

NEWCAP, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2014 AND 2013

NEWCAP, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the 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 (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2014 and the related consolidated statements of activities and cash flows for the year 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 of America; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 and the. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of NEWCAP, Inc. and Subsidiary as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements of NEWCAP, Inc. and Subsidiary taken as a whole. The accompanying supplemental information on pages 16-29 as listed in table of contents, which includes the requirement of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Wisconsin Department of Health Services Audit Guide*, 2014 revision, is presented for purposes of additional analysis and is 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 prepare the consolidated financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated, July 8, 2015 on our consideration of NEWCAP, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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. The 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.

Prior Period Financial Statements

Other auditors previously audited the consolidated financial statements of NEWCAP, Inc. and Subsidiary as of December 31, 2013, and their report dated June 9, 2014, expressed an unmodified opinion on those statements.

HAWKINS ASH CPAS, LLP



Green Bay, Wisconsin
July 8, 2015

NEWCAP, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>DECEMBER 31,</u>	
	2014	2013
CURRENT ASSETS		
Cash	\$ 566,420	\$ 828,963
Grants receivable	849,966	432,169
Accounts receivable	27,346	16,149
Loans receivable	154,205	126,392
Weatherization materials inventory	245,914	230,158
Prepaid expenses	131,311	112,308
TOTAL CURRENT ASSETS	1,975,162	1,746,139
Loans receivable from related party	821,225	821,225
Deferred loans receivable	2,594,065	-
Land, buildings, and equipment, net	3,596,072	3,485,567
TOTAL ASSETS	\$ 8,986,524	\$ 6,052,931
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 72,156	\$ 156,985
Accrued payroll and related expenses	122,824	195,496
Escrow payable	3,386	1,741
Grant funds receivable in advance	395,498	88,642
TOTAL CURRENT LIABILITIES	593,864	442,864
LONG-TERM LIABILITIES		
Loan payable	408,000	408,000
Advances	34,253	34,253
Unearned revenue	2,594,065	-
TOTAL LONG-TERM LIABILITIES	3,036,318	442,253
TOTAL LIABILITIES	3,630,182	885,117
NET ASSETS		
Unrestricted	3,110,896	3,147,994
Temporarily restricted	2,245,446	2,019,820
TOTAL NET ASSETS	5,356,342	5,167,814
TOTAL LIABILITIES AND NET ASSETS	\$ 8,986,524	\$ 6,052,931

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

NEWCAP, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE			
Grant revenue	\$ 9,300,112	\$ 62,726	\$9,362,838
Program income	1,202,307	191,916	1,394,223
Rental income	131,022	-	131,022
Donations	52,769	-	52,769
Other income	373,433	-	373,433
Net assets released from restriction	<u>29,016</u>	<u>(29,016)</u>	<u>-</u>
TOTAL REVENUE	<u>11,088,659</u>	<u>225,626</u>	<u>11,314,285</u>
EXPENSES			
Program	10,556,086		10,556,086
Management and general expenses	<u>569,671</u>	<u>-</u>	<u>569,671</u>
TOTAL EXPENSES	<u>11,125,757</u>	<u>-</u>	<u>11,125,757</u>
CHANGE IN NET ASSETS	(37,098)	225,626	188,528
NET ASSETS AT BEGINNING OF YEAR	<u>3,147,994</u>	<u>2,019,820</u>	<u>5,167,814</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,110,896</u>	<u>\$ 2,245,446</u>	<u>\$5,356,342</u>

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

NEWCAP, INC. and Subsidiary
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
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	-	129,460
Donations	46,524	17,688	64,212
Other income	132,575	-	132,575
Satisfaction of program restrictions	141,729	(141,729)	-
TOTAL REVENUE	<u>11,682,820</u>	<u>604,467</u>	<u>12,287,287</u>
EXPENSES			
Program	11,083,621	-	11,083,621
Management and general expenses	761,951	-	761,951
TOTAL EXPENSES	<u>11,845,572</u>	<u>-</u>	<u>11,845,572</u>
CHANGE IN NET ASSETS	(162,752)	604,467	441,715
NET ASSETS AT BEGINNING OF YEAR	<u>3,310,746</u>	<u>1,415,353</u>	<u>4,726,099</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,147,994</u>	<u>\$ 2,019,820</u>	<u>\$ 5,167,814</u>

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

NEWCAP, INC. and Subsidiary
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 188,528	\$ 441,715
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	246,711	314,307
(Gain) loss on disposal of fixed assets	(211,954)	5,004
Change in operating assets and liabilities		
(Increase) decrease in assets		
Grants receivable	(417,797)	68,543
Accounts receivable	(11,182)	7,771
Inventory	(15,756)	(41,129)
Other assets	(46,816)	(64,312)
Increase (decrease) in liabilities		
Accounts payable	(84,829)	63,463
Accrued payroll	(72,672)	(70,295)
Escrow payable	1,645	(2,977)
Unearned revenue	2,900,921	(305,301)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,476,799	416,789
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of loan receivable	(2,594,065)	(821,225)
Purchase of property and equipment	(424,977)	(145,560)
Proceeds from sale of fixed assets	279,700	59,247
NET CASH (USED IN) INVESTING ACTIVITIES	(2,739,342)	(907,538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of loan payable	-	408,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	408,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(262,543)	(82,749)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	828,963	911,712
CASH - END OF YEAR	\$ 566,420	\$ 828,963

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

NEWCAP INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 – Significant Accounting Policies

Nature of Activities – NEWCAP, Inc. was organized as a nonprofit corporation in 1965. The Organization was formed to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs throughout northeastern Wisconsin. The Organization is primarily supported through federal and state government grants. Approximately of the total consolidated revenue 47% and 52% during 2014 and 2013, respectively, was received from the Department of Administration.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Principles of Consolidation – The consolidated financial statements include the accounts of NEWCAP, Inc., Newcap Village on Water LLC. And The Village on Water MM, LLC, (the “Organizations”). All material intercompany transactions and accounts are eliminated.

Basis of Presentation – NEWCAP, Inc. is required to report information regarding its net assets and its activities in the following three classes of net assets:

Unrestricted net assets – Unrestricted net assets include expendable resources over which the Organization has discretionary control and are used to carry out the Organization’s operations in accordance with its bylaws. Included in unrestricted net assets are funds used to account for fixed asset acquisitions, improvements and related activities.

Temporarily restricted net assets – Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Organization.

Permanently restricted net assets – Permanently restricted net assets include resources subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets.

Use of Estimates – The preparation of consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, NEWCAP, Inc. considers all highly liquid debt or equity instruments with a maturity of three months or less to be cash equivalents.

Grants Receivable/Accounts Receivable – Grants and accounts receivable are stated at the amount management expects to collect from outstanding balances. At December 31, 2014 and 2013, no allowance has been provided for, as all receivables are deemed collectible.

NEWCAP INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014 AND 2013

NOTE 1 – Significant Accounting Policies, continued

Weatherization Materials Inventory – Weatherization materials are expensed in the accounting period when the unit weatherized is claimed as a completed unit. A completed unit represents a dwelling unit which 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 (determined by the first-in, first-out (FIFO) method) or market.

Property and Equipment – Property and equipment purchased with non-grant funds is capitalized at cost and depreciated over its useful life using the straight-line method. The Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over 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.

Deferred and Revolving Loans- The organization receives grant awards to help low-income homebuyers with down payment assistance, closing costs 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 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. Loans are expensed to the appropriate grant when the assistance is provided.

Loans receivable are also carried at unpaid principal balances with an equal and offsetting amount included in deferred loan funds refundable. Loans repaid, forgiven, or considered uncollectible as determined by management are recorded as a reduction to loans receivable with a corresponding reduction to the liability.

Revenue Recognition – Grants are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received or receivable in excess of expenses are reflected as grant funds received in advance.

Performance contracts reimburse based on the accomplishment of contract objectives without regard for expenses. Performance revenue is recognized in the accounting period when the contracted services have been performed.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of revenue and expenses as net assets released from restriction. Permanently restricted net assets typically consist of donor-restricted endowments.

NEWCAP INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014 AND 2013

NOTE 1 – Significant Accounting Policies, continued

Rental Income – Rental income is recognized as revenue of the unrestricted fund in the accounting period when it is earned. The programs administered by NEWCAP, Inc. and charged rent for the space occupied and are reflected as a program expense. The rent charge is based upon the actual cost of the space occupied. The interfund income and related expenses have not been eliminated in the accompanying consolidated financial statements. In addition, a limited amount of space is leased to other outside parties.

Cost Allocation – NEWCAP, Inc. allocates joint costs to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all Organization programs (i.e. management and general expenses), which cannot be readily identified with a final cost objective. NEWCAP, Inc.'s joint costs and cost allocation methods are as follows:

Personnel - Organization personnel record the time they spend working on specific programs on their time sheets. The personnel costs are charged to benefiting programs based on employee activity reports. Administrative time that cannot be attributed directly to a program is charged to the Community Service Block Grant program.

Space Costs - Space cost is allocated to benefiting programs based on square footage occupied by the program.

Other Joint Costs – Other joint costs are charged to Organization programs based on the amounts used by each program or other appropriate methodology.

Tax Status – NEWCAP, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, NEWCAP, Inc. and Subsidiary qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). It is also exempt from Wisconsin franchise or income tax.

Subsequent Events – The Organization evaluated subsequent events through July 8, 2015, the date which the consolidated financial statements were available to be issued.

NOTE 2 – Concentration of Credit Risk

NEWCAP, Inc. maintains their cash balances at one financial institution. At times, NEWCAP, Inc.'s bank accounts exceed federal deposit insurance coverage. Bank account balances at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014 and 2013, the balance in excess of FDIC coverage was \$288,564 and \$156,244, respectively.

NOTE 3 – Grants Receivable

Grants receivable represent amounts due from the various funding sources as follows:

	DECEMBER 31,	
	2014	2013
State programs	\$ 799,184	\$ 398,062
Other programs	50,781	34,107
TOTAL	\$ 849,965	\$ 432,169

NEWCAP INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014 AND 2013

NOTE 4 – Weatherization Material Inventory

Weatherization materials inventory consists of the following:

	DECEMBER 31,	
	2014	2013
Jobs in progress	\$ 44,992	\$ 32,389
Nonexpendable inventory	193,873	191,325
Expendable inventory	7,119	6,444
	\$ 245,914	\$ 230,158

NOTE 5 – Land, Buildings, and Equipment

A summary of land, buildings, and equipment is as follows:

	DECEMBER 31,	
	2014	2013
Land	\$ 165,214	\$ 140,664
Buildings	4,057,047	4,116,505
Building improvements	224,925	-
Vehicles	108,472	108,472
Equipment	1,144,322	1,143,351
	5,699,980	5,508,992
Accumulated depreciation	(2,103,908)	(2,023,425)
TOTAL	\$ 3,596,072	\$ 3,485,567

Depreciation expense was \$246,711 and \$314,307 for the year ended December 31, 2014 and 2013, respectively.

NOTE 6- Long-Term Receivables and Deferred Revenue

The Organization has received grants under two programs that provide funding for loans that are made to eligible applicants for the purpose of providing acquisition assistance for new home buyers and for financing certain home improvements. The Housing Cost Reduction Initiative, and HOME Investment Partnership Program are grants from the State of Wisconsin. Repayments from the loans are to be used for making additional qualifying loans to new applicants or grants in support of similar projects.

Balances at December 31, 2014 are as follows:

Housing Cost Reduction Initiative loans receivable	\$ 30,000
HOME Investment Partnership loans receivable	2,564,065
Total long-term receivable	\$ 2,594,065
Total long-term deferred loans	\$ 2,594,065

NOTE 7 – Line of Credit

NEWCAP had a \$700,000 line of credit with Associated Bank of Wisconsin. The line of credit expired March of 2013 and was not renewed. When NEWCAP switch banks in 2014 to FirstMerit Bank they opened a line of credit for \$200,000 with an interest rate of 3.250%. The balance outstanding at December 31, 2014 and 2013 was \$0.

NEWCAP INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014 AND 2013

Note 8 – Loan Payable

Affordable Housing program subsidy from the Federal Home Loan Bank of Chicago. The subsidy has 15-year retention period. The note bears interest at 0% and principle and interest is repayable upon sale of the property during the retention period:

	DECEMBER 31,	
	2014	2013
Village on the Water	\$ 408,000	\$ 408,000
Total loan payable	\$ 408,000	\$ 408,000

NOTE 9 – Advances

Advances of \$34,253 at December 31, 2014 and 2013 consist of monies received from the Wisconsin Department of Administration (DOA) for purchasing materials for the weatherization program. This amount is shown as a liability of the weatherization program pending repayment to DOA at the termination of the grant.

NOTE 10 – Operating Leases

NEWCAP, Inc. leases office space and equipment for operations. Lease expense for the year ended December 31, 2014 and 2013 was \$23,400 and \$43,943, respectively. Future minimum lease payments on these non-cancelable leases are as follows:

2015	\$	19,444
2016		15,273
2017		5,540
2018		495

NOTE 11 – Employee Retirement Plan

NEWCAP, Inc. 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, Inc. match 1% of gross wages for every qualified employee that contributes at least 1% of gross wages. The plan also provides that NEWCAP, Inc. 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, 2014 and 2013 was approximately \$278,703 and \$311,212, respectively.

NOTE 12 – Program Support

One of the purposes of NEWCAP, Inc.'s Community Services Block Grant (CSBG) program is to assist other NEWCAP, Inc.'s programs. During the year ended December 31, 2014 and 2013, the CSBG program provided \$221,811 and \$367,020, respectively, in support to other NEWCAP, Inc. programs. There is some potential that future funding from CSBG will be reduced or eliminated from NEWCAP, Inc.'s programs due to budget restraints.

NEWCAP INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014 AND 2013

NOTE 13 – Risk Management

NEWCAP, Inc. purchases commercial insurance with various deductibles and coverages to cover property, errors, and omissions and employee defalcation risk. Some of the commercial insurance policies have established deductible amounts whereby NEWCAP, Inc. would be responsible for the portion of claims, losses and damages under the deductible limits or participate in the coverages provided by the commercial insurance carriers. There were no significant reductions in insurance coverages from the prior year and no costs that exceeded insurance coverages for the last two years.

NOTE 14 – Contingent Liabilities

From time to time, NEWCAP, Inc. is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on NEWCAP, Inc.'s financial position or results of operations, except for the situation included in the following paragraph.

Wisconsin Department of Health Services (WDHS) has issued a Notice of Intent to recover approximately \$185,000 in Medicaid payments made to NEWCAP, Inc. The Organization has denied any and all liability and is vigorously defending the Notice. No estimated losses in connection with this claim have been accrued in accordance with the Contingencies Topic of the FASB Accounting Standards Codification ("ASC 450"). Under ASC 450, estimated losses shall be accrued by a charge to income when it is probable that a liability has been incurred and the amount can be reasonably estimated. At this time, no conclusion can be made regarding the outcome of the claim.

NOTE 15 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Housing program	\$ 544,284	\$ 509,913
Transportation and auto loans	353,124	275,073
Food program	58,047	87,063
Family planning	1,289,991	1,147,771
TOTAL	<u>\$ 2,245,446</u>	<u>\$ 2,019,820</u>

NOTE 16- Related Party Transaction Loans
Receivable from LLC

NEWCAP has entered into two limited liability corporations for the development and management of 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 INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014 AND 2013

NOTE 16- Related Party Transaction Loans
Receivable from LLC- Continued

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

Profits and losses shall be allocated as follows:

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

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	<u>0.01%</u>
TOTAL	100.00%

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 received a HOME rental Housing Development grant award from the State of Wisconsin, Department of Administration. The grant was for \$515,275, of which \$470,250 was project fund and \$47,025 was operating 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 1% interest rate. Interest rate 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, 2014, \$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 repaid loan funds for other housing projects. No allowance for uncollectable receivables has been recorded as of December 31, 2014

NEWCAP INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2014 AND 2013

NOTE 16- Related Party Transaction Loans
Receivable from LLC, continued

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. No allowance for uncollectible receivables has been recorded as of December 31, 2014.

The loans receivables from The Village consist of the following:

	DECEMBER 31,	
	2014	2013
Home funds	\$ 413,255	\$ 413,255
AHP funds	408,000	408,000
TOTAL	\$ 821,255	\$ 821,255

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 uncollectable amount. The class of loans is general evaluated based on performance of the partnership and whether the loans are performing with the contractual term 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 contractual terms; therefore, no loans have been place 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.

NOTE 16 – Reclassification

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year's financial statements.

SUPPLEMENTAL INFORMATION

NEWCAP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

	FEDERAL PROGRAMS								
	Department of Agriculture								
	10.661				10.668				
	WISCAP Job and Business Dev. Program (1)	13/14 WISCAP Skills Enhance. Program (2)	14/15 WISCAP Skills Enhance. Program (3)	10.661 Subtotal	13/14 Temporary Emergency Food Assist. Program #70010 (4)	14/15 Temporary Emergency Food Assist. Program #70010 (5)	10.668 Subtotal	10.669 Commodity Food Distribution (6)	
REVENUE	Total								
Grant revenue	\$ 9,362,838	\$ 17,160	\$ 7,271	\$ 10,573	\$ 35,004	\$ 62,517	\$ 37,187	\$ 99,704	\$ 998,246
Program income	1,394,223	-	-	-	-	-	-	-	-
Rental income	131,022	-	-	-	-	-	-	-	-
Donations	52,769	-	-	1,000	-	-	-	-	-
Other income	373,433	20,006	-	-	-	-	-	-	-
Total Revenue	11,314,285	\$ 37,166	\$ 7,271	\$ 11,573	\$ 56,010	\$ 62,517	\$ 37,187	\$ 99,704	\$ 998,246
EXPENSES									
Personnel	5,233,162	67,685	6,905	10,847	85,437	93,505	27,173	120,678	-
Consultants and contract labor	584,697	1,302	158	115	1,575	2,124	340	2,464	-
Travel/transportation	279,821	1,109	2	248	1,359	10,387	3,265	13,652	-
Space and utilities	177,076	5,445	36	48	5,529	10,203	1,775	11,978	-
Consumable supplies	277,722	722	32	268	1,022	848	427	1,275	-
Repairs/maintenance	128,939	888	90	205	1,183	16,646	835	17,481	-
Depreciation	246,711	-	-	-	-	4,362	1,454	5,816	-
Interest	-	-	-	-	-	-	-	-	-
Equipment	48,392	21	2	7	30	81	-	81	-
Other	336,207	4,490	143	294	4,927	7,137	1,918	9,055	-
Weatherization materials/fuel assistance	1,377,508	-	-	-	-	-	-	-	-
Program support**	0	(44,495)	(3,383)	654	(47,224)	(82,776)	-	(82,776)	-
Beneficiary assistance	1,437,276	-	1,350	823	2,173	-	-	-	-
Commodity food	998,246	-	-	-	-	-	-	-	998,246
Total Expenses	11,125,757	37,166	5,335	13,509	56,010	62,517	37,187	99,704	998,246
Increase in Net Assets	188,528	0	1,936	(1,936)	0	-	-	-	-
Net assets - Beginning, unadjusted	5,167,814	-	-	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-	-	-	-
Net assets - Beginning, adjusted	5,167,814	-	-	-	-	-	-	-	-
Loans issued	-	-	-	-	-	-	-	-	-
NET ASSETS - Ending	\$ 5,356,342	\$ 0	\$ 1,936	\$ (1,936)	\$ 0	\$ -	\$ -	\$ -	\$ -

** This represents CSBG support provided to other programs.

See Independent Auditor's Report.

NEWCAP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

	FEDERAL PROGRAMS							
	Department of Housing and Urban Dev							
	14,228	14,231			14,239			
10.568 and 10.569 Cluster Subtotal	Neighborhood Stabilization Program NSP 09-19 (7)	ESG/ THG Grant ETH13-15 (8)	ESG/ THG GRANT ETH 14-14 (9)	Tenant Based Rental Assistance TBRA 13.04 (10)	Tenant Based Rental Assistance TBRA 14.04 (11)	HOME Rental Housing Dev. Program RHDC 1309 (12)	HOME Homebuyer & Rehab Prop. Contract HHR12.09 (13)	14,239 Subtotal
REVENUE								
Grant revenue	\$ 1,097,950	\$ -	\$ 108,628	\$ 93,281	\$ 33,064	\$ 41,881	\$ 11,550	\$ 277,099
Program income	-	124,907	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Other income	-	32	60	310	-	-	-	-
Total Revenue	\$ 1,097,950	\$ 124,939	\$ 108,688	\$ 93,591	\$ 33,064	\$ 41,881	\$ 11,550	\$ 190,687
EXPENSES								
Personnel	120,678	64,052	39,683	29,182	18,455	26,338	-	64,116
Consultants and contract labor	2,464	1,059	2,418	8,083	2,091	287	-	6,175
Travel/transportation	13,652	6,289	2,669	3,369	1,191	1,847	-	4,450
Space and utilities	11,978	30,849	289	502	652	404	-	1,407
Consumable supplies	1,275	1,241	192	851	363	910	-	560
Repairs/maintenance	17,481	1,038	553	155	569	507	11,550	1,081
Depreciation	5,816	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Equipment	81	481	8	21	-	18	-	420
Other	9,055	6,987	1,695	461	1,338	616	-	1,908
Weatherization materials/fuel assistance	-	-	-	-	-	-	-	-
Program support**	(82,776)	-	(15,402)	(3,020)	(21,908)	(26,446)	-	(48,253)
Beneficiary assistance	-	1,452	76,583	53,987	30,313	37,400	-	158,740
Commodity food	998,246	-	-	-	-	-	-	-
Total Expenses	1,097,950	113,448	108,688	93,391	33,064	41,881	11,550	190,604
Increase in Net Assets								
Net assets - Beginning, unadjusted	-	11,491	-	-	-	0	-	83
Prior period adjustment	-	96,688	-	-	-	-	-	-
Net assets - Beginning, adjusted	-	96,688	-	-	-	-	-	-
Loans issued	-	-	-	-	-	-	-	-
NET ASSETS - Ending	\$ -	\$ 108,179	\$ -	\$ -	\$ -	\$ 0	\$ -	\$ 83

** This represents CSBG support provided

See Independent Auditor's Report.

NEWCAP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

Department of Housing and Urban Development

	<u>14.267</u>			<u>14.871</u>					
REVENUE	Supportive Housing Program Thru 3-31-14 (14)	Supportive Housing Program Thru 6-30-14 (15)	Supportive Housing Program 7-14 to 12-14 (16)	ADVOCAP Refugee Services (17)	Section 8 Housing Voucher WHEDA #904 (18)	HUD Housing Couns. (19)	14.871 Subtotal	Workforce Investment Act Marinette Adult 1/14-8/14 (20)	WorkForce Investment Act Marinette Adult 7/1-12/14 (21)
Grant revenue	\$ 16,240	\$ 66,223	\$ 77,785	\$ -	\$ 706,928	\$ -	706,928	\$ 43,045	\$ 64,619
Program income	2,008	4,627	9,821	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-
Other income	-	-	(450)	-	6459	-	6459	-	-
Total Revenue	18,248	\$ 70,850	\$ 87,156	\$ -	\$ 713,387	\$ -	713,387	\$ 43,045	\$ 65,155
EXPENSES									
Personnel	14,469	17,627	33,588	(155)	129,350	41,126	170,320	19,801	49,782
Consultants and contract labor	1,785	509	340	-	3,741	599	4,340	410	1,164
Travel/transportation	2,458	2,165	5,730	42	17,304	(42)	17,304	864	1,411
Space and utilities	625	822	2,397	-	2,707	216	2,923	832	1,645
Consumable supplies	49	160	1,405	301	8,155	1,094	9,550	199	1,808
Repairs/maintenance	253	285	3,071	-	501	753	1,254	235	623
Depreciation	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Equipment	-	7	25	-	58	25	83	1,261	570
Other	3,061	1,249	29,243	-	3,520	370	3,890	789	785
Weatherization materials/fuel assistance	-	-	-	-	-	-	-	-	-
Program support**	(26,852)	25,771	(45,359)	(188)	(82,327)	(44,141)	(126,656)	(7,333)	(3,722)
Beneficiary assistance	22,400	22,255	56,716	-	630,378	-	630,378	23,850	12,699
Commodity food	-	-	-	-	-	-	-	-	-
Total Expenses	18,248	70,850	87,156	(0)	713,387	(0)	713,387	40,908	66,765
Increase in Net Assets									
Net assets - Beginning, unadjusted	-	-	-	0	(0)	0	0	2,137	(1,610)
Prior period adjustment	-	-	-	-	-	-	-	-	-
Net assets - Beginning, adjusted	-	-	-	-	-	-	-	-	-
Loans issued	-	-	-	-	-	-	-	-	-
NET ASSETS - Ending	\$ -	\$ -	\$ -	\$ 0	\$ (0)	\$ 0	\$ 0	\$ 2,137	\$ (1,610)

** This represents CSBG support provided

See Independent Auditor's Report.

NEWCAP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

					FEDERAL PROGRAMS		
	Workforce Investment Act Marinette Youth 1/14-6/14 (22)	Workforce Investment Act Marinette Youth 7/14-12/14 (23)	Workforce Investment Act Marinette Dislocated 1/14-6/14 (24)	Workforce Investment Act Marinette Dislocated 7/14-12/14 (25)	17,258, 17,259, 17,260 17,275 Cluster Subtotal	20.816 Wisconsin Employment Transportation Assistance Program (26)	20.521 Department of Transport New Freedom Program (27)
REVENUE							
Grant revenue	\$ 62,468	\$ 17,522	\$ 51,255	\$ 57,301	\$ 296,210	\$ 159,515	\$ 57,656
Program income	-	-	-	-	-	114,812	-
Rental income	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-
Other income	-	536	-	536	1,608	30	-
Total Revenue	\$ 62,468	\$ 18,058	\$ 51,255	\$ 57,838	297,819	\$ 295,338	\$ 57,832
EXPENSES							
Personnel	18,853	2,863	36,418	37,000	164,717	67,074	61,447
Consultants and contract labor	43	1	577	759	2,954	1,044	1,876
Travel/transportation	308	108	1,299	1,378	5,368	4,859	3,633
Space and utilities	104	22	2,107	1,409	6,119	1,807	1,643
Consumable supplies	106	627	562	1,701	5,003	1,838	2,272
Repairs/maintenance	13	2	108	198	1,179	243	211
Depreciation	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Equipment	1,256	657	1,262	544	5,550	417	26
Other	581	57	1,681	327	4,220	8,918	1,009
Weatherization materials/fuel assistance	-	-	-	-	-	-	-
Program support**	(1,404)	(11)	-	-	(12,470)	-	-
Beneficiary assistance	40,716	13,422	11,269	13,222	115,178	131,087	(17,015)
Commodity food	-	-	-	-	-	-	2,730
Total Expenses	60,576	17,748	55,283	56,538	297,818	217,287	57,832
Increase in Net Assets	1,892	310	(4,028)	1,300	0	78,051	-
Net assets - Beginning, unadjusted	-	-	-	-	-	381,880	-
Prior period adjustment	-	-	-	-	-	-	-
Net assets - Beginning, adjusted	-	-	-	-	-	381,880	-
Loans issued	-	-	-	-	-	-	-
NET ASSETS - Ending	\$ 1,892	\$ 310	\$ (4,028)	\$ 1,300	\$ 0	\$ 459,931	\$ -

** This represents CSBG support provided

See Independent Auditor's Report.

NEWCAP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

Department of Transportation	FEDERAL PROGRAMS					Department of Energy				
	20.516 and 20.521 Cluster Subtotal	Weath. Assistance AD139692.13 (28)	Weath. Assistance AD149877.13 (29)	81.042 and ARRA-81.042 Cluster Subtotal	Weath. Assistance AD139692.13 (30)	Weath. Assistance AD149877.13 (31)	Wx Non- Emergency Furnace (32) End Oct.14	Emergency Furnace (33) End Oct.14	Emergency Furnace (34) Oct.14-Dec.14	13/14 Forest County WHEAP M21000 (35)
REVENUE										
Grant revenue	\$ 217,171	\$ 364,482	\$ 154,482	\$ 518,964	\$ 482,757	\$ 691,313	\$ 17,834	\$ 64,910	\$ 375	\$ 36,381
Program income	114,812	-	-	-	(39,219)	40,025	-	9,566	-	-
Rental income	-	-	-	-	-	-	-	-	-	-
Donations	30	-	-	-	-	-	-	-	-	-
Other income	21,157	-	-	-	-	-	-	-	-	-
Total Revenue	353,170	364,482	154,482	518,964	443,541	731,339	17,834	74,476	375	36,381
EXPENSES										
Personnel	128,521	215,633	106,649	322,282	262,406	504,889	7,519	8,909	58	53,954
Consultants and contract labor	2,920	7,643	488	8,131	9,301	2,311	-	55,623	136	969
Travel/transportation	8,492	12,749	4,264	17,013	15,514	20,184	878	1,449	6	1,517
Space and utilities	3,450	1,807	580	2,387	2,198	2,746	-	53	-	1,225
Consumable supplies	4,110	2,030	2,384	4,414	2,471	11,286	-	74	1	403
Repairs/maintenance	454	3,449	1,703	5,152	4,197	8,063	-	127	1	1,416
Depreciation	-	-	205	205	-	971	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Equipment	443	127	43	170	155	205	-	2	-	30
Other	9,927	12,823	4,430	17,253	15,605	20,973	67	277	5	2,057
Weatherization materials/fuel assistance	-	108,221	33,522	141,743	131,694	158,698	10,143	7,962	168	-
Program support**	(17,015)	-	-	-	-	-	-	-	-	(25,190)
Beneficiary assistance	133,817	-	-	-	-	-	-	-	-	-
Commodity food	-	-	-	-	-	-	-	-	-	-
Total Expenses	275,119	364,482	154,268	518,750	443,541	730,326	18,607	74,476	375	36,381
Increase in Net Assets	78,051	-	214	214	-	1,013	(773)	-	-	0
Net assets - Beginning, unadjusted	275,073	-	-	-	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-	-	-	-	-
Net assets - Beginning, adjusted	275,073	-	-	-	-	-	-	-	-	-
Loans issued	-	-	-	-	-	-	-	-	-	-
NET ASSETS - Ending	\$ 353,124	\$ -	\$ 214	\$ 214	\$ -	\$ 1,013	\$ (773)	\$ -	\$ -	\$ 0

** This represents CSBG support provided

See Independent Auditor's Report.

NEWCAP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

	FEDERAL PROGRAMS								
	Department of Homeland Security								
	14/16 Forest County WHEAP M2-1000 (36)	93.568 Subtotal	93.569 Community Services Block Grant (37)	93.994 Maternal & Child Health Block Grant (38)	97.024 Emergency Food & Shelt. Program Oconto Co. 29-9200-00 (39)	97.024 Emergency Food & Shelt. Program Forest Co. 29-9146-00 (40)	97.024 Emergency Food & Shelt. Program Marinette Co. 29-9184-00 (41)	97.024 Subtotal	Total Federal Programs
REVENUE									
Grant revenue	\$ 22,943	\$ 1,316,513	\$ 632,939	\$ 297,962	\$ 2,077	\$ 2,319	\$ 1,776	\$ 6,172	\$ 5,765,069
Program income	-	9,566	187	1,070,887	-	-	-	-	1,337,621
Rental income	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-
Other income	0	0	559	81,255	-	-	-	-	1,030
Total Revenue	\$ 22,943	\$ 152,009	\$ 633,685	\$ 1,450,103	\$ 2,077	\$ 2,319	\$ 1,776	\$ 6,172	\$ 7,234,804
EXPENSES									
Personnel	23,633	94,073	72,666	874,622	9,319	4,646	10,426	24,391	3,132,512
Consultants and contract labor	244	56,972	3,064	51,896	163	117	167	447	169,123
Travel/transportation	189	4,039	18,201	15,645	5	1	6	12	166,952
Space and utilities	509	1,787	3,056	44,708	174	139	356	669	125,497
Consumable supplies	236	714	2,641	194,469	144	117	276	537	243,223
Repairs/maintenance	386	1,930	3,185	25,057	185	139	313	637	88,834
Depreciation	-	-	-	-	-	-	-	-	6,992
Interest	-	-	-	-	-	-	-	-	-
Equipment	-	32	34	39,148	7	3	8	18	46,928
Other	1,113	3,519	14,903	62,338	188	62	256	506	213,673
Weatherization materials/fuel assistance	-	18,273	-	-	-	-	-	-	450,408
Program support**	(3,367)	(28,557)	509,494	-	(12,262)	(5,499)	(13,442)	(31,203)	2,124
Beneficiary assistance	-	-	6,438	-	4,154	2,594	3,410	10,158	1,357,988
Commodity food	-	-	-	-	-	-	-	-	998,246
Total Expenses	22,943	152,782	633,682	1,307,883	2,077	2,319	1,776	6,172	7,002,500
Increase in Net Assets	0	(773)	3	142,220	-	-	-	-	232,304
Net assets - Beginning, unadjusted	-	-	-	1,147,771	-	-	-	-	1,519,532
Prior period adjustment	-	-	-	-	-	-	-	-	-
Net assets - Beginning, adjusted	-	-	-	1,147,771	-	-	-	-	1,519,532
Loans issued	-	-	-	-	-	-	-	-	-
NET ASSETS - Ending	\$ 0	\$ (773)	\$ 3	\$ 1,289,991	\$ -	\$ -	\$ -	\$ -	\$ 1,751,836

** This represents CSBG support provided

See Independent Auditor's Report.

NEWCAP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUE	Weatherization Public Benefits	Weatherization Public Benefits	Wx Non-Emergency Furnace	Wx Emergency Furnace	Wx Emergency Furnace	Donation Fund	Job Center	Wheels II
	AD138692.13 (42)	AD149877.13 (43)	End Oct,14 (44)	End Oct,14 (45)	Oct,14-Dec,14 (46)	(47)	(48)	(49)
Grant revenue	\$ 1,261,173	\$ 1,724,352	\$ 65,504	\$ 238,408	\$ 245,604	\$ -	\$ -	\$ -
Program income	-	807	-	35,134	-	-	-	-
Rental income	-	-	-	-	-	-	-	3,339
Donations	-	-	-	-	-	45,445	-	-
Other income	4	1	-	-	-	20	-	-
Total Revenue	\$ 1,261,177	\$ 1,725,160	\$ 65,504	\$ 273,542	\$ 245,604	\$ 45,465	\$ 0	\$ 2,431
EXPENSES								
Personnel	746,132	1,190,987	27,617	32,722	38,378	-	-	-
Consultants and contract labor	26,447	5,453	-	204,298	88,345	-	-	-
Travel/transportation	44,114	47,613	3,225	5,324	3,771	-	-	-
Space and utilities	6,250	6,477	-	195	173	-	75	-
Consumable supplies	7,025	26,624	-	271	419	25	514	-
Repairs/maintenance	11,935	19,021	-	466	797	130	-	135
Depreciation	1	2,290	-	-	-	-	1,127	50
Interest	-	-	-	-	-	-	-	-
Equipment	441	485	-	9	-	-	-	-
Other	44,369	49,474	244	1,014	1,935	509	406	-
Weatherization materials/fuel assistance	374,463	374,354	37,254	29,243	111,786	-	-	-
Program support**	-	-	-	-	-	-	-	-
Beneficiary assistance	-	-	-	-	-	-	(2,123)	-
Commodity food	-	-	-	-	-	73,817	-	5,471
Total Expenses	1,261,177	1,722,778	68,340	273,542	245,604	74,481	-	5,636
Increase in Net Assets	-	2,382	(2,836)	-	-	(29,016)	-	114
Net assets - Beginning, unadjusted	-	-	-	-	-	87,063	-	2,160
Prior period adjustment	-	-	-	-	-	-	-	-
Net assets - Beginning, adjusted	-	-	-	-	-	87,063	-	2,160
Loans issued	-	-	-	-	-	-	-	-
NET ASSETS - Ending	\$ -	\$ 2,382	\$ (2,836)	\$ -	\$ -	\$ 58,047	\$ -	\$ 2,274

** This represents CSBG support provided

See Independent Auditor's Report.

NEWCAP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND OTHER FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>OTHER</u>			<u>DISCRETIONARY</u>	
	State and Local Subtotal	Grant Funded Equipment (50)	Village on the Waters (51)	Total Program Activity	General Operations (52)
REVENUE					
Grant revenue	\$ 3,535,041	\$ -	\$ 62,728	\$ 9,362,838	\$ -
Program income	39,280	-	17,165	1,394,066	157
Rental income	-	-	-	-	131,022
Donations	45,445	-	-	-	6,294
Other income	2,456	167,873	14	46,475	72,006
Total Revenue	3,622,222	167,873	79,907	11,024,899	209,479
EXPENSES					
Personnel	2,035,836	-	-	5,168,348	64,814
Consultants and contract labor	324,543	-	57,025	550,691	34,006
Travel/transportation	104,122	-	-	271,074	8,747
Space and utilities	13,609	-	-	139,106	37,970
Consumable supplies	34,499	-	-	277,722	-
Repairs/maintenance	33,526	-	-	122,361	6,578
Depreciation	2,291	89,576	-	98,859	147,852
Interest	-	-	-	-	-
Equipment	935	-	-	47,863	529
Other	97,951	-	-	311,625	24,582
Weatherization materials/fuel assistance	927,100	-	-	1,377,508	-
Program support**	(2,123)	-	-	0	-
Beneficiary assistance	79,288	-	-	1,437,276	-
Commodity food	-	-	-	998,246	-
Total Expenses	3,651,578	89,576	57,025	10,800,679	325,078
Increase in Net Assets	(29,356)	78,297	22,882	224,220	(115,599)
Net assets - Beginning, unadjusted	89,223	38,119	413,225	2,060,099	1,647,675
Prior period adjustment	-	-	-	-	-
Net assets - Beginning, adjusted	89,223	38,119	413,225	2,060,099	1,647,675
Loans issued	-	-	-	-	-
NET ASSETS - Ending	\$ 59,867	\$ 116,416	\$ 436,107	\$ 2,284,319	\$ 1,532,076

** This represents CSBG support provided

See Independent Auditor's Report.

NEWCAP. Inc.

Schedule B-1
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed-Through WISCAP		
Job and Business Development Program	10.561	\$ 17,160
Skills Enhancement Program		<u>17,844</u>
	Subtotal CFDA # 10.561	<u>35,004</u>
Passed-Through Wisconsin Department of Health Services		
Temporary Emergency Food Assistance Program #70010	10.568	99,704
Commodity Food Program	10.569	<u>998,246</u>
	Subtotal Cluster CFDA # 10.568 and # 10.569	<u>1,097,950</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed-Through Wisconsin Department of Commerce		
HUD Emergency Shelter # ETH13-15	14.231	108,628
HUD Emergency Shelter # ETH14-14		<u>93,281</u>
	Subtotal CFDA # 14.231	<u>201,909</u>
Tenant Based Rental Assistance # TBRA 13.04	14.239	33,064
Tenant Based Rental Assistance # TBRA 14.04		41,881
HOME Rental Housing Development Program # RHDC 1309		11,550
HOME Homebuyer and Rehab Program # HHR 12.09		<u>190,604</u>
	Subtotal CFDA # 14.239	<u>277,099</u>
Supportive Housing Program	14.267	<u>160,248</u>
Passed-Through Wisconsin Housing and Economic Development Authority		
Section 8 Housing Voucher # 904	14.871	<u>706,928</u>

NEWCAP. Inc.

Schedule B-2 Schedule of Expenditures of Federal Awards Year Ended December 31, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF LABOR		
Passed-Through Bay Area Workforce Development Board		
Workforce Investment Act - Marinette	17.258	79,990
Workforce Investment Act - Marinette	17.259	107,664
Workforce Investment Act - Marinette	17.278	<u>108,556</u>
Subtotal Cluster CFDA # 17.258, 17.259, 17.278		<u>296,210</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed-Through Southwest CAP		
Wisconsin Employment Transportation Assistance Program	20.516	159,515
Passed-Through Wisconsin Department of Transportation		
New Freedom Program	20.521	<u>57,656</u>
Subtotal Cluster # 20.516 and # 20.521		<u>217,171</u>
U.S. DEPARTMENT OF ENERGY		
Passed-Through Wisconsin Department of Administration		
Weatherization Assistance DOE #AD139692.13	81.042	364,482
Weatherization Assistance DOE #AD149877.13		<u>154,482</u>
Subtotal CFDA # 81.042		<u>518,964</u>

NEWCAP. Inc.

Schedule B-3
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed-Through Wisconsin Department of Administration		
Weatherization Assistance EAP #AD139692.13	93.568	482,757
Weatherization Assistance EAP #AD149877.13		691,313
Weatherization Non-Emergency Furnace		17,834
Emergency Furnace		65,285
Passed-Through Forest County Department of Human Services		
Forest County WHEAP 13/14 #M21000		36,381
Forest County WHEAP 14/15 #M21000		22,943
	Subtotal CFDA # 93.568	1,316,513
Passed-Through Wisconsin Department of Health Services		
Community Services Block Grant	93.569	632,939
Maternal and Child Health Block Grant	93.994	297,962
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed-Through United Way National		
Emergency Food and Shelter - Oconto County #29-9200-00	97.024	2,077
Emergency Food and Shelter - Forest County #29-9146-00		2,319
Emergency Food and Shelter - Marinette County #29-9184-00		1,776
	Subtotal CFDA # 97.024	6,172
TOTAL FEDERAL PROGRAMS		\$ 5,765,069

NOTE 1 - Basis of Presentation

The accompanying "Schedule of Expenditures of Federal and State Awards and Other Financial Assistance" includes the federal and state grant activity of NEWCAP, Inc., and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Wisconsin Department of Health Services Audit Guide*, 2010 revision. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the consolidated financial statements.

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, 2014**

<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 139692.21	\$ 119,909	\$ 491,356	\$ 26,008	\$ 637,273	\$ 254,676	\$ 382,597	\$ 637,273
AD 149877.13	-	222,711	-	222,711	-	245,979	245,979
	<u>\$ 119,909</u>	<u>\$ 714,067</u>	<u>\$ 26,008</u>	<u>\$ 859,984</u>	<u>\$ 254,676</u>	<u>\$ 628,576</u>	<u>\$ 883,252</u>

NEWCAP, Inc.

Weatherization Budget to Actual Comparison
 Grant number: AD139692.21
 Award Period: Year Ended June 30, 2014

Total Grant	Administration	Operations	Program Support	Liability Insurance	Financial Audit	Health & Safety	TTA	Baseload	Total
A. Budget	\$ 395,402	\$ 2,443,354	\$ 1,358,907	\$ 19,000	\$ 14,000	\$ 579,456	\$ 46,659	\$ 25,000	\$ 4,881,778
B. Actual allowable cost	378,697	2,418,100	1,358,907	19,000	11,924	452,158	28,552	15,588	4,682,925
C. (over) under budget	\$ 16,705	\$ 25,255	\$ -	\$ -	\$ 2,076	\$ 127,298	\$ 18,107	\$ 9,412	\$ 198,853

Department of Energy (DOE)	Administration	Operations	Program Support	Liability Insurance	Financial Audit	Health & Safety	TTA	Baseload	Total
A. Budget	\$ 24,307	\$ 454,470	\$ -	\$ 1,608	\$ 1,185	\$ 27,173	\$ 14,205		\$ 522,948
B. Actual allowable cost	24,300	454,318	-	1,608	1,185	27,172	14,205		522,788
C. (over) under budget	\$ 7	\$ 152	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 160

Public Benefits	Administration	Operations	Program Support	Liability Insurance	Financial Audit	Health & Safety	TTA	Baseload	Total
A. Budget	\$ 285,461	\$ 1,414,658	\$ 1,115,455	\$ 13,373	\$ 9,854	\$ 429,542	\$ 32,454	\$ 18,750	\$ 3,319,547
B. Actual Allowable Cost	277,653	1,448,885	1,115,455	13,373	7,778	340,458	14,347	10,802	3,228,750
C. (over) under budget	\$ 7,808	\$ (34,227)	\$ -	\$ -	\$ 2,076	\$ 89,084	\$ 18,107	\$ 7,948	\$ 90,797

Low Income Energy Assistance Program (EAP)	Administration	Operations	Program Support	Liability Insurance	Financial Audit	Health & Safety	TTA	Baseload	Total
A. Budget	\$ 85,634	\$ 574,226	\$ 243,452	\$ 4,019	\$ 2,961	\$ 122,741	\$ -	\$ 6,250	\$ 1,039,283
B. Actual Allowable Cost	76,744	514,897	243,452	4,019	2,961	84,528	-	4,786	931,387
C. (over) under budget	\$ 8,890	\$ 59,329	\$ -	\$ -	\$ -	\$ 38,213	\$ -	\$ 1,464	\$ 107,896

NEWCAP, Inc.

Settlement of DHS Cost Reimbursement Award
Year Ended December 31, 2014

DHS IDENTIFICATION NUMBER	TEFAP/EFO's CARS profile 70010	TEFAP/EFO's CARS profile 70010	Maternal & Child Health CARS Profile 159321
Award amount	\$ 88,611	\$ 78,333	\$ 297,962
Award period	10/1/13-9/30/14	10/1/14-9/30/15	1/1/14-12/31/14
Period of award within audit period	1/1/14-9/30/14	10/1/14-12/31/14	1/1/14-12/31/14
A. Expenditures reported to DHS for payment	\$ 63,270	\$ 37,160	\$ 297,962
B. Actual allowable cost of award reported in audit			
1 Administration	-	-	-
2 Participant Wage and Fringe	-	-	-
3 Personnel Services	-	-	172,236
4 Consult/Contract	-	-	9,284
5 Program Supplies	-	-	60,476
6 Agency Operations	-	-	55,966
7 Other Operation Costs	62,517	37,187	1,009,921
Total reported Expenses	62,517	37,187	1,307,883
C. Less other Funds used to offset costs	-	-	1,009,921
D. Total Grant Funded allowable costs	\$ 62,517	\$ 37,187	\$ 297,962

**REPORTS ON COMPLIANCE
AND
INTERNAL CONTROLS**

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
AND THE WISCONSIN DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE**

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

We have audited, in accordance with the 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 and the *Wisconsin Department of Health Services Audit Guide*, 2014 revision, the statements of financial position, statements of activities, and cash flows of NEWCAP, Inc., as of and for the year ended December 31, 2014, and the related notes to the consolidated financial statements, which collectively comprise NEWCAP, Inc.'s consolidated financial statements, and have issued our report thereon dated July 8, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

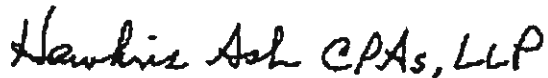
Compliance and Other Matters

As part of obtaining reasonable assurance about whether NEWCAP, Inc.'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under *Government Auditing Standards* or the *Wisconsin Department of Health Services Audit Guide*.

We noted certain matters that we reported to the Board of Directors of NEWCAP, Inc. in a separate letter dated July 8, 2015.

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

HAWKINS ASH CPAS, LLP

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

Green Bay, Wisconsin
July 8, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND
STATE SINGLE AUDIT GUIDELINES**

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

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of NEWCAP, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that are applicable to each of its major federal and state programs for the year ended December 31, 2014. NEWCAP, Inc.'s major federal and state programs are identified in the summary of auditors' 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *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 program identified in the accompanying schedule of findings and questioned costs 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. Our audit does not provide a legal determination on NEWCAP, Inc.'s compliance with those requirements.

Opinion on Each Major Federal and State Program

In our opinion, NEWCAP, Inc. complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal and state programs identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

Internal Control Over Compliance

The management of NEWCAP, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered NEWCAP, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of NEWCAP, Inc.'s 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 and state 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 that might be deficiencies, significant deficiencies or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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.

HAWKINS ASH CPAS, LLP



Green Bay, Wisconsin
July 8, 2015

NEWCAP INC. and Subsidiary
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

A. Summary of Auditor's Results

Financial Statements

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued? | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | None reported |
| | b. Significant deficiency(ies) identified not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to the consolidated financial statements noted? | None reported |

Federal Awards

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | None reported |
| | b. Significant deficiency(ies) identified not considered to be material weakness(es)? | None reported |

- | | | |
|----|---|------------|
| 5. | Type of auditors' report issued on compliance for major programs? | Unmodified |
|----|---|------------|

- | | | |
|----|---|----|
| 6. | Any audit findings disclosures that are required to be reported in accordance with Circular A-133, Section .510(a)? | No |
|----|---|----|

- | | | | | |
|----|---|--|-----------------|---------------|
| 7. | Identification of major programs: | | <u>CFDA No.</u> | <u>Amount</u> |
| | Federal – Temp. Emergency Food Assistance Program | | 10.568/10.569 | \$1,097,950 |
| | Federal – Weatherization Assistance | | 81.042 | 518,964 |
| | Federal – Low Income Weatherization | | 93.568 | 1,316,513 |
| | State – Weatherization Public Benefits | | 505.371 | 2,985,525 |

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between Type A and Type B programs? | \$300,000 |
|----|--|-----------|

- | | | |
|----|--|----|
| 9. | Auditee qualified as low-risk auditee? | No |
|----|--|----|

- | | | |
|-----------|--|-----------|
| B. | Consolidated Financial Statement Findings | No |
|-----------|--|-----------|

- | | | |
|-----------|--|-------------|
| C. | Federal and State Award Findings and Questioned Costs | None |
|-----------|--|-------------|

NEWCAP INC. and Subsidiary
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

D. Other Issues

- | | | |
|----|--|---------------------|
| 1. | Does the auditor have 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 non-compliance, non-material non-compliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guide</i> . | No |
| 3. | Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. | Name and signature of partner | Randy Miller |
| 5. | Date of report | <u>July 8, 2015</u> |

E. Prior year findings

2013-001 Segregation of Duties – Resolved

2013-002 Material Adjustments – Resolved