

**EAST BAY COMMUNITY ACTION PROGRAM**  
**YEARS ENDED JUNE 30, 2011 AND 2010**



EAST BAY COMMUNITY ACTION PROGRAM

YEARS ENDED JUNE 30, 2011 AND 2010

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Lefkowitz, Garfinkel, Champi & DeRienzo P.C.  
Certified Public Accountants / Business Consultants

## **Independent Auditors' Report**

Board of Directors  
East Bay Community Action Program  
Newport, Rhode Island

We have audited the accompanying statements of financial position of East Bay Community Action Program (the Agency) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Agency'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 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 East Bay Community Action Program as of June 30, 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.

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2011 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Lefkowitz, Garfinkel, Champi & DeRienzo P.C.*

November 22, 2011

EAST BAY COMMUNITY ACTION PROGRAM

STATEMENTS OF FINANCIAL POSITION – JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 779,488	\$ 523,070
Certificate of deposit	34,015	33,830
Accounts receivable, principally patients, less allowance for doubtful accounts (2011, \$175,425; 2010, \$248,942)	171,149	100,651
Grants receivable	892,641	876,137
Prepaid expenses and other	176,471	169,150
Investments	<u>228,469</u>	<u>199,168</u>
Total current assets	2,282,233	1,902,006
Noncurrent assets:		
Lease contribution receivable	1,034,584	1,067,084
Cash restricted for investment in property and equipment	4,218	24,131
Property and equipment, less accumulated depreciation	<u>8,968,624</u>	<u>8,561,713</u>
Total assets	<u>\$ 12,289,659</u>	<u>\$ 11,554,934</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of long-term debt	\$ 101,754	\$ 97,280
Accounts payable	655,622	309,866
Accrued expenses:		
Payroll and related costs	920,759	920,891
Other	179,511	103,387
Deferred grant revenue	<u>241,082</u>	<u>375,059</u>
Total current liabilities	2,098,728	1,806,483
Long-term debt, less current portion	<u>2,868,090</u>	<u>2,825,651</u>
Total liabilities	<u>4,966,818</u>	<u>4,632,134</u>
Commitments and contingencies (Notes 7 and 13)		
Net assets:		
Unrestricted	5,764,127	5,152,348
Temporarily restricted	<u>1,558,714</u>	<u>1,770,452</u>
Total net assets	<u>7,322,841</u>	<u>6,922,800</u>
Total liabilities and net assets	<u>\$ 12,289,659</u>	<u>\$ 11,554,934</u>

See notes to financial statements.

EAST BAY COMMUNITY ACTION PROGRAM  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Changes in unrestricted net assets:		
Operating revenue and support:		
Grants and contracts	\$14,180,766	\$14,515,814
Net patient service revenue	2,336,200	2,471,340
Tuition, fees and other charges	1,434,691	1,440,467
Case management	315,478	281,694
Contributions	2,419,997	2,193,016
Other	397,975	188,914
Total unrestricted operating revenue and support	21,085,107	21,091,245
Net assets released from restrictions, use of facility and program support	196,709	66,722
Total unrestricted operating revenue and other support	21,281,816	21,157,967
Expenses:		
Program services	19,370,551	19,377,740
Supporting services:		
Management and general	2,096,871	2,056,488
Fundraising	119,138	123,277
Total operating expenses	21,586,560	21,557,505
Decrease in unrestricted net assets from operations	(304,744)	(399,538)
Other changes in unrestricted net assets:		
Net assets released from restrictions, investment in property and equipment	345,344	66,157
Grants received for investment in property and equipment	541,643	302,367
Contributions received for investment in property and equipment		25,688
Change in net unrealized gains on investments other than trading securities	29,536	
Increase (decrease) in unrestricted net assets	611,779	(5,326)

(continued)

EAST BAY COMMUNITY ACTION PROGRAM

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Changes in temporarily restricted net assets:		
Grants restricted for investment in property and equipment	\$ 144,435	\$ 290,427
Contributions restricted for:		
Investment in property and equipment		54,917
Program support	185,880	137,675
Net assets released from restrictions:		
Use of facility and program support	(196,709)	(66,722)
Investment in property and equipment	<u>(345,344)</u>	<u>(66,157)</u>
Increase (decrease) in temporarily restricted net assets	<u>(211,738)</u>	<u>350,140</u>
Increase in net assets	400,041	344,814
Net assets, beginning of year	<u>6,922,800</u>	<u>6,577,986</u>
Net assets, end of year	<u>\$ 7,322,841</u>	<u>\$ 6,922,800</u>

See notes to financial statements.

EAST BAY COMMUNITY ACTION PROGRAM

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 400,041	\$ 344,814
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for losses on accounts receivable	168,822	86,760
Net gains on investments and certificate of deposit	(29,721)	(25,427)
Depreciation	523,467	412,747
Deferred interest	28,800	
Grants and contributions received for investment in property and equipment	(686,078)	(673,399)
Grant proceeds received to fund principal payments on long-term debt	(70,306)	(66,150)
Changes in assets and liabilities:		
Accounts receivable	(239,320)	(32,138)
Grants receivable	(16,504)	88,602
Assets limited as to use, promises to give		5,600
Prepaid expenses and other	(7,321)	16,258
Lease contribution receivable	32,500	32,500
Accounts payable	345,756	(75,911)
Accrued expenses	75,992	64,970
Deferred grant revenue	(133,977)	111,449
Net cash provided by operating activities	<u>392,151</u>	<u>290,675</u>
Cash flows from investing activities:		
Decrease in cash restricted for investment in property and equipment	19,913	46,186
Proceeds from sale of investments	9,879	20,000
Purchases of:		
Property and equipment	(816,958)	(620,194)
Investments	(9,644)	
Net cash used in investing activities	<u>(796,810)</u>	<u>(554,008)</u>

(continued)

EAST BAY COMMUNITY ACTION PROGRAM  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from financing activities:		
Decrease in note payable, bank		\$ (75,000)
Principal payments on long-term debt	\$ (95,307)	(92,217)
Grants and contributions received for investment in property and equipment	686,078	673,399
Grant proceeds received to fund principal payments on long-term debt	<u>70,306</u>	<u>66,150</u>
Net cash provided by financing activities	<u>661,077</u>	<u>572,332</u>
Net increase in cash	256,418	308,999
Cash, beginning of year	<u>523,070</u>	<u>214,071</u>
Cash, end of year	<u>\$ 779,488</u>	<u>\$ 523,070</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 84,697</u>	<u>\$ 81,905</u>
Noncash financing activity, seller-financed acquisition and rehabilitation of property	<u>\$ 113,420</u>	<u>\$ 567,937</u>

See notes to financial statements.

# EAST BAY COMMUNITY ACTION PROGRAM

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

1. Description of organization and summary of significant accounting policies:

Description of organization:

East Bay Community Action Program (the Agency) is a nonprofit, nonstock Rhode Island corporation which provides a variety of human service programs for the low-income residents of Newport County, East Providence, Rhode Island and its neighboring communities (collectively referred to as the East Bay Area).

The Agency's services include programs for families, seniors, youths, women and children, housing and energy, employment and training, transitional housing, counseling, and substance abuse education and prevention programs which are principally funded from government grants and contracts. Also, the Agency provides health and dental services to eligible individuals through its two health centers (one in Newport County and one in East Providence) and provides day care services to infants and children from age six weeks to kindergarten age living in the Agency's service area, which are funded principally from federal grant awards.

Programs funded by government grants and contracts are dependent upon timely and adequate federal and state budget appropriations. Management believes that there is sufficient bipartisan support of these programs to reasonably expect required future budgetary appropriations to be adequate to allow a continuation of such programs in substantially the current form.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. The allowance for doubtful accounts and the allowance for contractual adjustments to reduce patient accounts receivable recorded at gross charges to the ultimate contractual amounts to be settled are significant estimates included in the accompanying financial statements.

Basis of financial statement presentation:

The Agency's net assets and activities that increase or decrease net assets are classified as either unrestricted, temporarily restricted or permanently restricted:

Unrestricted net assets are those without any donor-imposed restrictions as to their use and are available for the general operations of the Agency.

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

1. Description of organization and summary of significant accounting policies (continued):

Basis of financial statement presentation (continued):

Temporarily restricted net assets are those whose use by the Agency has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Agency in perpetuity. At June 30, 2011 and 2010, the Agency did not have any permanently restricted net assets.

Revenue, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments or other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Income taxes:

The Agency qualifies as a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Agency is no longer subject to U.S. federal or state examinations by tax authorities for years before 2008.

Cash, cash equivalents and concentration of credit risk:

The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, excluding cash invested in certain money market accounts, which are classified as investments for financial statement presentation purposes.

Cash is held by various financial institutions in Rhode Island whose deposits are federally insured. At June 30, 2011 and 2010, the Agency had no amounts on deposit in excess of amounts insured by the Federal Deposit Insurance Corporation. The Agency evaluates the credit-worthiness of its financial institutions on an annual basis.

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2011 AND 2010

1. Description of organization and summary of significant accounting policies (continued):

Promises to give:

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Lease contribution receivable:

The lease contribution receivable is amortized on a straight-line basis over the estimated economic life of the related property (see Note 10).

Property and equipment:

Property and equipment are stated at cost or, if donated, at the fair value on the date contributed. The Agency capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 35 years.

The Agency evaluates long-lived assets held and used by the Agency for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Agency did not record any impairment losses during the years ended June 30, 2011 or 2010.

Equipment acquired with grant funds in which the Agency does not retain legal title is recorded as revenue and expense. The Agency does not record such equipment as a contribution and related asset since the Agency has determined that it is not probable that the Agency will retain the asset at the end of the related grant program. The cost of equipment and buildings and improvements funded through grants is recorded as property and equipment and as contribution revenue if the Agency has legal title to the assets.

The Agency has pledged certain buildings and improvements as collateral for the respective mortgage notes payable.

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2011 AND 2010

1. Description of organization and summary of significant accounting policies (continued):

Property and equipment (continued):

In prior years, the Agency was awarded federal grants to fund improvements to one of its principal operating locations in East Providence, Rhode Island. The federal grant contracts provide for continuing federal interest in the property and set forth certain limitations relating to the incurrence of liens and the disposal or transfer of the property.

Fair value measurements:

Accounting guidance pertaining to fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosures. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

Investments:

Investments are stated at fair value using Level 1 inputs. The cost of investments sold is identified using the specific identification method.

Contributions and net assets released from restrictions:

Contribution revenue is recorded as received. If the contribution is made in assets other than cash, the amount of the contribution is measured at the fair value of the asset contributed at the date the contribution or unconditional promise to give is made by the donor.

Contributions of cash, including collections of unconditional promises to give, and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted contributions.

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2011 AND 2010

1. Description of organization and summary of significant accounting policies (continued):

Contributions and net assets released from restrictions (continued):

Gifts of long-lived assets such as property or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributed services and in-kind contributions:

Contributed services received by the Agency that either do not require specialized skills or would not typically be purchased if not provided by donation are not reported as support and expenses in the statements of activities. Contributed services and in-kind contributions which would typically be purchased if not provided by donation are reported as contributions and program services expense in the accompanying statements of activities and changes in net assets at estimated fair value based on comparable rates for similar products and services (Level 2 inputs). Contributed services and in-kind contributions totaled approximately \$898,000 and \$874,000 for the years ended June 30, 2011 and 2010, respectively.

Revenue recognition:

Government grant and contract revenue is reported when expenses are incurred in accordance with grant and contract provisions. Also, other revenue funded by government grants and contracts is reported when services funded by the grant or contract are provided. Grants and contracts are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which might arise as a result of these audits is not considered by management to be material. For the years ended June 30, 2011 and 2010, approximately \$14,181,000 and \$14,516,000 was received from federal grantor agencies or their pass-through agencies.

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2011 AND 2010

1. Description of organization and summary of significant accounting policies (continued):

Revenue recognition (continued):

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for health and dental services rendered, including estimated retroactive revenue adjustments under reimbursement arrangements with certain third-party payors due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to audits, reviews and investigations. Laws and regulations governing such programs are extremely complex and subject to interpretation. As a result, it is reasonably possible that recorded estimates could change by a material amount in the near term. It is management's opinion that the Agency is in compliance with applicable laws and regulations; however, the possibility of government review and interpretation exists.

Tuition and fees and case management revenue is reported as services are provided.

Included in other operating revenue and support are incentive fees which are recognized in the period in which the services are rendered, and when amounts are known.

The Agency does not obtain collateral for amounts due for patient services, tuition and fees, case management services or from governmental agencies. Amounts due from two insurers comprised approximately 85% and 69% of total patient accounts receivable at June 30, 2011 and 2010, respectively.

Subsequent events:

The Agency has evaluated subsequent events through November 22, 2011, the date that the accompanying financial statements were available to be issued.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

2. Investments:

	2011	2010
Money market funds	\$ 31,675	\$ 31,592
Mutual funds:		
Large-cap	54,919	42,863
Mid-cap	28,297	20,476
Small-cap	16,257	12,415
Fixed income	80,844	74,884
Real estate	1,000	1,000
	181,317	151,638
Equities, small-cap	15,477	15,938
	\$ 228,469	\$ 199,168

Mutual fund shares are held in street name in separate accounts in the name of the respective mutual fund.

3. Property and equipment:

	2011	2010
Land	\$ 810,699	\$ 810,699
Buildings and improvements	9,577,837	8,347,156
Leasehold improvements	1,613,151	922,968
Furniture, equipment and software licenses	1,507,940	1,282,270
Vehicles	375,477	356,387
	13,885,104	11,719,480
Less accumulated depreciation	5,066,150	4,542,683
	8,818,954	7,176,797
Construction in progress	149,670	1,384,916
	\$ 8,968,624	\$ 8,561,713

At June 30, 2011, construction in progress consists of predevelopment costs for a new health center. At June 30, 2010, construction in progress consists of costs incurred for the rehabilitation of property used in the Agency's transitional housing and Head Start programs, and health center renovations. All construction in progress recorded at June 30, 2010 was placed into service during 2011.

EAST BAY COMMUNITY ACTION PROGRAM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

4. Note payable, bank:

The Agency has a line of credit with BankNewport and a line of credit with Bank of America in the maximum available amounts of \$100,000 and \$500,000, respectively. The BankNewport line of credit is unsecured and bears interest at the bank's base rate plus 0.50% (3.75% at June 30, 2011 and 2010). The Bank of America line of credit is secured by substantially all of the Agency's assets and bears interest at the bank's prime rate plus 1.75% (5% at June 30, 2011 and 2010). The line of credit with BankNewport renews automatically on an annual basis and may be terminated by either party to that agreement; the line of credit with Bank of America expires on January 30, 2012.

5. Long-term debt:

	<u>2011</u>	<u>2010</u>
Mortgage note payable, bank (the Bank Note), payable in monthly installments of \$12,917, including interest at 6.02% through September 2023, collateralized by the related building (1)	\$ 1,348,992	\$ 1,419,298
Mortgage note payable, City of Newport, Rhode Island, noninterest-bearing with annual principal only installments of \$25,000 due each August 1 <sup>st</sup> through 2012, collateralized by certain property and equipment with a historical cost of \$670,000	52,950	77,950
Note payable, Rhode Island Housing and Mortgage Finance Corporation (RI Housing); noninterest-bearing; secured by property used in the Agency's transitional housing and Head Start programs; amounts are not due and payable unless the property is sold, or the Agency defaults on the provisions of the note. Repayment obligation ceases upon expiration of affordability period expiring May 2041.	504,870	498,868
Mortgage note payable, RI Housing and related accrued interest; payable in annual installments of 75% of the secured property's available cash flow as defined in the mortgage agreement, including interest at 6% (the unpaid balance of the mortgage note payable, including accrued interest [\$58,800 and \$30,000 at June 30, 2011 and 2010, respectively] is due and payable on May 20, 2039); collateralized by property utilized in the Agency's transitional housing and Head Start programs (2)	508,800	480,000

(continued)

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

5. Long-term debt (continued):

	2011	2010
Mortgage note payable, due May 2035, including interest at 3%	\$ 31,539	\$ 31,539
Promissory notes, RI Housing, which permit total maximum borrowings of \$530,000; noninterest-bearing; secured by property used in the Agency's transitional housing and Head Start programs; \$270,000 due July 2038; remainder is not due and payable unless the property is sold, or the Agency defaults on the provisions of the note; the repayment obligation ceases upon expiration of the affordability period expiring September 2040	522,693	415,276
Less current portion	2,969,844 101,754	2,922,931 97,280
	\$ 2,868,090	\$ 2,825,651

- (1) The monthly principal and interest installments on the Bank Note are funded by grant funds received from the U.S. Department of Health and Human Services, under the Head Start and Early Head Start programs, as the payments become due.
- (2) The entire mortgage note payable and accrued interest thereon is classified as long-term debt, since the secured property is not expected to generate cash flows for an indefinite period of time.

At June 30, 2011, annual maturities of long-term debt are as follows:

Year ending June 30,	Amount
2012	\$ 101,754
2013	109,454
2014	86,548
2015	91,905
2016	97,593
Thereafter	2,482,590

EAST BAY COMMUNITY ACTION PROGRAM  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

5. Long-term debt (continued):

Interest expense for the years ended June 30, 2011 and 2010 totaled approximately \$113,000 and \$109,000, respectively, of which approximately \$83,000 and \$87,000, respectively, relates to the Bank Note.

The agreements governing the Bank Note and the Bank of America line of credit contain, among other covenants, restrictions relating to incurrence of indebtedness, limitation on disposal of property and equipment, and maintenance of certain financial ratios.

The agreements related to the RI Housing notes payable contain, among other covenants, restrictions relating to operating methods, maintenance of property and equipment, and maintenance of insurance.

In accordance with accounting guidance pertaining to debt proceeds from governmental agencies with below-market interest rates, noninterest-bearing loans have not been reported at their net present value in the accompanying financial statements.

6. Program services:

The costs of providing various programs and services have been allocated among the programs and supporting services benefited.

Expenses related to providing program services were as follows:

	2011	2010
Child care	\$ 6,247,155	\$ 6,034,319
Health and dental	4,085,669	3,896,695
Housing and energy	4,404,759	5,090,622
Family center	720,120	512,847
RSVP	713,028	562,070
Senior services	739,414	821,811
Youth clinical services	158,394	151,308
Homeless coalition	552,991	591,742
Youth center	387,151	283,706
WIC	328,493	330,158
School-based programs	260,978	408,594
Family development	511,820	527,776
Newport skills alliance	260,579	166,092
	\$ 19,370,551	\$ 19,377,740

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

7. Commitments and contingencies:

Contracted services:

The Agency contracts with certain hospitals and doctors to provide certain program services under contracts ranging in duration from one to three years. Contracted services under these agreements for the years ended June 30, 2011 and 2010 totaled approximately \$118,000 and \$114,000, respectively.

Operating leases:

The Agency leases several facilities on a month-to-month basis. Rent expense for the years ended June 30, 2011 and 2010 under these lease agreements was approximately \$82,000 and \$279,000, respectively.

The Agency leases office equipment under various operating leases expiring through 2015. Rent expense for the years ended June 30, 2011 and 2010 under these leases totaled approximately \$125,000 and \$95,000, respectively.

At June 30, 2011, future annual minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 108,835
2013	90,200
2014	62,466
2015	7,884

Litigation and claims:

The Agency is presently involved in various routine litigation which is incident to its operations. The Agency is vigorously contesting all matters. Management is presently unable to predict with certainty the final outcome of these matters, but does not expect that they will have a material impact on the Agency's financial statements.

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

8. Temporarily restricted net assets:

Temporarily restricted net assets are available to be used for the following purposes:

	2011	2010
Capital campaign	\$ - 0 -	\$ 17,534
Investment in property and equipment and program support:		
Contributions for investment in property and equipment	4,149	4,149
Contributions for the support of various programs	185,880	157,592
Property renovations	106,166	106,166
RI Housing, transitional housing	8,500	7,500
Health center fees for qualifying patients	25,000	25,000
Use of facility, lease contribution receivable (Note 10)	1,034,584	1,067,084
Predevelopment costs for new Health Center	144,435	
Rehabilitation of facility used in the Agency's transitional housing and Head Start programs		325,427
	1,558,714	1,752,918
	\$ 1,558,714	\$ 1,770,452

In prior years, the Agency received capital campaign funds restricted for the purchase and renovation of buildings and the reduction of the outstanding mortgage note payable to the City of Newport (see Note 5). As principal payments are made on the mortgage note, the Agency records the payments as net assets released from restrictions; such amounts totaled approximately \$25,000 for each of the years ended June 30, 2011 and 2010.

In prior years, the Agency received \$180,000 of noninterest-bearing loans from RI Housing to purchase real estate restricted for use in the transitional housing program for a period of twenty years. Unless an event of default occurs, the loans are forgiven after twenty years. The Agency intends to maintain the real estate for use in the transitional housing program, and management believes the likelihood of not complying with this condition is remote. Therefore, the Agency recorded the proceeds of the loans as temporarily restricted contributions for investment in property and equipment, and records net assets released from restrictions ratably over the twenty-year terms on a straight-line basis to reflect the expiration of the restrictions over the period the long-lived assets must be used.

EAST BAY COMMUNITY ACTION PROGRAM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2011 AND 2010

9. Agency transactions and subsequent event:

The Agency acts as an intermediary for direct support from the Rhode Island Department of Health for the Program for Women, Infants and Children. The amount of support provided by the Rhode Island Department of Health and distributed by the Agency was \$1,592,970 and \$1,693,924 for the years ended June 30, 2011 and 2010, respectively. Such amounts have not been recognized as revenue or expenses in the accompanying financial statements.

Health Information Technology Grant and participation agreement:

The Agency was awarded a Health Information Technology Grant (the Grant) by the Health Resources and Services Administration (HRSA) in June 2010 to fund the creation of an internal electronic billing, health records, and practice management infrastructure (the System). The System will, among other things, allow the Agency, along with two other unrelated community health centers (the Health Centers), to process health center billings and transition to an electronic health records and practice management environment. Under the terms of the Grant, the Agency is the primary recipient of the Grant funds. In August 2011, the Agency and the Health Centers executed a Participation Agreement for Electronic Health Records under which the Health Centers engaged the Agency to purchase certain equipment, software, and licenses on their behalf pursuant to the terms of the Grant. During the year ended June 30, 2011, the Agency received Grant funds totaling approximately \$664,000 to purchase equipment, software, and licenses on behalf of the Health Centers. The Agency has not reported equipment and related grant and contracts revenue in the accompanying financial statements for such amounts since the Health Centers retain legal title to equipment purchased with Grant funds.

10. Contributions:

The Agency leases one of its principal operating facilities in Middletown, Rhode Island on a month-to-month basis. Under the lease arrangement, a portion of the annual rent is forgiven as a special appropriation by the Town of Middletown in support of the Agency. For the years ended June 30, 2011 and 2010, contribution revenue and expenses include approximately \$263,000 and \$260,000, respectively, related to in-kind rent under the arrangement.

In 2003, the Agency acquired a building from the City of East Providence for one dollar subject to certain covenant restrictions. The Agency's use of the building is limited to the Agency's existing use at the time of conveyance and to other not-for-profit services provided by the Agency. The Agency must allow the City of East Providence to maintain its current occupancy in the building, which is approximately 50% of the building space. If the Agency elects to sell the building, the City of East Providence has a right of first refusal to repurchase the building from the Agency for one dollar.

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2011 AND 2010

10. Contributions (continued):

Since the Agency's use of the building is restricted for certain purposes and the City of East Providence has the right of first refusal at a bargain purchase price, the Agency has reported the building as a lease contribution receivable based on the fair value of the building at the date of contribution, determined by appraisal, of \$1,300,000. The Agency anticipates using the building for the restricted purposes for at least the building's economic life of 40 years; therefore, it amortizes the building's fair value on the straight-line basis over 40 years. The Agency reported amortization of \$32,500 for each of the years ended June 30, 2011 and 2010.

Also, in-kind contributions of rent and occupancy costs received for the Head Start Program, totaling approximately \$125,000 and \$163,000 for the years ended June 30, 2011 and 2010, respectively, have been recorded as contribution revenue and expenses in the accompanying statements of activities and changes in net assets.

The Agency also receives other in-kind contributions of rent and occupancy costs related to other operating facilities under month-to-month arrangements. For the years ended June 30, 2011 and 2010, contribution revenue and expenses include approximately \$62,000 and \$58,000, respectively, related to rent and occupancy costs under these month-to-month arrangements.

11. Employee benefit plan:

All employees who have met specific age and length of service requirements are covered by a defined contribution plan. Contributions to the plan are determined annually by the Board of Directors. The Agency's policy is to fund contributions accrued. As of June 30, 2011, the Agency matched 100% of employee contributions to the plan up to 3.5% of employees' eligible compensation. At June 30, 2010, the Agency matched 100% of employee contributions to the plan up to 3% of employees' eligible compensation. Pension expense for the years ended June 30, 2011 and 2010 totaled approximately \$190,000 and \$166,000, respectively.

12. Mobile dentistry program:

The Agency, along with two other organizations, participates in a mobile dentistry office program, which provides regular examinations and restorative dental treatment to qualifying patients. Costs related to the provision of these services are allocated ratably among the participants. Included in the accompanying statements of activities are expenses totaling approximately \$151,000 and \$81,000, respectively, related to this program.

EAST BAY COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2011 AND 2010

13. Subsequent event:

In August 2011, the Agency executed a construction contract in the amount of approximately \$2,467,000 for the development and construction of a health center on land owned by the Agency located in Newport, Rhode Island. The Agency was awarded approximately \$3,000,000 by HRSA to fund these development and construction activities, and to purchase medical equipment to be utilized for health center operations.



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.  
Certified Public Accountants / Business Consultants

**Independent Auditors' Report on Supplementary Information –  
Statements of Functional Expenses**

Board of Directors  
East Bay Community Action Program  
Newport, Rhode Island

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The statements of functional expenses are presented for 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 audits 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lefkowitz, Garfinkel, Champi & DeRienzo P.C.*

November 22, 2011

EAST BAY COMMUNITY ACTION PROGRAM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

	Program services								
	Child Care	Health and Dental	Housing and Energy	Family Center	RSVP	Senior Services	Youth Clinical Services	Homeless Coalition	Youth Center
Salaries and wages	\$ 3,153,731	\$ 2,312,565	\$ 335,002	\$ 475,300	\$ 314,485	\$ 332,353	\$ 107,789	\$ 176,243	\$ 216,492
Payroll taxes and benefits	738,475	528,105	104,593	136,504	65,466	84,451	24,720	48,936	61,677
Total payroll and related expenses	3,892,206	2,840,670	439,595	611,804	379,951	416,804	132,509	225,179	278,169
Contracted services and consultants	510,201	440,614	2,970,075	29,012	274,902	242,793	424	11,452	68,765
Supplies and office	585,854	227,874	940,269	30,458	6,797	34,525	1,000	8,758	4,397
Travel	41,250	19,665	1,972	6,634	23,511	13,532	4,644	4,671	20,577
Occupancy	699,557	99,472	7,381	3,956	6,576	16,107	14,912	74,222	10,968
Equipment	116,678	31,210	18,538	18,057	11,663	753		7,548	852
Conferences, training and activities	109,285	52,057	3,607	17,591	4,765	577	203	7,836	2,521
Miscellaneous and other	101,958	255,926	3,475	2,608	4,863	401	297	170,981	902
Total expenses before depreciation	6,056,989	3,967,488	4,384,912	720,120	713,028	725,492	153,989	510,647	387,151
Depreciation	190,166	118,181	19,847			13,922	4,405	42,344	
Total functional expenses	<u>\$ 6,247,155</u>	<u>\$ 4,085,669</u>	<u>\$ 4,404,759</u>	<u>\$ 720,120</u>	<u>\$ 713,028</u>	<u>\$ 739,414</u>	<u>\$ 158,394</u>	<u>\$ 552,991</u>	<u>\$ 387,151</u>

(continued)

EAST BAY COMMUNITY ACTION PROGRAM  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED JUNE 30, 2011

	Program services				Supporting services			
	WIC	School-Based Programs	Family Development	Newport Skills Alliance	Total	Management and General	Development	Total
Salaries and wages	\$ 219,926	\$ 142,809	\$ 228,640	\$ 100,278	\$ 8,115,613	\$ 1,171,780	\$ 51,751	\$ 9,339,144
Payroll taxes and benefits	61,014	22,825	62,945	22,680	1,962,391	260,045	7,838	2,230,274
Total payroll and related expenses	280,940	165,634	291,585	122,958	10,078,004	1,431,825	59,589	11,569,418
Contracted services and consultants	8,748	64,968	3,214	112,293	4,737,461	129,417	13,677	4,880,555
Supplies and office	5,815	16,130	38,667	10,371	1,910,915	40,259	1,987	1,953,161
Travel	1,588	1,954	12,810	2,758	155,566	30,929	205	186,700
Occupancy	18,762	579	29,645	1,550	983,687	104,872	7,267	1,095,826
Equipment	1,911	4,816	3,083	846	215,955	95,730	3,832	315,517
Conferences, training and activities	2,188	6,667	50	7,508	214,855	97,441	4,243	316,539
Miscellaneous and other	415	230	119,556	2,295	663,907	55,762	25,708	745,377
Total expenses before depreciation	320,367	260,978	498,610	260,579	18,960,350	1,986,235	116,508	21,063,093
Depreciation	8,126		13,210		410,201	110,636	2,630	523,467
Total functional expenses	<u>\$ 328,493</u>	<u>\$ 260,978</u>	<u>\$ 511,820</u>	<u>\$ 260,579</u>	<u>\$ 19,370,551</u>	<u>\$ 2,096,871</u>	<u>\$ 119,138</u>	<u>\$ 21,586,560</u>

EAST BAY COMMUNITY ACTION PROGRAM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	Program services								
	Child Care	Health and Dental	Housing and Energy	Family Center	RSVP	Senior Services	Youth Clinical Services	Homeless Coalition	Youth Center
Salaries and wages	\$ 2,996,875	\$ 2,230,384	\$ 268,930	\$ 354,796	\$ 241,959	\$ 354,582	\$ 99,025	\$ 164,863	\$ 185,252
Payroll taxes and benefits	871,272	501,505	78,960	87,608	51,908	96,921	26,927	39,347	36,624
Total payroll and related expenses	3,868,147	2,731,889	347,890	442,404	293,867	451,503	125,952	204,210	221,876
Contracted services and consultants	502,180	425,860	3,975,105	26,402	138,499	237,210	443	9,088	25,454
Supplies and office	529,658	272,495	711,048	22,498	8,897	53,028	830	9,559	4,628
Travel	37,320	17,835	2,844	4,623	25,876	14,287	4,221	5,008	14,305
Occupancy	651,795	83,324	5,776	1,183	14,335	15,287	11,940	274,340	10,546
Equipment	67,560	74,834	17,538	1,976	9,750	13,368		7,597	1,836
Conferences, training and activities	103,506	9,867	5,431	10,533	8,799	673	3,014	18,309	4,905
Miscellaneous and other	99,835	160,373	5,135	3,228	62,047	22,517	503	36,529	152
Total expenses before depreciation	5,860,001	3,776,477	5,070,767	512,847	562,070	807,873	146,903	564,640	283,702
Depreciation	174,318	120,218	19,855			13,938	4,405	27,102	4
Total functional expenses	<u>\$ 6,034,319</u>	<u>\$ 3,896,695</u>	<u>\$ 5,090,622</u>	<u>\$ 512,847</u>	<u>\$ 562,070</u>	<u>\$ 821,811</u>	<u>\$ 151,308</u>	<u>\$ 591,742</u>	<u>\$ 283,706</u>

(continued)

EAST BAY COMMUNITY ACTION PROGRAM  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED JUNE 30, 2010

	Program services				Supporting services			
	WIC	School-Based Programs	Family Development	Newport Skills Alliance	Total	Management and General	Development	Total
Salaries and wages	\$ 223,497	\$ 274,728	\$ 217,353	\$ 86,565	\$ 7,698,809	\$ 1,173,582	\$ 48,128	\$ 8,920,519
Payroll taxes and benefits	58,676	58,542	54,267	17,815	1,980,372	276,097	6,628	2,263,097
Total payroll and related expenses	282,173	333,270	271,620	104,380	9,679,181	1,449,679	54,756	11,183,616
Contracted services and consultants	9,440	58,862	4,093	49,823	5,462,459	192,077	10,128	5,664,664
Supplies and office	7,229	5,687	97,820	3,096	1,726,473	39,778	5,882	1,772,133
Travel	1,072	1,262	12,134	1,258	142,045	27,145	294	169,484
Occupancy	20,668	1,950	28,373	2,018	1,121,535	111,570	7,556	1,240,661
Equipment	138	621	4,440		199,658	67,625	2,012	269,295
Conferences, training and activities	1,000	298	90,463	2,235	259,033	46,301	14,103	319,437
Miscellaneous and other	509	6,644	6,403	3,282	407,157	92,191	26,120	525,468
Total expenses before depreciation	322,229	408,594	515,346	166,092	18,997,541	2,026,366	120,851	21,144,758
Depreciation	7,929		12,430		380,199	30,122	2,426	412,747
Total functional expenses	<u>\$ 330,158</u>	<u>\$ 408,594</u>	<u>\$ 527,776</u>	<u>\$ 166,092</u>	<u>\$ 19,377,740</u>	<u>\$ 2,056,488</u>	<u>\$ 123,277</u>	<u>\$ 21,557,505</u>



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.  
Certified Public Accountants / Business Consultants

**Independent Auditors' Report on Supplementary Information –  
Schedule of Expenditures of Federal Awards**

Board of Directors  
East Bay Community Action Program  
Newport, Rhode Island

We have audited the accompanying statement of financial position of East Bay Community Action Program (the Agency) as of June 30, 2011, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of East Bay Community Action Program taken 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lefkowitz, Garfinkel, Champi & DeRienzo P.C.*

November 22, 2011

EAST BAY COMMUNITY ACTION PROGRAM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES THERETO

YEAR ENDED JUNE 30, 2011

Funding Source/Program Title	Federal CFDA No.	Entity ID No.	Amount
<b>U. S. Department of Health and Human Services</b>			
Direct Programs:			
Administration for Children & Families:			
Head Start PA-20 & PA-22	93.600	01CH1049 45	\$ 1,785,221
		01CH1049 46	1,395,523
Early Head Start	93.600	01CH1049 45	1,013,197
		01CH1049 46	489,339
American Recovery and Reinvestment Act	93.708	01SE1049 01	16,449
Health Resources & Services Administration:			
330 Funding	93.224	5 H80CS02329-07-00	820,535
		5 H80CS02329-08-00	
American Recovery and Reinvestment Act	93.703	H8BCS11738	83,957
American Recovery and Reinvestment Act	93.703	1-C81CS13443-01-00	271,369
American Recovery and Reinvestment Act	93.703	1H2LCS18167-01-00	844,922
Affordable Care Act - Capital Development	93.526	1 C8ACS21273-01-00	144,435
Pass-through programs:			
State of Rhode Island & Providence Plantations:			
American Recovery and Reinvestment Act	93.710	CSBG-ARRA	189,242
Community Services Block Grant	93.569	CSBG 09-01	106,662
		CSBG 11-01	301,162
State Energy Office:			
Home Energy Assistance Program (LIHEAP)	93.568	LIHEAP 2010-01	69,173
		CAP-LIHEAP HHS 2011-03	2,574,543
Department of Elderly Affairs:			
Elderly Nutrition-Congregate	93.045	2010-21201052-391	124,108
		2011-21201052-391	116,845
National Family Caregiver	93.044	2010-21201192-391	17,000
		2011-21201192-391	17,000
Case Management Services	93.044	2010-21201032-391	49,093
		2011-21201032-391	49,093
Department of Health:			
Women's Cancer Screening	93.919		12,209
Family Planning	93.217		47,014
			29,216
CHC Uncompensated Care Funding	93.778		94,690
Department of Elderly Affairs:			
Senior Health Insurance Program	93.071	2010-21201102-390	3,515
		2010-21201102-390	20,044
			5,038
Medicare Improvements	93.071	2011-21201302-390	8,682
Senior Medicare Patrol	93.048	2011-21201242-390	21,882
			1,037

## EAST BAY COMMUNITY ACTION PROGRAM

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES THERETO (CONTINUED)

YEAR ENDED JUNE 30, 2011

Funding Source/Program Title	Federal CFDA No.	Entity ID No.	Amount
<b>U. S. Department of Health and Human Services (continued)</b>			
Pass-through programs (continued):			
New Roots Providence:			
American Recovery and Reinvestment Act	93.711		\$ 14,200
Passed through Tri-Town Community Action Program: REACH Program	93.568		31,824
Passed through State of Rhode Island:			
Department of Health:			
Bio-Terrorism Hospital Preparedness	93.889		4,671
Passed through State of Rhode Island:			
Boiler Replacement	93.568		<u>125,829</u>
Total U.S. Department of Health and Human Services			<u>10,898,719</u>
<b>U. S. Department of Education</b>			
Pass-through programs:			
State of Rhode Island - Dept. of Education:			
Child Opportunity Zone/Family Center	84.173		5,000
Community Learning Centers	84.287	Sullivan,Cranston-Calvert,Underwood	364,384
Even Start Goodling	84.258		22,100
Newport Public Schools:			
McKinney Vento Homeless Grant	84.196		17,603
Community Literacy	84.010		2,368
Title I & III - Family Service Collaboration	84.010		165,404
Carol White PEP Grant	84.215F		123,620
RI Parent Information Network:			
Title I - Family Center	84.010A		3,264
			2,087
Title I - HeadStart	84.010A		1,641
			<u>2,239</u>
Total U.S. Department of Education			<u>709,710</u>
<b>U. S. Department of Energy</b>			
Passed through State of Rhode Island:			
Weatherization Assistance Program – American Recovery and Reinvestment Act	81.042	WAP ARRA 2010-03	1,016,676
Weatherization Assistance Program – DOE	81.042	WAP 2010-DOE-03	8,108
		WAP 2011-DOE-03	94,628
Weatherization Assistance Program – HHS	81.042	WAP HHS 2010-03	323,747
		WAP HHS 2011-03	<u>8,690</u>
Total U.S. Department of Energy			<u>1,451,849</u>

## EAST BAY COMMUNITY ACTION PROGRAM

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES THERETO (CONTINUED)

YEAR ENDED JUNE 30, 2011

Funding Source/Program Title	Federal CFDA No.	Entity ID No.	Amount
<b>Department of Homeland Security</b>			
Passed through United Way of Southern New England: Emergency Food and Shelter	97.024	LRO ID#736800-009	\$ 18,303
<b>U. S. Department of Agriculture</b>			
Passed through State of Rhode Island: Department of Health: Women, Infants & Children	10.557		84,549 272,425
WIC Vouchers			1,592,970 (1)
Passed through State of Rhode Island: Department of Human Services: Emergency Food Assistance Program (FNS-Commodities)	10.568	FNS 09-01 FNS 11-01	8,400
American Recovery and Reinvestment Act	10.568	FNSARRA 11-01	4,976
Passed through State of Rhode Island: Department of Education: Child and Adult Food Program - HeadStart	10.558	21836	49,065 252,728
Passed through State of Rhode Island: Department of Elderly Affairs: Child and Adult Food Program - ENP	10.558		2,298 37,500
American Recovery and Reinvestment Act	10.561	2009-45781012-391	25,497
Total U.S. Department of Agriculture			<u>2,330,408</u>
<b>The Corporation for National &amp; Community Service</b>			
Direct Program: Retired Senior Volunteers Program	94.002	08SRA 11SRARI001	70,504 50,384
Foster Grandparent Program	94.011	08SFA 11SFARI001	90,982 102,601
Passed through Serve Rhode Island Americorp	94.006	06AFHRI001	22,330 132,479
Total The Corporation for Natural & Community Service			<u>469,280</u>
<b>U.S. Department of Labor and Training</b>			
Passed through State of RI Dept. of Education: Even Start WIA	17.258	2730-10503-101	143,887
RIDE NSA	17.258	2730-10503-102	116,632
Passed through Workforce Partnership of Greater RI: Workforce Investment Act	17.259	W2010-6000-07 W2010-6000-07	304,961 74,230
Total U.S. Department of Labor and Training			<u>639,710</u>

EAST BAY COMMUNITY ACTION PROGRAM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES THERETO (CONTINUED)

YEAR ENDED JUNE 30, 2011

Funding Source/Program Title	Federal CFDA No.	Entity ID No.	Amount
<b>U. S. Department of Housing and Urban Development</b>			
Passed through State of Rhode Island:			
Rhode Island Housing and Mortgage Finance Corporation:			
Transitional Housing	14.235	RI 0010B1T000802	\$ 42,347
		RI 0010B1T001003	19,400
LeadSafe Homes Program	14.905		298
Healthy Homes Program	14.913		16,957
Consolidated Homeless Fund	14.231	CHF11-EBCAP-6105	9,000
American Recovery and Reinvestment Act	14.257	FY 10SP-0037-EBCAP-8107	67,216
City of East Providence:			
Community Devt. Block Grant -health ctr	14.219	N/A	42,400
Community Devt. Block Grant-FGP			10,000
City of Newport:			
Community Devt. Block Grant - Health/Dental	14.219		10,834
Community Devt. Block Grant - Head Start			2,465
Town of Little Compton:			
Community Devt. Block Grant - Head Start	14.219		7,100
Total U.S. Department of Housing and Urban Development			228,017
<b>Total expenditures of federal awards</b>			<b>\$ 16,745,996</b>

(1) Includes \$1,592,970 of WIC program vouchers at fair value as determined by the Rhode Island Department of Health.

EAST BAY COMMUNITY ACTION PROGRAM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND NOTES THERETO (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies:

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

2. HOME Investment Partnerships Program:

At June 30, 2011, loan proceeds totaling \$504,870 have been disbursed to the Agency under the HOME Investment Partnerships Program. Such proceeds funded the acquisition and rehabilitation of property used in the Agency's transitional housing and Head Start programs. This amount is not presented in the accompanying schedule of expenditures of federal awards.



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.  
Certified Public Accountants / Business Consultants

**Independent Auditors' 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  
East Bay Community Action Program  
Newport, Rhode Island

We have audited the financial statements of East Bay Community Action Program (the Agency) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Independent Auditors' 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)**

Board of Directors  
East Bay Community Action Program

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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.

This report is intended solely for the information and use of the Board of Directors and management of East Bay Community Action Program, 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.

*Leffkowitz, Jan. Jankel, Charney & DeGuzman, P.C.*

November 22, 2011



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.  
Certified Public Accountants / Business Consultants

**Independent Auditors' 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**

Board of Directors  
East Bay Community Action Program  
Newport, Rhode Island

**Compliance**

We have audited the compliance of East Bay Community Action Program (the Agency) 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 the Agency's major federal programs for the year ended June 30, 2011. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 the Agency's compliance with those requirements.

In our opinion, the Agency 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 June 30, 2011.



EAST BAY COMMUNITY ACTION PROGRAM  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	_____	x	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____	x	none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ x no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	_____	yes	_____	x	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____	x	none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? \_\_\_\_\_ yes \_\_\_\_\_ x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
17.258/17.259	U.S. Department of Labor and Training, Even Start WIA, RIDE NSA and Workforce Investment Act
93.224/93.703	U.S. Department of Health and Human Services: Section 330 Health Center Grant
93.569/93.710	Community Services Block Grant
81.042	U.S. Department of Energy, Weatherization Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \_\_\_\_\_ \$517,526 \_\_\_\_\_

Auditee qualified as low-risk auditee? \_\_\_\_\_ x \_\_\_\_\_ yes \_\_\_\_\_ no

EAST BAY COMMUNITY ACTION PROGRAM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2011

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.