

**COMMUNITY ACTION PARTNERSHIP OF KERN  
MONEY PURCHASE PENSION PLAN**

**FINANCIAL REPORT**

**FEBRUARY 28, 2010**

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Private Companies Practice Section

NANCY C. BELTON

## INDEPENDENT AUDITOR'S REPORT

To the Trustees  
**Community Action Partnership of Kern  
Money Purchase Pension Plan**  
Bakersfield, California

We have audited the accompanying statements of net assets available for benefits of **Community Action Partnership of Kern Money Purchase Pension Plan** as of February 28, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended February 28, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of **Community Action Partnership of Kern Money Purchase Pension Plan** as of February 28, 2010 and 2009, and the changes in net assets available for benefits for the year ended February 28, 2010, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of February 28, 2010, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Daniells, Phillips, Vaughan & Bock*

Bakersfield, California  
December 10, 2010

**COMMUNITY ACTION PARTNERSHIP OF KERN  
MONEY PURCHASE PENSION PLAN**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
February 28, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Investments (Note 3)	<b>\$ 7,921,156</b>	\$ 5,807,497
Employer contribution receivable	<b>485,040</b>	74,363
Total assets	<b>8,406,196</b>	5,881,860
<b>LIABILITIES</b>		
Accounts payable	<b>5,028</b>	5,262
Net assets available for benefits	<b>\$ 8,401,168</b>	\$ 5,876,598

See Notes to Financial Statements.

**COMMUNITY ACTION PARTNERSHIP OF KERN  
MONEY PURCHASE PENSION PLAN**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
Year Ended February 28, 2010**

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Additions:

Additions to net assets attributed to:

Net appreciation in fair value of investments	\$	1,707,289
Investment income:		
Interest		108,402
Contributions		1,031,942
Total additions		<u>2,847,633</u>

Deductions:

Deductions from net assets attributed to:

Benefits paid to participants		295,464
Administrative expenses		27,599
Total deductions		<u>323,063</u>

Net increase 2,524,570

Net assets available for benefits:

Beginning of year		5,876,598
End of year	\$	<u><u>8,401,168</u></u>

See Notes to Financial Statements.

# COMMUNITY ACTION PARTNERSHIP OF KERN MONEY PURCHASE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Plan Description

The following description of the **Community Action Partnership of Kern** (“the Organization”) **Money Purchase Pension Plan** (“the Plan”) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

*General:* The Plan is a defined contribution plan covering all employees who have been employed by the Organization for one year or more with at least 800 hours worked during the year and who are at least 21 years of age. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

*Contributions:* The Plan’s provisions stipulate that the Organization will contribute to the Plan an amount equal to 5% of the employees’ annual compensation. Participants direct the investment of the Organization’s contribution into various investment options offered by the Plan. The Plan currently offers two money market funds and nineteen mutual funds as investment options for participants. Contributions are subject to certain limitations.

*Participants’ Accounts:* Each participant’s account is credited with an allocation of (a) the Organization’s contribution and (b) Plan earnings. Allocations are based on participants’ earnings, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

*Vesting:* Vesting in the Organization’s contributions plus earnings thereon is based on years of continuous service. A participant is 100 percent vested after 5 years of credited service.

*Payment of Benefits:* On termination due to death, disability, or retirement, a participant may elect to receive an amount equal to the value of the participant’s vested interest in his or her account either in a lump sum amount, or as a joint and survivor annuity. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a rollover distribution. Amounts allocated to accounts of persons who have elected to withdraw from the plan but have not yet been paid totaled \$5,254 at February 28, 2010.

*Forfeited Accounts:* At February 28, 2010 forfeited non-vested accounts totaled \$17,464. These accounts will be used first to cover costs of administration of the Plan and second to reduce employer contributions.

*Subsequent Events:* The Plan Administrator has evaluated subsequent events through December 10, 2010, the date on which the financial statements were available to be issued. The only subsequent event considered material by management is disclosed at Note 7.

# COMMUNITY ACTION PARTNERSHIP OF KERN MONEY PURCHASE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Significant Accounting Policies

*Basis of Accounting:* The financial statements of the Plan are prepared on the accrual basis of accounting.

*Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

*Investment Valuation and Income Recognition:* The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

*Payment of Benefits:* Benefits are recorded when paid.

*Operating expenses:* All expenses of maintaining the Plan are paid by the Plan.

### Note 3. Fair value Measurements

The Fair Value Measurements topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.   |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets;</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• Inputs other than quoted prices that are observable for the asset or liability;</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> |

**COMMUNITY ACTION PARTNERSHIP OF KERN  
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**NOTES TO FINANCIAL STATEMENTS**

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value.

*Mutual funds:* Valued at the net asset value ("NAV") of shares held by the plan at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of February 28, 2010 and 2009. Additionally, the table presents separately those assets that represent more than 5% of the Plan's net assets.

	Assets at Fair Value as of February 28, 2010			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Bond Funds				
Prudential Government Income Fund A	\$ 692,531	\$ -	\$ -	\$ 692,531
Prudential Short-Term Corporate Bond Fund A	530,412	-	-	530,412
All other	281,578	-	-	281,578
Equity Funds				
AllianceBernstein Growth and Income Fund A	755,228	-	-	755,228
All other	837,551	-	-	837,551
Growth Funds				
Prudential Jennison Growth Fund A	958,481	-	-	958,481
All other	1,026,611	-	-	1,026,611
Money Market Funds				
MoneyMart Assets, Inc. Class D	839,087	-	-	839,087
All other	381,989	-	-	381,989
Other Mutual Funds				
AllianceBernstein Balanced Shares Fund A	1,180,209	-	-	1,180,209
All other	437,479	-	-	437,479
Total assets at fair value	\$7,921,156	\$ -	\$ -	\$7,921,156

**COMMUNITY ACTION PARTNERSHIP OF KERN  
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**NOTES TO FINANCIAL STATEMENTS**

	Assets at Fair Value as of February 28, 2009			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Bond Funds				
Dryden Short-term Corporate Bond Fund A	\$ 466,432	\$ -	\$ -	\$ 466,432
All other	179,894	-	-	179,894
Equity Funds				
AllianceBernstein Growth and Income Fund A	492,461	-	-	492,461
All other	453,786	-	-	453,786
Growth Funds				
Jennison Growth Fund Class A	577,842	-	-	577,842
All other	285,531	-	-	285,531
Money Market Funds				
Dryden MoneyMart Assets, Inc. Class D	801,542	-	-	801,542
Dryden Govt Securities Trust/Money Market D	340,315	-	-	340,315
All other	267,504	-	-	267,504
Other Mutual Funds				
AllianceBernstein Balanced Shares Fund A	822,025	-	-	822,025
Dryden Government Income Fund, Inc. A	633,794	-	-	633,794
All other	486,371	-	-	486,371
Total assets at fair value	<u>\$5,807,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,807,497</u>

**Change in Fair Value and Related Gains and Losses**

During the year ended February 28, 2010 the Plan's investments in mutual funds, including gains and losses on investments bought and sold as well as held during the year, appreciated in value by \$1,707,289.

**Note 4. Plan Termination**

Although it has not expressed any intent to do so, the Organization has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants shall become 100 percent vested in their accounts. Upon such termination, the Organization may direct either a complete distribution of the Plan assets in a manner consistent with Plan requirements, or continue to hold the investments of the Plan as though the Plan had not been terminated. In the event that the Plan is terminated, the Trustee will have the right to charge a market value assessment on funds withdrawn prior to maturity. The amount of this assessment is equal to the amount required to cover the investment losses, if any, resulting from making an early payment of funds.

**COMMUNITY ACTION PARTNERSHIP OF KERN  
MONEY PURCHASE PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Tax Status**

The Internal Revenue Service has determined and informed the Organization by letter dated September 28, 1992, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe the Plan is currently being operated in compliance with the applicable provisions of the IRC.

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Plan adopted this new guidance for the year ended February 28, 2010. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision for income taxes has been included in the financial statements.

**Note 6. Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements at February 28, 2010 and 2009 to Form 5500:

	2010	2009
Net assets available for benefits per the financial statements	\$ 8,401,168	\$ 5,876,598
Accounts payable	5,028	5,262
Other	59	55
Net assets available for benefits per Form 5500	<u>\$ 8,406,255</u>	<u>\$ 5,881,915</u>

The following is a reconciliation of change in net assets available for benefits per the financial statements for the year ended February 28, 2010 to Form 5500:

Net increase in net assets available for benefits per the financial statements	\$ 2,524,570
Add: Accounts payable at February 28, 2010	5,028
Less: Accounts payable at February 29, 2009	(5,262)
Other	4
Net increase in net assets available for benefits per Form 5500	<u>\$ 2,524,340</u>

**Note 7. Subsequent Event**

Effective March 1, 2010, the Plan changed its custodian, record-keeper and third party administrator from Ascensus to Mutual of America.

## **SUPPLEMENTAL SCHEDULE**

**COMMUNITY ACTION PARTNERSHIP OF KERN  
MONEY PURCHASE PENSION PLAN**

**Schedule H, Line 4i - Schedule of Assets (Held at End of Year)  
February 28, 2010**

Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Carrying Value
Dryden	Govt Securities Trust/Money Market D	\$ 381,795
Dryden	MoneyMart Assets, Inc. Class D	839,087
Frontier Trust	Contribution Account	194
Van Kampen	Capital Growth Class A	352,944
AllianceBernstein	Growth and Income Fund A	755,228
AllianceBernstein	Balanced Shares Fund A	1,180,209
AllianceBernstein	Global Bond Class A	196,850
AllianceBernstein	LargeCap Growth Fund A	175,165
AIM	Basic Balanced Fund	258,828
AIM	Constellation A	83,915
AIM	Charter Fund A	114,311
Oppenheimer	International Growth Fund A	123,734
Prudential	Government Income Fund A	692,531
Prudential	International Equity Fund A	80,071
Prudential	International Value Fund A	374,252
Prudential	Jennison Value Fund A	370,296
Prudential	Jennison Growth Fund A	958,481
Prudential	Jennison MidCap Growth A	189,474
Prudential	Stock Index Fund Z	178,651
Prudential	Short-term Corporate Bond Fund A	530,412
Eaton Vance, Inc.	Boston Hi Yield Bond Fund	84,728
Total assets held for investment purposes		<u>\$ 7,921,156</u>