

IMPACT
Community Action
Columbus, Ohio

Financial Statements
For the Years Ended December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

IMPACT COMMUNITY ACTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
IMPACT Community Action
Columbus, Ohio

We have audited the accompanying statements of financial position of IMPACT Community Action (a nonprofit organization) as of December 31, 2010 and 2009, and the related statement of activities and functional expenditures and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 audit to obtain reasonable assurance about whether the financial statements are free of 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 IMPACT Community Action as of December 31, 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 our report dated July 11, 2011, on our consideration of IMPACT Community Action's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



INDEPENDENT AUDITORS' REPORT
(continued)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of IMPACT Community Action taken as a whole. The accompanying *Schedule of Expenditures of Federal Awards*, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

Columbus, Ohio
July 11, 2011



**IMPACT Community Action
Statement of Financial Position
December 31, 2010 and 2009**

ASSETS	2010	2009
Current Assets		
Cash	\$ 1,272,884	\$ 2,438,973
Government Contributions Receivable (Note 3)	2,352,701	1,374,000
Prepaid Expenses	110,384	73,874
Materials Inventory	93,849	65,984
Other Assets	16,500	16,321
Total Current Assets	<u>3,846,318</u>	<u>3,969,152</u>
Property and Equipment		
Equipment and Vehicles, Net (Note 4)	644,957	657,360
TOTAL ASSETS	<u><u>\$ 4,491,275</u></u>	<u><u>\$ 4,626,512</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 492,431	\$ 204,054
Accrued Vacation and Salaries	434,398	224,916
Refundable Advances (Note 5)	2,116,361	2,104,495
Total Current Liabilities	<u>3,043,190</u>	<u>2,533,465</u>
TOTAL LIABILITIES	<u>3,043,190</u>	<u>2,533,465</u>
NET ASSETS		
Total Unrestricted	<u>1,448,085</u>	<u>2,093,047</u>
TOTAL NET ASSETS	<u>1,448,085</u>	<u>2,093,047</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,491,275</u></u>	<u><u>\$ 4,626,512</u></u>

IMPACT Community Action
Statement of Activities and Functional Expenditures
For the Year Ended December 31, 2010

REVENUE	CSBG	HEAP	HWAP	Other Programs	Total Programs	Administrative & General	Total
Federal Grant Contributions	\$ 5,333,006	\$ 1,129,681	\$ 4,400,621	\$ -	\$ 10,863,308	\$ -	\$ 10,863,308
Interest Income	562	162	681	743	2,148	7	2,155
Other Contributions	225	3,474	-	290,994	294,693	93,062	387,755
Net Assets Released from Restrictions	(101,357)	(219,902)	905,141	(15,350)	568,532	(568,532)	-
TOTAL REVENUE	5,232,436	913,415	5,306,443	276,387	11,728,681	(475,463)	11,253,218
EXPENDITURES							
Personnel	2,038,739	679,324	3,661,240	96,383	6,475,686	74,813	6,550,499
Contractual	1,739,755	46,397	126,672	27,224	1,940,048	72	1,940,120
Travel	13,616	2,166	19,340	9	35,131	1,872	37,003
Space Costs	199,031	102,328	133,263	15,272	449,894	3,551	453,445
Supplies	80,841	21,956	26,545	10,378	139,720	158	139,878
Equipment Lease/Purchase	151,678	5,929	17,042	2,575	177,224	57,680	234,904
Depreciation Expense	35,294	12,113	129,452	5,199	182,058	-	182,058
Materials	-	-	993,817	84,281	1,078,098	-	1,078,098
Client Assistance	823,122	-	-	32,677	855,799	396	856,195
Board Expenses	748	-	-	-	748	12	760
Training & Technical Assistance	18,384	3,244	20,361	53	42,042	114	42,156
Special Events / Marketing	5,023	527	1,242	19	6,811	819	7,630
Printing	9,594	4,038	3,729	101	17,462	-	17,462
Uniforms	-	-	29,693	-	29,693	-	29,693
Telephone Expense	21,620	9,448	18,307	626	50,001	-	50,001
Vehicle Expense	804	142	56,130	-	57,076	-	57,076
Other	94,187	25,803	69,610	1,590	191,190	30,012	221,202
TOTAL EXPENDITURES	5,232,436	913,415	5,306,443	276,387	11,728,681	169,499	11,898,180
Decrease in Net Assets	-	-	-	-	-	(644,962)	(644,962)
Beginning Net Assets	-	-	-	-	-	2,093,047	2,093,047
Ending Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,448,085	\$ 1,448,085

See Accompanying Notes to Financial Statements

IMPACT Community Action
Statement of Activities and Functional Expenditures
For the Year Ended December 31, 2009

REVENUE	CSBG	HEAP	HWAP	Other Programs	Total Programs	Administrative & General	Total
Federal Grant Contributions	\$ 3,542,239	\$ 1,300,683	\$ 3,661,462	\$ -	\$ 8,504,384	\$ -	\$ 8,504,384
Interest Income	1,883	144	369	-	2,396	-	2,396
Other Contributions	-	-	18,879	105,576	124,455	38,185	162,640
Net Assets Released from Restrictions	(1,181,020)	15,323	(394,758)	(3,424)	(1,563,879)	1,563,879	-
TOTAL REVENUE	2,363,102	1,316,150	3,285,952	102,152	7,067,356	1,602,064	8,669,420
EXPENDITURES							
Personnel	1,384,635	973,989	2,147,903	40,506	4,547,033	-	4,547,033
Contractual	414,999	39,794	89,691	8,663	553,147	-	553,147
Travel	14,507	654	8,247	1,233	24,641	-	24,641
Space Costs	163,117	140,927	143,519	2,455	450,018	187	450,205
Supplies	35,204	21,858	36,441	6,659	100,162	66	100,228
Equipment Lease/Purchase	103,493	7,801	266,999	5,104	383,397	-	383,397
Depreciation Expense	18,121	11,341	72,305	5,199	106,966	-	106,966
Materials	-	-	331,845	-	331,845	-	331,845
Client Assistance	136,411	94,341	-	27,270	258,022	-	258,022
Board Expenses	9,302	-	-	-	9,302	-	9,302
Training & Technical Assistance	36,846	1,431	6,647	2,089	47,013	-	47,013
Special Events / Marketing	12,609	-	-	-	12,609	-	12,609
Printing	11,152	229	-	-	11,381	-	11,381
Uniforms	-	-	17,760	-	17,760	-	17,760
Pollution Insurance	-	-	10,141	-	10,141	-	10,141
Telephone Expense	15,227	-	11,384	-	26,611	-	26,611
Vehicle Expense	40	-	64,651	-	64,691	-	64,691
Refund to Funding Source	-	-	67,893	-	67,893	-	67,893
Other	7,439	23,785	10,526	2,974	44,724	3,102	47,826
TOTAL EXPENDITURES	2,363,102	1,316,150	3,285,952	102,152	7,067,356	3,355	7,070,711
Increase in Net Assets	-	-	-	-	-	1,598,709	1,598,709
Beginning Net Assets	-	-	-	-	-	494,338	494,338
Ending Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,093,047	\$ 2,093,047

See Accompanying Notes to Financial Statements

IMPACT Community Action
Statement of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
(Decrease) Increase in Net Assets	\$ (644,962)	\$ 1,598,709
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities		
Depreciation Expense	182,058	106,966
Changes in Assets:		
Increase in Government Contributions Receivable	(978,701)	(548,531)
Increase in Prepaid Expenses	(36,510)	(55,974)
Increase in Materials Inventory	(27,865)	(65,984)
(Increase) Decrease in Other Assets	(179)	179
Changes in Liabilities:		
Increase in Accounts Payable	288,377	67,458
Increase in Accrued Vacation and Salaries	209,482	112,705
Increase in Refundable Advances	11,866	226,970
Net Cash (Used in) Provided by Operating Activities	<u>(996,434)</u>	<u>1,442,498</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(169,655)	(510,822)
Net Cash Used in Investing Activities	<u>(169,655)</u>	<u>(510,822)</u>
Net (Decrease) Increase in Cash	(1,166,089)	931,676
Cash at Beginning of Year	<u>2,438,973</u>	<u>1,507,297</u>
Cash at End of Year	<u><u>\$ 1,272,884</u></u>	<u><u>\$ 2,438,973</u></u>

See Accompanying Notes to Financial Statements

**IMPACT Community Action
Notes to Financial Statements
For the Years Ended December 31, 2010 and 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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Name and Mission of Agency

On June 20, 2008, the Agency's name changed from Columbus Franklin County Community Action Agency to IMPACT Community Action through an amendment to the Articles of Incorporation filed with the Secretary of State. Accordingly, the name was also changed with the Internal Revenue Service. IMPACT Community Action's mission is to reduce poverty by providing hope-inspiring help and real opportunities for self-sufficiency.

Basis of Accounting

The accompanying financial statements of the Agency have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Fund Accounting

Resources from various sources are classified for accounting and reporting purposes into funds established according to their nature and purpose. The unrestricted funds are presently available for use by the Agency at the discretion of the Board of Directors.

Equipment and Vehicles

In accordance with grant award budgets approved by funding sources, equipment purchased with grant-awarded funds is charged to expenses in the period of purchase. The Agency has a policy to capitalize equipment purchased at a cost greater than \$5,000 at year-end to be in accordance with generally accepted accounting principles. The assets on the Agency's statement of financial position include assets purchased with grant funds as well as assets that were given to the Agency at its inception by Columbus LEADS, LLC, and were capitalized based on the estimated fair market value on April 1, 2007.

The equipment purchased and acquired is owned by IMPACT and used in the program for which it was purchased, or in other future authorized programs. However, the various funding sources have a reversionary interest in the equipment purchased with grant funds and, therefore, its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations.

Property and equipment purchased with non-grant funds is carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Major acquisitions and improvements are capitalized and depreciated. The Agency has a capitalization policy of \$5,000. Maintenance and repairs, which do not improve or extend the useful lives of the respective assets, are recorded as expenses as incurred. The carrying amount of assets sold, retired, or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in the statement of activities and functional expenditures.

IMPACT Community Action
Notes to Financial Statements
For the Years Ended December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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Inventory

Inventory consists of Home Weather Assistance Program (HWAP) materials remaining at December 31, 2010 and 2009 and is priced at the average unit-cost per item remaining in inventory.

Revenue Recognition

Revenues are recognized in the accompanying financial statements as follows:

Grant Revenue – The amount due from various funding sources is recognized as revenue in the accounting period when the expenses are incurred and the grant funds are earned.

Interest Income – Interest income is recognized in the accounting period when it is earned. The Agency maintains funds received from various sources in an interest-bearing checking account. Interest earned on advances from State of Ohio contracts is included as refundable advances. The interest earned on other funds is used to support the Agency’s programs at the discretion of management. This is in accordance with section 203 of the Intergovernmental Cooperation Act (42 U.S.C.4213) and applicable State of Ohio regulations.

Accounts Payable

The accounts payable balance represents all Agency current obligations (due within one year), and includes operating expenses, as well as all current employment taxes and workers’ compensation premiums due as of December 31, 2010 and 2009.

Refundable Advances

Refundable advances represent unexpended grant-awarded funds and interest income received as of December 31, 2010 and 2009 (See Note 5 to the financial statements for additional details).

Accrued Vacation

Vacation pay is accrued up to a maximum of six (6) weeks per eligible employee. As vacation time is subsequently paid and/or taken, the books are adjusted to reflect the change in the accumulated vacation liability. As of December 31, 2010 and 2009, the vacation and salary liability for all IMPACT projects was \$434,398 and \$224,916, respectively.

Income Taxes

IMPACT Community Action is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provisions for income taxes have been made in the accompanying financial statements. In addition, the Agency is also exempt from Ohio Commercial Activities tax.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

IMPACT Community Action
Notes to Financial Statements
For the Years Ended December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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Basis of Presentation

The accompanying financial statements have been presented in accordance with generally accepted accounting principles. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted Net Assets – Unrestricted net assets are free of donor-imposed restrictions and are available for use in the Agency’s ongoing operations.

Temporarily Restricted Net Assets – Temporarily restricted net assets are limited as to use by donor-imposed restrictions that either expire by passage of time or that can be fulfilled or removed by actions of the Agency. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and functional expenditures as net assets released from restrictions. There were no temporarily restricted net assets as of December 31, 2010 and 2009.

Permanently Restricted Net Assets – Permanently restricted net assets are subject to donor-imposed restrictions which do not expire. Generally, the providers of these funds restrict the Agency to maintain the principal in perpetuity and invest for the purposes of producing present and future income that may be expended by the Agency. There were no permanently restricted net assets as of December 31, 2010 and 2009.

Fair Value of Financial Instruments

The Agency’s financial instruments consist primarily of cash, government contributions receivable, prepaid expenses, accounts payable, accrued expenses and refundable advances. The carrying amount of these assets and liabilities approximates fair value due to their short-term nature. The fair value of inventory approximates carrying value based on the average unit cost per item remaining in inventory.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Subsequent Events

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through July 11, 2011, the date on which the financial statements were available to be issued.

IMPACT Community Action
Notes to Financial Statements
For the Years Ended December 31, 2010 and 2009

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Agency's funds contained in its cash balance are held in one financial institution. This institution provides insurance coverage up to \$250,000 through the Federal Deposit Insurance Corporation (FDIC) for accounts earning interest. As of December 31, 2010, the Agency's cash balance had been migrated to the Chase Ohio Public Funds, which means that all of its cash balance is protected from risk of loss.

NOTE 3 - GOVERNMENT CONTRIBUTIONS RECEIVABLE

The government contributions receivable balance consisted of the following at December 31:

<u>Program</u>	<u>2010</u>	<u>2009</u>
CSBG	\$ 1,388,163	\$ 394,672
HEAP	245,597	116,236
HWAP	544,821	839,042
City of Columbus	55,266	5,425
Healthy Homes	25,979	18,625
Other	92,875	-
TOTAL	<u>\$ 2,352,701</u>	<u>\$ 1,374,000</u>

NOTE 4 - EQUIPMENT AND VEHICLES

A summary of equipment and vehicles purchased by the Agency with grant and non-grant funds consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Equipment and Vehicles	\$1,013,011	\$ 843,356
Less: Accumulated Depreciation	(368,054)	(185,996)
NET BOOK VALUE	<u>\$ 644,957</u>	<u>\$ 657,360</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$182,058 and \$106,966, respectively.

NOTE 5 - REFUNDABLE ADVANCES

Refundable advances consisted of the following at December 31:

<u>Program</u>	<u>2010</u>	<u>2009</u>
CSBG	\$ 198,476	\$ 1,377,896
HEAP	201,105	42,684
HWAP	1,221,628	180,577
Other	495,152	503,338
TOTAL	<u>\$ 2,116,361</u>	<u>\$ 2,104,495</u>

**IMPACT Community Action
Notes to Financial Statements
For the Years Ended December 31, 2010 and 2009**

NOTE 6 - PENSION PLAN

The Agency sponsors a 403(b) defined contribution pension plan. Employees are eligible to participate in the plan if they are at least 21 years old. The Agency has agreed to contribute 1% of the base salary of each eligible employee, plus up to an additional 4% of each employee's contribution, after they have completed one year and 1,000 hours of service. The pension plan's cost to the Agency for the years ended December 31, 2010 and 2009 was \$96,716 and \$79,167, respectively. The employees' contribution rate is limited only to the statutorily permissible maximum.

Vesting of employees' benefits for the 403(b) defined contribution pension plan is as follows:

<u>Years of Continuous Service</u>	<u>Vested Interest</u>
After 1 Year	34%
After 2 Years	67%
After 3 Years	100%

NOTE 7 - COST ALLOCATION

The Agency allocates joint costs to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all Agency programs, but which cannot be readily identified with a final cost objective. The Agency's joint cost and cost allocation methods are as follows:

Personnel

Agency administrative and financial personnel (Chief Executive Officer, Chief Operating Officer, Executive Administrator, Human Resources Director, Chief Financial Officer, Administrative Assistant, Accounting Manager) salaries are allocated based on the results of periodic task analysis designed to track the time spent on various programs administered by the Agency.

All time incurred by the Agency administrative and financial personnel, that can be specifically identified to a particular program, is charged to that program.

Building

Space costs (maintenance costs, rent, repairs, etc.) are allocated based on the number of square feet of space each program occupies. All space costs charged to Ohio Department of Development (ODOD) programs are allocated in accordance with cost principles approved by the ODOD. Space costs charged to other Agency programs are made in compliance with OMB Circular A-122.

Program Costs

Direct program costs (supplies, phone, equipment, customer program costs, etc.) are charged based on the amounts that are approved by the individual funding sources on the annual program budgets.

**IMPACT Community Action
Notes to Financial Statements
For the Years Ended December 31, 2010 and 2009**

NOTE 7 - COST ALLOCATION (Continued)

Insurance

Insurance costs are allocated to the respective benefiting programs depending on the specific equipment, space, or people covered by the insurance.

Phone

Phone costs are allocated based on the number of telephone lines used by each program. Cellular phone costs are allocated based upon the allocation of the personnel who utilize them.

NOTE 8 - OPERATING LEASES

The Agency leases office space for its primary office, its HWAP program, and additional space for its HEAP program. The total rent expense under the operating leases for the years ended December 31, 2010 and 2009 was \$387,559 and \$443,632, respectively.

The future minimum lease payments due under these various operating leases with initial or remaining years' terms of one year or more are as follows:

For the year ended December 31,	Amount
2011	\$ 281,115
2012	281,115
2013	127,115
2014	9,984
2015	-
TOTAL	\$ 699,329

NOTE 9 - CONTINGENCY

The grant programs of the Agency are subject to an audit by agents of the granting authorities, which is to ensure compliance with conditions precedent to the granting of funds. Revenues generated by the grant programs may be disallowed in subsequent periods as a result of these audits.

**IMPACT Community Action
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Health & Human Services</u>			
Passed through Ohio Department of Development			
HEAP	10-HA-122	93.568	\$ 518,326
HEAP	11-HA-122	93.568	395,089
CSBG	0809-23	93.569	16,765
CSBG	1011-23	93.569	2,151,714
CSBG - ARRA	ARRA 09-23	93.569	2,935,189
CSBG - T&TA	10-002	93.569	128,768
Weatherization - ARRA	HHS ARRA 10-145	93.568	199
<u>Department of Energy</u>			
Passed through Ohio Department of Development			
Weatherization	DOE 09-145	81.042	31,789
Weatherization - ARRA	DOE ARRA 10-145	81.042	5,274,455
			<u>\$ 11,452,294</u>

See Accompanying Notes to Financial Statements

IMPACT Community Action
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of IMPACT Community Action 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 general-purpose financial statements.



**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**

Board of Directors
IMPACT Community Action
Columbus, Ohio

We have audited the financial statements of IMPACT Community Action (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated July 11, 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 IMPACT Community Action'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 IMPACT Community Action's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiency (2010-1) described in the accompanying schedule of findings and questioned costs to be a material weakness.



**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
(continued)**

A *significant deficiency* is a deficiency, or 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IMPACT Community Action'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*.

IMPACT Community Action's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit IMPACT Community Action's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, 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.

Columbus, Ohio
July 11, 2011

A handwritten signature in black ink that reads "Hemphill & Associates".



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

Board of Directors
IMPACT Community Action
Columbus, Ohio

Compliance

We have audited IMPACT Community Action's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of IMPACT Community Action's major federal programs for the year ended December 31, 2010. IMPACT Community Action's major federal programs are identified in the summary of the 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 IMPACT Community Action's management. Our responsibility is to express an opinion on IMPACT Community Action'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 IMPACT Community Action's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of IMPACT Community Action's compliance with those requirements.

As described in item 2010-2, in the accompanying schedule of findings and questioned costs, IMPACT Community Action did not comply with requirements regarding the Davis-Bacon Act that are applicable to its Department of Energy Weatherization – ARRA program, passed through the Ohio Department of Development. Compliance with such requirements is necessary, in our opinion, for IMPACT Community Action to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, IMPACT Community Action complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

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

Internal Control Over Compliance

Management of IMPACT Community Action is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered IMPACT Community Action's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IMPACT Community Action's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs (2010-2) to be a material weakness.

A deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.



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

IMPACT Community Action's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit IMPACT Community Action's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Directors, 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.

Columbus, Ohio
July 11, 2011



IMPACT Community Action
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

Summary of Auditors' Results

Type of financial statement opinion	Unqualified
Material control weaknesses reported at the financial statement level	Yes
Significant deficiencies reported at the financial statement level	None
Reported noncompliance at the financial statement level	None
Material internal control weakness conditions reported for major Federal Programs	Yes
Significant deficiencies reported for major Federal Programs	None
Type of major programs' compliance opinion	Qualified
Reportable findings	Yes
Major Programs	CSBG-ARRA, CFDA No. 93.569 HWAP-ARRA, CFDA No. 81.042
Dollar threshold for Type A/B Programs	Type A: Over \$300,000 Type B: All others
Low risk auditee	No

IMPACT Community Action
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

Finding Related to the Financial Statements
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Finding 2010-1: Accounting Oversight

Condition: During our audit of the financial statements, we noted that the organization failed to make five adjustments to the financial statements, which were material to the financial statements taken as a whole.

Criteria: Generally Accepted Accounting Principles (GAAP) require that material adjustments be booked in order for the financial statements to be properly stated at year-end.

Cause: Lack of internal control over requirements for the reporting year-end financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effect: Due to the fact that five adjustments had not been recorded, the total assets, liabilities, expenses and revenues of the organization were all understated. This caused the financial statements of the organization to be materially misstated.

Recommendation: We recommend that the organization establish controls to more closely monitor the year-end financial statements to insure that all required GAAP reporting requirements have been met.

Management Response: Pursuant to discussions with the auditor, IMPACT Community Action will be instituting new year-end conversion to GAAP processes, which will involve at least two people reviewing the adjusting journal entries and their effects on the financial statements. A checklist will be utilized to ensure that all necessary adjustments have been made, which will also be reviewed by at least two people. These new processes have already been documented and placed in a file for the 2011 audit in order to ensure that these additional controls are not forgotten when the 2011 audit preparations begin.

IMPACT Community Action
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

Findings and Questioned Costs for Federal Awards

Finding 2010-2: Department of Energy (DOE)

Weatherization – ARRA --- CFDA No. 81.042

Grant No. - DOE ARRA 10-145 Year ended December 31, 2010

Condition: Under Davis-Bacon, the contract requires that employees working under this contract be paid the prevailing wage rates as published by the Department of Labor. The prevailing wage rates by the Department of Labor were revised effective March 22, 2010. During a review by the Ohio Department of Energy, it was determined that these revised rates had not been implemented.

Effect: The revised prevailing wage rates were not applied effective March 22, 2010 to employees working under this contract; therefore, they were underpaid. Subsequent to December 31, 2010, IMPACT went back and recalculated the wage amounts and issued the individuals a retroactive pay.

Cause: Procedures were not in place to ensure that the proper rates were being utilized.

Context: A sample of 6 retroactive pays totaling \$20,386 was selected for audit from a population of 28 retroactive pays totaling \$44,913. The test found no errors.

Auditor's Recommendation: The agency should put procedures in place to ensure that the proper prevailing wage rates are being utilized.

Management Response and Planned Corrective Actions: Upon discovery that the Davis-Bacon wage rates had changed and the fiscal department of IMPACT Community Action was unaware of the change, several meetings were held to establish safeguards against this recurring in the future. The CFO was placed on the distribution list for Weatherization Information Updates issued by the Ohio Department of Development, whereas this had not been the case in the past.

IMPACT Community Action
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

Finding 2009-1: Inventory

Condition: During our testing of compliance we noted that the organization was to maintain a full inventory, including dollar values of all weatherization materials. Monthly dollars values for inventory are maintained in reporting to the Ohio Department of Development (ODOD).

Generally Accepted Accounting Principles (GAAP) require that inventory be shown as an asset, which the agency failed to do on its Statement of Financial Position as of December 31, 2009.

Criteria: Generally Accepted Accounting Principles (GAAP) require the material balances of inventory be shown as an asset on the Statement of Financial Position.

Cause: Lack of internal control over requirements for the reporting of inventory at year end in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effect: Due to the fact that the inventory had not been recorded, the total assets of the organization were understated and expenses overstated, causing the financial statements to be materially misstated.

Recommendation: We recommend that the organization establish controls to more closely monitor the year end financial statements to insure all required GAAP reporting requirements have been met.

Management Response:

IMPACT Community Action's Weatherization program has a software tool that enables the monitoring of materials inventory. At future agency year-ends, the accounting staff will ensure that a physical inventory is performed and reconcile it to the software tool report. At that point, the dollar value of the materials inventory will be shown in the agency balance sheet as a current asset, reducing the materials expense in the financial statements accordingly.

Status:

Based on our test work performed throughout the audit, we noted that this finding has been corrected and is no longer an issue.



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Directors
IMPACT Community Action
Columbus, Ohio

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining statement of activities and functional expenditures by project for the year ended December 31, 2010, pages 26-28 is presented for purposes of additional analysis 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, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Columbus, Ohio
July 11, 2011

A large, faint watermark of the Hemphill & Associates logo is centered on the page. It consists of the letters 'H&A' in a large, stylized font, with the full name 'Hemphill & Associates' written in a smaller cursive font to the right.

IMPACT Community Action
Combining Statement of Activities and Functional Expenditures (By Project)
For the Year Ended December 31, 2010

	30010		34099	31060	31000	31100	31050	Subtotal	
	AEP		CSBG ARRA	CSBG T&TA	HEAP	HEAP	TCO	This Page	
	Low-Income	Total	(6/01/09-9/30/10)	(1/1/10-12/31/10)	(9/01/09-08/31/10)	(9/1/10-8/31/11)	Fuel Funds	Temporarily	
	General	(07/1/10-12/31/11)	ARRA 09-23	10-002	09-HA122	11-HA-122	(3/09/09-Indef.)	Restricted	
REVENUE									
Federal Contributions	\$ -	\$ -	\$ -	\$ 2,335,383	\$ 161,244	\$ 738,084	\$ 391,597	\$ -	\$ 3,626,308
Interest Revenue	7	-	7	424	-	144	18	743	1,329
Other Contributions	93,062	109,934	202,996	-	-	-	3,474	33,157	36,631
Net Assets Released from Restrictions	(568,532)	-	(568,532)	599,382	(32,476)	(219,902)	-	-	347,004
TOTAL REVENUE	(475,463)	109,934	(365,529)	2,935,189	128,768	518,326	395,089	33,900	4,011,272
EXPENDITURES									
Personnel	74,813	29,867	104,680	657,441	-	374,852	304,472	173	1,336,938
Contractual	72	10,881	10,953	1,344,355	128,768	27,972	18,425	-	1,519,520
Travel	1,872	-	1,872	5,814	-	1,321	845	-	7,980
Space Costs	3,551	-	3,551	88,628	-	67,118	35,210	-	190,956
Supplies	158	-	158	35,994	-	13,744	8,212	1,050	59,000
Equipment Lease / Purchase	57,680	-	57,680	141,857	-	2,863	3,066	-	147,786
Depreciation Expense	-	-	-	14,958	-	-	12,113	-	27,071
Materials	-	69,186	69,186	-	-	-	-	-	-
Client Assistance	396	-	396	582,881	-	-	-	32,677	615,558
Board Expenses	12	-	12	-	-	-	-	-	-
Training & Technical Assistance	114	-	114	7,887	-	2,918	326	-	11,131
Special Events / Marketing	819	-	819	3,494	-	65	462	-	4,021
Printing	-	-	-	8,000	-	1,677	2,361	-	12,038
Uniforms	-	-	-	-	-	-	-	-	-
Telephone Expense	-	-	-	6,218	-	6,133	3,315	-	15,666
Vehicle Expense	-	-	-	771	-	-	142	-	913
Other	30,012	-	30,012	36,891	-	19,663	6,140	-	62,694
TOTAL EXPENDITURES	169,499	109,934	279,433	2,935,189	128,768	518,326	395,089	33,900	4,011,272
Decrease in Net Assets	(644,962)	-	(644,962)	-	-	-	-	-	-
Beginning Net Assets	2,093,047	-	2,093,047	-	-	-	-	-	-
Ending Net Assets	<u>\$ 1,448,085</u>	<u>\$ -</u>	<u>\$ 1,448,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

IMPACT Community Action
Combining Statement of Activities and Functional Expenditures (By Project)
For the Year Ended December 31, 2010

	City of Columbus Equip. Grant (9/01/08-3/31/10)	City of Columbus Computer Lab Grant (4/1/10-3/31/11)	CSBG (01/01/08-12/31/09) 0809-23	CSBG (01/01/10-12/31/11) 1011-23	DOE (HWAP) (04/01/09-03/31/10) 09-145	DOE ARRA (HWAP) (04/01/09-03/31/11) 10-145	Subtotal This Page Temporarily Restricted
REVENUE							
Federal Contributions	\$ -	\$ -	\$ 685,028	\$ 2,151,351	\$ 32,087	\$ 4,330,017	\$ 7,198,483
Interest Revenue	-	-	-	138	-	681	819
Other Contributions	32,943	55,546	-	225	-	-	88,714
Net Assets Released from Restrictions	(15,350)	-	(668,263)	-	(298)	943,757	259,846
TOTAL REVENUE	17,593	55,546	16,765	2,151,714	31,789	5,274,455	7,547,862
EXPENDITURES							
Personnel	9,225	23,708	(44,204)	1,425,502	12,470	3,648,770	5,075,471
Contractual	2,518	4,710	54,642	211,990	5,452	121,220	400,532
Travel	4	5	1,765	6,037	-	19,340	27,151
Space Costs	1,222	14,050	257	110,146	-	133,263	258,938
Supplies	3,767	5,561	901	43,946	-	26,545	80,720
Equipment Lease / Purchase	36	745	426	9,395	481	16,362	27,445
Depreciation Expense	-	5,199	-	20,336	-	129,452	154,987
Materials	-	-	-	-	13,337	980,480	993,817
Client Assistance	-	-	1,548	238,693	-	-	240,241
Board Expenses	-	-	-	748	-	-	748
Training & Technical Assistance	12	41	-	10,497	-	20,361	30,911
Special Events / Marketing	-	19	-	1,529	-	1,242	2,790
Printing	-	101	-	1,594	-	3,729	5,424
Uniforms	-	-	-	-	-	29,693	29,693
Telephone Expense	300	326	717	14,685	-	18,307	34,335
Vehicle Expense	-	-	-	33	-	56,130	56,163
Other	509	1,081	713	56,583	49	69,561	128,496
TOTAL EXPENDITURES	17,593	55,546	16,765	2,151,714	31,789	5,274,455	7,547,862
Decrease in Net Assets	-	-	-	-	-	-	-
Beginning Net Assets	-	-	-	-	-	-	-
Ending Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

IMPACT Community Action
Combining Statement of Activities and Functional Expenditures (By Project)
For the Year Ended December 31, 2010

	HHS ARRA (HWAP) (04/01/08-03/31/09) 09-145	HHS ARRA (HWAP) (04/01/09-03/31/11) 10-145	Healthy Homes (04/01/09-3/31/10)	Total Temporarily Restricted	Unrestricted	Total Unrestricted & Temporarily Restricted
REVENUE						
Federal Contributions	\$ 38,318	\$ 199	\$ -	\$ 10,863,308	\$ -	\$ 10,863,308
Interest Revenue	-	-	-	2,148	7	2,155
Other Contributions	-	-	59,414	184,759	202,996	387,755
Net Assets Released from Restrictions	(38,318)	-	-	568,532	(568,532)	-
TOTAL REVENUE	-	199	59,414	11,618,747	(365,529)	11,253,218
EXPENDITURES						
Personnel	-	-	33,410	6,445,819	104,680	6,550,499
Contractual	-	-	9,115	1,929,167	10,953	1,940,120
Travel	-	-	-	35,131	1,872	37,003
Space Costs	-	-	-	449,894	3,551	453,445
Supplies	-	-	-	139,720	158	139,878
Equipment Lease / Purchase	-	199	1,794	177,224	57,680	234,904
Depreciation Expense	-	-	-	182,058	-	182,058
Materials	-	-	15,095	1,008,912	69,186	1,078,098
Client Assistance	-	-	-	855,799	396	856,195
Board Expenses	-	-	-	748	12	760
Training & Technical Assistance	-	-	-	42,042	114	42,156
Special Events / Marketing	-	-	-	6,811	819	7,630
Printing	-	-	-	17,462	-	17,462
Uniforms	-	-	-	29,693	-	29,693
Telephone Expense	-	-	-	50,001	-	50,001
Vehicle Expense	-	-	-	57,076	-	57,076
Other	-	-	-	191,190	30,012	221,202
TOTAL EXPENDITURES	-	199	59,414	11,618,747	279,433	11,898,180
Decrease in Net Assets	-	-	-	-	(644,962)	(644,962)
Beginning Net Assets	-	-	-	-	2,093,047	2,093,047
Ending Net Assets	\$ -	\$ -	\$ -	\$ -	\$ 1,448,085	\$ 1,448,085

See Accompanying Notes to Financial Statements