IMPACT
Community Action
Columbus, Ohio

Financial Statements
For the Years Ended December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

IMPACT COMMUNITY ACTION

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Hemphill & Associates
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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, 2011 and 2010, and the related statements 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 the 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, 2011 and 2010, 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 18, 2012, 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 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.

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Hemphill & Associates
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT
(Continued)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hemphill & Associates

Columbus, Ohio
July 18, 2012

IMPACT Community Action
Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash	$ 1,536,704	$ 1,272,884
Government Contributions Receivable (Note 3)	1,568,035	2,352,701
Prepaid Expenses	22,700	110,384
Materials Inventory	71,850	93,849
Other Current Assets	16,500	16,500
Total Current Assets	3,215,789	3,846,318
Property and Equipment		
Equipment and Vehicles, Net (Note 4)	472,147	644,957
TOTAL ASSETS	$ 3,687,936	$ 4,491,275
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 460,257	$ 492,431
Accrued Vacation and Salaries	269,841	434,398
Refundable Advances (Note 5)	1,807,327	2,116,361
Total Current Liabilities	2,537,425	3,043,190
TOTAL LIABILITIES	2,537,425	3,043,190
NET ASSETS		
Total Unrestricted	1,150,511	1,448,085
TOTAL NET ASSETS	1,150,511	1,448,085
TOTAL LIABILITIES AND NET ASSETS	$ 3,687,936	$ 4,491,275

See Accompanying Notes to Financial Statements

IMPACT Community Action
Statement of Activities and Functional Expenditures
For the Year Ended December 31, 2011

REVENUE	**CSBG**	**HEAP**	**HWAP**	**Other Programs**	**Total Programs**	**Administrative & General**	**Total**
Federal Grant Contributions	$ 2,211,829	$ 1,019,456	$ 6,095,008	$ -	$ 9,326,293	$ -	$ 9,326,293
Interest Income	(137)	150	434	442	889	-	889
Other Contributions	34,976	3,825	(13,474)	1,362,624	1,387,951	127,263	1,515,214
Net Assets Released from Restrictions	-	12,116	25,139	(165,644)	(128,389)	128,389	-
TOTAL REVENUE	2,246,668	1,035,547	6,107,107	1,197,422	10,586,744	255,652	10,842,396
EXPENDITURES							
Personnel	1,221,133	848,476	4,404,437	221,666	6,695,712	79,267	6,774,979
Contractual	363,918	39,583	198,141	53,476	655,118	-	655,118
Travel	7,341	1,945	25,611	-	34,897	582	35,479
Space Costs	162,598	76,704	156,312	25,419	421,033	1,895	422,928
Supplies	62,157	17,699	27,822	6,052	113,730	(156)	113,574
Equipment Lease/Purchase	30,302	15,024	63,394	1,055	109,775	7,230	117,005
Depreciation Expense	-	-	-	-	-	191,761	191,761
Materials	-	-	978,326	469,207	1,447,533	35	1,447,568
Client Assistance	287,450	-	-	417,850	705,300	-	705,300
Board Expenses	2,942	-	-	-	2,942	54	2,996
Training & Technical Assistance	9,871	2,327	9,460	42	21,700	66	21,766
Special Events / Marketing	4,708	501	-	-	5,209	689	5,898
Printing	626	-	327	-	953	-	953
Uniforms	-	-	28,642	-	28,642	-	28,642
Telephone Expense	9,330	6,149	22,234	347	38,060	-	38,060
Vehicle Expense	736	548	81,222	757	83,263	-	83,263
Other	83,556	26,591	111,179	1,551	222,877	110,690	333,567
TOTAL EXPENDITURES	2,246,668	1,035,547	6,107,107	1,197,422	10,586,744	392,113	10,978,857
Change in Net Assets Before Extraordinary Item	-	-	-	-	-	(136,461)	(136,461)
Extraordinary Item - Theft Loss (Note 10)	-	-	-	-	-	(161,113)	(161,113)
Change in Net Assets After Extraordinary Item	-	-	-	-	-	(297,574)	(297,574)
Net Assets at Beginning of Year	-	-	-	-	-	1,448,085	1,448,085
Net Assets at End of Year	$ -	$ -	$ -	$ -	$ -	$ 1,150,511	$ 1,150,511

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
Change in Net Assets Before Extraordinary Item	-	-	-	-	-	(644,962)	(644,962)
Extraordinary Item - Theft Loss	-	-	-	-	-	-	-
Change in Net Assets After Extraordinary Item	-	-	-	-	-	(644,962)	(644,962)
Net Assets at Beginning of Year	-	-	-	-	-	2,093,047	2,093,047
Net Assets at End of Year	$ -	$ -	$ -	$ -	$ -	$ 1,448,085	$ 1,448,085

See Accompanying Notes to Financial Statements

IMPACT Community Action
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in Net Assets After Extraordinary Item	$ (297,574)	$ (644,962)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expense	191,761	182,058
Changes in Assets:		
Decrease (Increase) in Government Contributions Receivable	784,666	(978,701)
Decrease (Increase) in Prepaid Expenses	87,684	(36,510)
Decrease (Increase) in Materials Inventory	21,999	(27,865)
Increase in Other Current Assets	-	(179)
Changes in Liabilities:		
(Decrease) Increase in Accounts Payable	(32,174)	288,377
(Decrease) Increase in Accrued Vacation and Salaries	(164,557)	209,482
(Decrease) Increase in Refundable Advances	(309,034)	11,866
Net Cash Provided by (Used in) Operating Activities	282,771	(996,434)
Cash Flows from Investing Activities		
Purchase of Equipment and Vehicles	(18,951)	(169,655)
Net Cash Used in Investing Activities	(18,951)	(169,655)
Cash Flows from Financing Activities		
Net Cash Flows from Financing Activities	-	-
Net Increase (Decrease) in Cash	263,820	(1,166,089)
Cash at Beginning of Year	1,272,884	2,438,973
Cash at End of Year	$ 1,536,704	$ 1,272,884

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 ("IMPACT") 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 is a nonprofit organization whose mission is to reduce poverty by providing hope-inspiring help and real opportunities for self-sufficiency. IMPACT's programs and activities are supported primarily through funding received from the Ohio Department of Development and the City of Columbus.

Basis of Accounting
The accompanying financial statements of IMPACT 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 IMPACT 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 assets on IMPACT's statements of financial position include assets purchased with grant funds as well as assets that were given to IMPACT 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.

Equipment and vehicles 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. IMPACT follows the policy of capitalizing all expenditures for purchased assets of $5,000 or greater. Major acquisitions and improvements are capitalized and depreciated. Maintenance and repairs, which do not improve or extend the useful lives of the respective assets, are recorded to expense as incurred. The carrying amounts 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 statements of activities and functional expenditures.

Inventory
Inventory consists of Home Weather Assistance Program (HWAP) materials remaining at

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

December 31, 2011 and 2010 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 received 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. IMPACT maintains funds received from various sources in an interest-bearing checking account. Interest earned on advances from State of Ohio contracts is included in the statements of financial position as "refundable advances". The interest earned on other funds is used to support IMPACT'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 of IMPACT's 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, 2011 and 2010.

Refundable Advances
Refundable advances represent unexpended grant-awarded funds and interest income received as of December 31, 2011 and 2010 (See Note 5 to the financial statements for additional disclosure).

Accrued Vacation
Vacation pay is accrued up to a maximum of three (3) weeks per eligible employee. As vacation time is subsequently paid by IMPACT and/or taken by the employee, the books are adjusted to reflect the change in the accumulated vacation liability. As of December 31, 2011 and 2010, the vacation and salary liability for all IMPACT projects was $269,841 and $434,398, respectively.

Income Taxes
IMPACT is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, IMPACT is also exempt from the Ohio Commercial Activities Tax. IMPACT's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

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 certain 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Contributions Receivable

Government contributions receivable are shown at their net realizable value and reported at the amount management expects to collect on balances outstanding at year-end. Uncollectible accounts are charged to operations during the period in which they are determined to be uncollectible. Impact considers government contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

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 IMPACT 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 IMPACT'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 IMPACT. 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, 2011 and 2010.
>
> **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 IMPACT to maintain the principal in perpetuity and invest for the purposes of producing present and future income that may be expended by IMPACT. There were no permanently restricted net assets as of December 31, 2011 and 2010.

Fair Value of Financial Instruments

IMPACT's financial instruments consist primarily of cash, government contributions receivable, prepaid expenses, inventory, 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 carrying amount of inventory approximates fair value based on the average unit-cost per item remaining in inventory.

Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 18, 2012, the date on which the financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF CREDIT RISK

IMPACT'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. Additionally, accounts that are non-interest bearing are also insured by the FDIC, with unlimited coverage that is in effect through December 31, 2012. As of December 31, 2011 and 2010, IMPACT's cash balance had been migrated to the Chase Ohio Public Funds, which means that all of its cash balance is protected and insured from risk of loss.

NOTE 3 - GOVERNMENT CONTRIBUTIONS RECEIVABLE

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

Program	2011	2010
CSBG	$ 741,123	$ 1,388,163
HEAP	71,391	245,597
HWAP	618,998	544,821
City of Columbus	73,598	55,266
Healthy Homes	-	25,979
Other	62,925	92,875
TOTAL	$ 1,568,035	$ 2,352,701

NOTE 4 - EQUIPMENT AND VEHICLES

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

	2011	2010
Equipment and Vehicles	$1,031,962	$1,013,011
Less: Accumulated Depreciation	(559,815)	(368,054)
NET BOOK VALUE	$ 472,147	$ 644,957

Depreciation expense for the years ended December 31, 2011 and 2010 was $191,761 and $182,058, respectively.

NOTE 5 - REFUNDABLE ADVANCES

The refundable advances balance consisted of the following as of December 31:

Program	2011	2010
CSBG	$ 138	$ 198,476
HEAP	136,344	201,105
HWAP	1,670,845	1,221,628
Other	-	495,152
TOTAL	$ 1,807,327	$ 2,116,361

NOTE 6 - PENSION PLAN

IMPACT sponsors a 403(b) defined contribution pension plan. Employees are eligible to participate in the plan if they are at least 21 years old. IMPACT 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 contributions made by IMPACT to the pension plan for the years ended December 31, 2011 and 2010 was $115,006 and $96,716, 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:

Years of Continuous Service	Vested Interest
After 1 Year	34%
After 2 Years	67%
After 3 Years	100%

NOTE 7 - COST ALLOCATION

IMPACT 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 of IMPACT's programs, but which cannot be readily identified with a final cost objective. IMPACT's joint cost and cost allocation methods are as follows:

Personnel
IMPACT's 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 IMPACT. All time incurred by IMPACT's administrative and financial personnel, that can be specifically identified to a particular program, is charged to that program.

NOTE 7 - COST ALLOCATION (Continued)

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 the Ohio Department of Development (ODOD) programs are allocated in accordance with cost principles approved by the ODOD. Space costs charged to IMPACT's other 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.

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

IMPACT leases office space for its primary office, its HWAP program, and additional space for its HEAP program. In addition, IMPACT leases various equipment for use in its operations. The total rent expense under the various operating leases for the years ended December 31, 2011 and 2010 was $387,825 and $387,559, 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 ending December 31,	Amount
2012	$ 322,600
2013	139,900
2014	4,400
TOTAL	$ 466,900

NOTE 9 - CONTINGENCY

The grant programs of IMPACT 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.

NOTE 10 - EXTRAORDINARY ITEM – THEFT LOSS

On October 13, 2011, IMPACT had two groups of fraudulent transactions that were taken out of their bank account with Chase Bank in the net amount of $161,113. IMPACT recognized this amount as a theft loss in the statements of activities and functional expenditures for the year ended December 31, 2011. IMPACT filed a claim with Chase Bank in order to recover the funds that were fraudulently taken. On February 14, 2012, Chase Bank denied IMPACT's claim for recovery. Since that time, IMPACT has sought recovering the funds through litigation. It is premature to forecast the probability of success; however, any amounts ultimately recovered as a result of the litigation will be recorded as income in the year received.

IMPACT Community Action
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Expenditures
Department of Health & Human Services			
Passed through Ohio Department of Development			
HEAP	11-HA-122	93.568	$ 737,027
HEAP	12-HA-122	93.568	298,520
CSBG	1011-23	93.569	2,035,449
CSBG - T&TA	11-103	93.569	160,566
CSBG - T&TA	11-106	93.569	18,176
Weatherization - ARRA	HHS ARRA 10-145	93.568	746,491
Department of Energy			
Passed through Ohio Department of Development			
Weatherization - ARRA	DOE ARRA 10-145	81.042	5,360,616
			$ 9,356,845

See Accompanying Note to Schedule of Expenditures of Federal Awards

IMPACT Community Action
Note to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

NOTE A – 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.

Hemphill & Associates
Certified Public Accountants

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 of
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, 2011, and have issued our report thereon dated July 18, 2012. 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

Management of IMPACT Community Action is responsible for establishing and maintaining effective 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 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 described in the accompanying schedule of prior audit 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency (2010-1) described in the accompanying schedule of prior audit findings and questioned costs to be a material weakness.

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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*
(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 prior audit findings and questioned costs. We did not audit IMPACT Community Action's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, others within the entity 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 18, 2012

Hemphill & Associates

Hemphill & Associates
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
IMPACT Community Action
Columbus, Ohio

Compliance

We have audited IMPACT Community Action's compliance with the types of compliance requirements described in the *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, 2011. IMPACT Community Action'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 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.

In our opinion, 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, 2011.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 the requirements that could have a direct and material effect on a major federal program 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.

A *deficiency in internal control over compliance* exits when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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 18, 2012

Hemphill & Associates

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IMPACT Community Action
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

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	None
Significant deficiencies reported for major Federal Programs	None
Type of major programs' compliance opinion	Unqualified
Reportable findings	None
Major Programs	CSBG, CFDA No. 93.569 HWAP-ARRA, CFDA No. 81.042 HEAP, CFDA No. 93.568 Weatherization-ARRA, CFDA No. 93.568
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, 2011
(Continued)

Finding Related to the Financial Statements

None

Findings and Questioned Costs for Federal Awards

None

IMPACT Community Action
Schedule of Prior Year Audit Findings and Questioned Costs
For the Year Ended December 31, 2011

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.

Status: During our audit of the financial statements for the year ended December 31, 2011, we noted that the Organization failed to record one (1) transaction, entry, and/or adjustment, which resulted in the financial statements being misstated. Therefore, based on our testing throughout the audit, **it appears that this condition continues to exist**.

Management Response:
For the year ended December 31, 2011, the misstatement resulted from recording a loss as a receivable, because the agency expects to recover the funds lost due to theft. Upon advice from the audit firm, this was written off as a loss in the year incurred. This event is an extraordinary and unusual one, and cannot be expected to recur.

The depreciation schedule has been updated to prevent the depreciation calculation error from recurring in future years.

IMPACT Community Action
Schedule of Prior Year Audit Findings and Questioned Costs
For the Year Ended December 31, 2011
(Continued)

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.

***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.

Status: Based on the compliance test work performed throughout our audit, **it appears that this condition no longer exists**.

Hemphill & Associates
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

To the Board of Directors of
IMPACT Community Action
Columbus, Ohio

We have audited the financial statements of IMPACT Community Action as of and for the year ended December 31, 2011, and have issued our report thereon dated July 18, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The combining statements of activities and functional expenditures (by project) are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Hemphill & Associates

Columbus, Ohio
July 18, 2012

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IMPACT Community Action
Combining Statement of Activities and Functional Expenditures (By Project)
For the Year Ended December 31, 2011

	General	30010 AEP Low-Income (07/1/10-03/31/12)	Total Unrestricted	34010 CSBG (01/01/10-12/31/11) 1011-23	31060 CSBG T&TA (1/1/10-12/31/10) 1011-23	31200 HEAP (9/01/11-08/31/12) 12-HA122	31100 HEAP (9/01/10-8/31/11) 11-HA-122	31050 TCO Fuel Funds (3/09/09-Indef.)	Subtotal This Page Temporarily Restricted
REVENUE									
Federal Contributions	$ -	$ -	$ -	$ 2,033,087	$ -	$ 291,053	$ 728,403	$ -	$ 3,052,543
Interest Revenue	-	177	177	(138)	1	168	(18)	265	278
Other Contributions	127,263	759,202	886,465	2,500	32,476	7,299	(3,474)	470,182	508,983
Net Assets Released from Restrictions	128,389	(168,908)	(40,519)	-	-	-	12,116	(1,170)	10,946
TOTAL REVENUE	255,652	590,471	846,123	2,035,449	32,477	298,520	737,027	469,277	3,572,750
EXPENDITURES									
Personnel	79,267	89,008	168,275	1,221,133	-	235,533	612,943	51,427	2,121,036
Contractual	-	36,203	36,203	162,849	32,477	11,358	28,225	-	234,909
Travel	582	-	582	7,341	-	62	1,883	-	9,286
Space Costs	1,895	373	2,268	162,598	-	25,910	50,794	-	239,302
Supplies	(156)	-	(156)	62,157	-	6,828	10,871	-	79,856
Equipment Lease / Purchase	7,230	-	7,230	20,152	-	4,190	10,834	-	35,176
Depreciation Expense	191,761	-	191,761	-	-	-	-	-	-
Materials	35	464,125	464,160	-	-	-	-	-	-
Client Assistance	-	-	-	287,450	-	-	-	417,850	705,300
Board Expenses	54	-	54	2,942	-	-	-	-	2,942
Training & Technical Assistance	66	-	66	9,871	-	14	2,313	-	12,198
Special Events / Marketing	689	-	689	4,708	-	209	292	-	5,209
Printing	-	-	-	626	-	-	-	-	626
Uniforms	-	-	-	-	-	-	-	-	-
Telephone Expense	-	-	-	9,330	-	1,779	4,370	-	15,479
Vehicle Expense	-	757	757	736	-	5	543	-	1,284
Other	110,690	5	110,695	83,556	-	12,632	13,959	-	110,147
TOTAL EXPENDITURES	392,113	590,471	982,584	2,035,449	32,477	298,520	737,027	469,277	3,572,750
Change in Net Assets Before Extraordinary Item	(136,461)	-	(136,461)	-	-	-	-	-	-
Extraordinary Item - Theft Loss (Note 10)	(161,113)	-	(161,113)	-	-	-	-	-	-
Change in Net Assets After Extraordinary Item	(297,574)	-	(297,574)	-	-	-	-	-	-
Net Assets at Beginning of Year	1,448,085	-	1,448,085	-	-	-	-	-	-
Net Assets at End of Year	$ 1,150,511	$ -	$ 1,150,511	$ -	$ -	$ -	$ -	$ -	$ -

IMPACT Community Action
Combining Statement of Activities and Functional Expenditures (By Project)
For the Year Ended December 31, 2011

	31031 City of Columbus Computer Lab Grant (4/01/10-3/31/11)	31032 City of Columbus Computer Lab Grant (4/1/11-3/31/12)	31061 CSBG T&TA (01/01/11-12/31/11) 11-103	31062 CSBG T&TA (01/01/11-12/31/11) 11-106	35009 DOE (HWAP) (04/01/09-12/31/11) 11-145	35909 DOE ARRA (HWAP) (04/01/09-03/31/12) 10-145	Subtotal This Page Temporarily Restricted
REVENUE							
Federal Contributions	$ -	$ -	$ 160,566	$ 18,176	$ -	$ 5,348,517	$ 5,527,259
Interest Revenue	-	-	-	-	-	434	434
Other Contributions	33,416	63,806	-	-	(25,139)	11,665	83,748
Net Assets Released from Restrictions	4,434	-	-	-	25,139	-	29,573
TOTAL REVENUE	37,850	63,806	160,566	18,176	-	5,360,616	5,641,014
EXPENDITURES							
Personnel	29,939	31,730	-	-	-	3,737,129	3,798,798
Contractual	609	5,290	160,566	8,026	-	198,136	372,627
Travel	-	-	-	-	-	25,611	25,611
Space Costs	5,128	19,918	-	-	-	157,326	182,372
Supplies	1,199	4,853	-	-	-	13,945	19,997
Equipment Lease / Purchase	179	876	-	10,150	-	30,932	42,137
Depreciation Expense	-	-	-	-	-	-	-
Materials	-	-	-	-	-	978,250	978,250
Client Assistance	-	-	-	-	-	-	-
Board Expenses	-	-	-	-	-	-	-
Training & Technical Assistance	42	-	-	-	-	9,460	9,502
Special Events / Marketing	-	-	-	-	-	-	-
Printing	-	-	-	-	-	327	327
Uniforms	-	-	-	-	-	28,642	28,642
Telephone Expense	223	124	-	-	-	22,234	22,581
Vehicle Expense	-	-	-	-	-	47,445	47,445
Other	531	1,015	-	-	-	111,179	112,725
TOTAL EXPENDITURES	37,850	63,806	160,566	18,176	-	5,360,616	5,641,014
Change in Net Assets Before Extraordinary Item	-	-	-	-	-	-	-
Extraordinary Item - Theft Loss (Note 10)	-	-	-	-	-	-	-
Change in Net Assets After Extraordinary Item	-	-	-	-	-	-	-
Net Assets at Beginning of Year	-	-	-	-	-	-	-
Net Assets at End of Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -

IMPACT Community Action
Combining Statement of Activities and Functional Expenditures (By Project)
For the Year Ended December 31, 2011

	36909 HHS ARRA (HWAP) (04/01/09-03/31/13) 10-145	38009 Healthy Homes (04/01/09-3/31/12)	Total Temporarily Restricted	Unrestricted	Total Unrestricted & Temporarily Restricted
REVENUE					
Federal Contributions	$ 746,491	$ -	$ 9,326,293	$ -	$ 9,326,293
Interest Revenue	-	-	712	177	889
Other Contributions	-	36,018	628,749	886,465	1,515,214
Net Assets Released from Restrictions	-	-	40,519	(40,519)	-
TOTAL REVENUE	746,491	36,018	9,996,273	846,123	10,842,396
EXPENDITURES					
Personnel	667,308	19,562	6,606,704	168,275	6,774,979
Contractual	5	11,374	618,915	36,203	655,118
Travel	-	-	34,897	582	35,479
Space Costs	(1,014)	-	420,660	2,268	422,928
Supplies	13,877	-	113,730	(156)	113,574
Equipment Lease / Purchase	32,462	-	109,775	7,230	117,005
Depreciation Expense	-	-	-	191,761	191,761
Materials	76	5,082	983,408	464,160	1,447,568
Client Assistance	-	-	705,300	-	705,300
Board Expenses	-	-	2,942	54	2,996
Training & Technical Assistance	-	-	21,700	66	21,766
Special Events / Marketing	-	-	5,209	689	5,898
Printing	-	-	953	-	953
Uniforms	-	-	28,642	-	28,642
Telephone Expense	-	-	38,060	-	38,060
Vehicle Expense	33,777	-	82,506	757	83,263
Other	-	-	222,872	110,695	333,567
TOTAL EXPENDITURES	746,491	36,018	9,996,273	982,584	10,978,857
Change in Net Assets Before Extraordinary Item	-	-	-	(136,461)	(136,461)
Extraordinary Item - Theft Loss (Note 10)	-	-	-	(161,113)	(161,113)
Change in Net Assets After Extraordinary Item	-	-	-	(297,574)	(297,574)
Net Assets at Beginning of Year	-	-	-	1,448,085	1,448,085
Net Assets at End of Year	$ -	$ -	$ -	$ 1,150,511	$ 1,150,511

See Accompanying Independent Auditor's Report on Additional Information