

# **NEWCAP, Inc. and Subsidiary**

Oconto, Wisconsin

## **Consolidated Financial Statements and Supplementary Information**

Years Ended December 31, 2013 and 2012

# NEWCAP, Inc. and Subsidiary

Consolidated Financial Statements and Supplementary Information  
Years Ended December 31, 2013 and 2012

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## **Independent Auditor's Report**

Board of Directors  
NEWCAP, Inc. and Subsidiary  
Oconto, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of NEWCAP, Inc. and Subsidiary (the "Organization") which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement. The financial statements of Newcap Village on Water, LLC and The Village on Water MM, LLC were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NEWCAP, Inc. and Subsidiary as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

## **Other Matters**

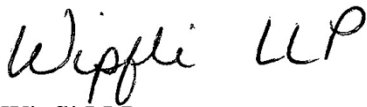
### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying schedule of program activity, Schedule A-1 to A-8, schedule of expenditures of federal awards, Schedule B-1 to B-3 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, schedule of emergency furnace by contract, the weatherization budget to actual comparison, and the settlement of DHS cost reimbursement award are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the statement of financial position of NEWCAP, Inc. as of December 31, 2012, and the related statements of activities and cash flows for the years ended December 31, 2012, and we expressed an unqualified opinion on those financial statements. In our opinion, the prior year expenses included on the schedule of emergency furnace by contract and weatherization budget to actual comparison are fairly presented, in all material respects, in relation to the financial statements from which it has been derived.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, on our consideration of NEWCAP, Inc.'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* in considering NEWCAP, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

June 9, 2014

Madison, Wisconsin

# NEWCAP, Inc. and Subsidiary

## Consolidated Statements of Financial Position December 31, 2013 and 2012

<i>Assets</i>	<b>2013</b>	<b>2012</b>
Current assets:		
Cash and cash equivalents	\$ 828,963	\$ 911,712
Grants receivable	432,169	500,712
Accounts receivable	16,149	23,920
Weatherization inventory	230,158	189,029
Other assets	238,700	174,388
<b>Total current assets</b>	<b>1,746,139</b>	<b>1,799,761</b>
Loans receivable, related party	821,225	0
Property and equipment, net	3,485,567	3,718,565
<b>TOTAL ASSETS</b>	<b>\$ 6,052,931</b>	<b>\$ 5,518,326</b>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 156,985	\$ 93,522
Accrued payroll and related expenses	195,496	265,791
Escrow payable	1,741	4,718
Grant funds received in advance	88,642	393,943
<b>Total current liabilities</b>	<b>442,864</b>	<b>757,974</b>
Long-term liabilities		
Loan payable	408,000	0
Weatherization advance	34,253	34,253
<b>Total long-term liabilities</b>	<b>442,253</b>	<b>34,253</b>
<b>Total liabilities</b>	<b>885,117</b>	<b>792,227</b>
Net assets:		
Unrestricted net assets:		
Unrestricted	1,754,548	1,647,675
Unrestricted - Grant funded equipment	1,393,446	1,663,071
<b>Total unrestricted net assets</b>	<b>3,147,994</b>	<b>3,310,746</b>
Temporarily restricted	2,019,820	1,415,353
<b>Total net assets</b>	<b>5,167,814</b>	<b>4,726,099</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,052,931</b>	<b>\$ 5,518,326</b>

See accompanying notes to consolidated financial statements.

# NEWCAP, Inc. and Subsidiary

## Consolidated Statements of Activities

Years Ended December 31, 2013 and 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 10,070,509	\$ 413,225	\$ 10,483,734
Program income	1,162,023	315,283	1,477,306
Rental income	129,460	0	129,460
Donations	46,524	17,688	64,212
Other income	132,575	0	132,575
Net assets released from restriction through satisfaction of program restrictions	141,729	( 141,729)	0
<b>Total revenue</b>	<b>11,682,820</b>	<b>604,467</b>	<b>12,287,287</b>
Program expenses:			
Community services	880,839	0	880,839
Weatherization	6,254,423	0	6,254,423
Job training	263,805	0	263,805
Food services	1,109,931	0	1,109,931
Health and welfare	1,240,212	0	1,240,212
Housing	1,289,996	0	1,289,996
Corporate programs	44,415	0	44,415
<b>Total program expenses</b>	<b>11,083,621</b>	<b>0</b>	<b>11,083,621</b>
Management and general expenses	761,951	0	761,951
<b>Total expenses</b>	<b>11,845,572</b>	<b>0</b>	<b>11,845,572</b>
Changes in net assets	( 162,752)	604,467	441,715
Net assets - Beginning of year	3,310,746	1,415,353	4,726,099
<b>Net assets - End of year</b>	<b>\$ 3,147,994</b>	<b>\$ 2,019,820</b>	<b>\$ 5,167,814</b>

See accompanying notes to financial consolidated statements.

	<b>2012</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue:</b>			
Grant revenue	\$ 10,557,461	\$ 94,313	\$ 10,651,774
Program income	1,111,192	581,616	1,692,808
Rental income	123,404	0	123,404
Donations	37,824	32,331	70,155
Other income	89,143	0	89,143
Net assets released from restriction through satisfaction of program restrictions	0	0	0
<b>Total revenue</b>	<b>11,919,024</b>	<b>708,260</b>	<b>12,627,284</b>
<b>Program expenses:</b>			
Community services	948,450	0	948,450
Weatherization	6,435,778	0	6,435,778
Job training	155,674	0	155,674
Food services	636,738	0	636,738
Health and welfare	1,272,870	0	1,272,870
Housing	1,667,637	0	1,667,637
Corporate programs	311,977	0	311,977
<b>Total program expenses</b>	<b>11,429,124</b>	<b>0</b>	<b>11,429,124</b>
Management and general expenses	717,130	0	717,130
<b>Total expenses</b>	<b>12,146,254</b>	<b>0</b>	<b>12,146,254</b>
Changes in net assets	( 227,230)	708,260	481,030
Net assets - Beginning of year	3,537,976	707,093	4,245,069
<b>Net assets - End of year</b>	<b>\$ 3,310,746</b>	<b>\$ 1,415,353</b>	<b>\$ 4,726,099</b>



# NEWCAP, Inc. and Subsidiary

## Consolidated Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	2013	2012
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Changes in net assets	\$ 441,715	\$ 481,030
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	314,307	316,928
Loss on disposal of property and equipment	5,004	6,166
Changes in operating assets and liabilities:		
Grants receivable	68,543	( 160,635)
Accounts receivable	7,771	30,239
Weatherization inventory	( 41,129)	195,632
Other assets	( 64,312)	( 12,498)
Accounts payable	63,463	( 27,568)
Accrued payroll and related expenses	( 70,295)	146,669
Escrow payable	( 2,977)	410
Grant funds received in advance	( 305,301)	( 329,109)
Net cash provided by operating activities	416,789	647,264
Cash flows from investing activities:		
Proceeds on sale of property and equipment	59,247	13,027
Capital expenditures	( 145,560)	( 503,266)
Issuance of loan receivable	( 821,225)	0
Net cash used in investing activities	( 907,538)	( 490,239)
Cash flows from financing activities:		
Proceeds from loan payable	408,000	0
Net cash provided by financing activities	408,000	0
Changes in cash and cash equivalents	( 82,749)	157,025
Cash and cash equivalents - Beginning of the year	911,712	754,687
Cash and cash equivalents - End of the year	\$ 828,963	\$ 911,712
<b>Supplemental schedule of other cash activity:</b>		
Interest paid and expensed	\$ 0	\$ 1,761
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Property disposed of through debt satisfaction	0	100,000

See accompanying notes to consolidated financial statements.

# NEWCAP, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### **Note 1            Summary of Significant Accounting Policies**

#### **Nature of Operations**

NEWCAP, Inc. (NEWCAP) was organized as nonprofit corporation in 1965. NEWCAP was formed to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs throughout Northeast Wisconsin. NEWCAP is primarily supported through federal and state government grants. In 2013 and 2012, approximately 52% and 55%, respectively, of NEWCAP's revenue was received directly from the Department of Administration for its weatherization programs.

In November 2011, NEWCAP formed The Village on Water MM, LLC and acquired a 51% ownership of the entity. The entity was established to manage a low-income housing tax credit project. There was no activity for this entity in 2012.

In November 2012, NEWCAP formed Newcap Village on Water, LLC (LLC), a wholly owned subsidiary. The LLC was established to be a member in a low-income housing tax credit project. This entity did not have any activity in 2013 or 2012.

#### **Basis of Presentation**

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

#### **Principles of Consolidation**

The consolidated financial statements are consolidated and include the accounts of NEWCAP, Newcap Village on Water LLC, and The Village on Water MM, LLC, (the "Organizations"). All material intercompany transactions and accounts are eliminated in the consolidation.

#### **Classification of Net Assets**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organizations and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

# NEWCAP, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies (Continued)**

#### **Classification of Net Assets (Continued)**

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organizations do not have any permanently restricted net assets.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Revenue Recognition**

Contributions are recognized when the donor makes an unconditional promise to give to the Organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as released from restrictions. If a restriction is satisfied in the year of contribution, the contribution is recorded as unrestricted revenue.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Program income represents amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance.

Rental income represents income received from various sources for use of property or space owned by the Organizations. This income is recognized in the period in which it is earned.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

# NEWCAP, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies (Continued)**

#### **Revenue Recognition (Continued)**

##### **A. Grant Awards That Are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

##### **B. Grant Awards That Are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

#### **Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Organizations consider all highly liquid debt or equity instruments with a maturity of three month or less to be cash equivalents.

#### **Accounts Receivable**

Accounts receivable represent amounts due from entities for various services performed by the Organizations. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on history with customers having outstanding balances and current relationships with them, management has concluded that the accounts are collectible. Therefore, no allowance has been recorded as of December 31, 2013 and 2012.

#### **Inventory**

Weatherization inventory—Weatherization materials, crew, and contractor labor are expensed in the accounting period when the unit weatherized is claimed as a completed unit. A completed unit represents a dwelling that has received weatherization services within the limits established in the weatherization contract, the final inspection has been performed, and the owner sign-off has been obtained. Weatherization materials inventory is stated at the lower of cost (first-in, first-out) or market.

# NEWCAP, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies (Continued)**

#### **Loans Receivable from The Village**

Loans made to The Village on Water, LLC (The Village) are recorded as loans receivable at the amount of unpaid principal. Management evaluates the collectability of loans receivable based on the financial condition of the company. NEWCAP has collateral in the form of a subordinated position on the rental property.

#### **Loans Receivable**

NEWCAP received HOME grant awards to help low-income homebuyers for downpayment assistance, closing cost or to bring their homes up to housing quality standards. Assistance is in the form of a no-interest deferred loan. The loan is payable at the earliest of debt refinancing, the sale, transfer, or reassignment of the property or death of the participant. In most cases, NEWCAP is the second or third mortgagee. As a result, NEWCAP does not expect to collect on the loans to the participants and has chosen to record the loans with a 100% allowance. Any loans repaid must be used for similar activity. The balance of the loans and allowance as of December 31, 2013, was \$2,342,030.

#### **Property and Equipment**

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. The Organizations capitalizes property and equipment purchased with a cost greater than \$5,000 and a useful life of more than one year. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

If there are no donor restrictions regarding how long a donated asset must be maintained, the Organizations report expirations of donor restrictions when the donated assets are placed in service.

Property and equipment purchased with grant funds are owned by the Organizations while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Their disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of property and equipment purchased with grant funds is \$1,393,446 and \$1,663,071 at December 31, 2013 and 2012, respectively.

# NEWCAP, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies (Continued)**

#### **Income Taxes**

NEWCAP is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise and income tax.

Newcap Village on Water, LLC is a wholly owned subsidiary that is treated as disregarded entity for tax purposes. The activity of the LLC is included in NEWCAP's tax return.

The Village on Water MM, LLC is a Wisconsin Limited Liability Company that is taxed as a partnership.

The Organizations are required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the years ended 2010 and thereafter remain subject to examination by the Internal Revenue Service. Federal returns for the current year have not been filed as of the date of this report.

#### **Cost Allocation**

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective.

#### **Subsequent Events**

Subsequent events have been evaluated through June 9, 2014, which is the date the consolidated financial statements were available to be issued.

### **Note 2**      **Concentration of Credit Risk**

The Organizations maintain their cash balances at one financial institution. Balances in the bank accounts are insured by Federal Deposit Insurance Corporation (FDIC) coverage up to \$250,000. At times during the year, balances in these accounts may exceed the insurance limits. Management believes the financial institution has a strong credit rating and credit risk related to these deposits is minimal.

# NEWCAP, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 3 Grants Receivable

This balance consists of amounts due from various agencies as follows:

	<u>2013</u>	<u>2012</u>
Federal programs	\$ 398,062	\$ 463,651
State, local, and other programs	34,107	37,061
<u>Total grants receivable</u>	<u>\$ 432,169</u>	<u>\$ 500,712</u>

### Note 4 Related Party Transactions Loans Receivable from LLC

NEWCAP has entered into two limited liability corporations for the development and management of a low-income housing project in the City of Marinette.

#### The Village on Water MM, LLC

The Village on Water MM, LLC (Managing Member) was formed on November 14, 2011 to manage the low-income housing project. NEWCAP is a member of The Managing Member. The Managing Member is owned as follows:

NEWCAP	51.00%
Commonwealth Management Corporation	49.00%
<u>Total</u>	<u>100.00%</u>

Profits and losses will be shall be allocated as follows:

NEWCAP	15.00%
Commonwealth Management Corporation	85.00%
<u>Total</u>	<u>100.00%</u>

#### The Village on Water, LLC

The Village on Water, LLC (The Village) was formed on November 14, 2011, to develop the low-income housing project. The Village is owned as follows:

NEWCAP - HOME Managing Member	0.00%
USA Village on Water, LLC - Investor Member	99.99%
The Village on Water MM, LLC - Managing Member	0.01%
<u>Total</u>	<u>100.00%</u>

The Village is constructing 48 units of multifamily apartments in Marinette, Wisconsin. In accordance with the terms of the HOME program award (#RHD-1129), one unit is affordable to households at or below 30% of the County Median Income (CMI), ten of the units are affordable to households at or below 50% of CMI. The affordability requirement for the project is to be maintained for 20 years.

# NEWCAP, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### **Note 4**      **Related Party Transactions (Continued)** **Loans Receivable from The Village (Continued)**

#### **The Village on Water, LLC (Continued)**

NEWCAP received a HOME Rental Housing Development grant award from the State of Wisconsin, Department of Administration. The grant was for \$517,275, of which \$470,250 was project funds and \$47,025 was operational funding. The funds were awarded to NEWCAP as a Community Housing Development Organization (CHDO) for the development of 11 affordable housing units for low-income in The Village.

Of the HOME Rental Housing Development award, \$470,250 is to be loaned to the project at a 1% interest rate. Interest is due April 1 each year and subject to the availability of cash flow. Interest not paid each year is due at the end of the loan. As of December 31, 2013, \$413,225 of the project funds has been loaned to The Village. The loan principal and any unpaid interest are to be paid on April 1, 2043. NEWCAP may use the repaid loan funds for other housing projects. No allowance for uncollectible receivables has been recorded as of December 31, 2013.

In addition, NEWCAP received an Affordable Housing Program (AHP) subsidy from the Federal Home Loan Bank of Chicago in the amount of \$408,000. The subsidy has a 10-year retention period. NEWCAP loaned the funds to The Village at 0% interest. The loan principal is to be paid on December 1, 2042. If not paid at maturity, it will bear a 4% interest rate. No allowance for uncollectible receivables has been recorded as of December 31, 2013.

The loans receivable from The Village consist of the following:

	<u>2013</u>	<u>2012</u>
HOME funds	\$ 413,225	\$ 0
AHP funds	408,000	0
<b>Total loans receivable from LLC</b>	<b>\$ 821,225</b>	<b>\$ 0</b>

All of the notes receivable listed above are considered in the housing development class for evaluation purposes. NEWCAP regularly evaluates various attributes of loans to determine the appropriateness of the allowance for uncollectible amounts. This class of loans is generally evaluated based on the performance of the partnership and whether the loans are performing with the contractual terms of the agreement. NEWCAP has not identified any housing development loans that are nonperforming. In addition, NEWCAP has not identified any loans that are past due according to the contractual terms; therefore, no loans have been placed on nonaccrual status. NEWCAP has not had to grant any concessions to borrowers as troubled debt restructuring due to financial difficulties and has not individually evaluated certain loans for impairment.



# NEWCAP, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 5 Property and Equipment

A summary of property and equipment is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 140,664	\$ 133,664
Buildings and improvements	4,116,505	4,070,874
Equipment	1,143,351	1,143,351
Vehicles	108,472	84,485
Total	5,508,992	5,432,374
Accumulated depreciation	( 2,023,425)	( 1,713,809)
Property and equipment, net	<u>\$3,485,567</u>	<u>\$ 3,718,565</u>

### Note 6 Weatherization Inventory

A summary of weatherization inventory is as follows:

	<u>2013</u>	<u>2012</u>
Jobs in progress	\$ 32,389	\$ 16,137
Nonexpendable inventory	191,325	165,308
Expendable inventory	6,444	7,584
Total weatherization inventory	<u>\$ 230,158</u>	<u>\$ 189,029</u>

### Note 7 Loan Payable

A summary of loan payable is as follows:

	<u>2013</u>	<u>2012</u>
Affordable Housing Program subsidy from the Federal Home Loan Bank of Chicago. The subsidy has a 15-year retention period. The note bears interest at 0% and principal and interest is repayable upon sale of the property during the retention period.	\$ 408,000	\$ 0
Total loan payable	<u>\$ 408,000</u>	<u>\$ 0</u>

### Note 8 Line of Credit

NEWCAP had a \$700,000 line of credit with Associated Bank of Wisconsin. The line of credit expired March 2013 and was not renewed. Interest is accrued on outstanding balances at prime plus .25% with a floor of 4.5% for December 31, 2012. As of December 31, 2012, the line of credit was paid in full and there were no outstanding draws.

### Note 9 Operating Leases

NEWCAP leases various facilities for operation of its programs. Rent expense for the year ended December 31, 2013 and 2012, was \$43,943 and \$68,612, respectively. Future minimum lease payments on leases having terms beyond December 31, 2013, are as follows:

2014	\$ 12,821
2015	5,254
Total	<u>\$ 18,075</u>

# NEWCAP, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 10 Temporarily Restricted Net Assets

The temporarily restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Transportation and auto loans	\$ 275,073	\$ 381,880
Housing program	509,913	123,813
Furnace program	0	7,797
Food program	87,063	69,375
Family planning	1,147,771	832,488
<u>Total temporarily restricted net assets</u>	<u>\$ 2,019,820</u>	<u>\$ 1,415,353</u>

### Note 11 Grant Awards

At December 31, 2013, NEWCAP had commitments under various grants of approximately \$3,109,000. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

### Note 12 Retirement Plan

NEWCAP has a defined contribution retirement plan authorized under Section 403(b) of the Internal Revenue Code. The plan is open to all employees who have been employed for nine months and who work a minimum of 1,560 hours per year. The plan requires that NEWCAP match 1% of gross wages for every qualified employee that contributes 1% of gross wages. The plan also provides that NEWCAP can make additional contributions at the discretion of the Board of Directors. The retirement benefits vest immediately. The employer's contribution for the year ended December 31, 2013 and 2012, was \$311,212 and \$328,783, respectively.

### Note 13 Government Funding Contingency

NEWCAP receives a significant portion of their source of funds from federal, state, and local government funding. As such, NEWCAP is subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies. NEWCAP is also subject to funding source monitoring in relation to program compliance with grants and contracts. These monitoring reports from time-to-time may identify practices for which costs might be repayable to the funding source. Any potential liability for reimbursement, which may arise as a result of such audits, is not believed, by NEWCAP's management, to be material.

### Note 14 Commitments

NEWCAP received a HOME program agreement effective January 1, 2012 through December 31, 2013, in the amount of \$517,275 for which the grant proceeds will be loaned to a low-income housing partnership. Funds in the amount of \$413,225 have been received and loaned as of December 31, 2013. NEWCAP has committed to lend \$57,025 to the low-income housing partnership in 2014.

# **Supplementary Information**

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# NEWCAP, Inc.

## Schedule A-1 Schedule of Program Activity Year Ended December 31, 2013

	FEDERAL PROGRAMS								
	Department of Agriculture (Dept. of Ag.)								
	10.561				10.568			10.569	
	WISCAP Job and Business Dev. Program (1)	12/13 WISCAP Skills Enhance. Program (2)	13/14 WISCAP Skills Enhance. Program (3)	10.561 Subtotal	12/13 Temporary Emergency Food Assist. Program #70010 (4)	13/14 Temporary Emergency Food Assist. Program #70010 (5)	10.568 Subtotal	Commodity Food Distribution (6)	Total
<b>REVENUE</b>									
Grant revenue	\$ 10,483,734	\$ 17,160	\$ 3,401	\$ 6,326	\$ 26,887	\$ 54,139	\$ 26,094	\$ 80,233	\$ 1,103,797
Program income	1,477,306	0	0	0	0	0	0	0	0
Rental income	129,460	0	0	0	0	0	0	0	0
Donations	64,212	0	0	2,032	2,032	0	0	0	2,204
Other income	132,575	2,172	0	0	2,172	0	0	0	0
<b>Total Revenue</b>	<b>12,287,287</b>	<b>19,332</b>	<b>3,401</b>	<b>8,358</b>	<b>31,091</b>	<b>54,139</b>	<b>26,094</b>	<b>80,233</b>	<b>1,106,001</b>
<b>EXPENSES</b>									
Personnel	5,764,124	28,160	5,992	5,544	39,696	44,230	14,846	59,076	0
Consultants and contract labor	97,921	412	121	50	583	1,251	151	1,402	0
Travel/transportation	307,004	88	158	64	310	13,448	2,257	15,705	0
Space and utilities	167,310	597	38	36	671	9,137	2,917	12,054	0
Consumable supplies	281,519	125	31	24	180	435	148	583	0
Repairs/maintenance	153,945	187	25	57	269	6,868	2,484	9,352	0
Depreciation	314,307	0	0	0	0	4,362	1,454	5,816	0
Interest	13	0	0	0	0	0	0	0	0
Equipment	54,248	49	30	1	80	4,116	7	4,123	0
Other	274,648	787	122	85	994	4,351	1,831	6,182	0
Weatherization materials/fuel assistance	2,108,230	0	0	0	0	0	0	0	0
Program support**	0	( 11,073)	( 8,616)	0	( 19,689)	( 34,059)	( 1)	( 34,060)	0
Transfers	0	0	0	0	0	0	0	0	0
Beneficiary assistance	1,216,302	0	5,500	2,497	7,997	0	0	0	0
Commodity food	1,106,001	0	0	0	0	0	0	0	1,106,001
<b>Total Expenses</b>	<b>11,845,572</b>	<b>19,332</b>	<b>3,401</b>	<b>8,358</b>	<b>31,091</b>	<b>54,139</b>	<b>26,094</b>	<b>80,233</b>	<b>1,106,001</b>
<b>Increase in Net Assets</b>	441,715	0	0	0	0	0	0	0	0
Net assets - Beginning of Year	4,726,099	0	0	0	0	0	0	0	0
<b>NET ASSETS - End of Year</b>	<b>\$ 5,167,814</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

\*\* This represents CSBG support provided to other programs.

# NEWCAP, Inc.

## Schedule A-2 Schedule of Program Activity Year Ended December 31, 2013

Dept. of Ag.	FEDERAL PROGRAMS								
	Department of Housing and Urban Development								
	14.228	14.231				14.239			
10.568 and 10.569 Cluster Subtotal	Neighborhood Stabilization Program NSP 09-19 (7)	ESG/ RAPID RE-HOUSING Grant RRH11-06 (8)	ESG/ THG Grant ETH12-14 (9)	ESG/ THG Grant ETH13-15 (10)	14.231 Subtotal	Tenant Based Rental Assistance TBRA 12.05 (11)	Tenant Based Rental Assistance TBRA 13.04 (12)	HOME Rental Housing Dev. Program RHDC 1309 (13)	
<b>REVENUE</b>									
Grant revenue	\$ 1,184,030	\$ 17,306	\$ 13,428	\$ 59,354	\$ 88,894	\$ 161,676	\$ 39,827	\$ 21,994	\$ 65,450
Program income	0	124,236	0	0	0	0	0	0	0
Rental income	0	0	0	0	0	0	0	0	0
Donations	2,204	0	0	0	0	0	0	0	0
Other income	0	5,163	0	296	30	326	0	0	0
<b>Total Revenue</b>	<b>1,186,234</b>	<b>146,705</b>	<b>13,428</b>	<b>59,650</b>	<b>88,924</b>	<b>162,002</b>	<b>39,827</b>	<b>21,994</b>	<b>65,450</b>
<b>EXPENSES</b>									
Personnel	59,076	73,874	24,035	35,151	35,157	94,343	23,365	11,221	0
Consultants and contract labor	1,402	929	552	2,819	244	3,615	2,326	72	0
Travel/transportation	15,705	6,647	2,033	2,062	3,580	7,675	3,949	1,206	0
Space and utilities	12,054	26,371	158	228	198	584	592	234	0
Consumable supplies	583	326	731	1,199	137	2,067	993	46	0
Repairs/maintenance	9,352	55,879	101	142	325	568	642	197	65,450
Depreciation	5,816	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0
Equipment	4,123	1,033	114	150	5	269	49	2	0
Other	6,182	8,771	1,529	1,811	1,131	4,471	1,585	430	0
Weatherization materials/fuel assistance	0	0	0	0	0	0	0	0	0
Program support**	( 34,060)	0	( 29,091)	( 25,697)	( 697)	( 55,485)	( 29,880)	( 11,154)	0
Transfers	0	0	0	0	0	0	0	0	0
Beneficiary assistance	0	0	13,266	41,785	48,844	103,895	36,206	19,740	0
Commodity food	1,106,001	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>1,186,234</b>	<b>173,830</b>	<b>13,428</b>	<b>59,650</b>	<b>88,924</b>	<b>162,002</b>	<b>39,827</b>	<b>21,994</b>	<b>65,450</b>
<b>Increase in Net Assets</b>	0	( 27,125)	0	0	0	0	0	0	0
Net assets - Beginning of Year	0	123,813	0	0	0	0	0	0	0
<b>NET ASSETS - End of Year</b>	<b>\$ 0</b>	<b>\$ 96,688</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

\*\* This represents CSBG support provided to other programs.

# NEWCAP, Inc.

## Schedule A-3 Schedule of Program Activity Year Ended December 31, 2013

	FEDERAL PROGRAMS								Dept. of Labor 17,258
	Department of Housing and Urban Development							14,871	
	14,239			14,267	14,871				
HOME Homebuyer & Rehab Prog. Contract HHR10.13 (14)	HOME Homebuyer & Rehab Prog. Contract HHR12.09 (15)	Village on the Waters RHDC-1129 (16)	14,239 Subtotal	Supportive Housing Program (17)	ADVOCAP Refugee Services (18)	Section 8 Housing Voucher WHEDA #904 (19)	14,871 Subtotal	Workforce Investment Act Youth (20)	
<b>REVENUE</b>									
Grant revenue	\$ 10,426	\$ 68,235	\$ 454,547	\$ 660,479	\$ 103,898	\$ 51,933	\$ 682,305	\$ 734,238	\$ 71,976
Program income	3,601	42,927	0	46,528	6,335	0	0	0	0
Rental income	0	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0	0
Other income	9,537	3	33	9,573	0	11,247	( 10,501)	746	0
<b>Total Revenue</b>	<b>23,564</b>	<b>111,165</b>	<b>454,580</b>	<b>716,580</b>	<b>110,233</b>	<b>63,180</b>	<b>671,804</b>	<b>734,984</b>	<b>71,976</b>
<b>EXPENSES</b>									
Personnel	4,700	2,474	0	41,760	39,635	73,344	140,185	213,529	30,648
Consultants and contract labor	50	143	413,225	415,816	556	1,157	4,231	5,388	348
Travel/transportation	238	1,823	0	7,216	9,387	1,774	11,176	12,950	783
Space and utilities	197	133	0	1,156	1,061	5,123	1,125	6,248	1,033
Consumable supplies	85	144	0	1,268	987	953	2,506	3,459	147
Repairs/maintenance	19	74	0	66,382	707	468	1,149	1,617	191
Depreciation	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0
Equipment	51	1	0	103	12	209	1,755	1,964	92
Other	322	1,304	0	3,641	2,848	3,922	9,376	13,298	1,605
Weatherization materials/fuel assistance	0	0	0	0	0	0	0	0	0
Program support**	12,047	( 181)	0	( 29,168)	0	( 23,770)	( 109,899)	( 133,669)	( 4,138)
Transfers	0	0	41,355	41,355	0	0	0	0	0
Beneficiary assistance	5,855	105,250	0	167,051	55,040	0	610,200	610,200	41,267
Commodity food	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>23,564</b>	<b>111,165</b>	<b>454,580</b>	<b>716,580</b>	<b>110,233</b>	<b>63,180</b>	<b>671,804</b>	<b>734,984</b>	<b>71,976</b>
<b>Increase in Net Assets</b>	0	0	0	0	0	0	0	0	0
Net assets - Beginning of Year	0	0	0	0	0	0	0	0	0
<b>NET ASSETS - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

\*\* This represents CSBG support provided to other programs.

# NEWCAP, Inc.

## Schedule A-4 Schedule of Program Activity Year Ended December 31, 2013

	FEDERAL PROGRAMS								
	Department of Labor			Department of Transportation			Department of Energy		
	17.259	17.278		20.516	20.521		81.042		
Workforce Investment Act Adult (21)	Workforce Investment Act Dislocated (22)	17.258, 17.259, 17.278 Cluster Subtotal	Wisconsin Employment Transportation Assistance Program (23)	New Freedom Program (24)	20.516 and 20.521 Cluster Subtotal	Weath. Assistance AD129614.13 (25)	Weath. Assistance AD139692.13 (26)	81.042 Subtotal	
<b>REVENUE</b>									
Grant revenue	\$ 119,955	\$ 90,009	\$ 281,940	\$ 0	\$ 67,673	\$ 67,673	\$ 398,197	\$ 158,466	\$ 556,663
Program income	0	0	0	59,538	0	59,538	0	0	0
Rental income	0	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0	0
Other income	0	0	0	129	433	562	0	357	357
<b>Total Revenue</b>	<b>119,955</b>	<b>90,009</b>	<b>281,940</b>	<b>59,667</b>	<b>68,106</b>	<b>127,773</b>	<b>398,197</b>	<b>158,823</b>	<b>557,020</b>
<b>EXPENSES</b>									
Personnel	54,127	64,985	149,760	62,849	68,259	131,108	249,914	108,430	358,344
Consultants and contract labor	68	553	969	806	818	1,624	3,746	861	4,607
Travel/transportation	895	2,081	3,759	4,021	3,807	7,828	12,561	4,658	17,219
Space and utilities	973	2,759	4,765	1,490	1,530	3,020	1,969	631	2,600
Consumable supplies	37	365	549	332	357	689	4,324	1,671	5,995
Repairs/maintenance	44	177	412	677	443	1,120	1,250	976	2,226
Depreciation	0	0	0	0	0	0	228	98	326
Interest	0	0	0	0	0	0	0	0	0
Equipment	3	19	114	3,465	132	3,597	1,079	59	1,138
Other	1,043	1,765	4,413	2,646	2,244	4,890	6,785	2,683	9,468
Weatherization materials/fuel assistance	0	0	0	0	0	0	116,341	38,756	155,097
Program support**	( 927)	( 646)	( 5,711)	0	( 9,484)	( 9,484)	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Beneficiary assistance	63,692	17,951	122,910	90,188	0	90,188	0	0	0
Commodity food	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>119,955</b>	<b>90,009</b>	<b>281,940</b>	<b>166,474</b>	<b>68,106</b>	<b>234,580</b>	<b>398,197</b>	<b>158,823</b>	<b>557,020</b>
<b>Increase in Net Assets</b>	0	0	0	( 106,807)	0	( 106,807)	0	0	0
Net assets - Beginning of Year	0	0	0	381,880	0	381,880	0	0	0
<b>NET ASSETS - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 275,073</b>	<b>\$ 0</b>	<b>\$ 275,073</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

\*\* This represents CSBG support provided to other programs.

# NEWCAP, Inc.

## Schedule A-5 Schedule of Program Activity Year Ended December 31, 2013

FEDERAL PROGRAMS									
Department of Health and Human Services									
93.568									
	Weath. Assistance AD129614.13 (27)	Weath. Assistance Non-emergency Furnace AD129614.13 (28)	Emergency Furnace 2012/2013 AD129614.13 (29)	Weath. Assistance AD139692.13 (30)	Weath. Assistance Non-emergency Furnace AD139692.13 (31)	Emergency Furnace 2013/2014 AD139692.13 (32)	12/13 Forest County WHEAP M21000 (33)	13/14 Forest County WHEAP M21000 (34)	93.568 Subtotal
<b>REVENUE</b>									
Grant revenue	\$ 388,787	\$ 3,451	\$ 30,077	\$ 556,526	\$ 592	\$ 4,372	\$ 19,114	\$ 11,375	\$ 1,014,294
Program income	0	0	0	26,700	0	0	0	0	26,700
Rental income	0	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0	0
Other income	0	0	0	1,255	0	0	0	0	1,255
<b>Total Revenue</b>	<b>388,787</b>	<b>3,451</b>	<b>30,077</b>	<b>584,481</b>	<b>592</b>	<b>4,372</b>	<b>19,114</b>	<b>11,375</b>	<b>1,042,249</b>
<b>EXPENSES</b>									
Personnel	245,742	346	4,345	399,030	319	490	33,952	11,594	695,818
Consultants and contract labor	3,683	0	51	3,168	0	2	566	146	7,616
Travel/transportation	12,352	18	123	17,143	45	30	1,133	261	31,105
Space and utilities	1,936	0	14	2,322	0	1	1,165	353	5,791
Consumable supplies	4,252	0	14	6,152	0	1	198	102	10,719
Repairs/maintenance	1,229	0	12	3,592	0	2	765	197	5,797
Depreciation	225	0	0	361	0	0	0	0	586
Interest	0	0	0	0	0	0	0	0	0
Equipment	1,061	0	13	216	0	0	102	4	1,396
Other	6,672	0	68	9,872	0	5	1,530	583	18,730
Weatherization materials/fuel assistance	111,635	3,087	25,437	142,625	228	3,841	0	0	286,853
Program support**	0	0	0	0	0	0	( 20,297)	( 1,865)	( 22,162)
Transfers	0	0	0	0	0	0	0	0	0
Beneficiary assistance	0	0	0	0	0	0	0	0	0
Commodity food	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>388,787</b>	<b>3,451</b>	<b>30,077</b>	<b>584,481</b>	<b>592</b>	<b>4,372</b>	<b>19,114</b>	<b>11,375</b>	<b>1,042,249</b>
<b>Increase in Net Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net assets - Beginning of Year	0	0	0	0	0	0	0	0	0
<b>NET ASSETS - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

\*\* This represents CSBG support provided to other programs.



# NEWCAP, Inc.

## Schedule A-6 Schedule of Program Activity Year Ended December 31, 2013

	FEDERAL PROGRAMS						STATE PROGRAMS		
	Dept. of Health & Human Services		Department of Homeland Security				Total Federal Programs	Weatherization Public Benefits AD129614.13 (40)	Weatherization Public Benefits Non-emergency Furnace AD129614.13 (41)
	93.569	93.994	97.024						
	Community Services Block Grant (35)	Maternal & Child Health Block Grant (36)	Emergency Food & Shelt. Program Oconto Co. 29-9200-00 (37)	Emergency Food & Shelt. Program Forest Co. 29-9146-00 (38)	Emergency Food & Shelt. Program Marinette Co. 29-9184-00 (39)	97.024 Subtotal			
<b>REVENUE</b>									
Grant revenue	\$ 451,372	\$ 297,962	\$ 6,120	\$ 4,493	\$ 5,189	\$ 15,802	\$ 5,574,220	\$ 2,228,690	\$ 48,607
Program income	72	1,256,824	0	0	0	0	1,520,233	0	0
Rental income	0	0	0	0	0	0	0	0	0
Donations	0	278	0	0	0	0	4,514	0	0
Other income	321	67,736	1	0	0	1	88,212	4,158	0
<b>Total Revenue</b>	<b>451,765</b>	<b>1,622,800</b>	<b>6,121</b>	<b>4,493</b>	<b>5,189</b>	<b>15,803</b>	<b>7,187,179</b>	<b>2,232,848</b>	<b>48,607</b>
<b>EXPENSES</b>									
Personnel	70,995	888,989	417	141	447	1,005	2,857,932	1,401,742	24,231
Consultants and contract labor	1,682	32,127	3	1	4	8	476,922	21,011	0
Travel/transportation	11,605	26,971	0	0	0	0	158,377	70,456	1,242
Space and utilities	4,361	45,912	11	4	20	35	114,629	11,041	0
Consumable supplies	3,074	201,174	1	1	1	3	231,073	24,251	13
Repairs/maintenance	4,314	35,796	5	3	9	17	184,456	7,011	0
Depreciation	0	0	0	0	0	0	6,728	1,281	0
Interest	0	0	0	0	0	0	0	0	0
Equipment	767	19,109	0	0	0	0	33,705	6,053	0
Other	18,654	57,439	32	16	40	88	153,887	38,059	0
Weatherization materials/fuel assistance	0	0	0	0	0	0	441,950	651,943	23,121
Program support**	329,130	0	( 468)	( 2,116)	( 521)	( 3,105)	16,597	0	0
Transfers	0	0	0	0	0	0	41,355	0	0
Beneficiary assistance	7,183	0	6,120	6,443	5,189	17,752	1,182,216	0	0
Commodity food	0	0	0	0	0	0	1,106,001	0	0
<b>Total Expenses</b>	<b>451,765</b>	<b>1,307,517</b>	<b>6,121</b>	<b>4,493</b>	<b>5,189</b>	<b>15,803</b>	<b>7,005,828</b>	<b>2,232,848</b>	<b>48,607</b>
<b>Increase in Net Assets</b>	0	315,283	0	0	0	0	181,351	0	0
Net assets - Beginning of Year	0	832,488	0	0	0	0	1,338,181	0	0
<b>NET ASSETS - End of Year</b>	<b>\$ 0</b>	<b>\$ 1,147,771</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,519,532</b>	<b>\$ 0</b>	<b>\$ 0</b>

\*\* This represents CSBG support provided to other programs.

# NEWCAP, Inc.

## Schedule A-7 Schedule of Program Activity Year Ended December 31, 2013

	STATE PROGRAMS				LOCAL PROGRAMS				
	Emergency Furnace 2012/2013 AD129614.13 (42)	Weatherization Public Benefits AD139692.13 (43)	Weatherization Public Benefits Non-emergency Furnace AD139692.13 (44)	Emergency Furnace 2013/2014 AD139692.13 (45)	State Subtotal	Donation Fund (46)	Job Center (47)	Housing Counseling (48)	Health Care Education Training (HCET) Colposcopy Grant (49)
<b>REVENUE</b>									
Grant revenue	\$ 324,131	\$ 2,058,374	\$ 24,897	\$ 224,815	\$ 4,909,514	\$ 0	\$ 0	\$ 0	\$ 0
Program income	0	0	0	0	0	0	0	0	0
Rental income	0	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	52,428	0	0	0
Other income	0	4,639	0	0	8,797	0	0	1	17,954
<b>Total Revenue</b>	<b>324,131</b>	<b>2,063,013</b>	<b>24,897</b>	<b>224,815</b>	<b>4,918,311</b>	<b>52,428</b>	<b>0</b>	<b>1</b>	<b>17,954</b>
<b>EXPENSES</b>									
Personnel	47,958	1,408,439	13,425	25,195	2,920,990	0	0	12,282	0
Consultants and contract labor	562	11,181	0	109	32,863	0	0	146	0
Travel/transportation	1,354	60,509	1,867	1,567	136,995	0	39	2,257	0
Space and utilities	157	8,194	0	63	19,455	0	559	86	0
Consumable supplies	154	21,713	0	70	46,201	0	0	47	4,510
Repairs/maintenance	135	12,678	0	103	19,927	0	395	73	0
Depreciation	0	1,274	0	0	2,555	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0
Equipment	140	761	0	3	6,957	0	0	36	13,425
Other	747	34,846	0	233	73,885	654	469	209	19
Weatherization materials/fuel assistance	280,721	503,418	9,605	197,472	1,666,280	0	0	0	0
Program support**	0	0	0	0	0	0	( 1,462)	( 15,135)	0
Transfers	0	0	0	0	0	0	0	0	0
Beneficiary assistance	0	0	0	0	0	34,086	0	0	0
Commodity food	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>331,928</b>	<b>2,063,013</b>	<b>24,897</b>	<b>224,815</b>	<b>4,926,108</b>	<b>34,740</b>	<b>0</b>	<b>1</b>	<b>17,954</b>
<b>Increase in Net Assets</b>	( 7,797)	0	0	0	( 7,797)	17,688	0	0	0
Net assets - Beginning of Year	7,797	0	0	0	7,797	69,375	0	0	0
<b>NET ASSETS - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 87,063</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

\*\* This represents CSBG support provided to other programs.

# NEWCAP, Inc.

## Schedule A-8 Schedule of Program Activity Year Ended December 31, 2013

	LOCAL	OTHER	DISCRETIONARY		
	Local Subtotal	Grant Funded Equipment (50)	Village on the Waters (51)	Total Program Activity	General Operations (52)
<b>REVENUE</b>					
Grant revenue	\$ 0	\$ 0	\$ 0	\$ 10,483,734	\$ 0
Program income	0	( 42,927)	0	1,477,306	0
Rental income	0	0	0	0	129,460
Donations	52,428	0	0	56,942	7,270
Other income	17,955	0	0	114,964	17,611
<b>Total Revenue</b>	<b>70,383</b>	<b>( 42,927)</b>	<b>0</b>	<b>12,132,946</b>	<b>154,341</b>
<b>EXPENSES</b>					
Personnel	12,282	0	0	5,791,204	( 27,080)
Consultants and contract labor	146	0	( 413,225)	96,706	1,215
Travel/transportation	2,296	0	0	297,668	9,336
Space and utilities	645	0	0	134,729	32,581
Consumable supplies	4,557	0	0	281,831	( 312)
Repairs/maintenance	468	0	0	204,851	( 50,906)
Depreciation	0	205,373	0	214,656	99,651
Interest	0	0	0	0	13
Equipment	13,461	0	0	54,123	125
Other	1,351	21,325	0	250,448	24,200
Weatherization materials/fuel assistance	0	0	0	2,108,230	0
Program support**	( 16,597)	0	0	0	0
Transfers	0	0	0	41,355	( 41,355)
Beneficiary assistance	34,086	0	0	1,216,302	0
Commodity food	0	0	0	1,106,001	0
<b>Total Expenses</b>	<b>52,695</b>	<b>226,698</b>	<b>( 413,225)</b>	<b>11,798,104</b>	<b>47,468</b>
<b>Increase in Net Assets</b>	<b>17,688</b>	<b>( 269,625)</b>	<b>413,225</b>	<b>334,842</b>	<b>106,873</b>
Net assets - Beginning of Year	69,375	1,663,071	0	3,078,424	1,647,675
<b>NET ASSETS - End of Year</b>	<b>\$ 87,063</b>	<b>\$ 1,393,446</b>	<b>\$ 413,225</b>	<b>\$ 3,413,266</b>	<b>\$ 1,754,548</b>

\*\* This represents CSBG support provided to other programs.

# NEWCAP, Inc.

Schedule B-1

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b>Passed-Through WISCAP</b>		
Job and Business Development Program	10.561	\$ 17,160
Skills Enhancement Program		9,727
<b>Subtotal CFDA 10.561</b>		<b>26,887</b>
<b>Passed-Through Wisconsin Department of Health Services</b>		
Temporary Emergency Food Assistance Program #70010	10.568	<b>80,233</b>
Commodity Food Program	10.569	<b>1,103,797</b>
<b>Subtotal Cluster CFDA # 10.568 and # 10.569</b>		<b>1,184,030</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
<b>Passed-Through Wisconsin Department of Administration</b>		
Neighborhood Stabilization Program #NSP 09-19	14.228	<b>17,306</b>
Emergency Shelter/Rapid Re-Housing # RRH11-06	14.231	13,428
HUD Emergency Shelter # ETH12-14		59,354
HUD Emergency Shelter # ETH13-15		88,894
<b>Subtotal CFDA # 14.231</b>		<b>161,676</b>
Tenant Based Rental Assistance # TBRA 12.05	14.239	39,827
Tenant Based Rental Assistance # TBRA 13.04		21,994
HOME Rental Housing Development Program # RHDC 1309		65,450
HOME Homebuyer and Rehab Program # HHR 10.13		10,426
HOME Homebuyer and Rehab Program # HHR 12.09		68,235
Village on the Waters # RHDC 1129		454,547
<b>Subtotal CFDA 14.239</b>		<b>660,479</b>
<b>Passed-Through Wisconsin Department of Administration</b>		
Supportive Housing Program	14.267	<b>103,898</b>
<b>Passed-Through ADVOCAP</b>		
Refugee Services	14.871	51,933
<b>Passed-Through Wisconsin Housing and Economic Development Authority</b>		
Section 8 Housing Voucher # 904		682,305
<b>Subtotal CFDA #14.871</b>		<b>734,238</b>

# NEWCAP, Inc.

Schedule B-2

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>		
Passed-Through Community Services of Northeast Wisconsin Workforce Investment Act - Marinette	17.258	<u>71,976</u>
Passed-Through Community Services of Northeast Wisconsin Workforce Investment Act - Marinette	17.259	<u>119,955</u>
Passed-Through Community Services of Northeast Wisconsin Workforce Investment Act - Marinette	17.278	<u>90,009</u>
<b>Subtotal Cluster CFDA #17.258, #17.259, and #17.278</b>		<u><b>281,940</b></u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
Passed-Through Wisconsin Department of Transportation New Freedom Program	20.521	<u>67,673</u>
<b>U.S. DEPARTMENT OF ENERGY</b>		
Passed-Through Wisconsin Department of Administration Weatherization Assistance DOE - #AD129614.13	81.042	398,197
Weatherization Assistance DOE - #AD139692.13		<u>158,466</u>
<b>Subtotal CFDA #81.042</b>		<u><b>556,663</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed-Through Wisconsin Department of Administration Weatherization Assistance EAP #AD129614.13	93.568	388,787
Emergency Furnace #AD129614.13		33,528
Weatherization Assistance EAP - #AD139692.13		556,526
Emergency Furnace - #AD139692.13		4,964
Passed-Through Forest County Department of Human Services Forest County WHEAP 11/12 #M21000		19,114
Forest County WHEAP 12/13 #M21000		<u>11,375</u>
<b>Subtotal CFDA #93.568</b>		<u><b>1,014,294</b></u>
Passed-Through Wisconsin Department of Children and Families Community Services Block Grant	93.569	<u>451,372</u>
Passed-Through Wisconsin Department of Health Services Maternal and Child Health Block Grant	93.994	<u>297,962</u>

# NEWCAP, Inc.

Schedule B-3

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>		
<b>Passed-Through Emergency Food &amp; Shelter National Board</b>		
Emergency Food & Shelter Program	97.024	<u>15,802</u>
<b>TOTAL FEDERAL PROGRAMS</b>		<u><u>\$ 5,574,220</u></u>

## Notes to Schedule of Expenditures of Federal Awards

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of NEWCAP, Inc. under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of NEWCAP, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of NEWCAP, Inc..

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

# NEWCAP, Inc.

## Schedule of Emergency Furnace Activity by Contract

Year Ended December 31, 2013

<u>Contract #</u>	<u>Prior Audit Period Cash Received</u>	<u>Current Audit Period Cash Received</u>	<u>True up Received (Paid)</u>	<u>Net Contract to Date Cash Received</u>	<u>Prior Audit Period Expenses</u>	<u>Current Audit Period Expenses</u>	<u>Contract to Date Expenses</u>
AD.129614.21	\$ 132,203	\$ 454,532	\$ 9,542	\$ 596,277	\$ 182,214	\$ 414,063	\$ 596,277
AD139692.21	0	119,909	0	119,909	0	254,676	254,676
	<u>\$ 132,203</u>	<u>\$ 574,441</u>	<u>\$ 9,542</u>	<u>\$ 716,186</u>	<u>\$ 182,214</u>	<u>\$ 668,739</u>	<u>\$ 850,953</u>

**Notes:**

- 1) Payments of \$17,984 made by the State dated December 26, 2012 were not received by NEWCAP until 2013.
- 2) Payments of \$14,852 made by the State dated December 25, 2013 were not received by NEWCAP until 2014.

# NEWCAP, Inc.

## Weatherization Budget to Actual Comparison

Grant number: AD129614.13

Award Period: Year Ended June 30, 2013

Total Grant	Administration	Operations	Program Support	Liability Insurance	Financial Audit	Health & Safety	T&TA	Baseload	Total
A. Budget	\$ 519,847	\$ 3,022,737	\$ 1,676,063	\$ 17,000	\$ 13,000	\$ 719,287	\$ 69,340	\$ 50,000	\$ 6,087,274
B. Actual allowable cost	519,847	3,115,491	1,726,015	17,000	13,000	591,663	69,340	34,918	6,087,274
C. (Over) under budget	\$ 0 (\$	92,754)	(\$ 49,952)	\$ 0	\$ 0	\$ 127,624	\$ 0	\$ 15,082	\$ 0

Department of Energy (DOE)	Administration	Operations	Program Support	Liability Insurance	Financial Audit	Health & Safety	T&TA	Baseload	Total
A. Budget	\$ 38,121	\$ 426,606	\$ 106,980	\$ 1,330	\$ 1,017	\$ 29,192	\$ 13,463	\$ 0	\$ 616,709
B. Actual allowable cost	38,121	426,606	106,980	1,330	1,017	29,192	13,463	0	616,709
C. (Over) under budget	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Low Income Energy Assistance Program (EAP)	Administration	Operations	Program Support	Liability Insurance	Financial Audit	Health & Safety	T&TA	Baseload	Total
A. Budget	\$ 142,712	\$ 851,365	\$ 373,634	\$ 5,030	\$ 3,847	\$ 189,945	\$ 0	\$ 18,750	\$ 1,585,283
B. Actual allowable cost	142,712	891,147	374,102	5,030	3,847	154,006	0	14,439	1,585,283
C. (Over) under budget	\$ 0 (\$	39,782)	(\$ 468)	\$ 0	\$ 0	\$ 35,939	\$ 0	\$ 4,311	\$ 0

Public Benefits (PB)	Administration	Operations	Program Support	Liability Insurance	Financial Audit	Health & Safety	T&TA	Baseload	Total
A. Budget	\$ 339,014	\$ 1,744,766	\$ 1,195,449	\$ 10,640	\$ 8,136	\$ 500,150	\$ 55,877	\$ 31,250	\$ 3,885,282
B. Actual allowable cost	339,014	1,797,738	1,244,933	10,640	8,136	408,465	55,877	20,479	3,885,282
C. (Over) under budget	\$ 0 (\$	52,972)	(\$ 49,484)	\$ 0	\$ 0	\$ 91,685	\$ 0	\$ 10,771	\$ 0

Program Income/Interest Income	Administration	Operations	Program Support	Liability Insurance	Financial Audit	Health & Safety	T&TA	Baseload	Total
A. Budget	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
B. Actual allowable cost	0	8,579	0	0	0	0	0	0	8,579
C. (Over) under budget	\$ 0 (\$	8,579)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	(\$ 8,579)



# NEWCAP, Inc.

## Settlement of DHS Cost Reimbursement Award Year Ended December 31, 2013

	TEFAP/EFO's	TEFAP/EFO's	TEFAP/EFO's	Maternal & Child Health
DHS Identification number	CARS profile 70010	CARS profile 70010	CARS profile 70010	CARS profile 159321
Award amount	\$78,264	\$3,500	\$78,333	\$297,962
Award period	10/01/12-09/30/13	10/01/12-09/30/13	10/01/13-09/30/14	01/01/13-12/31/13
Period of award within audit period	01/01/13-09/30/13	01/01/13-09/30/13	10/01/13-12/31/13	01/01/13-12/31/13
<b>A. Expenditures reported to DHS for payment</b>	\$ 50,639 (1)	\$ 3,500	\$ 25,341 (2)	\$ 297,962
<b>B. Actual allowable cost of award reported in audit</b>				
1. Administration	0	0	0	0
2. Participant Wage and Fringe	0	0	0	0
3. Personnel Services	0	0	0	157,739
4. Consult/Contract	0	0	0	6,525
5. Program Supplies	0	0	0	64,873
6. Agency Operations	0	0	0	68,825
7. Other Operating Costs	50,639	3,500	26,094	1,009,555
Total reported expenses	50,639	3,500	26,094	1,307,517
<b>C. Less other funds used to offset costs (1) (identify in notes)</b>	0	0	0	1,009,555
<b>D. Total Grant funded allowable costs</b>	\$ 50,639	\$ 3,500	\$ 26,094	\$ 297,962

(1) This represents program income generated from participant payments and other reimbursements.

(2) This represents costs reported to DHS thru December 31, 2013. The expenses reported in the audit include additional accrued expenses due to the timing differences.



## **Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Board of Directors  
NEWCAP, Inc.  
Oconto, Wisconsin

We have audited, in accordance with the 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, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, the financial statements of NEWCAP, Inc. and Subsidiary (the “Organizations”), which comprise the consolidated statements of financial position as of December 31, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 9, 2014. The financial statements of Newcap Village on Water, LLC and The Village on Water MM, LLC were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered NEWCAP, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NEWCAP, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of NEWCAP, Inc.’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 123113-01 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 123113-02 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NEWCAP, Inc. and Subsidiary's consolidated financial statements are free from 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 consolidated 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*.

### **Response to Findings**

NEWCAP, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. NEWCAP, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NEWCAP, Inc.'s internal control or on compliance. This report is an integral part of an audit per-formed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

June 9, 2014  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance**

Board of Directors  
NEWCAP, Inc.  
Oconto, Wisconsin

### **Report on Compliance for Each Major Federal and State Program**

We have audited NEWCAP, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of NEWCAP, Inc.'s major federal and state programs for the year ended December 31, 2013. NEWCAP, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of NEWCAP, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. 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 and state program occurred. An audit includes examining, on a test basis, evidence about NEWCAP, Inc.'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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of NEWCAP, Inc.'s compliance.

## Opinion

In our opinion, NEWCAP, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2013.

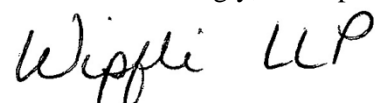
## Report on Internal Control over Compliance

Management of NEWCAP, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NEWCAP, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NEWCAP, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Wipfli LLP

June 9, 2014  
Madison, Wisconsin

# NEWCAP, Inc.

## Schedule of Findings and Questioned Costs and *State Single Audit Guidelines* Checklist

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### A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of NEWCAP, Inc. and Subsidiary.
2. Two significant deficiencies were identified relating to the audit of the consolidated financial statements reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. One of these deficiencies was identified to be a material weakness.
3. No instances of noncompliance material to the consolidated financial statements of NEWCAP, Inc. and Subsidiary were disclosed during the audit.
4. No material weaknesses or significant deficiencies were disclosed during the audit of the major federal and major state award programs as reported in the Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control over Compliance.
5. The auditor's report on compliance for the major federal and major state award programs for NEWCAP, Inc. expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for NEWCAP, Inc.
7. The programs tested as major federal programs were:
  - U.S. Department of Agriculture:
    - Temporary Emergency Food Assistance Program (TEFAP) cluster, CFDA #10.568 and 10.569
  - U.S. Department of Energy:
    - Weatherization Assistance Program, CFDA #81.042
  - U.S. Department of Health and Human Services:
    - Low-Income Home Energy Assistance Program, CFDA #93.568
    - Community Services Block Grant, CFDA #93.569
8. The state programs tested as a major programs were:
  - Wisconsin Department of Administration:
    - Public Benefits—ID # 505.971
9. The threshold for distinguishing Types A and B federal programs was \$300,000. The threshold for distinguishing Types A and B state programs was \$100,000.
10. NEWCAP, Inc. was not determined to be a low-risk auditee.

# NEWCAP, Inc.

## Schedule of Findings and Questioned Costs and *State Single Audit Guidelines* Checklist

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### B. Findings – Financial Statements Audit

#### Finding:

#### **MATERIAL ADJUSTMENTS (123113-01)**

#### **Condition**

During our audit, Wipfli LLP proposed, and NEWCAP agreed to adjusting journal entries that were considered material to the overall consolidated financial statements. These adjustments included entries to correct opening net assets, record prepaid unemployment, transfer home sales revenue to the proper fund and record grants receivable and grant funds received in advance.

As a result of these adjustments, receivables, grant funds received in advance, grant revenue, and beginning net assets were misstated and a material weakness exists in NEWCAP, Inc.'s controls over these areas.

#### **Criteria**

*Government Auditing Standards* consider the inability to accurately adjust account balances to be an internal control weakness.

#### **Effect**

As a result of not recording necessary adjustments on a timely basis, the financial statements used for internal purposes and presented for audit purposes were misstated, leading to a material weakness in internal controls.

#### **Recommendation**

We recommend NEWCAP, Inc. implement procedures to provide sufficient internal control over account balance reconciliations such that all necessary transactions are recorded in accordance with generally accepted accounting principles and funding source requirements on timely basis. Accounts should be reconciled on a periodic basis and those reconciliations should be reviewed by a responsible individual. Adjustments required as a result of the reconciliations should be posted to the general ledger on a timely basis.

#### **Management's Response**

**Material Adjustments**—NEWCAP, Inc. has implemented procedures whereby statements and reports are recorded in accordance with generally accepted accounting principles. These procedures are done in a timely manner with reviews done by proper staff.

# NEWCAP, Inc.

## Schedule of Findings and Questioned Costs and *State Single Audit Guidelines* Checklist

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### B. Findings – Financial Statements Audit (Continued):

#### Finding:

#### **SEGREGATION OF DUTIES AND FINANCIAL STATEMENT REPORTING (123113-02)**

#### Condition

During our audit, Wipfli LLP noted a lack of segregation of duties over certain accounting and information technology processes. Turnover in the accounting department led to fewer resources available to be able to adequately separate duties. In addition, all accounting employees had unlimited access to general ledger activities. Financial oversight by upper management and the governing body, while improved, could still be enhanced if they were provided more detailed reporting. Examples of areas where controls could be enhanced include properly restricting security access for each employee that utilizes the accounting software, implementing improvements in internal controls for significant processes through a proper segregation of duties, and providing the board a complete financial statement at each meeting. As a result of this lack of segregation of duties and limited financial oversight, a significant deficiency exists in NEWCAP, Inc.'s controls over financial reporting.

#### Criteria

*Government Auditing Standards* consider the lack of segregation of duties which could cause a material misstatement to the financial statements to be an internal control weakness.

#### Effect

As a result of not maintaining proper segregation of duties or adequate levels of oversight over financial statement preparation, a potential exists for misstatement to occur and not be detected and corrected on a timely basis.

#### Recommendation

We recommend NEWCAP, Inc. implement procedures to mitigate the lack of proper segregation of duties as well as an adequate oversight process to provide sufficient internal control over financial reporting.

#### Management's Response

**Segregation of Duties and Financial Statement Oversight**—NEWCAP, Inc. will provide more financial information to the Board of Directors on a monthly basis. Lastly, NEWCAP, Inc. is regularly evaluating and improving other internal controls to further try to segregate duties.



# NEWCAP, Inc.

## Schedule of Findings and Questioned Costs and *State Single Audit Guidelines* Checklist

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### C. Findings and Questioned Costs – Major Federal Award Programs Audit

**Questioned Costs:** None

**Findings:** None

### D. Prior Year Findings:

#### **Finding:**

#### **SEGREGATION OF DUTIES AND FINANCIAL STATEMENT OVERSIGHT (123111-02)**

#### **Condition**

During our audit, Wipfli LLP noted a lack of segregation of duties over certain accounting and information technology processes, without adequate oversight of these processes or the financial statement preparation. Examples of areas where controls could be enhanced include having a unique log-in name and password for each employee that utilizes the accounting software, providing the board a complete financial statement at each meeting, and implementing a review of all cash draws. Often times in a small accounting department, certain controls can mitigate the control deficiencies that are the result of have a limited number of people in the accounting department. Having a thorough review of transactions and financial results is a good example of a mitigating control. As a result of this lack of segregation of duties, a significant deficiency exists in NEWCAP, Inc.'s controls over financial reporting.

#### **Criteria**

*Government Auditing Standards* consider the lack of segregation of duties which could cause a material misstatement to the financial statements to be an internal control weakness.

#### **Effect**

As a result of not maintaining proper segregation of duties or adequate levels of oversight over financial statement preparation, a potential exists for misstatement to occur and not be detected and corrected on a timely basis.

# NEWCAP, Inc.

## Schedule of Findings and Questioned Costs and *State Single Audit Guidelines* Checklist

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### D. Prior Year Findings (Continued):

#### Recommendation

We recommend NEWCAP, Inc. implement procedures for proper segregation of duties as well as an adequate oversight process to provide sufficient internal control over financial reporting.

#### Management's Response

NEWCAP, Inc. has already implemented procedures implementing tighter security on accounting software. Also, more financial information is being provided to the Board of Directors on a monthly basis. Lastly, NEWCAP, Inc. is regularly evaluating and improving other internal controls.

#### Current Year Status

Wipfli noted that NEWCAP, Inc. has begun utilizing unique user logins and passwords for general ledger access and has provided limited additional financial information to the board of directors; however, staff turnover during the year has prevented NEWCAP from making significant progress in relation to separating duties adequately. This will be a repeat finding.

### E. Other Issues

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No
  
2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:
  - a. Department of Health Services No
  - b. Department of Children and Families No
  - c. Department of Administration No
  - d. Department of Housing and Economic Development No
  - e. Department of Transportation No

# NEWCAP, Inc.


## Schedule of Findings and Questioned Costs and *State Single Audit Guidelines* Checklist

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**E. Other Issues (Continued)**

- 3. Was a management letter or other document conveying audit comments issued as a result of this audit?
- 4. Name and signature of partner in charge
- 5. Date of report

No

  
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Jean Christensen, CPA  
June 9, 2014