

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.

Salisbury, North Carolina

Audited Financial Statements

Year Ended October 31, 2011

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Eugene E. Nicholas, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Salisbury-Rowan Community Action Agency, Inc.
Salisbury, North Carolina

We have audited the accompanying statement of financial position of Salisbury-Rowan Community Action Agency, Inc. (the "Agency") as of October 31, 2011, and the related statement 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salisbury-Rowan Community Action Agency, Inc. as of October 31, 2011, and the changes in its net assets and its cash flows for the year 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 January 17, 2012 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Board of Directors
Salisbury-Rowan Community Action Agency, Inc.
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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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The Supplemental Schedules are presented for the purposes of additional analysis of the financial statements rather than to present the financial position, results of operations and cash flow of the individual programs. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual programs. However, the supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Eugene E. Nicholas, Jr., CPA

January 17, 2012

FINANCIAL STATEMENTS

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FINANCIAL POSITION
October 31, 2011

Assets	
Current Assets	
Cash and cash equivalents	\$1,237,449
Accounts receivable	26,171
Grants receivable	434,294
Prepaid expenses and other assets	81,093
Total Assets	<u>\$ 1,779,007</u>
Liabilities and Net Assets	
Liabilities	
Account payables	\$ 525,807
Accrued salaries and withholdings	67,272
Deferred revenue	980,486
Total Liabilities	<u>1,573,564</u>
Net Assets	
Unrestricted	195,442
Permanently restricted	10,000
Total Net Assets	<u>205,442</u>
Total Liabilities and Net Assets	<u>\$ 1,779,007</u>

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

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended October 31, 2011

Changes in unrestricted net assets	
Revenue	
Federal government	\$ 10,977,674
State and local government	368,450
Allocated indirect cost reimbursement (Note 1)	735,202
Grantees' nonfederal in-kind contributions (Note 2)	2,165,007
Other	59,352
Total unrestricted revenues	14,305,685
Expenses	
Salaries	6,391,771
Fringe benefits	1,475,857
Utilities	315,357
Travel and training	377,907
Supplies	394,373
Insurance	84,876
Client services	434,077
Contractual services	822,415
Equipment repairs and maintenance	555,102
Duplication	31,008
Student transportation	154,107
Materials costs	153,954
Indirect costs	735,203
Nonfederal in-kind contribution	2,165,007
Other	216,742
Total expenses	14,307,756
Change in unrestricted net assets	(2,072)
Changes in temporarily restricted net assets	
Contributions	415,036
Investment income	2,072
Net assets released from restrictions	(415,036)
Change in temporarily restricted net assets	2,072
Change in net assets	-
Net assets, beginning of year	205,442
Net assets, end of year	\$ 205,442

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

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended October 31, 2011

Cash flows from operating activities	
Change in net assets	\$ -
Adjustments to reconcile change in net assets to net cash used in operating activities	
Changes in operating assets and liabilities	
Accounts receivable	47,579
Grants receivable	971,519
Prepaid expenses and other assets	1,601
Accounts payable	(725,270)
Accrued expenses	-
Accrued salaries and withholdings	(19,973)
Deferred revenue	172,665
	<hr/>
Net cash provided by operating activities	448,120
Cash and cash equivalents at beginning of year	789,329
Cash and cash equivalents at end of year	<hr/> <u>\$ 1,237,449</u>

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

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended October 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Description of Organization

Salisbury-Rowan Community Action Agency, Inc. (the "Agency") is a community action agency that has been in existence since 1964 and is committed to providing education, child care, and other services to the underprivileged residents of Salisbury, North Carolina and the surrounding communities neighboring Rowan County. The main office is located in Salisbury, North Carolina. The Agency operates in Rowan, Cabarrus, Stanly, Moore, Montgomery, and Davidson counties. The Agency administers the following federally and non-federally funded programs under contracts with various governmental and nongovernmental agencies:

Community Service Block Grant (CSBG)

Head Start / Early Head Start

Extended Day Child Care Program, passed through the North Carolina Department of Health & Human Resources to local county Departments of Social Services

Weatherization Assistance Program / Heating and Air Repair and Replacement Program

Day Care Center

Child and Adult Care Food Program, under the North Carolina Department of Public Instruction, Division of Child Nutrition

Workforce Investment Act Youth Activities

Smart Start

J. V. Wallace Charity Fund Trust

More at Four Program

American Recovery and Reinvestment Act (ARRA)

Weatherization Assistance Program

Early Head Start Expansion

B. Basis of Presentation

The accompanying financial statements include the assets, liabilities, net assets, financial activities and cash flows of all the above programs. The financial statements have been combined to provide a more complete presentation of the financial position, activities and cash flows of the programs. All significant balances and transactions among the programs, excluding the allocation of indirect costs, have been eliminated.

The Agency's overall fiscal year end is October 31, 2011; however, programs administered by the agency may have a different contract period. The following programs have a June 30, 2011 fiscal year end: Weatherization Assistance Program, Workforce Investment Act, and Community Service Block Grant. The report period for the 2011 year is from November 1, 2010 to June 30, 2011 and July 1, 2011 to October 31, 2011.

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended October 31, 2011

Note 1. Summary of Significant Accounting Policies (continued)

The Child and Adult Care Food Program have a September 30, 2011 fiscal year end. The report period for the 2011 year is from November 1, 2010 to September 30, 2011 and October 1, 2011 to October 31, 2011.

For the fiscal year ended October 31, 2011, the Agency also administered programs under the American Recovery and Reinvestment Act (ARRA): Weatherization Assistance Program – ARRA has a contract period that ends March 31, 2012; Early Head Start Expansion - ARRA has a contract period that ends September 29, 2011

C. Basis of Accounting

The Agency uses the accrual basis of accounting; therefore, revenues are recognized when earned, and expenses are recognized when incurred. This basis of accounting conforms to generally accepted accounting principles in the United States of America. For contract periods that elapse in subsequent fiscal periods, revenue is recognized under the individual grant programs to the extent of expenditures incurred through year-end, subject to contract budgeted amounts. Grant programs with contract periods that elapse during the current fiscal year are closed into net assets at that time.

Statement of Financial Accounting Standards No. 117 requires the classification of net assets into three categories, based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Such net assets may be designated by management for specific purposes or limited by contractual agreements with outside parties.

Temporarily Restricted – Net assets whose use is subject to donor-imposed stipulations that can be fulfilled by specific actions pursuant to such stipulations or expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by action. Such net assets, which must be maintained in perpetuity, generally include only the original amount of the contribution since the donors of these assets most often permit the use of all investment earnings for specific or general purposes.

D. Statement of Cash Flows

Cash equivalents include interest-bearing investments maturing within three months or less from date of investment. There were no amounts paid for interest or income taxes in 2011.

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended October 31, 2011

Note 1. Summary of Significant Accounting Policies (continued)

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Tax Exempt Status

The Agency has received a determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under the provisions of 501(c)(3) of the Internal Revenue Code.

G. Donor Restricted Gifts

The Agency reports gifts of cash and other assets as either temporarily or permanently 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

The Agency reports gifts of land, buildings, and equipment 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, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

H. Fixed Assets

Under the guidelines of the Department of Commerce, the costs of property and equipment for all programs except Weatherization are charged to expenses as incurred rather than being capitalized as an asset in the balance sheet.

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended October 31, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Under the guidelines of the North Carolina Department of Commerce, Office of Economic Opportunity (DOE), property and equipment purchased for the Weatherization program is capitalized but no provision is made for depreciation; thus no provision for depreciation is included in the financial statements. In the event of dissolution of the Agency, property and equipment would be distributed to the grantor agency.

Purchases of fixed assets through other sources excluding grant funds that do not have a useful life beyond 1 year are expensed.

I. Compensated Absences

It is the Agency's policy to permit regular full and part-time employees to accumulate earned and unused Personal Time Off (PTO) leave up to one-half of their yearly contracted amount earned. Upon termination of employment, terminated employees receive payment for unused PTO. Compensated absences are charged as an expense to the appropriate program when paid and the Agency is reimbursed from grant sources. Accrued PTO is recorded as a liability and is estimated to be \$164,339.

J. Concentration of Risk

Federal Revenues from Head Start including ARRA funds accounted for approximately 79%, of Agency federal revenues and 61% of all Agency revenues for the year ended October 31, 2011. The loss of this program could have a significant impact on the Agency's financial position, changes in net assets and cash flows. No other programs individually accounted for ten percent or more of Agency federal revenues for the year ended October 31, 2011.

The Agency maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts. Furthermore, the Agency is dependent upon the performance of certain government programs (See Note 1) for reimbursement of program expenses. Management does not believe there are significant credit risks associated with these programs.

K. Deferred Revenue / Grants Receivable

Program funds restricted by the grantor agency are deemed to be earned and reported as revenue when the program has incurred expenditures in compliance with the grant contract. Such amounts received but not yet earned are reported as deferred revenue. Amounts earned but not yet received are reported as grants receivable.

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended October 31, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Excess revenues over expenses of the Extended Day Child Care and Day Care Programs are spent as supplemental funding of child care services and related program activities.

L. Indirect Cost Reimbursement

The Agency operates an Administrative Pool whereby indirect costs are allocated among the various grants in the proportion that a specific grant's salaries and benefits bear to total Agency salaries and benefits. This allocation plan is approved by the Agency's cognizant agent, the Department of Health and Human Services. In August 2011, the Agency received approval for an indirect cost rate of 10.00% for the period ended October 31, 2010. The direct costs of the Administrative Pool have been included in total expenses in the statement of activities. The indirect costs charged to the programs are also included in the statement of activities.

Note 2. Nonfederal In-Kind Contributions

Nonfederal in-kind contributions consist of donated office and class room space totaling approximately \$347,040. The amount recorded in the financial statements is based on the estimated fair market value consistent with rental rates for other similar properties in the community. The organization received volunteer services, substantially all of which required no specialized skills. Volunteer in-kind contributions recorded in the financial statements totaled \$1,712,459. Other nonfederal grant contributions totaled \$105,508.

Note 3. Permanently Restricted Net Assets

Permanently restricted net assets include investments held in perpetuity, the income from which is expendable to pay utility bills. At October 31, 2011, those investments totaled \$10,000.

Note 4. Federal and State Grants

The Agency receives funding from several Federal and state grant programs. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any potential required refunds would not have a material impact on the net assets of the Agency. No provision has been made in the accompanying financial statements for possible refund of grant monies.

Note 5. Advertising

The Agency expenses the costs of advertising as incurred. For the year ended October 31, 2011, the Agency incurred \$5,743 for advertising expenses.

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended October 31, 2011

Note 6. Benefit Plans

The Agency has a 401(k) plan covering substantially all employees meeting certain eligibility requirements. The 401(k) plan requires the Agency to match employee contributions, up to 4% of employee's compensation, as defined. Agency contributions to the plan for the year ended October 31, 2011 were \$137,397.

The Agency entered into an agreement in February 2004 to allow all employees meeting certain eligibility requirements participation in an excess deferred compensation plan. This plan allows the Agency to contribute amounts in its sole discretion, and to permit participants to defer a portion of their compensation in excess of the limits allowed under Section 457 of the Internal Revenue Code for payment at a later time. Agency contributions to the excess deferred compensation plan for the year ended October 31, 2011 were \$9,750.

In addition, the Agency sponsors a cafeteria plan which provides certain benefits, including basic medical coverage, short-term disability benefits, and group life insurance benefits. The employer contributes a predetermined amount for each eligible full-time and part-time employee, which is allocated to the various benefit options in accordance with the participant's election. Employer contributions were \$676,923 for the year ended October 31, 2011.

Note 7. Functional Expenses

The Agency administers federally and non-federally funded programs to residents within its geographic location. Expenses related to providing these services are as follows:

Administrative	\$ 735,202
Community Service Block Grant	332,653
Head Start	9,128,932
Extended Day Child Care Program, Under the North Carolina Department of Human Resources, Division of Economic Opportunity	162,958
NC Department of Commerce, Weatherization	152,671
Day Care Center	49,135
Child Care Food Program, Under the North Carolina Department of Public Instruction, Division of Child Nutrition	796,892
Workforce Investment Act	367,461
Smart Start	28,140
More at Four Program	119,393
American Recovery Reinvestment Act (ARRA)	2,335,931
Other program services	96,315
	<u>\$ 14,305,687</u>

Note 8. Subsequent Events

The Agency has evaluated subsequent events through January 17, 2012, the date at which the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Contract Budget	Actual		Budget Variance
		Current Year	Total To-Date	Favorable (Unfavorable)
Changes in unrestricted net assets				
Revenue				
Federal government	\$ 13,216,075	\$ 10,977,674	\$ 11,176,051	\$ (2,040,024)
State and local government	193,200	368,450	359,090	165,890
Allocated indirect cost reimbursement (Note 1)	719,100	735,202	735,202	16,102
Grantees' nonfederal contributions (Note 2)	2,372,623	2,165,007	2,165,007	(207,616)
Other	34,300	59,352	44,761	10,461
Total unrestricted revenues	<u>16,535,298</u>	<u>14,305,685</u>	<u>14,480,112</u>	<u>(2,055,186)</u>
Net assets released from restrictions:				
Satisfaction of donor restrictions	-	2,072	-	-
Total unrestricted revenue and other support	<u>16,535,298</u>	<u>14,307,757</u>	<u>14,480,112</u>	<u>(2,055,186)</u>
Expenses				
Salaries	7,340,529	6,391,771	6,500,804	839,725
Fringe benefits	1,786,325	1,475,857	1,509,561	276,764
Utilities	370,908	315,357	318,261	52,647
Travel and training	450,337	377,907	397,939	52,398
Supplies	402,756	394,373	396,407	6,349
Insurance	154,805	84,876	91,633	63,172
Client services	838,873	434,077	668,330	170,543
Contractual services	498,820	822,415	586,527	(87,707)
Equipment repairs and maintenance	645,502	555,102	555,909	89,593
Duplication	72,983	31,008	30,593	42,390
Student transportation	145,466	154,107	154,107	(8,641)
Materials costs	440,885	153,954	199,427	241,458
Indirect costs	874,541	735,203	750,104	124,437
Nonfederal in-kind contribution	2,372,623	2,165,007	2,165,007	207,616
Other	106,470	216,743	158,947	(52,477)
Total expenses	<u>16,501,823</u>	<u>14,307,757</u>	<u>14,483,557</u>	<u>2,018,266</u>
Change in unrestricted net assets	<u>33,475</u>	<u>-</u>	<u>(3,445)</u>	<u>(36,920)</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
ADMINISTRATIVE POOL
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Contract Budget	Actual		Budget Variance
		Current Year	Total To-Date	Favorable (Unfavorable)
Changes in unrestricted net assets				
Revenue				
Grant income	\$719,100	\$ 735,202	\$735,202	\$ 16,102
Other income	-	-	-	-
Total revenue	<u>719,100</u>	<u>735,202</u>	<u>735,202</u>	<u>16,102</u>
Expenses				
Salaries	387,800	408,123	408,123	(20,323)
Fringe benefits	120,250	80,441	80,441	39,809
Utilities	27,000	15,776	15,776	11,224
Travel and training	54,600	101,414	101,414	(46,814)
Supplies	16,000	14,753	14,753	1,247
Insurance	7,300	6,573	6,573	727
Contractual services	62,180	54,159	54,159	8,021
Client services	500	322	322	178
Equipment repairs and maintenance	24,200	23,786	23,786	414
Duplication	5,800	9,938	9,938	(4,138)
Other	13,470	19,916	19,916	(6,446)
Total expenses	<u>719,100</u>	<u>735,202</u>	<u>735,202</u>	<u>(16,102)</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
COMMUNITY SERVICE BLOCK GRANT NO. OEO-11328
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$ 383,809	\$226,755	\$311,327	\$ (72,482)
Total revenue	<u>383,809</u>	<u>226,755</u>	<u>311,327</u>	<u>(72,482)</u>
Expenses				
Salaries	186,820	111,424	152,948	33,872
Fringe benefits	61,008	31,334	40,648	20,360
Utilities	4,260	2,051	2,549	1,711
Travel and training	15,510	8,319	11,511	3,999
Supplies	2,250	4,074	5,413	(3,163)
Insurance	2,850	1,563	2,133	717
Contractual services	3,600	5,315	8,823	(5,223)
Client services	78,493	41,865	60,521	17,972
Equipment repairs and maintenance	1,900	3,198	3,318	(1,418)
Duplication	1,700	53	614	1,086
Indirect costs	22,858	14,343	19,453	3,405
Other	2,560	3,215	3,395	(835)
Total expenses	<u>383,809</u>	<u>226,755</u>	<u>311,327</u>	<u>72,482</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
COMMUNITY SERVICE BLOCK GRANT NO. OEO-21328
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL

For the Year Ended October 31, 2011

	Report Period 2012			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$383,809	\$ 105,898	\$ 105,898	\$ (277,911)
Total revenue	<u>383,809</u>	<u>105,898</u>	<u>105,898</u>	<u>(277,911)</u>
Expenses				
Salaries	186,820	56,492	56,492	130,328
Fringe benefits	61,008	12,869	12,869	48,139
Utilities	4,260	890	890	3,370
Travel and training	15,510	4,004	4,004	11,506
Supplies	2,250	873	873	1,377
Insurance	2,850	-	-	2,850
Contractual services	3,600	6,396	6,396	(2,796)
Client services	78,493	15,877	15,877	62,616
Equipment repairs and maintenance	1,900	153	153	1,747
Duplication	1,700	643	643	1,057
Indirect costs	22,858	6,936	6,936	15,922
Other	2,560	765	765	1,795
Total expenses	<u>383,809</u>	<u>105,898</u>	<u>105,898</u>	<u>277,911</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
HEAD START GRANT NO. 04CH3014
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$ 7,845,644	\$ 7,303,145	\$ 7,303,145	\$ (542,499)
Nonfederal in-kind contribution	1,961,412	1,825,787	1,825,787	(135,625)
Total revenue	<u>9,807,056</u>	<u>9,128,932</u>	<u>9,128,932</u>	<u>(678,124)</u>
Expenses				
Salaries	4,661,453	4,393,706	4,393,706	267,747
Fringe benefits	1,177,679	1,059,097	1,059,097	118,582
Utilities	272,600	247,509	247,509	25,091
Travel and training	191,077	177,807	177,807	13,270
Supplies	211,300	205,912	205,912	5,388
Insurance	65,100	47,691	47,691	17,409
Contractual services	224,650	209,523	209,523	15,127
Client services	44,650	37,416	37,416	7,234
Equipment repairs and maintenance	146,750	147,812	147,812	(1,062)
Duplication	45,400	13,506	13,506	31,894
Student transportation	135,800	145,669	145,669	(9,869)
Indirect costs	596,835	545,280	545,280	51,555
Nonfederal in-kind contribution	1,961,412	1,825,787	1,825,787	135,625
Other	72,350	72,218	72,218	132
Total expenses	<u>9,807,056</u>	<u>9,128,932</u>	<u>9,128,932</u>	<u>678,124</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
EXTENDED DAY CHILD CARE PROGRAM
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Reimbursements - Department of Social Services	\$ 127,000	\$ 169,011	\$ 169,011	\$ 42,011
State and local government	-	-	-	-
Parent fees	15,000	19,534	19,534	4,534
Other income	8,000	7,139	7,139	(861)
Total revenue	<u>150,000</u>	<u>195,684</u>	<u>195,684</u>	<u>45,684</u>
Expenses				
Salaries	47,000	42,761	42,761	4,239
Fringe benefits	6,530	5,042	5,042	1,488
Utilities	19,450	12,878	12,878	6,572
Travel and training	-	-	-	-
Supplies	11,600	34,649	34,649	(23,049)
Insurance	9,110	7,409	7,409	1,701
Client services	-	-	-	-
Contractual services	1,700	22,019	22,019	(20,319)
Equipment repairs and maintenance	15,500	33,420	33,420	(17,920)
Indirect costs	5,380	4,781	4,781	599
Material	-	-	-	-
Other	-	-	-	-
Total expenses	<u>116,270</u>	<u>162,958</u>	<u>162,958</u>	<u>(46,689)</u>
Change in unrestricted net assets	<u>\$ 33,730</u>	<u>\$ 32,726</u>	<u>\$ 32,726</u>	<u>\$ (1,005)</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
WEATHERIZATION ASSISTANCE PROGRAM GRANT NO. 1138WA
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL

For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$271,286	\$ 104,066	\$217,664	\$ (53,622)
Total revenue	<u>271,286</u>	<u>104,066</u>	<u>217,664</u>	<u>(53,622)</u>
Expenses				
Salaries	57,913	13,186	37,390	20,523
Fringe benefits	29,687	4,506	8,608	21,079
Utilities	1,310	559	1,841	(531)
Travel and training	4,101	325	11,688	(7,587)
Supplies	700	90	90	610
Insurance	5,185	2,990	8,253	(3,068)
Client services	23,119	-	5,729	17,391
Contractual services	36,894	23,320	41,850	(4,956)
Equipment repairs and maintenance	1,575	-	691	884
Duplication	120	(116)	105	15
Indirect costs	8,760	1,847	4,206	4,554
Material	101,922	49,729	89,513	12,409
Other	-	7,631	7,701	(7,701)
Total expenses	<u>271,286</u>	<u>104,066</u>	<u>217,664</u>	<u>53,622</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
WEATHERIZATION ASSISTANCE PROGRAM GRANT NO. 1238WA
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL

For the Year Ended October 31, 2011

	Report Period 2012			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$271,286	\$ 48,605	\$ 48,605	\$ (222,681)
Total revenue	<u>271,286</u>	<u>48,605</u>	<u>48,605</u>	<u>(222,681)</u>
Expenses				
Salaries	57,913	6,654	6,654	51,259
Fringe benefits	29,687	3,583	3,583	26,104
Utilities	1,310	128	128	1,182
Travel and training	4,101	-	-	4,101
Supplies	700	-	-	700
Insurance	5,185	-	-	5,185
Client services	23,119	-	-	23,119
Contractual services	36,894	10,818	10,818	26,076
Equipment repairs and maintenance	1,575	-	-	1,575
Duplication	120	24	24	96
Indirect costs	8,760	1,024	1,024	7,736
Material	101,922	26,304	26,304	75,618
Other	-	71	71	(71)
Total expenses	<u>271,286</u>	<u>48,605</u>	<u>48,605</u>	<u>222,681</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
CHILD AND ADULT CARE FOOD PROGRAM GRANT NO. 7209
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$ 709,900	\$ 713,885	\$ 796,915	\$ 87,015
Total revenue	<u>709,900</u>	<u>713,885</u>	<u>796,915</u>	<u>87,015</u>
Expenses				
Salaries	141,600	130,944	143,862	(2,262)
Fringe benefits	55,801	38,022	40,173	15,628
Utilities	-	-	-	-
Travel and training	-	-	-	-
Contractual services	290,500	398,004	448,248	(157,748)
Equipment repairs and maintenance	4,999	386	391	4,608
Client services (Food)	197,160	129,638	145,837	51,323
Indirect costs	19,840	16,891	18,403	1,437
Other	-	-	-	-
Total expenses	<u>709,900</u>	<u>713,885</u>	<u>796,915</u>	<u>(87,015)</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
CHILD AND ADULT CARE FOOD PROGRAM GRANT NO. 7209
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL

For the Year Ended October 31, 2011

	Report Period 2012			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$ -	\$ 83,007	\$ 83,007	\$ 83,007
Total revenue	<u>-</u>	<u>83,007</u>	<u>83,007</u>	<u>83,007</u>
Expenses				
Salaries	-	12,103	12,103	(12,103)
Fringe benefits	-	1,885	1,885	(1,885)
Utilities	-	-	-	-
Travel and training	-	-	-	-
Equipment repairs and maintenance	-	820	820	(820)
Client services (Food)	-	22,863	22,863	(22,863)
Contractual services	-	43,937	43,937	(43,937)
Indirect costs	-	1,399	1,399	(1,399)
Other	-	-	-	-
Total expenses	<u>-</u>	<u>83,007</u>	<u>83,007</u>	<u>(83,007)</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
WORKFORCE INVESTMENT ACT GRANT NOS.
0-2040-36-2271-04; 0-2040-36-2271-01; 0-2050-36-2271-04; 0-2050-36-2271-01
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$688,146	\$ 267,475	\$ 355,434	\$ (332,712)
Total revenue	<u>688,146</u>	<u>267,475</u>	<u>355,434</u>	<u>(332,712)</u>
Expenses				
Salaries	357,850	137,804	166,503	191,347
Fringe benefits	68,371	20,060	25,974	42,397
Utilities	10,610	3,290	3,921	6,689
Travel and training	22,810	12,948	14,579	8,231
Supplies	-	-	392	(392)
Insurance	9,790	2,447	3,335	6,455
Client services	173,250	66,457	72,480	100,770
Contractual services	-	886	11,605	(11,605)
Equipment repairs and maintenance	9,000	7,923	9,456	(456)
Duplication	4,550	2,210	2,210	2,340
Indirect costs	28,975	13,424	16,886	12,089
Material	-	-	27,926	(27,926)
Other	2,940	26	167	2,773
Total expenses	<u>688,146</u>	<u>267,475</u>	<u>355,434</u>	<u>332,712</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
WORKFORCE INVESTMENT ACT GRANT NOS.
1-2040-36-2271-04 and 1-2040-36-2271-01
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2012			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$688,146	\$ 99,986	\$ 99,986	\$ (588,160)
Total revenue	<u>688,146</u>	<u>99,986</u>	<u>99,986</u>	<u>(588,160)</u>
Expenses				
Salaries	357,850	56,850	56,850	301,000
Fringe benefits	68,371	9,214	9,214	59,157
Utilities	10,610	1,406	1,406	9,204
Travel and training	22,810	5,024	5,024	17,786
Supplies	-	-	-	-
Insurance	9,790	-	-	9,790
Client services	173,250	19,947	19,947	153,303
Contractual services	-	30	30	(30)
Equipment repairs and maintenance	9,000	130	130	8,870
Duplication	4,550	1,108	1,108	3,442
Indirect costs	28,975	6,248	6,248	22,727
Other	2,940	29	29	2,911
Total expenses	<u>688,146</u>	<u>99,986</u>	<u>99,986</u>	<u>588,160</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
DAY CARE CENTER PROGRAM
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Reimbursements - Department of Social Services	\$ 66,200	\$42,546	\$ 42,546	\$ (23,654)
Parent fees	11,300	6,589	6,589	(4,712)
Total revenue	<u>77,500</u>	<u>49,135</u>	<u>49,135</u>	<u>(28,365)</u>
Expenses				
Salaries	55,000	34,959	34,959	20,041
Fringe benefits	10,465	3,425	3,425	7,040
Utilities	1,150	1,150	1,150	-
Supplies	1,000	1,916	1,916	(916)
Insurance	650	1,563	1,563	(913)
Contractual services	940	750	750	190
Equipment repairs and maintenance	1,500	1,500	1,500	-
Indirect costs	6,580	3,838	3,838	2,742
Other	215	\$34.00	34	181
Total expenses	<u>77,500</u>	<u>49,135</u>	<u>49,135</u>	<u>28,365</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
SMART START PROGRAM*
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
State and local government	\$ -	\$28,140	\$ 28,140	\$ -
Other income	-	-	-	-
Total revenue	-	28,140	28,140	-
Expenses				
Salaries	-	-	-	-
Fringe benefits	-	-	-	-
Utilities	-	-	-	-
Travel and training	-	-	-	-
Supplies	-	-	-	-
Insurance	-	-	-	-
Contractual services	-	28,140	28,140	-
Equipment repairs and maintenance	-	-	-	-
Other	-	-	-	-
Total expenses	-	28,140	28,140	-
Change in unrestricted net assets	\$ -	\$ -	\$ -	\$ -

*There is no formal budget for this program.

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
SPECIAL ACCOUNT *
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
For the Year Ended October 31, 2011

	<u>Current Year</u>
Changes in unrestricted net assets	
Revenue	
State and local government	\$ 37,500
Investment income	10,749
Other income	3,841
Total revenue	<u>52,090</u>
Expenses	
Contractual services	-
Other	48,645
Total expenses	<u>48,645</u>
Change in unrestricted net assets	<u>\$ 3,445</u>
 Changes in temporarily restricted net assets	
Revenue	
Contributions	\$ -
Expenses	
Satisfaction of donor restrictions	-
Change in temporarily restricted net assets	<u>\$ -</u>

*There is no formal budget for this program.

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
J. V. WALLACE CHARITY FUND TRUST *
SUPPLEMENTAL SCHEDULE OF ACTIVITIES
For the Year Ended October 31, 2011

	Current Year
Changes in temporarily restricted net assets	
Revenue	
Contributions	\$ -
Investment income	2,072
Total Revenue	2,072
Expenses	
Satisfaction of donor restrictions	\$ -
Change in temporarily restricted net assets	\$ 2,072

*There is no formal budget for this program.

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
MORE AT FOUR PROGRAM / NCPRE-K*
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
State and local government	\$ -	\$119,393	\$ 119,393	\$ -
Other income	-	-	-	-
Total revenue	<u>-</u>	<u>119,393</u>	<u>119,393</u>	<u>-</u>
Expenses				
Salaries	-	32,666	32,666	-
Fringe benefits	-	4,004	4,004	-
Utilities	-	393	393	-
Travel and training	-	35	35	-
Supplies	-	1,584	1,584	-
Insurance	-	135	135	-
Contractual services	-	12,876	12,876	-
Equipment repairs and maintenance	-	63,289	63,289	-
Indirect costs	-	3,667	3,667	-
Other	-	743	743	-
Total expenses	<u>-</u>	<u>119,393</u>	<u>119,393</u>	<u>-</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*There is no formal budget for this program.

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
EARLY HEAD START EXPANSION AARA - 04SA3012
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL
For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$ 1,644,843	\$ 1,403,859	\$ 1,403,859	(240,984)
Nonfederal in-kind contribution	411,211	339,220	339,220	(71,991)
Total revenue	<u>2,056,054</u>	<u>1,743,079</u>	<u>1,743,079</u>	<u>(312,975)</u>
Expenses				
Salaries	752,945	683,498	683,498	69,447
Fringe benefits	157,583	145,214	145,214	12,369
Utilities	24,751	23,356	23,356	1,395
Travel and training	57,324	47,460	47,460	9,864
Supplies	150,656	127,671	127,671	22,985
Insurance	15,120	7,151	7,151	7,969
Contractual services	27,305	16,871	16,871	10,434
Client services	9,125	2,932	2,932	6,193
Equipment repairs and maintenance	313,483	245,044	245,044	68,439
Duplication	9,110	2,196	2,196	6,914
Student transportation	9,666	8,439	8,439	1,227
Indirect costs	105,895	82,842	82,842	23,053
Nonfederal in-kind contribution	411,211	339,220	339,220	71,991
Other	11,880	11,185	11,185	695
Total expenses	<u>2,056,054</u>	<u>1,743,079</u>	<u>1,743,079</u>	<u>312,975</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
WEATHERIZATION ASSISTANCE PROGRAM GRANT - ARRA25WA
SUPPLEMENTAL SCHEDULE OF ACTIVITIES - BUDGET AND ACTUAL

For the Year Ended October 31, 2011

	Report Period 2011			Budget Variance Favorable (Unfavorable)
	Contract Budget	Actual		
		Current Year	Total To-Date	
Changes in unrestricted net assets				
Revenue				
Federal government	\$ 1,719,147	\$ 592,853	\$ 592,853	\$ (1,126,294)
Total revenue	<u>1,719,147</u>	<u>592,853</u>	<u>592,853</u>	<u>(1,126,294)</u>
Expenses				
Salaries	700,148	270,600	270,600	429,548
Fringe benefits	112,452	57,160	57,160	55,292
Utilities	9,777	5,971	5,971	3,806
Travel and training	104,915	20,570	20,570	84,345
Supplies	9,250	2,853	2,853	6,397
Insurance	39,700	7,353	7,353	32,347
Client services	244,576	82,823	82,823	161,753
Contractual services	94,190	3,311	3,311	90,879
Equipment repairs and maintenance	126,595	27,640	27,640	98,955
Duplication	6,303	1,446	1,446	4,857
Indirect costs	81,668	32,683	32,683	48,985
Material	186,773	77,921	77,921	108,852
Other	2,800	2,522	2,522	278
Total expenses	<u>1,719,147</u>	<u>592,853</u>	<u>592,853</u>	<u>1,126,294</u>
Change in unrestricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended October 31, 2011

	Federal CFDA #	Federal Expenditures
MAJOR FEDERAL AWARDS		
<u>U. S. Department of Health and Human Services</u>		
Head Start	93.600	\$ 7,303,145
Early Head Start Expansion	ARRA-93.709	1,403,859
 <u>U. S. Department of Agriculture</u>		
Child and Adult Care Food Program, passed through N. C. Department of Health & Human Services	10.558	796,892
 <u>U. S. Department of Labor</u>		
Workforce Investment Act Youth Activities	17.259	367,461
 <u>U. S. Department of Energy</u>		
Weatherization Assistance Program, passed through N. C. Department of Commerce Weatherization Assistance Program	ARRA-81.042	592,853
 <u>U. S. Department of Health and Human Services</u>		
Community Services Block Grant, passed through N. C. Department of Human Services	93.569	332,653
Total major programs, federal awards		10,796,862
 OTHER FEDERAL ASSISTANCE		
<u>U. S. Department of Health and Human Services</u>		
Extended Day Child Care, passed through N. C. Department of Health and Human Services to local county Departments of Social Services	93.575	162,958
 <u>U. S. Department of Energy</u>		
Weatherization Assistance Program, passed through N. C. Department of Commerce HARRP	81.042 93.568	152,671
Total other federal assistance		315,629
Total federal awards		\$ 11,112,491

Eugene E. Nicholas, Jr., CPA

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

To The Board of Directors
Salisbury-Rowan Community Action Agency, Inc.
Salisbury, North Carolina

We have audited the financial statements of Salisbury-Rowan Community Action Agency, Inc. as of and for the year ended October 31, 2011 and have issued our report thereon dated January 17, 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.

Compliance

As part of obtaining reasonable assurance about whether Salisbury-Rowan Community Action Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salisbury-Rowan Community Action Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

Board of Directors
Salisbury-Rowan Community Action Agency, Inc.
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to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Eugene E. Nicholas, Jr., CPA

January 17, 2012

Eugene E. Nicholas, Jr., CPA

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

Independent Auditor's Report

To The Board of Directors
Salisbury-Rowan Community Action Agency, Inc.
Salisbury, North Carolina

Compliance

We have audited the compliance of Salisbury-Rowan Community Action Agency, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended October 31, 2011. Salisbury-Rowan Community Action 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 its major federal programs is the responsibility of Salisbury-Rowan Community Action Agency's management. Our responsibility is to express an opinion on Salisbury-Rowan Community Action Agency'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 Salisbury-Rowan Community Action Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Salisbury-Rowan Community Action Agency's compliance with those requirements.

In our opinion, Salisbury-Rowan Community Action Agency, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended October 31, 2011.

Internal Control Over Compliance

The management of Salisbury-Rowan Community Action Agency, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Salisbury-Rowan Community Action Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Eugene E. Nicholas, Jr., CPA

January 17, 2012

SALISBURY-ROWAN COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended October 31, 2011

Section II - Financial Statement Findings

For the year ended October 31, 2011, there were no findings or questioned costs of the Agency which met the requirements for disclosure under the provisions of OMB Circular A-133.

Status of Prior Year's Findings

For the year ended October 31, 2010, there were no findings or questioned costs of the agency which met the requirements for disclosure under the provisions of OMB Circular A-133.

Section III - Federal Award Findings and Questioned Costs

For the year ended October 31, 2011, there were no findings or questioned costs of the Agency which met the requirements for disclosure under the provisions of OMB Circular A-133.

Status of Prior Year's Findings

There were no findings or questioned costs for the year ended October 31, 2010 which met the requirements for disclosure under the provisions of OMB Circular A-133.