

NEWCAP, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2015 AND 2014

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 statements of financial position as of December 31, 2015 and 2014 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 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 *Wisconsin Department of Administration Audit Guide, 2014 revision*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 18 to 29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompany schedules of expenditures of federal and state awards and other financial assistance on pages 18 to 27, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and State Single Audit Guidelines* issued by the Wisconsin Department of Administration, 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 the consolidated financial statements 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and the *Wisconsin Department of Administration Audit Guide*, 2014 revision, we have also issued our report dated May 2, 2016, on our consideration of NEWCAP, INC. and Subsidiary'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *Wisconsin Department of Administration Audit Guide*, 2014 revision, in considering NEWCAP, INC. and Subsidiary's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP



Green Bay, Wisconsin
May 2, 2016

NEWCAP, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>DECEMBER 31,</u>	
	2015	2014
CURRENT ASSETS		
Cash	\$ 158,003	\$ 566,420
Grants receivable	703,308	849,966
Accounts receivable	13,706	27,346
Loans receivable	227,304	154,205
Weatherization materials inventory	328,856	245,914
Prepaid expenses	264,246	131,311
TOTAL CURRENT ASSETS	1,695,423	1,975,162
Loans receivable from related party	821,225	821,225
Deferred loans receivable	2,768,371	2,594,065
Land, buildings, and equipment, net	3,647,623	3,596,072
TOTAL ASSETS	\$ 8,932,642	\$ 8,986,524
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Line of credit	\$ 300,000	\$ -
Accounts payable	69,778	72,156
Accrued payroll and related expenses	96,939	122,824
Escrow payable	1,761	3,386
Grant funds receivable in advance	54,257	395,498
TOTAL CURRENT LIABILITIES	522,735	593,864
LONG-TERM LIABILITIES		
Loan payable	408,000	408,000
Advances	34,255	34,253
Deferred loan funds	2,768,371	2,594,065
TOTAL LONG-TERM LIABILITIES	3,210,626	3,036,318
TOTAL LIABILITIES	3,733,361	3,630,182
NET ASSETS		
Unrestricted	2,977,478	3,110,896
Temporarily restricted	2,221,803	2,245,446
TOTAL NET ASSETS	5,199,281	5,356,342
TOTAL LIABILITIES AND NET ASSETS	\$ 8,932,642	\$ 8,986,524

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

NEWCAP, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE			
Grant revenue	\$ 8,770,123	\$ -	\$ 8,770,123
Program income	1,214,835	151,233	1,366,068
Rental income	137,021	-	137,021
Donations	33,329	-	33,329
Other income	169,390	-	169,390
Gain on disposal of fixed assets	8,100	-	8,100
Net assets released from restriction	<u>174,876</u>	<u>(174,876)</u>	<u>-</u>
TOTAL REVENUE	<u>10,507,674</u>	<u>(23,643)</u>	<u>10,484,031</u>
EXPENSES			
Program	9,934,017	-	9,934,017
Management and general expenses	<u>707,075</u>	<u>-</u>	<u>707,075</u>
TOTAL EXPENSES	<u>10,641,092</u>	<u>-</u>	<u>10,641,092</u>
CHANGE IN NET ASSETS	(133,418)	(23,643)	(157,061)
NET ASSETS AT BEGINNING OF YEAR	<u>3,110,896</u>	<u>2,245,446</u>	<u>5,356,342</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,977,478</u>	<u>\$ 2,221,803</u>	<u>\$ 5,199,281</u>

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>	<u>TEMPORARILY 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 CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (157,061)	\$ 188,528
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	197,424	246,711
(Gain) on disposal of fixed assets	(8,100)	(211,954)
Change in operating assets and liabilities		
(Increase) decrease in assets		
Grants receivable	146,658	(417,797)
Accounts receivable	13,640	(11,182)
Loans receivable	(73,099)	-
Inventory	(82,941)	(15,756)
Prepaid expenses	(132,935)	(46,816)
Increase (decrease) in liabilities		
Accounts payable	(2,378)	(84,829)
Accrued payroll	(25,885)	(72,672)
Escrow payable	(1,625)	1,645
Unearned revenue	(166,935)	2,900,921
NET CASH PROVIDED BY OPERATING ACTIVITIES	(293,237)	2,476,799
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of loan receivable	(174,306)	(2,594,065)
Purchase of property and equipment	(266,306)	(424,977)
Proceeds from sale of fixed assets	25,432	279,700
NET CASH (USED IN) INVESTING ACTIVITIES	(415,180)	(2,739,342)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	300,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	300,000	-
NET DECREASE IN CASH	(408,417)	(262,543)
CASH AT BEGINNING OF YEAR	566,420	828,963
CASH - END OF YEAR	\$ 158,003	\$ 566,420

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

NEWCAP, INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 46% and 47% of the total consolidated revenue during 2015 and 2014, 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. and Subsidiary, The 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. and Subsidiary 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 - 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, 2015 and 2014, no allowance has been provided for, as all receivables are deemed collectible.

Grant Awards/Unearned Revenue - 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 unearned revenue.

NEWCAP, INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

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.

Land, Building, 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.

Grant award equipment - For internal purposes, in accordance with grant award budgets approved by funding sources, equipment purchased with grant award funds is charged to expense in the period of purchase instead of being capitalized as an asset and depreciated over its useful life. As a result, the equipment expenses reflected in the schedule of federal awards and other financial assistance include the cost of equipment purchased or leased during the year, while in the financial statements it is shown in accordance with accounting principles generally accepted in the United States of America.

The equipment acquired is owned by NEWCAP, INC. and Subsidiary while used in the program for which it was purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the equipment purchased with grant funds and, therefore, its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations.

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.

NEWCAP, INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 1 - Significant Accounting Policies, continued

Revenue Recognition, continued - 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.

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. are 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 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. and Subsidiary 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.

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would be sustained upon examination by a taxing authority.

NEWCAP, INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 1 – Significant Accounting Policies, continued

Accounting for Uncertainty in Income Taxes, continued - Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Organization is no longer subject to Federal tax examinations by tax authorities for years before 2012 and state examinations for years before 2011.

Subsequent Events - The Organization evaluated subsequent events through May 2, 2016, 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, 2015 and 2014, the balance in excess of FDIC coverage was \$0 and \$288,564, respectively.

NOTE 3 - Grants Receivable

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

	DECEMBER 31,	
	2015	2014
State programs	\$ 646,605	\$ 799,184
Other programs	56,703	50,782
TOTAL	\$ 703,308	\$ 849,966

NOTE 4 - Weatherization Material Inventory

Weatherization materials inventory consists of the following:

	DECEMBER 31,	
	2015	2014
Jobs in progress	\$ 71,719	\$ 44,922
Nonexpendable inventory	252,031	193,873
Expendable inventory	5,106	7,119
	\$ 328,856	\$ 245,914

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NEWCAP, INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 5 - Land, Buildings, and Equipment

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

	DECEMBER 31,	
	2015	2014
Land	\$ 160,759	\$ 165,214
Buildings	4,276,808	4,057,047
Building improvements	224,925	224,925
Vehicles	109,747	108,472
Equipment	1,144,322	1,144,322
	5,916,561	5,699,980
Accumulated depreciation	(2,268,938)	(2,103,908)
TOTAL	\$ 3,647,623	\$ 3,596,072

Depreciation expense was \$197,424 and \$246,711 for the year ended December 31, 2015 and 2014, 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.

Long-Term Receivables and Deferred Revenue is as follows:

	DECEMBER 31,	
	2015	2014
Housing Cost Reduction Initiative loans		
Loans receivable	\$ 30,000	\$ 30,000
HOME Investment Partnership loans receivable		
Loans receivable	2,738,371	2,564,065
	\$ 2,768,371	\$ 2,594,065

NOTE 7 - Line of Credit

NEWCAP has available a revolving line of credit, secured by substantially all assets of the Company, which allows management to borrow up to \$300,000 and \$200,000, at a rate equal to the rate of 3.250% for the years ended December 31, 2015 and 2014. The balance outstanding at December 31, 2015 and 2014 was \$300,000 and \$0, respectively.

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NEWCAP, INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

Note 8 - Loan Payable

Loan payable consist of an 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,	
	2015	2014
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, 2015 and 2014 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, 2015 and 2014 was \$19,444 and \$23,400, respectively. Future minimum lease payments on these non-cancelable leases are as follows:

2016	\$	25,592
2017		9,529
2018		5,541

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, 2015 and 2014 was approximately \$277,365 and \$278,302, 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, 2015 and 2014, the CSBG program provided \$503,714 and \$221,811, 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, 2015 AND 2014

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>2015</u>	<u>2014</u>
Housing program	\$ 496,576	\$ 544,284
Transportation and auto loans	552,067	353,124
Food program	39,380	58,047
Family planning	<u>1,133,780</u>	<u>1,289,991</u>
TOTAL	<u>\$ 2,221,803</u>	<u>\$ 2,245,446</u>

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NEWCAP, INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 16 - Functional Classification of Expenses

Expenses by function for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Program Services		
Community Services	\$ 939,358	\$ 814,370
Weatherization	4,582,585	5,083,196
Job Training	335,374	335,711
Food Services	865,747	1,041,732
Health and welfare	1,376,945	1,523,230
Housing	1,574,046	1,310,319
Corporate Programs	<u>259,962</u>	<u>447,528</u>
Total program expense	<u>9,934,017</u>	<u>10,556,086</u>
Supporting Services		
Management and general	<u>707,075</u>	<u>569,671</u>
Total expenses	<u>\$ 10,641,092</u>	<u>\$ 11,125,757</u>

NOTE 17 - 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	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%

NEWCAP, INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 17 - Related Party Transaction Loans - continued

Receivable from LLC, continued

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 December 31, 2015 and 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, 2015 and 2014.

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 15 - 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, 2015 and 2014.

The loans receivables from The Village consist of the following:

	<u>DECEMBER 31,</u>	
	<u>2015</u>	<u>2014</u>
Home funds	\$ 413,255	\$ 413,255
AHP funds	<u>408,000</u>	<u>408,000</u>
TOTAL	<u>\$ 821,255</u>	<u>\$ 821,255</u>

NEWCAP, INC. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 17 - Related Party Transaction Loans - continued

Receivable from LLC, continued

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 in 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 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.

NOTE 18 - 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. and Subsidiary

Schedule of Expenditures of Federal and State Awards
 Year Ended December 31, 2015

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	\$ 15,000
Skills Enhancement Program		<u>14,525</u>
Subtotal CFDA 10.561		<u>29,525</u>
Passed-Through Wisconsin Department of Health Services		
Temporary Emergency Food Assistance Program #70010	10.568	68,796
Commodity Food Program	10.569	<u>858,572</u>
Subtotal Cluster CFDA 10.568 and 10.569		<u>927,368</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed-Through Wisconsin Department of Commerce		
HUD Emergency Shelter # ETH14-14	14.231	143,290
HUD Emergency Shelter # ETH15-14		<u>75,539</u>
Subtotal CFDA 14.231		<u>218,829</u>
Tenant Based Rental Assistance # TBRA 14.04	14.239	44,550
Tenant Based Rental Assistance # TBRA 15.05		47,955
HOME Rental Housing Development Program # RHDC 1403		77,000
HOME Homebuyer and Rehab Program # HHR 12.09		<u>208,950</u>
Subtotal CFDA 14.239		<u>378,455</u>
Supportive Housing Program 2014	14.267	36,515
Supportive Housing Program 2015		<u>146,111</u>
Subtotal CFDA 14.267		<u>182,626</u>
Passed-Through Wisconsin Housing and Economic Development Authority		
Section 8 Housing Voucher # 904		<u>748,868</u>
Subtotal CFDA 14.871		<u>748,868</u>
U.S. DEPARTMENT OF LABOR		
Passed-Through Bay Area Workforce Development Board		
Workforce Investment Act - Marinette	17.258	139,943
Workforce Investment Act - Marinette	17.259	34,587
Workforce Investment Act - Marinette	17.278	<u>141,042</u>
Subtotal CFDA 17.258		<u>315,572</u>

NEWCAP, Inc. and Subsidiary

Schedule of Expenditures of Federal and State Awards - continued
 Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
Passed-Through Southwest CAP		
Wisconsin Employment Transportation Assistance Program	20.516	132,476
Passed-Through Wisconsin Department of Transportation		
New Freedom Program	20.521	<u>62,542</u>
Subtotal Cluster 20.516 and 20.521		<u>195,018</u>
U.S. DEPARTMENT OF ENERGY		
Passed-Through Wisconsin Department of Administration		
Weatherization Assistance DOE #AD149877.13	81.042	<u>595,281</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed-Through Wisconsin Department of Administration		
Low Income Home Energy Assistance	93.568	1,164,752 46,345
Passed-Through Forest County Department of Human Services		
Forest County WHEAP 14/15 #M21000		14,784
Forest County WHEAP 15/16 #M21000		<u>14,485</u>
Subtotal CFDA 93.568		<u>1,240,366</u>
Passed-Through Wisconsin Department of Children & Families		
Community Services Block Grant	93.569	<u>503,714</u>
Passed-Through Wisconsin Department of Health Services		
Maternal and Child Health Block Grant	93.994	<u>297,962</u>
Subtotal Cluster CFDA 93.568, 93.569 and 93.994		<u>2,042,042</u>
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		<u>1,776</u>
Subtotal CFDA 97.024		<u>6,172</u>
TOTAL FEDERAL PROGRAMS		<u>5,639,756</u>
STATE AND LOCAL PROGRAMS		
Passed-Through Wisconsin Department of Administration		
Weatherization Public Benefits	505.371	2,497,901
Emergency Furnace		603,654
Subtotal		<u>3,101,555</u>
Passed-Through Oconto County		
SOAR		<u>28,812</u>
TOTAL STATE & LOCAL PROGRAMS		<u>3,130,367</u>
GRAND TOTAL (FEDERAL, STATE, AND LOCAL AWARDS)		<u><u>8,770,123</u></u>

NEWCAP, Inc. and Subsidiary

Notes to Schedule of Expenditures of Federal and State Awards

NOTE 1 - Basis of Presentation

The accompanying "Schedule of Federal and State Financial Assistance" includes the federal and state grant activity of NEWCAP, Inc. and Subsidiary of Wisconsin, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the U.S. Office of Management and Budget (OMB) *Compliance Supplement*, and the *State Single Audit Guidelines*, issued by the State of Wisconsin. Supplemental schedules are also presented by Lakeshore CAP, Inc. of Wisconsin in regard to federal, state and local financial assistance programs administered by the Organization. Additional information on the Organization's unrestricted activity is also presented in the schedules.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable and are limited as to reimbursement.

NOTE 3 - Oversight Agency

The Federal oversight agency for NEWCAP, Inc. and Subsidiary of Wisconsin is the U.S. Department of Health and Human Services.

NEWCAP Inc. and Subsidiary
Schedule of Expenditures of Federal and State Awards and Other Financial Assistance
Year Ended December 31,2015

	FEDERAL PROGRAMS								
	Department of Agriculture								
	Total	10.561				10.568			10.569
		WISCAP Job and Business Dev. Program (1)	14/15 WISCAP Skills Enhance. 1-15 to 6-15 (2)	15/16 WISCAP Skills Enhance. 7-15 to 12-15 (3)	10.561 Subtotal	14/15 Temporary Emergency Food Assist. Program #70010 (4)	15/16 Temporary Emergency Food Assist. Program #70010 (5)	10.568 Subtotal	Commodity Food Distribution (6)
REVENUE									
Grant revenue	\$ 8,770,123	\$ 15,000	\$ 5,830	\$ 8,695	\$ 29,525	\$ 45,402	\$ 23,394	\$ 68,796	\$ 858,572
Program income	1,366,067	-	-	-	-	-	-	-	-
Rental income	137,021	-	-	-	-	-	-	-	-
Donations	33,329	-	-	-	-	-	-	-	-
Other income	177,492	13,648	-	500	14,148	-	-	-	-
Total Revenue	10,484,031	\$ 28,648	\$ 5,830	\$ 9,195	\$ 43,673	\$ 45,402	\$ 23,394	\$ 68,796	\$ 858,572
EXPENSES									
Personnel	5,066,511	71,782	8,105	7,246	87,133	48,906	13,433	62,339	-
Consultants and contract labor	361,176	1,314	171	115	1,600	1,545	279	1,824	-
Travel/transportation	203,306	1,376	7	124	1,507	10,884	2,908	13,792	-
Space and utilities	164,350	5,412	51	27	5,490	8,984	2,596	11,580	-
Consumable supplies	315,899	622	99	54	775	1,788	254	2,042	-
Repairs/maintenance	181,074	602	81	60	744	6,634	1,035	7,669	-
Depreciation	197,423	-	-	-	-	4,362	1,454	5,816	-
Interest	-	-	-	-	-	-	-	-	-
Equipment	2,050	-	-	-	-	-	-	-	-
Other	339,484	5,328	184	106	5,617	4,744	1,435	6,179	-
Weatherization materials/fuel assistance	1,600,807	-	-	-	-	-	-	-	-
Program support**	-	(57,788)	(8,698)	(524)	(67,009)	(42,445)	-	(42,445)	-
Beneficiary assistance	1,350,441	-	5,830	1,986	7,816	-	-	-	-
Commodity food	858,572	-	-	-	-	-	-	-	858,572
Total Expenses	10,641,093	28,648	5,830	9,195	43,673	45,402	23,394	68,796	858,572
Increase in Net Assets	(157,061)	-	-	-	-	-	-	-	-
Net assets - Beginning, adjusted	5,356,342	-	-	-	-	-	-	-	-
NET ASSETS - Ending	\$ 5,199,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

** This represents CSBG support provided to other programs.

NEWCAP Inc. and Subsidiary
Schedule of Expenditures of Federal and State Awards and Other Financial Assistance - continued
Year Ended December 31, 2015

	FEDERAL PROGRAMS								14.239 Subtotal
	Department of Housing and Urban Development								
	14.228	14.231							
10.568 and 10.569 Cluster Subtotal	Neighborhood Stabilization Program	ESG/ THG GRANT ETH 14-14	ESG/ THG Grant ETH 15-14	Tenant Based Rental Assistance TBRA 14.04	Tenant Based Rental Assistance TBRA 15-05	HOME Rental Housing Dev. Program RHDC 1403	HOME Homebuyer & Rehab Prog. Contract HHR12.09		
	(7)	(9)	(11)		(12)		(13)		
			Jan-June 2015				Ongoing-Add 7/14-12/14		
REVENUE									
Grant revenue	\$ 927,368	\$ -	\$ 143,290	\$ 75,539	\$ 44,550	\$ 47,955	\$ 77,000	\$ 208,950	\$ 378,455
Program income	-	136,542	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-
Other income	-	15	(92)	20	-	-	-	3,203	3,203
Total Revenue	\$ 927,368	\$ 136,557	\$ 143,198	\$ 75,559	\$ 44,550	\$ 47,955	\$ 77,000	\$ 212,154	\$ 381,658
EXPENSES									
Personnel	62,339	64,110	52,128	21,980	17,683	27,007	-	74,921	119,611
Consultants and contract labor	1,824	1,161	44,225	34,978	433	467	-	1,096	1,997
Travel/transportation	13,792	6,489	4,102	1,446	3,256	2,931	-	3,615	9,802
Space and utilities	11,580	26,447	250	101	327	391	-	1,817	2,535
Consumable supplies	2,042	544	2,457	425	1,862	718	-	2,531	5,111
Repairs/maintenance	7,669	16,174	423	234	485	701	77,000	1,881	80,067
Depreciation	5,816	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Other	6,179	13,853	2,223	1,039	1,427	1,456	-	3,182	6,065
Weatherization materials/fuel assistance	-	-	-	-	-	-	-	-	-
Program support**	(42,445)	-	(4,452)	(2)	(15,577)	(25,792)	-	(12,734)	(54,103)
Beneficiary assistance	-	-	41,843	15,358	34,654	40,076	-	136,085	210,815
Commodity food	858,572	-	-	-	-	-	-	-	-
Total Expenses	927,368	128,778	143,198	75,559	44,550	47,955	77,000	212,394	381,898
Increase in Net Assets	-	7,779	-	-	-	-	-	(240)	(240)
Net assets - Beginning, adjusted	-	108,179	-	-	-	-	-	83	-
NET ASSETS - Ending	\$ -	\$ 115,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (157)	\$ (240)

** This represents CSBG support provided

NEWCAP Inc. and Subsidiary
Schedule of Expenditures of Federal and State Awards and Other Financial Assistance - continued
Year Ended December 31,2015

	14.267		14.871							
	Supportive Housing Program Thru 3-31-15	Supportive Housing Program 4-15 to 12-15	Section 8 Housing Voucher WHEDA	HUD Housing Couns.	14.871 Subtotal	Workforce Investment Act Bay North Adult 1/15-6/15	WorkForce Investment Act Bay North Adult 7/15-12/15	Workforce Investment Act Bay North Youth 1/15-6/15	Workforce Investment Act Bay North Youth 7/15-12/15	
	(14)	(15)	(16)	(17)		(18)	(19)	(20)	(21)	
REVENUE										
Grant revenue	\$ 36,515	\$ 146,111	\$ 748,868	\$ -	\$ 748,868	\$ 67,268	\$ 72,675	\$ 26,273	\$ 8,314	
Program income	5,245	12,866	196	-	196	-	-	-	-	
Rental income	-	-	-	-	-	-	-	-	-	
Donations	-	-	-	-	-	-	-	-	-	
Other income	145	-	530	-	530	-	-	-	-	
Total Revenue	\$ 41,905	\$ 158,977	\$ 749,594	\$ -	\$ 749,594	\$ 67,268	\$ 72,675	\$ 26,273	\$ 8,314	
EXPENSES										
Personnel	18,749	57,901	125,727	18,812	144,539	37,641	43,076	14,702	-	
Consultants and contract labor	284	1,366	2,675	339	3,014	29,055	24,971	11,348	8,314	
Travel/transportation	2,512	7,223	7,970	139	8,109	772	911	302	-	
Space and utilities	1,289	6,162	654	107	761	1,275	1,471	498	-	
Consumable supplies	1,710	968	3,484	178	3,662	612	590	239	-	
Repairs/maintenance	931	2,385	1,189	162	1,351	323	314	126	-	
Depreciation	-	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	-	
Equipment	-	-	-	-	-	-	-	-	-	
Other	1,123	3,851	17,364	5,954	23,318	1,338	1,376	522	-	
Weatherization materials/fuel assistance	-	-	-	-	-	-	-	-	-	
Program support**	(16,420)	(14,582)	(77,452)	(25,691)	(103,143)	(3,748)	(34)	(1,464)	-	
Beneficiary assistance	31,727	93,703	667,983	-	667,983	-	-	-	-	
Commodity food	-	-	-	-	-	-	-	-	-	
Total Expenses	41,905	158,977	749,594	-	749,594	67,268	72,675	26,273	8,314	
Increase in Net Assets	-	-	-	-	-	-	-	-	-	
Net assets - Beginning, adjusted	-	-	-	83	-	-	-	-	-	
NET ASSETS - Ending	\$ -	\$ -	\$ -	\$ 83	\$ -	\$ -	\$ -	\$ -	\$ -	

** This represents CSBG support provided

NEWCAP Inc. and Subsidiary
Schedule of Expenditures of Federal and State Awards and Other Financial Assistance - continued
Year Ended December 31, 2015

	FEDERAL PROGRAMS								
	Department of Transportation								
				20.516	20.521		81.042		
	Workforce Investment Act Bay North Dislocated 1/15-6/15 (22)	Workforce Investment Act Bay North Dislocated 7/15-12/15 (23)	17.258, 17.259, 17.260 17.275 Cluster Subtotal	Wisconsin Employment Transportation Assistance Program (24)	New Freedom Program (25)	20.516 and 20.521 Cluster Subtotal	Weath. Assistance AD149877.13 (27)	81.042 Cluster Subtotal	
REVENUE									
Grant revenue	\$ 70,422	\$ 70,620	\$ 315,572	\$ 132,476	\$ 62,542	\$ 195,018	\$ 595,281	\$ 595,281	
Program income	-	-	-	234,711	-	234,711	-	-	
Rental income	-	-	-	-	-	-	-	-	
Donations	-	-	-	-	744	744	-	-	
Other income	-	-	-	10,196	-	10,196	-	-	
Total Revenue	\$ 70,422	\$ 70,620	\$ 315,572	\$ 377,383	\$ 63,285	\$ 440,668	\$ 595,281	\$ 595,281	
EXPENSES									
Personnel	39,407	47,169	181,995	73,473	75,775	149,248	388,858	388,858	
Consultants and contract labor	30,418	25,902	130,008	4,013	1,321	5,334	7,865	7,865	
Travel/transportation	807	885	3,677	5,331	2,085	7,416	13,817	13,817	
Space and utilities	1,334	1,248	5,826	1,332	1,339	2,671	2,318	2,318	
Consumable supplies	641	483	2,565	818	1,677	2,495	10,254	10,254	
Repairs/maintenance	339	379	1,481	607	610	1,217	3,345	3,345	
Depreciation	-	-	-	-	-	-	485	485	
Interest	-	-	-	-	-	-	-	-	
Equipment	-	-	-	-	-	-	-	-	
Other	1,400	1,303	5,939	29,224	3,164	32,388	19,482	19,482	
Weatherization materials/fuel assistance	-	-	-	-	-	-	148,913	148,913	
Program support**	(3,924)	(6,749)	(15,919)	-	(28,180)	(28,180)	(56)	(56)	
Beneficiary assistance	-	-	-	225,940	5,495	231,435	-	-	
Commodity food	-	-	-	-	-	-	-	-	
Total Expenses	70,422	70,620	315,572	340,738	63,286	404,024	595,281	595,281	
Increase in Net Assets	-	-	-	36,645	-	36,645	-	-	
Net assets - Beginning, adjusted	-	-	-	459,931	-	459,931	214	214	
NET ASSETS - Ending	\$ -	\$ -	\$ -	\$ 496,576	\$ -	\$ 496,576	\$ 214	\$ 214	

** This represents CSBG support provided

NEWCAP Inc. and Subsidiary
Schedule of Expenditures of Federal and State Awards and Other Financial Assistance - continued
Year Ended December 31,2015

							93.569	93.994	
	Weath. Assistance AD149877.13	14/15 Furnace	15/16 Furnace	14/15 Forest County WHEAP M21000	15/16 Forest County WHEAP M21000	93.568 Subtotal	Community Services Block Grant	Maternal & Child Health Block Grant	Emergency Food & Shelt. Program Oconto Co. 29-9200-00
	(29)	(31)	(32)	(33)	(34)		(35)	(36)	(37)
		Jan 15-Sept 15	Oct 15-Dec 15	# Jan 15-Sept 15	Oct 15-Dec 15				
REVENUE									
Grant revenue	\$ 1,164,752	\$ 27,719	\$ 18,626	\$ 14,784	\$ 14,485	\$ 1,240,366	\$ 503,714	\$ 297,962	\$ 2,077
Program income	-	-	-	-	-	-	140	974,642	-
Rental income	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-
Other income	-	3	-	0	0	3	442	46,137	-
Total Revenue	\$ 1,164,752	\$ 27,721	\$ 18,626	\$ 14,784	\$ 14,485	\$ 1,240,369	\$ 504,296	\$ 1,318,741	\$ 2,077
EXPENSES									
Personnel	760,856	4,658	2,265	42,851	14,377	64,151	38,227	1,070,062	7,648
Consultants and contract labor	15,390	93	26	997	194	1,310	1,087	49,510	154
Travel/transportation	27,035	10	1	900	327	1,237	12,749	14,967	4
Space and utilities	4,535	23	7	1,236	357	1,623	2,410	43,712	138
Consumable supplies	20,064	54	14	621	244	934	3,171	210,128	55
Repairs/maintenance	6,544	571	124	1,230	354	2,279	3,025	26,809	67
Depreciation	948	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Other	38,120	233	95	1,985	708	3,021	13,865	59,764	164
Weatherization materials/fuel assistance	291,369	22,079	16,094	-	-	38,173	-	-	-
Program support**	(109)	-	-	(35,035)	(2,077)	(37,112)	414,284	-	(9,613)
Beneficiary assistance	-	-	-	-	-	-	15,478	-	3,460
Commodity food	-	-	-	-	-	-	-	-	-
Total Expenses	1,164,752	27,721	18,626	14,784	14,485	75,617	504,296	1,474,952	2,077
Increase in Net Assets	-	-	-	-	-	1,164,752	-	(156,211)	-
Net assets - Beginning, adjusted	1,013	(773)	-	-	-	-	-	1,289,991	-
NET ASSETS - Ending	\$ 1,013	\$ (773)	\$ -	\$ -	\$ -	\$ 1,164,752	\$ -	\$ 1,133,780	\$ -

** This represents CSBG support provided

NEWCAP Inc. and Subsidiary
Schedule of Expenditures of Federal and State Awards and Other Financial Assistance - continued
Year Ended December 31, 2015

	FEDERAL PROGRAMS			Department of Administration						
	Department of Homeland Security									
	97.024			505.371	505.371	505.371	505.371			
	Emergency Food & Shelt. Program Forest Co. 29-9146-00	Emergency Food & Shelt. Program Marinette Co. 29-9184-00	97.024 Subtotal	Total Federal Programs	Weatherization Public Benefits AD149877.13	Wx Emergency Furnace	Wx Emergency Furnace	Donation Fund	Job Center	Wheels II
REVENUE	(38)	(39)			(41)	(43)	(44)	(45)	(46)	(47)
						End Sept. 15	Oct. 15-Dec. 15			
Grant revenue	\$ 2,319	\$ 1,776	\$ 6,172	\$ 5,639,756	\$ 2,497,901	\$ 361,041	\$ 242,613	\$ -	\$ -	\$ -
Program income	-	-	-	1,364,342	-	-	-	-	-	1,725
Rental income	-	-	-	-	787	-	-	-	-	-
Donations	-	-	-	744	-	-	-	19,427	-	-
Other income	-	-	-	74,747	-	38	-	-	-	500
Total Revenue	\$ 2,319	\$ 1,776	\$ 6,172	\$ 7,079,589	\$ 2,498,688	\$ 361,079	\$ 242,613	\$ 19,427	\$ -	\$ 2,225
EXPENSES										
Personnel	764	8,970	17,382	3,299,269	1,632,228	60,677	29,499	2,924	-	-
Consultants and contract labor	25	194	373	301,325	33,014	1,213	337	-	-	-
Travel/transportation	105	93	202	136,082	57,996	133	7	-	-	-
Space and utilities	32	446	616	118,326	9,729	299	91	-	226	-
Consumable supplies	19	131	205	267,509	43,042	708	186	3,894	-	-
Repairs/maintenance	54	473	594	155,271	14,039	7,431	1,621	2,205	202	-
Depreciation	-	-	-	7,249	2,034	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-
Other	58	353	575	236,423	81,779	3,030	1,242	6,993	408	-
Weatherization materials/fuel assistance	-	-	-	478,455	625,060	287,587	209,630	75	-	-
Program support**	(2,473)	(12,244)	(24,330)	6,422	(233)	-	-	-	(836)	-
Beneficiary assistance	3,735	3,360	10,555	1,326,713	-	-	-	22,003	-	1,725
Commodity food	-	-	-	858,572	-	-	-	-	-	-
Total Expenses	2,319	1,776	6,172	7,191,617	2,498,688	361,079	242,613	38,094	-	1,725
Increase in Net Assets	-	-	-	(112,028)	-	-	-	(18,667)	-	500
Net assets - Beginning, adjusted	-	-	-	1,859,328	2,382	(2,836)	-	58,047	-	2,274
NET ASSETS - Ending	\$ -	\$ -	\$ -	\$ 1,747,300	\$ 2,382	\$ (2,836)	\$ -	\$ 39,380	\$ -	\$ 2,774

** This represents CSBG support provided

NEWCAP Inc. and Subsidiary
Schedule of Expenditures of Federal and State Awards and Other Financial Assistance - continued
Year Ended December 31, 2015

	<u>OTHER</u>				<u>DISCRETIONARY</u>	
	<u>SOAR</u>	<u>State and Local Subtotal</u>	<u>Grant Funded Equipment</u>	<u>Village on the Waters</u>	<u>Total Program Activity</u>	<u>General Operations</u>
REVENUE	(48)		(48)	(49)		(50)
Grant revenue	\$ 28,812	\$ 3,130,367	\$ -	\$ -	\$ 8,770,123	\$ -
Program income	-	1,725	-	-	1,366,067	-
Rental income	-	787	-	-	787	136,234
Donations	-	19,427	-	-	20,171	13,158
Other income	-	538	-	2	75,287	102,205
Total Revenue	\$ 28,812	\$ 3,152,844	\$ -	\$ 2	\$ 10,232,432	\$ 251,597
EXPENSES						
Personnel	29,472	1,754,800	-	-	5,054,069	12,442
Consultants and contract labor	667	35,231	-	-	336,557	24,619
Travel/transportation	2,844	60,979	-	-	197,061	6,245
Space and utilities	123	10,468	-	-	128,795	35,555
Consumable supplies	359	48,190	-	-	315,699	200
Repairs/maintenance	305	25,803	-	-	181,074	-
Depreciation	-	2,034	42,968	-	52,251	145,172
Interest	-	-	-	-	-	-
Equipment	-	-	-	-	-	2,050
Other	793	94,245	-	-	330,668	8,816
Weatherization materials/fuel assistance	-	1,122,352	-	-	1,600,807	-
Program support**	(5,751)	(6,820)	-	-	(398)	398
Beneficiary assistance	-	23,728	-	-	1,350,441	-
Commodity food	-	-	-	-	858,572	-
Total Expenses	28,812	3,171,011	42,968	-	10,405,595	235,497
Increase in Net Assets	-	(18,167)	(42,968)	2	(173,163)	16,100
Net assets - Beginning, adjusted	-	59,867	116,416	436,107	2,471,718	1,532,076
NET ASSETS - Ending	\$ -	\$ 41,700	\$ 73,448	\$ 436,109	\$ 2,298,555	\$ 1,548,176

** This represents CSBG support provided

NEWCAP, Inc. and Subsidiary

Schedule of Emergency Furnace Activity by Contract

Year Ended December 31, 2015

Contract #	Prior Audit Period Cash Received	Current Audit Period Cash Received	True Up Received (Paid)	Net Contract to Date Cash Received	Prior Audit Period Expenses	Current Audit Period Expenses	Contract to Date Expenses
AD 149877.13 Jan-Sept 2015	\$ 222,711	\$ 428,964	\$ (16,897)	\$ 634,778	\$ 245,979	\$ 388,799	\$ 634,778
AD 149877.13 Oct-Dec 2015	-	234,454	-	234,454	-	261,239	261,239
	<u>\$ 222,711</u>	<u>\$ 663,418</u>	<u>\$ (16,897)</u>	<u>\$ 869,232</u>	<u>\$ 245,979</u>	<u>\$ 650,038</u>	<u>\$ 896,017</u>

NEWCAP, INC. and Subsidiary

Settlement of DHS Cost Reimbursement Award

Year Ended December 31, 2015

	TEFAP/EFO's CARS profile 70010	TEFAP/EFO's CARS profile 70010	Maternal & Child Health CARS Profile 159321
DHS IDENTIFICATION NUMBER			
Award amount	\$ 82,589	\$ 86,700	\$ 297,962
Award period	10/1/14-9/30/15	10/1/15-9/30/16	1/1/15-12/31/15
Period of award within audit period	1/1/15-9/30/15	10/1/15-12/31/15	1/1/15-12/31/15
A. Expenditures reported to DHS for payment	<u>\$ 45,429</u>	<u>\$ 23,394</u>	<u>\$ 297,962</u>
B. Actual allowable cost of award reported in audit			
1 Administration	-	-	-
2 Participant Wage and Fringe	-	-	-
3 Personnel Services	-	-	187,946
4 Consult/Contract	-	-	6,687
5 Program Supplies	-	-	47,151
6 Agency Operations	-	-	56,178
7 Other Operation Costs	45,402	23,394	1,176,990
Total reported Expenses	<u>45,402</u>	<u>23,394</u>	<u>1,474,952</u>
C. Less other Funds used to offset costs	-	-	1,176,990
D. Total Grand Funded allowable costs	<u>\$ 45,402</u>	<u>\$ 23,394</u>	<u>\$ 297,962</u>

**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 ADMINISTRATION 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 Administration Audit Guide*, 2014 revision, the consolidated financial statements of NEWCAP, INC. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2015, 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 May 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the NEWCAP, INC. and Subsidiary'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. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the NEWCAP, INC. and Subsidiary'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 consolidated 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. 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 the 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* or the *Wisconsin Department of Administration Audit Guide, 2014 Revision*.

We noted certain matters that we reported to the Board of Directors of NEWCAP, INC. and Subsidiary in a separate letter dated May 2, 2016.

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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *Wisconsin Department of Administration Audit Guide, 2014 Revision* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Green Bay, Wisconsin
May 2, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE AND
STATE SINGLE AUDIT GUIDELINES***

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

Report on Compliance for Each Major Federal Program

We have audited NEWCAP, INC. and Subsidiary's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *OMB Compliance Supplement* and *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of NEWCAP, INC. and Subsidiary's major federal and state programs for the year ended December 31, 2015. NEWCAP, INC. and Subsidiary'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. and Subsidiary'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards and the Uniform Guidance 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. and Subsidiary'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. and Subsidiary's compliance.

Opinion on Each Major Federal and State Program

In our opinion, NEWCAP, INC. and Subsidiary 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, 2015.

Report on Internal Control Over Compliance

Management of NEWCAP, INC. and Subsidiary 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. and Subsidiary'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 the Uniform Guidance, 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. and Subsidiary'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 and state 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 and state 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HAWKINS ASH CPAS, LLP



Green Bay, Wisconsin
May 2, 2016

NEWCAP INC. and Subsidiary
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015

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 | \$ 927,368 |
| | Federal - Weatherization Assistance | 81.042 | 595,281 |
| | Federal - Low Income Weatherization | 93.568 | 1,240,366 |
| | Federal - Maternal and Child Health Grant | 93.994 | 297,962 |
| | State – Weatherization Public Benefits | 505.371 | 2,497,901 |
| 8. | Dollar threshold used to distinguish between: | | |
| | Type A and Type B federal programs: | | \$750,000 |
| | Type A and Type B state programs: | | \$250,000 |

- | | | |
|----|--|----|
| 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, 2015

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, 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 Guidelines</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 | <u>Robert Z. Miller CPA</u> |
| 5. | Date of report | <u>May 2, 2016</u> |

- | | |
|-------------------------------|------|
| E. Prior year findings | None |
|-------------------------------|------|