	\$ 2,500
Department of Community and Economic Development	195,082	-
Pennsylvania Coalition Against Domestic Violence	12,500	-
United Way of America	-	63,516
McDonnell Fund	-	2,273
Lancaster County Career and Technology	-	30,983
Pennsylvania Department of Health	<u>46,634</u>	<u>109,819</u>
TOTAL DEFERRED REVENUE	<u>\$ 259,458</u>	<u>\$ 209,091</u>

NOTE 12 - UNEMPLOYMENT COMPENSATION RESERVE

Effective January, 1989, the Organization elected to reimburse the Pennsylvania Unemployment Compensation Fund (the Fund) for actual unemployment compensation claims paid. For the years ended June 30, 2010 and 2009, contributions were made to the reserve at the rate of 4.0% of gross salaries. When employees receive unemployment compensation, the Pennsylvania Unemployment Compensation Fund is reimbursed for the amount of the payment and the Organization's unemployment compensation reserve is reduced accordingly. To obtain this method of providing for unemployment compensation, the Organization was required by the Fund to put up as collateral a passbook savings account which has been pledged to the state. The balance in the savings account at June 30, 2010 and 2009 is \$21,912 and \$21,811, respectively.

The balance of the Organization's unemployment compensation reserve at June 30, 2010 and 2009 is \$161,876 and \$163,296, respectively.

NOTE 13 - LINES OF CREDIT

The Organization has available three lines of credit of \$2,000,000, \$1,700,000, and \$500,000 at Fulton Bank at the LIBOR rate plus 2.70%. The rate at June 30, 2010 and 2009 for each line of credit was 4.50%. The outstanding balance on the lines of credit as of June 30, 2010 and 2009 totaled \$-0- and \$173,000, respectively. The lines of credit are secured by accounts receivable, inventory, and machinery and equipment. The \$2,000,000 line of credit is guaranteed by CAP Housing, Inc., a related party under common management.

NOTE 14 - LONG-TERM DEBT

	<u>JUNE 30,</u> <u>2010</u>	<u>JUNE 30,</u> <u>2009</u>
City of Lancaster, for mortgage on the Bridge Housing building in Lancaster City. The loan is non-interest bearing with no monthly payments. The loan shall be forgiven if Community Action Program renovates, maintains, and operates the facility in Lancaster, Pennsylvania as ten units of affordable housing as defined by the HOME Program and pursuant to the supportive Housing Program Grant Number PA 26B950344 awarded to Community Action Program by the U.S. Department of Housing and Urban Development. If these conditions are met, the loan shall be forgiven in May 2011.	\$ 308,225	\$ 308,225
PNC Bank, for a mortgage on a property in Columbia, Pennsylvania. The interest rate was 6.5% for 5 years then it will become variable at 1% over PNC Bank's prime lending rate. The interest rate as of June 30, 2009 was 4.5%. The mortgage was secured by the property.	-	85,472
Note payable to bank, due in monthly installments of \$457, including interest at 7.5%, through August 2012, secured by a vehicle.	10,930	15,412

NOTE 14 - LONG-TERM DEBT (Continued)

	<u>JUNE 30, 2010</u>	<u>JUNE 30, 2009</u>
Note payable to bank, due in monthly installments of \$354, with interest at 0.0%, through August 2013, secured by a vehicle.	13,028	17,285
Redevelopment Authority of Lancaster County, for a third mortgage on a property in Columbia, Pennsylvania. The third mortgage was a Community Development Block Grant Program loan. No principal and interest payments was due for the first twenty years provided there was no excess of revenue over expenditures generated by the project. The third mortgage was dated April 5, 1994.	-	80,000
Redevelopment Authority of Lancaster County, for a second mortgage on a property in Columbia, Pennsylvania. The second mortgage was a HOME Investment Partnership Program Loan. No principal and interest payments was due for the first twenty years provided there was no excess of revenue over expenditures generated by the project. The second mortgage was dated April 5, 1994.	-	48,000
Redevelopment Authority of Lancaster County, for an open-ended mortgage secured by the Bridge Housing building in Lancaster City. The loan is non-interest bearing with no monthly payments. Provided borrower is not in default under any of the terms and conditions of the Mortgage Loan Documents, there shall be no payments due during the time borrower maintains ownership of the property and maintains the use of the property as transitional housing for victims of domestic violence.	<u>261,475</u>	<u>261,475</u>
	593,658	815,869
Less current maturities	<u>317,311</u>	<u>21,847</u>
TOTAL LONG-TERM DEBT	<u>\$ 276,347</u>	<u>\$ 794,022</u>

Maturities of long-term debt are as follows:

	<u>AGGREGATE OBLIGATION</u>
Year ended June 30, 2011	\$ 317,311
2012	9,461
2013	5,056
2014	355
2015	-
Thereafter	<u>261,475</u>
	<u>\$ 593,658</u>

During the year ended June 30, 2010, the Organization sold its Columbia property. As part of the sales agreement, the Redevelopment Authority of Lancaster County waived repayment of its third mortgage on the Columbia property in the amount of \$80,000.

NOTE 15 - LONG-TERM LEASES

The Organization has entered into long-term property and vehicle leases. The leases have monthly payments ranging from \$135 to \$52,657. These leases will expire from March 31, 2011 through February 28, 2020. Payments made under lease agreements totaled \$1,378,924 and \$1,332,691 for the years ended June 30, 2010 and 2009, respectively. Additional charges were incurred under the related agreements for utilities and other costs totaling \$572,423 and \$561,733 for the years ended June 30, 2010 and 2009, respectively.

Future minimum annual lease payments are as follows:

Year ended June 30, 2011	\$ 1,189,555
2012	1,092,726
2013	949,541
2014	886,501
2015	795,808
Thereafter	2,472,675

NOTE 16 - BOARD DESIGNATED NET ASSETS

Board designated net assets represent net assets as of June 30, 2010 and 2009 that are restricted by the Board of Directors of the Organization for use in specific programs and are not restricted by any grantor agency.

	<u>JUNE 30,</u> <u>2010</u>	<u>JUNE 30,</u> <u>2009</u>
Building - major repairs provision	\$ <u>50,000</u>	\$ <u>50,000</u>

NOTE 17 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows:

	<u>JUNE 30,</u> <u>2010</u>	<u>JUNE 30,</u> <u>2009</u>
Nissly Chocolate Factory	\$ 476,191	\$ 453,515
United Way - July through November allocation	89,160	37,883
WIC formula inventory	128,215	64,335
Grant funded assets - book value	<u>643,915</u>	<u>646,773</u>
 TOTAL TEMPORARILY RESTRICTED NET ASSETS	 <u>\$ 1,337,481</u>	 <u>\$ 1,202,506</u>

NOTE 18 - GROSS PROFIT FROM FORMULA SALES

Gross profit from sales is summarized below:

	<u>JUNE 30,</u> <u>2010</u>	<u>JUNE 30,</u> <u>2009</u>
Formula sales (including shipping and handling fees charged to customers)	\$11,557,174	\$10,170,745
Less: cost of sales (including shipping and freight expenses)	<u>10,465,929</u>	<u>9,171,384</u>
GROSS PROFIT FROM SALES	<u>\$ 1,091,245</u>	<u>\$ 999,361</u>

NOTE 19 - RETIREMENT PLAN

The Organization offers an employee sponsored tax deferred annuity under Internal Revenue Code section 403(b)(7) for its full-time employees.

Under the Plan, all employees who normally work more than 20 hours a week and are otherwise not excluded from the Plan, are eligible to participate on the first day of the month coinciding with or immediately following their date of hire. Employees can make pre-tax contributions up to 100% of their salary, or the maximum allowed by the IRS (including additional catch-up contributions for employees age 50 or older), whichever is less. The Plan also allows special catch-up contributions for employees that have completed at least 15 years of service with the Organization.

All participating employees will receive an employer base contribution equal to 4% of their compensation for the plan year. The plan year coincides with the Organization's fiscal year.

Employer contributions totaled \$355,433 and \$350,335 for the years ended June 30, 2010 and 2009, respectively.

NOTE 20 - FUNCTIONAL ALLOCATION OF EXPENSES

Functional expenses are charged directly to program, management and general, or fundraising in general categories based on specific identification.

The allocations of total expenses are:

	<u>JUNE 30,</u> <u>2010</u>	<u>JUNE 30,</u> <u>2009</u>
Program expenses	\$44,433,512	\$41,026,246
Management and general expenses	1,505,503	1,421,901
Fundraising expenses	<u>21,335</u>	<u>20,795</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$45,960,350</u>	<u>\$42,468,942</u>

NOTE 21 - INDIRECT COST SYSTEM

Effective for fiscal years beginning after July 1, 1988, management and general costs are allocated to all programs utilizing an indirect cost rate, in accordance with OMB Circular A-122. This rate is applied to the programs using the relevant basis of direct salaries and wages. This method of cost allocation addresses all elements of costs incurred, and identified common or shared costs that require consistent and sound allocation in order to be equitably shared by all programs. This system does not increase common or shared costs, but provides for their identification and equitable distribution on an organization-wide basis rather than through the negotiation of costs as a part of individual grant and contract negotiations. The negotiated rate with the United States Department of Health and Human Services is a provisional rate of 10.0% of total direct salaries, which is subject to adjustment.

For the years ended June 30, 2010 and 2009, the rate was calculated as follows:

JUNE 30, 2010

Total administrative costs	\$ 1,505,503	
Less: grant funding	<u>-</u>	
NET COSTS TO BE RECOVERED		1,505,503
Calculation modified total direct costs:		
Total functional expenses	\$45,960,350	
Less:		
In-kind expense	1,304,681	
Subcontracting	14,907,217	
Formula purchases	9,902,478	
Formula shipping	563,451	
Rent assistance	677,693	
Energy assistance	<u>265,387</u>	
	<u>27,620,907</u>	
MODIFIED TOTAL DIRECT COSTS		<u>\$18,339,443</u>
Calculation of indirect cost rate:		
Net costs to be recovered	\$ <u>1,505,503</u>	= 8.20%
Modified total direct costs	\$18,339,443	

NOTE 21 - INDIRECT COST SYSTEM (Continued)

JUNE 30, 2009

Total administrative costs	\$ 1,421,901	
Less: grant funding	<u>-</u>	
NET COSTS TO BE RECOVERED		1,421,901
Calculation modified total direct costs:		
Total functional expenses	\$42,468,942	
Less:		
In-kind expense	467,750	
Subcontracting	14,940,797	
Formula purchases	8,734,103	
Formula shipping	437,281	
Rent assistance	535,665	
Energy assistance	<u>168,560</u>	
	<u>25,284,156</u>	
MODIFIED TOTAL DIRECT COSTS		<u>\$17,184,786</u>
Calculation of indirect cost rate:		
Net costs to be recovered	\$ <u>1,421,901</u>	= 8.27%
Modified total direct costs	\$17,184,786	

NOTE 22 - PCADV DISCLOSURES

The total amount budgeted under the Organization's domestic violence budget, which includes PCADV funding, totaled \$1,446,280 and \$1,338,515 for the years ended June 30, 2010 and 2009, respectively. The Organization had met its match requirement for the years ended June 30, 2010 and 2009 pursuant to PCADV guidelines. No interest income was earned on PCADV funding for the years ended June 30, 2010 and 2009. For the years ended June 30, 2010 and 2009, the Organization received Federal financial assistance in excess of \$500,000.

NOTE 23 - INCOME TAXES

The Organization owns a rental property located in Columbia, Pennsylvania. The rental income from the commercial tenants is considered unrelated business taxable income. Accordingly, a prorated portion of the rental expenses is allocated toward the business income. Income taxes are calculated and paid on the prorated taxable income. Because there was a net loss for the years ended June 30, 2010 and 2009, there are no taxes due.

At June 30, 2010 and 2009, there is a net operating loss carryforward of \$80,217 and \$54,873, respectively. Net operating losses can be carried forward 20 years from the year incurred, or until used, and investment tax credits can be carried forward 15 years, or until used. Due to the uncertainty of the utilization of the net operating loss carryforward, a deferred tax asset has not been recorded.

NOTE 23 - INCOME TAXES (Continued)

In 2009, the Organization adopted FASB ASC 740, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 (FIN 48)*, which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Management has determined that the adoption of FIN 48 did not have a material effect on the financial statements.

NOTE 24 - RELATED PARTY TRANSACTIONS

The Organization is affiliated with CAP Housing, Inc., a separate 501(c)(3) entity. The Organization's Executive Director and Chief Financial Officer are on the Board of Directors of CAP Housing, Inc. The Organization's transactions with CAP Housing, Inc. for the years ended June 30, 2010 and 2009 consisted of the following grant revenue of \$-0- and \$239,000, respectively, the payment of expenses of \$34,039 and \$36,196, respectively, and a corresponding receivable from CAP Housing, Inc. in the amount of \$31,436 and \$36,196, respectively.

The Organization, as stated in Note 7, is a general partner in the Nissly Chocolate Factory Apartments Associates, a limited partnership. There were no management fees paid during the year ended June 30, 2010 and 2009. The related receivable balance at June 30, 2010 and 2009 was \$-0-. Expenses of \$7,842 and \$8,928 were paid by the Organization on behalf of the partnership for the year ended June 30, 2010 and 2009, respectively.

The Organization, as stated in Note 8, is a general partner in Ephrata Family Housing Associates, LP. The Organization's transactions with this partnership for the years ended June 30, 2010 and 2009 consisted of the payment of expenses totaling \$3,109 and \$3,778, respectively, and a corresponding receivable balance in the amount of \$-0- and \$3,988, respectively.

NOTE 25 - ADVERTISING

The Organization follows the policy of charging the cost of advertising to expense as incurred. Amounts charged to expense for advertising were \$7,365 and \$22,603 for the years ended June 30, 2010 and 2009, respectively.

NOTE 26 - COMPENSATED ABSENCES

It is the Organization's policy not to record an accrued liability for compensated absences. The Organization historically has not experienced substantial material payment of accrued earned time upon termination of employees. Accrued earned time is charged to an expense when paid.

NOTE 27 - FAIR VALUE MEASUREMENTS

As defined by ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instrument assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

All assets are measured at fair value. There have been no changes in the methodology used at June 30, 2010 and 2009.

The following table summarizes investments by ASC 820 levels as of June 30, 2010 and 2009:

	<u>FAIR VALUE AT JUNE 30, 2010</u> ⁽¹⁾	<u>FAIR VALUE AT JUNE 30, 2009</u> ⁽¹⁾
Nissly Chocolate Factory Housing Project	\$ 476,190	\$ 453,515
Nissly Chocolate Factory Apartments Associates	3,820	3,828
Ephrata Family Housing Associates, LP	<u>(47,108)</u>	<u>1,469</u>
	<u>\$ 432,902</u>	<u>\$ 458,812</u>

⁽¹⁾ All fair value measurements using Level 3 category.

The table below presents changes in the fair value of the Organization's Level 3 investments for the year ended June 30, 2010 and 2009:

	<u>BALANCE AS OF JUNE 30, 2009</u>	<u>REALIZED GAINS/(LOSSES)</u>	<u>BALANCE AS OF JUNE 30, 2010</u>
Nissly Chocolate Factory Housing Project	\$ 453,515	\$ 22,676	\$ 476,191
Nissly Chocolate Factory Apartments Associates	3,828	(8)	3,820
Ephrata Family Housing Associates, LP	<u>1,469</u>	<u>(48,577)</u>	<u>(47,108)</u>
TOTAL	<u>\$ 458,812</u>	<u>\$ (25,909)</u>	<u>\$ 432,903</u>

NOTE 27 - FAIR VALUE MEASUREMENTS (Continued)

	<u>BALANCE AS OF JUNE 30, 2008</u>	<u>REALIZED GAINS/(LOSSES)</u>	<u>BALANCE AS OF JUNE 30, 2009</u>
Nissly Chocolate Factory Housing Project	\$ 431,919	\$ 21,596	\$ 453,515
Nissly Chocolate Factory Apartments Associates	3,838	(10)	3,828
Ephrata Family Housing Associates, LP	<u>1,474</u>	<u>(5)</u>	<u>1,469</u>
TOTAL	<u>\$ 437,231</u>	<u>\$ 21,581</u>	<u>\$ 458,812</u>

NOTE 28 - RECLASSIFICATION OF 2009 FINANCIAL STATEMENTS

Certain items on the June 30, 2009 financial statement have been reclassified to conform to the presentation as of June 30, 2010.

NOTE 29 - POTENTIAL LITIGATION

A complaint alleging harassment was filed against the Organization and is presently pending in the U.S. District Court for the Eastern District of Pennsylvania.

A complaint alleging age discrimination was filed against the Organization with the Equal Employment Opportunity Commission (EEOC). The EEOC dismissed the action. However, the plaintiff still has the right to appeal the decision.

Two complaints have been filed alleging national origin discrimination and are presently pending with the Pennsylvania Human Relations Commission.

All complaints have been remitted to the Organization's insurance carrier for resolution. An estimate of any potential loss to the Organization is not determinable.

NOTE 30 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 31, 2011. This date is the date the financial statements were available to be issued. There were no events subsequent to June 30, 2010 requiring disclosure.

SUPPLEMENTAL INFORMATION

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	YEAR ENDED JUNE 30, 2010			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and wages	\$ 8,370,948	\$ 761,132	\$ 14,714	\$ 9,146,794
Payroll taxes and fringe benefits	3,251,299	309,928	6,621	3,567,848
Licenses and inspections	4,013	-	-	4,013
Interest expense	57,331	-	-	57,331
Bank fees	14,849	9,976	-	24,825
Books and reference materials	3,503	-	-	3,503
Staff development and training	102,405	5,081	-	107,486
Legal and professional	-	89,995	-	89,995
Mental health, speech, and hearing consultant	13,354	-	-	13,354
Purchased services	420,932	95,070	-	516,002
Sub-contracting	14,907,217	-	-	14,907,217
Travel	80,249	3,277	-	83,526
Purchased transportation	3,621	-	-	3,621
Rent	1,158,971	87,594	-	1,246,565
Leasehold improvements	53,521	-	-	53,521
Utilities	572,423	-	-	572,423
Building maintenance	108,291	-	-	108,291
Office supplies	142,985	29,739	-	172,724
Cost of formula sold	9,902,478	-	-	9,902,478
Program supplies	194,582	-	-	194,582
Food purchases	182,220	-	-	182,220
Food service supplies	38,370	-	-	38,370
Data processing supplies	5,807	16,468	-	22,275
Custodial supplies	44,043	-	-	44,043
Medical and pharmaceutical supplies	26,668	-	-	26,668
Weatherization materials	303,092	-	-	303,092
Depreciation	79,306	-	-	79,306
Equipment lease and rental	58,340	1,789	-	60,129
Equipment repairs and maintenance	23,020	11,207	-	34,227
Property taxes	105,865	-	-	105,865
Equipment purchases	76,929	8,269	-	85,198
Vehicle lease	131,381	978	-	132,359
Vehicle maintenance	97,139	1,010	-	98,149
Outreach expenses	4,429	-	-	4,429
Insurance	148,109	2,936	-	151,045
Printing	1,198	15,371	-	16,569
Publications and subscriptions	8,978	1,657	-	10,635
Telephone	135,790	23,044	-	158,834
Postage	48,907	13,230	-	62,137
Shipping and freight	563,451	-	-	563,451
Field trips and parent participation	14,979	-	-	14,979
Dues and memberships	9,822	6,796	-	16,618
Advertising	4,556	2,809	-	7,365
Child care costs	239	181	-	420
Bad debts	23,868	-	-	23,868
Miscellaneous	95,487	7,966	-	103,453
Rental assistance	677,693	-	-	677,693
Energy assistance	265,387	-	-	265,387
Emergency food assistance	590,786	-	-	590,786
In-kind	1,304,681	-	-	1,304,681
TOTAL FUNCTIONAL EXPENSES	\$ 44,433,512	\$ 1,505,503	\$ 21,335	\$ 45,960,350

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

YEAR ENDED JUNE 30, 2009

PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
\$ 8,094,260	\$ 736,310	\$ 14,727	\$ 8,845,297
3,094,509	290,674	6,068	3,391,251
3,042	-	-	3,042
58,937	-	-	58,937
8,378	17,652	-	26,030
7,193	-	-	7,193
76,377	5,393	-	81,770
2,300	58,535	-	60,835
14,661	-	-	14,661
278,460	100,740	-	379,200
14,965,797	-	-	14,965,797
105,059	3,137	-	108,196
6,335	-	-	6,335
1,136,655	80,917	-	1,217,572
29,264	-	-	29,264
561,733	-	-	561,733
94,829	-	-	94,829
129,451	25,966	-	155,417
8,734,103	-	-	8,734,103
219,817	-	-	219,817
274,510	-	-	274,510
50,156	-	-	50,156
19,441	9,768	-	29,209
38,885	-	-	38,885
20,917	-	-	20,917
288,461	-	-	288,461
91,339	1,126	-	92,465
47,280	1,829	-	49,109
16,999	12,149	-	29,148
75,829	-	-	75,829
25,625	1,123	-	26,748
114,963	156	-	115,119
105,077	1,638	-	106,715
2,309	-	-	2,309
156,538	7,630	-	164,168
4,969	19,049	-	24,018
9,136	1,427	-	10,563
120,487	14,416	-	134,903
55,232	11,289	-	66,521
437,281	-	-	437,281
13,706	-	-	13,706
10,311	5,583	-	15,894
10,732	11,871	-	22,603
460	439	-	899
-	-	-	-
65,127	3,084	-	68,211
569,374	-	-	569,374
168,560	-	-	168,560
143,632	-	-	143,632
467,750	-	-	467,750
<u>\$ 41,026,246</u>	<u>\$ 1,421,901</u>	<u>\$ 20,795</u>	<u>\$ 42,468,942</u>



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

To the Board of Directors
Community Action Program
of Lancaster County, Inc.
Lancaster, Pennsylvania

We have audited the financial statements of the Community Action Program of Lancaster County, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described in the accompanying schedule of findings and questioned costs as Findings 10-1, 10-2, and 10-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, Finding 10-1, to be a material weakness.


COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of Community Action Program of Lancaster County, Inc. in a separate letter dated January 31, 2011.

Community Action Program of Lancaster County, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Community Action Program of Lancaster County, Inc.'s response and, accordingly, we express no opinion on it.

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



Lancaster, Pennsylvania
January 31, 2011



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

To the Board of Directors
Community Action Program
of Lancaster County, Inc.
Lancaster, Pennsylvania

COMPLIANCE

We have audited the compliance of the Community Action Program of Lancaster County, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2010. The Community Action Program of Lancaster County, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Community Action Program of Lancaster County, Inc.'s management. Our responsibility is to express an opinion on the Community Action Program of Lancaster County, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Community Action Program of Lancaster County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Community Action Program of Lancaster County, Inc.'s compliance with those requirements.

In our opinion, the Community Action Program of Lancaster County, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Community Action Program of Lancaster County, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Community Action Program of Lancaster County, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Program of Lancaster County, Inc.'s internal control over compliance.

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 10-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control. Of the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Finding 10-1 to be a material weakness.

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



Lancaster, Pennsylvania
January 31, 2011

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS:

FINANCIAL STATEMENTS:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified that are not considered to be (a) material weakness(es)? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS:

Internal control over major programs:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified that are not considered to be (a) material weakness(es)? Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? Yes X No

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2010

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>AMOUNT EXPENDED</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	\$1,522,486
10.568/10.569	Emergency Food Assistance Program (Administrative Costs)/ Emergency Food Assistance Program (Food Commodities)	716,406
93.558	Temporary Assistance for Needy Families (TANF)	945,262
93.569/93.710	Community Services Block Grant/ARRA - Community Services Block Grant	1,093,830
93.575/93.596 93.713	Child Care Development Block Grant/Child Care Mandatory and Matching Funds of the Child Care and Development Fund/ARRA - Child Care Development Block Grant	7,231,270
93.600/93.708 93.667	Head Start/ARRA - Head Start Social Services Block Grant	6,959,630 781,611

SECTION II - FINANCIAL STATEMENT FINDINGS

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

\$ 653,288

Auditee qualified as low-risk auditee?

_____ Yes X No

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS:

	<u>Questioned Costs</u>
FINDING 10-1: <u>Significant Deficiency and Material Weakness:</u>	
Inadequate segregation of duties in certain areas within the Organization.	N/A
<u>Criteria:</u>	
An effective system of internal accounting control necessitates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.	
<u>Condition:</u>	
Adequate segregation of duties does not presently exist in several financial related functions within the Organization.	
<u>Context:</u>	
Reinsel Kuntz Leshar LLP obtained an understanding of the Organization's internal control structure and noted a lack of segregation of duties in certain processes and procedures with the Organization.	
<u>Effect:</u>	
The internal control system is more susceptible to errors and other irregularities, either intentional or unintentional, not being discovered.	
<u>Cause:</u>	
The Organization is not large enough to segregate all functions.	
<u>Recommendation:</u>	
Management should continue to review staff responsibilities and analyze where segregation of duties can be further established and maintained.	

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued):

		<u>Questioned Costs</u>
FINDING 10-2:	<p><u>Significant Deficiency:</u></p> <p>Inadequate controls within the infant formula inventory system.</p> <p><u>Criteria:</u></p> <p>An effective system of control over inventory provides restrictions over physical access, and establishes controls to properly reflect the value of the inventory.</p> <p><u>Condition:</u></p> <p>Physical access to the inventory is not adequately restricted. Upon performing test counts of the inventory, inaccuracies within perpetual inventory system were noted.</p> <p><u>Context:</u></p> <p>Reinsel Kuntz Leshner LLP obtained an understanding of the Organization's process to track and maintain inventory.</p> <p><u>Effect:</u></p> <p>The inventory control system is more susceptible to errors and other irregularities, either intentional or unintentional, not being discovered.</p> <p><u>Cause:</u></p> <p>The Organization does not have an effective system for tracking inventory.</p> <p><u>Recommendation:</u></p> <p>Management should consider performing a review of the inventory procedures to determine what controls can be put in place to strengthen the inventory system.</p>	N/A

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued):

	<u>Questioned Costs</u>
<p>FINDING 10-3: <u>Significant Deficiency:</u></p> <p>Inability to prepare GAAP compliant financial statements as it relates to amounts and disclosures.</p> <p><u>Criteria:</u></p> <p>Accounting staff should have the ability to produce financial statements in a format consistent with and containing all of the disclosures required by accounting principles generally accepted in the United States of America.</p> <p><u>Condition:</u></p> <p>The Organization's accounting staff does not produce financial statements that are compliant with accounting principles generally accepted in the United States of America.</p> <p><u>Context:</u></p> <p>The Organization engaged Reinsel Kuntz Leshner LLP to assist in the preparation of financial statements prepared in accordance with accounting principles generally accepted in the United States of America.</p> <p><u>Effect:</u></p> <p>The Organization engages its independent auditors to assist in preparing financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p><u>Cause:</u></p> <p>Due to the size of the Organization's staff and budget constraints, the Organization is unable to fulfill staffing needs required to produce the required financial statements.</p> <p><u>Recommendation:</u></p> <p>Management should continue to evaluate whether it is cost effective to develop process and procedures to internally prepare financial statements in accordance with accounting principles generally accepted in the United States of America.</p>	<p>N/A</p>

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2010

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS:

All Federally Funded Programs:

Questioned
Costs

FINDING 10-1: Significant Deficiency and Material Weakness:

Inadequate segregation of duties in certain areas within the Organization.

N/A

Criteria:

An effective system of internal accounting control necessitates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition:

Adequate segregation of duties does not presently exist in several financial related functions within the Organization.

Context:

Reinsel Kuntz Leshner LLP obtained an understanding of the Organization's internal control structure and noted a lack of segregation of duties in certain processes and procedures with the Organization.

Effect:

The internal control system is more susceptible to errors and other irregularities, either intentional or unintentional, not being discovered.

Cause:

The Organization is not large enough to segregate all functions.

Recommendation:

Management should continue to review staff responsibilities and analyze where segregation of duties can be further established and maintained.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN			
Passed through the Pennsylvania Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	SAP 4100044002	\$ 1,148,605
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	SAP 4100048792	<u>373,881</u>
TOTAL SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN			1,522,486*
CHILD AND ADULT CARE FOOD PROGRAM			
Passed through the Pennsylvania Department of Education -			
Child and Adult Care Food Program (CACFP)	10.558	300-36-100-0	<u>345,795</u>
TOTAL CHILD AND ADULT CARE FOOD PROGRAM			345,795
FOOD STAMP CLUSTER			
State Administration Matching Grants for Food Stamp Program:			
Passed through the Pennsylvania State University -			
State Administrative Matching Grants for Food Stamp Program	10.561	3811-CAPLC-COP-8692	19,484

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE (Continued)</u>			
FOOD STAMP CLUSTER (Continued)			
State Administration Matching Grants for Food Stamp Program: (Continued)			
Passed through County of Lancaster -			
State Administrative Matching Grants for Food Stamp Program	10.561	SAP#DC09-0365305	<u>620,066</u>
STATE ADMINISTRATION MATCHING GRANTS FOR FOOD STAMP PROGRAM		N/A	<u>639,550</u>
TOTAL FOOD STAMP CLUSTER			639,550
EMERGENCY FOOD ASSISTANCE PROGRAM CLUSTER			
Passed through the Pennsylvania Department of Agriculture:			
Emergency Food Assistance Program (Administrative Costs)	10.568	N/A	13,755
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568	N/A	7,029
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	570,740
ARRA - Emergency Food Assistance Program (Food Commodities)	10.569	N/A	<u>124,882</u>
TOTAL EMERGENCY FOOD ASSISTANCE PROGRAM CLUSTER			<u>716,406*</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			3,224,237

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES CLUSTER</u>			
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS			
Passed through the Redevelopment Authority of Lancaster County:			
Community Development Block Grants/ Entitlement Grants	14.218	N/A	47,520
Community Development Block Grants/ Entitlement Grants	14.218	N/A	60,739
Community Development Block Grants/ Entitlement Grants	14.218	N/A	70,000
Community Development Block Grants/ Entitlement Grants	14.218	N/A	<u>145,310</u>
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS			<u>323,569</u>
TOTAL CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES CLUSTER			323,569
<u>EMERGENCY SHELTER GRANTS PROGRAM</u>			
Passed through the Redevelopment Authority of Lancaster County -			
Emergency Shelter Grants Program	14.231	N/A	45,000
Passed through the City of Lancaster -			
Emergency Shelter Grants Program	14.231	N/A	<u>40,998</u>
TOTAL EMERGENCY SHELTER GRANTS PROGRAM			85,998

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
SUPPORTIVE HOUSING PROGRAM	14.235	PA01B71006	<u>66,405</u>
TOTAL SUPPORTIVE HOUSING PROGRAM			66,405
HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM			
Passed through the City of Lancaster -			
Homelessness Prevention and Rapid Re-housing Program	14.257	N/A	<u>152,952</u>
TOTAL HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM			<u>152,952</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			219,357
<u>U.S. DEPARTMENT OF JUSTICE</u>			
CRIME VICTIM ASSISTANCE			
Passed through the Pennsylvania Commission on Crime and Delinquency -			
Crime Victim Assistance	16.575	VF-05-20123	<u>238,280</u>
TOTAL CRIME VICTIM ASSISTANCE			238,280
VIOLENCE AGAINST WOMEN FORMULA GRANTS			
Passed through the Lancaster County District Attorney's Office -			
Violence against Women Formula Grants	16.588	N/A	12,744

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF JUSTICE (Continued)</u>			
VIOLENCE AGAINST WOMEN FORMULA GRANTS (Continued)			
Passed through the Lancaster County District Attorney's Office - (Continued)			
Violence against Women Formula Grants	16.588	N/A	<u>25,146</u>
TOTAL VIOLENCE AGAINST WOMEN FORMULA GRANTS			<u>37,890</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			276,170
<u>U.S. DEPARTMENT OF LABOR EMPLOYMENT AND TRAINING ADMINISTRATION</u>			
WIA ADULT PROGRAM			
Passed through the Lancaster Employment and Training Agency -			
WIA Adult Program	17.258	N/A	<u>9,713</u>
TOTAL WIA ADULT PROGRAM			9,713
WIA YOUTH ACTIVITIES			
Passed through the Lancaster Employment and Training Agency -			
WIA Youth Activities	17.259	N/A	<u>9,585</u>
TOTAL WIA YOUTH ACTIVITIES			9,585

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF LABOR EMPLOYMENT AND TRAINING ADMINISTRATION (Continued)</u>			
WIA DISLOCATED WORKERS			
Passed through the Lancaster Employment and Training Agency -			
WIA Dislocated Workers	17.260	N/A	<u>27,476</u>
TOTAL WIA DISLOCATED WORKERS			<u>27,476</u>
TOTAL U.S. DEPARTMENT OF LABOR EMPLOYMENT AND TRAINING ADMINISTRATION			46,774
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
AGING CLUSTER			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers -			
Passed through Lancaster County Office of Aging:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	C-09-00743	42,450
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	C-09-00742	<u>55,392</u>
TOTAL SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART B - GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS			<u>97,842</u>
TOTAL AGING CLUSTER			97,842

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
PROMOTING SAFE AND STABLE FAMILIES			
Passed through the County of Lancaster -			
Promoting Safe and Stable Families	93.556	SAP 4100044227	<u>204,204</u>
TOTAL PROMOTING SAFE AND STABLE FAMILIES			204,204
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES			
Passed through the Pennsylvania Department of Public Welfare -			
Temporary Assistance for Needy Families	93.558	SAP 4100045051	208,620
Passed through the Pennsylvania Coalition Against Domestic Violence -			
Temporary Assistance for Needy Families	93.558	52-36	102,049
Passed through the Lancaster Employment and Training Agency -			
Temporary Assistance for Needy Families	93.558	N/A	7,625
Passed through the County of Lancaster -			
Temporary Assistance for Needy Families	93.558	DC09-365305	<u>626,968</u>
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES			945,262*

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
LOW-INCOME HOME ENERGY ASSISTANCE			
Passed through the Pennsylvania Department of Public Welfare -			
Low-Income Home Energy Assistance	93.568	N/A	<u>70,098</u>
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE			70,098
COMMUNITY SERVICES BLOCK GRANT			
Passed through the Pennsylvania Department of Community and Economic Development -			
Community Services Block Grant	93.569	C000039214	236,480
Community Services Block Grant	93.569	C000049177	327,900
Community Services Block Grant - ARRA	93.710	C000046278	454,450
Passed through to Lancaster County Career & Technology Center -			
Community Services Block Grant - ARRA	93.710	C000046278	<u>75,000</u>
TOTAL COMMUNITY SERVICES BLOCK GRANT			1,093,830*
COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS			
Passed through the County of Lancaster -			
Community-Based Child Abuse Prevention Grants	93.590	SAP 4100044227	<u>49,291</u>
TOTAL COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS			49,291

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
CHILD CARE AND DEVELOPMENT FUND CLUSTER			
Child Care and Development Block Grant:			
Passed through the County of Lancaster:			
Child Care and Development Block Grant	93.575	DC09-365305	4,266,882
Child Care and Development Block Grant - ARRA	93.713	DC09-365305	514,312
Passed through the United Way -			
Child Care and Development Block Grant	93.575	SAP 4100044769	132,480
Passed through Child Care Consultants, Inc. -			
Child Care and Development Block Grant	93.575	N/A	<u>26,818</u>
TOTAL CHILD CARE AND DEVELOPMENT BLOCK GRANT			4,940,492
Child Care Mandatory and Matching Funds of the Child Care and Development Fund			
Passed through the County of Lancaster -			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	DC09-365305	<u>2,290,778</u>
TOTAL CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND			<u>2,290,778</u>
TOTAL CHILD CARE AND DEVELOPMENT FUND CLUSTER			7,231,270*

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
ADMINISTRATION FOR CHILDREN, YOUTH, AND FAMILIES - HEAD START			
Administration for Children, Youth, and Families - Head Start	93.600	03CH2054/45	628,527
Administration for Children, Youth, and Families - Head Start	93.600	03CH2054/44	6,025,987
Administration for Children, Youth, and Families - Head Start - ARRA	93.708	03SE2054/01	<u>305,116</u>
ADMINISTRATION FOR CHILDREN, YOUTH, AND FAMILIES - HEAD START			6,959,630*
SOCIAL SERVICES BLOCK GRANT			
Passed through the County of Lancaster -			
Social Services Block Grant	93.667	DC09-365305	754,201
Passed through the Pennsylvania Coalition Against Domestic Violence -			
Social Services Block Grant	93.667	52-36	<u>27,410</u>
TOTAL SOCIAL SERVICES BLOCK GRANT			781,611*

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
FAMILY VIOLENCE PREVENTION AND SERVICES/GRANTS FOR BATTERED WOMEN'S SHELTERS - GRANTS TO STATES AND WOMEN INDIAN TRIBES			
Passed through the Pennsylvania Coalition Against Domestic Violence -			
Family Violence Prevention and Services/ Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	52-36	<u>49,982</u>
TOTAL FAMILY VIOLENCE PREVENTION AND SERVICES/ GRANTS FOR BATTERED WOMEN'S SHELTERS - GRANTS TO STATES AND WOMEN INDIAN TRIBES			<u>49,982</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			17,483,020
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM			
Passed through the United Way of America -			
Emergency Food and Shelter National Board Program	97.024	726800-001 Phase 26	<u>101,322</u>
TOTAL EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM			101,322

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANT OR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> <u>(Continued)</u>			
EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM (ARRA)			
ARRA - Emergency Food and Shelter National Board Program	97.114	726800-014	<u>15,833</u>
TOTAL EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM (ARRA)			<u>15,833</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>117,155</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$21,776,280</u>

* Denotes major programs as defined by OMB Circular A-133.

The accompany notes are an integral part of these financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action Program of Lancaster County, Inc. and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

All Federal Awards:

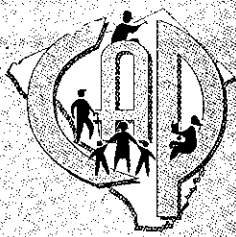
	<u>Questioned Costs</u>
FINDING 09-1: <u>Material Weakness:</u> Lack of internal controls in the weatherization program.	N/A
<u>Recommendation:</u> Management should consider instituting a job costing system to properly track the costs associated with the various projects.	
<u>Management's Response:</u> Management agrees with the finding and is implementing a job costing system.	
<u>Corrective Action:</u> Management instituted procedures to track costs on a project basis.	
<u>Status:</u> Management is accurately monitoring project costs. The finding is considered closed.	

COMMUNITY ACTION PROGRAM OF LANCASTER COUNTY

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Corrective Action Plan Fiscal year ending June 30, 2010 January 31, 2011

Finding 10-1:

Significant Deficiency and Material Weakness: Inadequate segregation of duties in certain areas within the Organization.

Recommendation: Management should continue to review staff responsibilities and analyze where segregation of duties can be further established and maintained.

Corrective Action: Management agrees with the recommendation. We have completed the engagement with the Process Consultant, Wipfli, LLP, and we are currently in the process of re-defining the positions and resetting qualifications. For example, the Human Resources Officer will be more involved in the payroll process, responsible for all add/changes/terminations of employees and updates to the payroll database.

Implementation of consultant's recommended processes and procedures is expected by June 30, 2011.

Finding 10-2:

Significant Deficiency: Inadequate controls within the infant formula inventory system.

Recommendation: Management should consider performing a review of the inventory procedures to determine what controls can be put in place to strengthen the inventory system.

Corrective Action: Management agrees with the recommendation. CAP has engaged a logistics consultant, Logistics Consultants, Inc. from York, PA, who has provided a request for proposal for a warehouse management system. Two vendors responded to the RFP, and both responses proposed systems that were too costly. CAP is currently working with Logistics Consultants to re-configure the proposals, and we have scheduled a demonstration of one of the

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January 31, 2011

proposed systems for February 4, 2011. Implementation is expected by June 30, 2011.

Finding 10-3:

Significant Deficiency: Inability to prepare GAAP compliant financial statements as it relates to amounts and disclosures.

Recommendation: Management should continue to evaluate whether it is cost effective to develop processes and procedures to internally prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Corrective Action: Management agrees with the recommendation, with the following qualification. CAP Lancaster is constantly under a great deal of pressure from its many grantor agencies to provide high-quality services and to efficiently operate and carry out the objectives of each grant and contract, while operating within sometimes unrealistic grantor-imposed administrative limitations. The absence of uniform reporting and administrative requirements forces CAP Lancaster to invest a significant amount of resources into the complying with those widely varying administrative requirements. The management of this organization believes that the additional cost of correcting this deficiency is not a worthy investment at this time, since it would place additional cost burdens on the programs and activities we operate for little discernable benefit. Should our grantor agencies such as HHS insist on our eliminating this deficiency, we will comply fully with the recommendation.