

**Audubon Area Community Services, Inc.**  
**AUDIT COMMITTEE MEETING**

February 5, 2008

Chairman Jerry Manning called the Audit Review Committee to order at 10:00 a.m., February 5, 2008.

***Members Present*** (4 Members/4 Voting):

Rev. Jesse Johnson

Mr. Jerry Manning  
Mr. M. Douglas Smith

Hon Larry Whitaker

***Alternates Present with Member:***

Rev. David Combs

***Staff Present:***

Mr. Ronald Logsdon, Executive Director

Mr. Terry Payne, CPA, Chief Financial Officer

***Alternates Present with Member:***

Ms. Jennifer Estes, CPA, Alexander & Company, Independent Auditor

***NEW BUSINESS***

**FY2007 Organization-wide Audit Review.**

Independent Auditor's Jennifer Estes, CPA, Alexander & Company, Owensboro, began her FY2007 audit report with the AACS Audit Committee. She began her review with the Independent Auditor's Report letter, which stated, "Our opinion on the financial statements is unqualified, which is a clean opinion. However, there will be a separate SAS 112 letter with management letter points."

The FY2007 Organization –wide Audit covered only the central agency. It did not include subsidiary agencies such as the two Lincolnshire single-asset-entity housing agencies nor the roughly \$23 million the agency's Child Care Assistance Program (CCAP) staff authorize through the state's MARS system, although the organization-wide audit did spend extensive time and effort analyzing those CCAP payments.

Ms. Estes' review of the agency's FY2007 Statements of Net Assets revealed that total Community Action Agency (CAA) assets were \$14,921,106 compared to \$14,655,549 at June 30, 2007, an increase of \$265,557 or 1.01% over FY2006. Of that total, cash was \$2,202,200 compared to \$1,844,960 an increase of \$357,240. Contracts and grants receivable were \$1,969,491 compared to \$1,267,735 at June 30, 2006, an increase of \$701,756. Investments were \$3,246,699 compared to \$3,049,010 or a net increase of \$197,689; mainly due to the appreciation of the WellPoint stock. Unrealized gains and reinvested income included in the change in investments amounted to \$286,339. Net Fixed Assets were \$6,955,281 compared to \$7,026,391 at June 30, 2006, a net decrease of \$71,110. Depreciation was \$671,989, but several assets were purchased this year, with no disposals.

The agency's FY2007 Liabilities and Net Assets review revealed total FY2007 current liabilities of \$4,923,801 compared to \$4,814,128 an decrease of \$109,673 or 2% at June 30, 2006. Long – term debt was \$3,565,378 compared to \$3,612,095 at June 30, 2006. The majority of the decrease resulted from the third payment on the bond. NET ASSETS increased from \$6,229,326 to \$6,431,927, an increase of 3 %.

The Independent Auditor then presented the agency's FY2007 Statements of Activities, stating that there were unrestricted revenues for the year ending June 30, 2007 were \$23,093,599. Unrestricted revenues for the period ending June 30, 2006 were \$23,023,624. Total expenses were \$22,890,998. Total expenses for the prior period were \$23,680,500.

The FY2007 Schedule of Expenditures of Federal Awards schedule, which shows agency grant awards by CFDA (federal identifier) number showed federal expenditures for the audit at \$18,664,529. The Federal Award Expenditures for the prior period ending June 30, 2006 were \$16,264,156. The increase was due to one contract that was funded less by state and more by federal, an additional GRITS grant, and an increase in the Head Start group of funds.

With respect to the audit's Schedule of Findings and Questioned Costs, the auditor first stated that the focus of their work had been, as with every audit, on the two selected "major programs." This year, the two major programs selected for intensive testing were Head Start and the Child Care Assistance Program.

Ms. Estes said that for the period ending June 30, 2007, there was one finding. There was a reportable condition in the area of internal controls. The agency did not have adequate segregation of duties over their banking operations. As the audit presently being reviewed was still a draft, she said, Audubon's response to this finding was still needed.

### **FY2007 Lincolnshire Apartments Audit Review.**

Mr. Payne, CFO, reviewed the Lincolnshire Apartments, Inc. FY2007 audit for the Audit Review Committee. On page 3, he said, AACS was fortunate to have a favorable comparison to the past year. It's very comparable to the prior year, he said. Assets were down a little, but available cash at year end was about the same. Mr. Payne went over the liabilities, which also were very comparable to the past year. On page six of the audit, property of loss before depreciation was \$123,000 for FY2007 versus \$90,000 in FY2006. Lincolnshire did OK this past year, he said. Net assets went up \$78,000 versus only \$41,000 the previous year. The independent auditors' letters for 2007 was similar to the prior year letters, and there were no prior audit findings.

Mr. Logsdon informed the members that Lincolnshire has a very small balance to pay off which is only \$12,000. Mr. Payne stated that AACS had several years back loaned Lincolnshire \$300,000. The parent agency got most of that back last year and will get the rest of that back this year, he said.

### **Lincolnshire North Apartments Audit Review.**

Mr. Payne, CFO reviewed the Lincolnshire North Apartments, Inc. FY2007 audit for the Audit Review Committee. Mr. Payne advised the members that with respect to Lincolnshire North the year-end current cash went down, but the total restricted deposits went way up. What happens with these, he said is reflected back in the notes; there will be found a HUD calculation done for what is called "excess" cash. HUD requires that its subsidized properties deposit that excess cash in a kind of "rainy day" account. So that if it's needed for repairs or for other priority needs, it will be there. Properties then have to make a formal request to HUD to get access to that money. That's why you will see those *residual receipts* go way up, because last year Lincolnshire North generated a lot of cash that went back in the residual account. Mr. Payne also stated that liabilities and net assets were very consistent from with the previous year. On page six, there was a profit before depreciation of \$121,485 this year, which compared to \$95,857 last year. Net assets increased by \$66,000 versus only \$35,000 the past year. Overall, performance in 2007 was better than in 2006, he said.

*Mr. M. Douglas Smith made a motion to recommend the approval to the Administrative Support Committee of accepting the FY2007 Organization-wide Audit, Lincolnshire and Lincolnshire Apartments Audit; Mr. Payne will enclose a letter in the Board packet pertaining to the SAS 112 letter stating that Alexander and Company did not audit AACS' response pertaining to AACS not having adequate segregation of duties. Rev. Jesse Johnson seconded the motion. Motion approved.*

**At this point Ms. Estes, Independent Auditor, left the meeting.**

### **FY2008 Audit Re-bid.**

Mr. Logsdon and Mr. Payne, CFO, proposed that the Audit Review Committee consider re-bidding AACS audit services for FY2008.

After some discussion...

*Rev. Jesse Johnson made a motion to re-bid the agency FY2008 audit work. Mr. M. Douglas Smith seconded the motion. Motion approved.*

### ***ADJOURNMENT***

There being no further business,

*The Audit Review Committee adjourned by unanimous consent.*

The Audit Review Committee meeting adjourned at 11:37 a.m.

Chairman Jerry Manning  
Board Chair