

LACASA, INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

December 31, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LaCasa, Inc. and its subsidiaries
Goshen, Indiana

We have audited the accompanying consolidated statements of financial position of LaCasa, Inc. and its subsidiaries (a not for profit Organization) (the Organization) as of December 31, 2009 and 2008 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LaCasa, Inc. and its subsidiaries as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2010 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of LaCasa, Inc. and its subsidiaries taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.



South Bend, Indiana
March 5, 2010

**LACASA, INC.
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Cash	\$ 945,473	\$ 857,948
Investments		48,858
Grants receivable	300,799	202,800
Prepaid expenses	39,910	22,213
Real estate held for resale, net of valuation allowance of \$10,000 in 2009 and \$20,000 in 2008	45,256	277,879
Loans and tenant receivables, net of allowance of \$72,000 in 2009 and \$20,626 in 2008	2,408,415	2,570,164
Other assets	35,369	35,949
Receivables - Arbor Ridge Apartments, L.P.	1,757,397	1,636,397 *
Receivables - Lincoln Avenue Redevelopment, L.P.	1,477,797	1,375,117 *
Receivables - Roosevelt Center, L.P.	996,672	1,004,198 *
Receivables - Elkhart Senior Housing, L.P.	923,598	895,895 *
Property and equipment, net of accumulated depreciation of \$1,255,650 in 2009 and \$1,123,352 in 2008	2,727,870	2,595,590
Investment in subsidiaries	1,300	1,300
Beneficial interest in assets held by the Community Foundation	78,988	63,605
Total assets	<u><u>\$ 11,738,844</u></u>	<u><u>\$ 11,587,913</u></u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 61,971	\$ 60,800
Accrued expenses and other payables	670,136	732,768
Lines of credit	35,659	321,750
Notes payable	4,548,378	4,391,300
Total liabilities	<u>5,316,144</u>	<u>5,506,618</u>
Net Assets		
Unrestricted	4,697,524	4,079,107 *
Temporarily restricted	617,669	769,516
Permanently restricted	1,107,507	1,232,672 *
Total net assets	<u>6,422,700</u>	<u>6,081,295</u>
Total liabilities and net assets	<u><u>\$ 11,738,844</u></u>	<u><u>\$ 11,587,913</u></u>

See Notes to Consolidated Financial Statements.

* Includes reclassifications of amounts to be consistent with 2009 groupings.

LACASA, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2009 and 2008

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Contributions	\$ 175,058	\$ 186,950	\$ 362,008	\$ 362,008	\$ 231,245	\$ 190,097	\$ 245,000	\$ 421,342 *
Grants	1,032,023	202,636	1,547,659	1,547,659	1,450,611	240,191		1,935,802 *
Fees for services	307,774		307,774	307,774	402,800			402,800 *
Rental income	276,601		276,601	276,601	215,673			215,673 *
Interest income	217,191		217,191	217,191	230,481			230,481 *
Donated labor and assets	205,942		205,942	205,942	228,973			228,973 *
Developer fees	15,383		15,383	15,383	1,227,943			1,227,943 *
Change in beneficial interest	18,206		18,206	18,206	(36,368)			(36,368) *
Other income	979,598	(541,433)	(438,165)	(438,165)	8,995			8,995 *
Satisfaction of program restrictions	3,227,776	(151,847)	(125,165)	(125,165)	482,817	(482,817)		(482,817)
Total revenue	<u>3,227,776</u>	<u>(151,847)</u>	<u>2,950,764</u>	<u>2,950,764</u>	<u>4,443,170</u>	<u>(52,529)</u>	<u>245,000</u>	<u>4,635,641</u>
EXPENSES								
Program Services								
Asset and Property Management	543,643		543,643	543,643	419,286			419,286 *
Community Building and Organization	69,212		69,212	69,212	62,390			62,390 *
Home Ownership Center	690,690		690,690	690,690	771,394			771,394 *
Real Estate Development	658,078		658,078	658,078	514,820			514,820 *
Resident Services	63,170		63,170	63,170	68,212			68,212 *
Supporting Services								
Development	156,893		156,893	156,893	149,527			149,527 *
Management and General	427,673		427,673	427,673	441,871			441,871 *
Total expenses	<u>2,609,359</u>		<u>2,609,359</u>	<u>2,609,359</u>	<u>2,427,500</u>			<u>2,427,500</u>
Change in net assets	618,417	(151,847)	(125,165)	(125,165)	2,015,670	(52,529)	245,000	2,208,141
Net Assets, beginning of year	4,079,107	769,516	1,232,672	1,232,672	2,063,437	822,045	987,672	3,873,154 *
Net Assets, end of year	<u>\$ 4,697,524</u>	<u>\$ 617,669</u>	<u>\$ 1,107,507</u>	<u>\$ 1,107,507</u>	<u>\$ 4,079,107</u>	<u>\$ 769,516</u>	<u>\$ 1,232,672</u>	<u>\$ 6,081,295</u>

See Notes to Consolidated Financial Statements.

* Includes reclassifications of amounts to be consistent with 2009 groupings.

**LACASA, INC.
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 341,405	\$ 2,208,141
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	132,299	110,064
Valuation (recovery) expense	(10,000)	20,000
Loss on disposal of assets	114,118	71,232
Change in beneficial interest	(15,383)	36,368
Change in assets decrease (increase):		
Receivables	(180,107)	(3,160,510)
Prepaid expenses	(17,697)	7,106
Other assets	580	(32,795)
Change in liabilities increase (decrease):		
Accounts payable and accrued expenses	(61,461)	153,522
Total adjustments	<u>(37,651)</u>	<u>(2,795,013)</u>
Net cash provided by (used in) operating activities	<u>303,754</u>	<u>(586,872)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(894,074)	(1,494,313)
Investment in subsidiaries		(100)
Purchases of investments		(48,858)
Proceeds from sale of investments	48,858	
Proceeds from sale of assets	<u>758,000</u>	<u>728,073</u>
Net cash used in investing activities	<u>(87,216)</u>	<u>(815,198)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in lines of credit	(286,091)	259,700
Principal payments of notes payable	(1,109,422)	(157,917)
Proceeds from notes payable	<u>1,266,500</u>	<u>1,370,000</u>
Net cash provided by (used in) financing activities	<u>(129,013)</u>	<u>1,471,783</u>
Increase in cash	87,525	69,713
Cash, beginning of year	<u>857,948</u>	<u>788,235</u>
Cash, end of year	<u><u>\$ 945,473</u></u>	<u><u>\$ 857,948</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year:		
Interest, net of \$5,197 capitalized in 2008	<u><u>\$ 127,200</u></u>	<u><u>\$ 106,945</u></u>

See Notes to Consolidated Financial Statements.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

The consolidated financial statements of LaCasa, Inc. and its subsidiaries (the Organization) have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

The Organization works in partnership with individuals and communities to create opportunities for personal growth, family stability and neighborhood improvement.

A significant portion of the business of the Organization involves purchase and renovation of single family properties for resale to lower income families in Elkhart County, Indiana. The cost of acquisition and repairs normally exceeds the value of the property. Generally subsidies are received from grants and contracts to underwrite the difference between value and cost. Their services are funded through contributions, governmental grants, private foundation grants, rental receipts and program fees.

Significant Accounting Policies:

Basis of Presentation - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its Codification of Financial Accounting Standards (ASC) ASC 958, Financial Statements of Not for Profit Organizations. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Recently Issued Accounting Pronouncements - In June 2009, the FASB issued ASC 105, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. This standard, among other things, identified the previously issued accounting standards that were considered authoritative generally accepted accounting principles in the United States and replaced all previously issued accounting pronouncements of the FASB, and its predecessor rule making bodies, with the ASC. This standard was effective prospectively for reporting periods ended after September 15, 2009 and, accordingly, the Organization adopted the standard as of December 31, 2009. The adoption of this standard did not have an effect on the Organization's financial statements. As a result of adopting this standard, the Organization's references to Generally Accepted Accounting Principles standards have been replaced to refer to topics, subtopics, sections or subsections of the ASC, as appropriate.

In May 2009, the FASB issued ASC 855, Subsequent Events, which establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are available to be issued. ASC 855 sets forth the period after the statement of financial position date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition in the financial statements, identifies the circumstances under which an entity should recognize events or transactions occurring after the statement of financial position date in its financial statements and the disclosures that should be made about events or transactions that occur after the statement of financial position date. The Organization has performed an evaluation of subsequent events through March 5, 2010, which is the date these financial statements were available for release.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

In 2009, the Organization adopted certain provisions of ASC 740 that changed the framework for accounting for uncertainty in income taxes. The Organization's policy is to record an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities. Interest and penalties related to gross unrecognized tax benefits are included within the provision for income taxes. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued are reduced in the period that such determination is made, and reflected as a reduction of the overall income tax provision. The Organization does not have any uncertain tax positions at December 31, 2009. The adoption of ASC 740 did not have a material impact on the financial statements.

The FASB issued ASC 820, Fair Value Measurements and Disclosures which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market based measurement, not an entity specific measurement. Therefore, a fair value measurement would be determined based on the assumptions that market participants would use in pricing the asset or liability. ASC 820, as issued, was effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB amended certain provisions of ASC 820 to defer for one year the effective date of ASC 820 for all non financial assets and non financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (that is, at least annually). The Organization adopted ASC 820, as amended, and the adoption did not have a material impact on the financial statements.

Statements of Financial Position - The Statements of Financial Position of most organizations show separate classifications of current assets and current liabilities permitting a ready determination of working capital. The Organization has several assets and liabilities for which the current/noncurrent distinction is deemed in practice, difficult to determine. Therefore, the Statements of Financial Position are presented as unclassified and the assets and the liabilities are listed in the projected order of liquidity as permitted by ASC 958, Financial Statements of Not for Profit Organizations.

Consolidation - The consolidated financial statements include the results of operations and account balances of LaCasa, Inc. and its wholly owned subsidiaries, LaCasa Housing Corporation, Lincoln Avenue Housing Corporation, LaCasa RC Development Corporation and LaCasa WTP Development Corporation. All material intercompany balances and transactions have been eliminated.

LaCasa Housing Corporation, a wholly owned subsidiary of LaCasa, Inc., is a general partner in Arbor Ridge Apartments, L.P. The partnership owns a parcel of real estate upon which seventy two residential units have been developed in Goshen, Indiana.

Lincoln Avenue Housing Corporation, a wholly owned subsidiary of LaCasa, Inc., is a general partner in Lincoln Avenue Redevelopment, L.P. The partnership owns parcels of real estate upon which twenty eight residential units have been developed in Goshen, Indiana.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

LaCasa RC Development Corporation, a wholly owned subsidiary of LaCasa, Inc., is a general partner in Roosevelt Center, L.P. The partnership owns a parcel of real estate upon which thirty five residential units have been developed in Elkhart, Indiana.

LaCasa WTP Development Corporation, a wholly owned subsidiary of LaCasa, Inc., is a general partner in Elkhart Senior Housing, L.P. The partnership owns a parcel of real estate upon which fifty two senior residential units have been developed in Elkhart, Indiana.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting service expenses.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grants Receivable - The Organization receives funding from various sources, primarily through the Indiana Housing & Community Development Authority HOME Program and Community Development Block Grants, as a sub grantee of the Cities of Goshen and Elkhart. These funds are then used for the acquisition of homes and the rehabilitation of homes or construction of new housing. Repayment terms on rehabilitation of single family units are unique to each particular transaction or program. Organization officials believe all the grant receivables will be collected. Accordingly, no allowance has been recorded.

Loans and Tenant Receivable - Loans and tenant receivables are recorded at the amount the Organization expects to collect on balances outstanding at year end. The Organization writes off or reserves for uncollectible balances. The allowance is based on prior years' experience and management's analysis of specific receivables. The allowance for doubtful accounts was \$72,000 and \$20,626 at December 31, 2009 and 2008, respectively.

Contributions - Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as satisfaction of program restrictions. Permanently restricted net assets are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes. The NeighborWorks America Capital Fund, which grants home ownership and improvement loans, falls within this class of net assets. The corpus of the fund must be maintained but interest and investment income is unrestricted.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Contributions (continued) - The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Real Estate Held for Resale - The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to future net undiscounted cash flow expected to be generated by the property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property.

Property and Equipment - Property and equipment received as a donation are recorded and reflected in the accompanying consolidated financial statements at their fair market value. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. Depreciation is computed on the straight line method over the estimated useful lives of the assets.

Buildings	10-30 years
Real estate rental properties	30-40 years
Furniture and equipment	3-7 years
Vehicle	7 years

Beneficial Interest in Assets Held by the Community Foundation - The Organization records periodic distributions of income and realizes changes in the market value of its beneficial interest as gains (losses) in the consolidated statements of activities.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Investment in Subsidiaries/Related Party Transaction

LaCasa, Inc. is a 100% owner in the following corporations as of December 31:

	<u>2009</u>	<u>2008</u>
LaCasa Housing Corporation	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Lincoln Avenue Housing Corporation	<u>\$ 100</u>	<u>\$ 100</u>
LaCasa RC Development Corporation	<u>\$ 100</u>	<u>\$ 100</u>
LaCasa WTP Development Corporation	<u>\$ 100</u>	<u>\$ 100</u>

LaCasa, Inc., the parent of LaCasa Housing Corporation, acted as the developer of Arbor Ridge Apartments, L.P. In accordance with the Partnership Agreement, LaCasa, Inc. is to receive a development fee of \$550,000 in total. As of December 31, 2009, \$283,841 remains to be collected. In addition, as of December 31, 2009, the Organization advanced to Arbor Ridge Apartments, L.P. \$1,473,556 inclusive of \$598,982 of accrued interest.

LaCasa, Inc., the parent of Lincoln Avenue Housing Corporation, acted as the developer of Lincoln Avenue Redevelopment, L.P. In accordance with the Partnership Agreement, LaCasa, Inc. is to receive a development fee of \$740,000 in total. As of December 31, 2009, \$185,000 remains to be collected. In addition, as of December 31, 2009, the Organization advanced to Lincoln Avenue Redevelopment, L.P. \$1,292,797 inclusive of \$142,826 of accrued interest.

LaCasa, Inc., the parent of LaCasa RC Development Corporation acted as the developer of Roosevelt Center, L.P. In accordance with the Partnership Agreement, LaCasa, Inc. is to receive a development fee of \$777,758 in total. As of December 31, 2009, \$284,014 remains to be collected. In addition, as of December 31, 2009, the Organization advanced to Roosevelt Center, L.P. \$712,658 inclusive of \$71,694 of accrued interest.

LaCasa, Inc., the parent of LaCasa WTP Development Corporation acted as the developer of Elkhart Senior Housing, L.P. In accordance with the Partnership Agreement, LaCasa, Inc. is to receive a development fee of \$450,185 in total. As of December 31, 2009, \$343,185 remains to be collected. In addition, as of December 31, 2009, the Organization advanced to Roosevelt Center, L.P. \$580,413 inclusive of \$38,347 of accrued interest.

Developer fee revenue consists of fees earned for the oversight and management of major affordable housing construction projects. For the year ended December 31, 2008 LaCasa, Inc. earned \$777,758 in developer fees related to Roosevelt Center, L.P. and \$450,185 related to Elkhart Senior Housing, L.P. Developer fees can be paid in cash and used to cover operational expenses, deferred until the project generates an adequate amount of cash, or in the case of Roosevelt Center, reinvested in the attached commercial space. In all cases, however, the total fees are recognized as revenue in the calendar year in which the project is completed.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Investment in Subsidiaries/Related Party Transaction (continued)

Developer fees as of December 31, 2008 consisted of the following:

	<u>Roosevelt Center</u>	<u>Water Tower Place</u>	<u>Total</u>
Funded	\$ 244,255	\$ 90,135	\$ 334,390
Deferred	284,014	360,050	644,064
Reinvested	<u>249,489</u>	<u>-</u>	<u>249,489</u>
Total	<u>\$ 777,758</u>	<u>\$ 450,185</u>	<u>\$ 1,227,943</u>

No developer fees were earned for major affordable housing construction projects for the year ended December 31, 2009.

Note 3. Income Tax Status

The Organization operates as a not for profit corporation under Internal Revenue code Section 501(c)(3) and a similar section of the Indiana tax law, which provides exemption from federal and state income taxes.

Note 4. Support from Major Funding Sources/Concentrations of Credit Risk

The Organization receives a substantial amount of its support from federal, state and local agencies. A significant reduction in the level of support, if this were to occur, may have a significant effect on the Organization's programs and activities. The Organization places its cash with high credit quality financial institutions. However, the amount of credit exposure to a financial institution at times is in excess of the insurance limits established by law.

Note 5. Fair Value Measurements

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standards describe three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Fair Value Measurements (continued)

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at December 31, 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Amounts included in:				
Beneficial interest in assets held by the Community Foundation	\$ _____	\$ _____	\$ 78,988	\$ 78,988

Fair Value Measurements at December 31, 2008

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 30,450	\$	\$	\$ 30,450
Corporate debt	18,408			18,408
Other assets	_____	_____	63,605	63,605
	<u>\$ 48,858</u>	<u>\$</u>	<u>\$ 63,605</u>	<u>\$ 112,463</u>
Amounts included in:				
Beneficial interest in assets held by the Community Foundation	\$	\$	\$ 63,605	\$ 63,605
Investments	48,858	_____	_____	48,858
	<u>\$ 48,858</u>	<u>\$</u>	<u>\$ 63,605</u>	<u>\$ 112,463</u>

The beneficial interest in the Elkhart County Community Foundation is considered a level 3 instrument and is based upon externally developed models that use unobservable inputs due to limited market activity of the instrument. The change in the beneficial interest measured at fair value for which the Organization has used level 3 inputs to determine fair value as of December 31, 2009 and 2008 consisted of an unrealized gain of \$15,383 in 2009 and an unrealized loss of \$36,368 in 2008, which is included in the change in net assets (unrestricted) on the statements of activities. The adoption of this statement did not have a material impact on the Organization's results of operations or financial position.

Note 6. Elkhart County Community Foundation

The Organization applies the provisions of ASC 958-605, Transfers of Assets to a Not for Profit Organization or Charitable Trust That Raises or Holds Contributions for Others. As of December 31, 2009, the Organization had invested \$80,000, at cost, in a designated separate fund (the "Fund") of the Community Foundation of Elkhart County (the "Community Foundation"). The Organization has specified itself as the beneficiary of periodic distributions of investment earnings. Although the Organization has granted the Community Foundation variance power pursuant to the fund agreement between the Organization and the Community Foundation, under the provisions of ASC 958-605, the Organization is permitted to record an asset reflecting the present value of its beneficial interest as both donor and beneficiary of its invested principal and undistributed earnings of the Fund held by the Community Foundation.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Elkhart County Community Foundation (continued)

With respect to contributions received by the Community Foundation on behalf of the Organization from other donors, as prescribed by ASC 958-605, this portion of the Fund (fair value of \$8,575 at December 31, 2009) has not been reflected as part of the Organization's beneficial interest.

At December 31, 2009 and 2008, the fair value of the investments held by the Community Foundation for which the Organization is both donor and beneficiary is reflected in the statement of financial position as "beneficial interest in assets held by the Community Foundation." The Organization receives periodic distributions of investment earnings from the Fund which are made in accordance with the distribution policy of the Community Foundation. During the years ended December 31, 2009 and 2008, the Organization received distributions of \$5,125 and \$4,950, respectively from the Community Foundation.

Note 7. Real Estate Held for Resale

<u>Location</u>	<u>Original Cost Plus Improvements December 31, 2009</u>
1014 S. 11 th Street	\$ 20,449
146 State Street	5,582
156 State Street	3,242
323 W. Wilden	5,903
Various	<u>20,080</u>
 Total real estate held for resale	 55,256
Valuation allowance	<u>(10,000)</u>
	 <u>\$ 45,256</u>

ASC 360-10-5, Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed Of, requires impairment losses to be recorded on long lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The real estate held for resale is recorded at cost. The eventual sales proceeds from these properties may be less than the carrying value of the property.

Note 8. Loans and Tenant Receivables

Loans are granted to low and middle income residents of Elkhart County, Indiana for the purchase of homes. These loans are in accordance with grant restrictions. Interest rates range from 0% to 6.39%. Terms range from 7 to 30 years. All loans are secured by deeds of trust. Loans and tenant receivables consisted of the following at December 31,

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Loans and Tenant Receivables (continued)

	<u>2009</u>	<u>2008</u>
Current portion	\$ 1,601,327	\$1,427,404
Long term portion	<u>807,088</u>	<u>1,142,760</u>
Total	<u>\$ 2,408,415</u>	<u>\$ 2,570,164</u>

Interest is recognized over the term of the loan and is calculated using the simple interest method. As of December 31, 2009 and 2008, there was \$62,228 and \$3,764 in loans greater than 90 days past due, respectively.

Note 9. Property and Equipment

Property and equipment at December 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Land and buildings	\$ 773,696	\$ 773,696
Real estate rental properties	2,975,530	2,722,677
Furniture and equipment	233,131	221,406
Vehicle	<u>1,163</u>	<u>1,163</u>
	3,983,520	3,718,942
Less accumulated depreciation	<u>(1,255,650)</u>	<u>(1,123,352)</u>
Net property and equipment	<u>\$ 2,727,870</u>	<u>\$ 2,595,590</u>

Note 10. Lines of Credit

The Organization has a \$220,000 line of credit available, of which \$35,659 was utilized as of December 31, 2009. The line bears interest at .39% below prime with a floor of 4% with an effective rate of 4% at December 31, 2009. The agreement calls for monthly interest payments on the previous month's activity. The principal amount is due on demand or at maturity on August 10, 2010. The bank line of credit is secured by a mortgage on real estate.

The Organization has a second line of credit available as of December 31, 2009. The \$600,000 bank line of credit, of which there was none outstanding at December 31, 2009, bears interest at prime with a floor of 4% with an effective rate of 4% at December 31, 2009. The agreement calls for monthly interest payments on the previous month's activity. The principal amount is due on demand or at maturity on July 1, 2013. The bank line of credit is secured by a mortgage on real estate.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Notes Payable

Notes payable consists of the following as of December 31:

	<u>2009</u>	<u>2008</u>
5% unsecured note payable due to an individual, interest only due in quarterly installments, maturing October, 2010.	\$ 20,000	\$ 20,000
4% unsecured note payable due to an individual, interest only due in quarterly installments, maturing April, 2010.	40,000	40,000
3% unsecured note payable due to an individual, interest only due in quarterly installments, maturing October, 2011.	25,000	25,000
2.75% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December, 2011.	13,348	13,348
5% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December, 2010.	39,348	39,348
4.5% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December, 2010.	30,000	30,000
4% unsecured note payable due to an individual, interest only due in quarterly installments, maturing February, 2011.	20,000	20,000
3% unsecured note payable due to an individual, interest only due in quarterly installments, maturing September, 2011.	20,000	
2.75% unsecured note payable due to an organization, interest only due in quarterly installments, and matures upon demand.	15,000	15,000
6.215% mortgage payable to Lake City Bank in monthly installments of \$5,468, including interest. Collateralized by real estate. A balloon payment is due in June, 2013.	757,393	729,102
Interest free mortgage payable to City of Goshen in monthly installments of \$250. Collateralized by real estate and matures at the time the property is sold.	35,500	38,750
6.39% note payable to First State Bank of Middlebury, due in monthly installments of \$2,234 including interest, secured by real estate. A balloon payment is due in March, 2015.	258,304	268,088
5.13% note payable to Horizon Bank, interest only due in 2009, monthly installments of \$2,685 including interest starting January, 2010, secured by real estate. A balloon payment is due in December, 2014.	333,795	335,000

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Notes Payable (continued)

4% unsecured note payable to First State Bank, interest only due in monthly installments, maturing August, 2010.	80,000	
5% unsecured note payable to the City of Goshen, interest only due semi annually in May and November, maturing November, 2012.	500,000	500,000
Note payable to the Elkhart County Housing Fund. The note is repaid from the receipt of the mortgage receivable advanced from the fund at various rates and terms. See Note 12.	<u>2,360,690</u>	<u>2,317,664</u>
Total notes payable	<u>\$ 4,548,378</u>	<u>\$ 4,391,300</u>

Maturities of the notes payable during the next five years are as follows:

Year ending December 31,	
2010	\$ 1,835,410
2011	135,338
2012	559,636
2013	1,097,820
2014	670,082
Thereafter	<u>250,092</u>
	<u>\$ 4,548,378</u>

Interest expense for the years ended December 31, 2009 and 2008 was \$124,536 and \$110,495, respectively.

Note 12. Elkhart County Housing Fund

Elkhart County Housing Fund is a coalition of banks participating in five loan pools totaling \$900,000, \$1,050,000, \$1,200,000, \$2,450,000 and \$2,100,000 to provide first or second mortgages for the purchase or rehabilitation of homes. The maximum amount of an individual loan is \$100,000 and the individual minimum loan is \$5,000.

In Pool #1 as of December 31, 2009, banks have funded 100% of their commitment and the Organization has an \$111,660 mortgage receivable and a note payable of \$111,660 to the bank coalition.

In Pool #2 as of December 31, 2009, banks have funded 100% of their commitment and the Organization has an \$202,980 mortgage receivable and a note payable of \$202,980 to the bank coalition.

In Pool #3 as of December 31, 2009, banks have funded 100% of their commitment and the Organization has an \$191,843 mortgage receivable and a note payable of \$191,843 to the bank coalition.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Elkhart County Housing Fund (continued)

In Pool #4 as of December 31, 2009, banks have funded 100% of their commitment and the Organization has an \$799,961 mortgage receivable, \$8,877 in cash and a note payable of \$808,838 to the bank coalition.

In Pool #5 as of December 31, 2009 banks have funded 50% of their commitment and the Organization has an \$891,267 mortgage receivable, \$154,102 in cash and a note payable of \$1,045,369 to the bank coalition.

The Organization periodically sells mortgage receivables to Neighborhood Housing Services of America (NHTSA) with a five year recourse period and a requirement for the Organization to hold reserve collateral consisting of additional mortgages and/or cash equal to 20% of the principal outstanding of mortgages sold to NHTSA. NHTSA has the right to obtain a replacement for any loan that becomes 90 days delinquent. If a borrower makes 60 timely payments under the terms of the underlying note, NHTSA will release the Organization of its obligation to replace or repurchase these loans if they should subsequently become delinquent. The banks have provided a participation fee of 5% of the amount committed for pools #1 through #5. The fees are recorded as deferred revenue and are recognized as income to the Organization at the time mortgages are closed to qualified applicants.

Note 13. Restrictions on Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
NeighborWorks America funds restricted for various programs	\$ 24,342	\$
Funds restricted for IDA program	173,351	160,517
HOME and AHP-FHLB programs	311,998	503,269
Neighborhood Assistance Program (NAP) of Indiana Housing & Community Development Authority	79,210	56,127
Funds restricted for various programs	<u>28,768</u>	<u>49,603</u>
	<u>\$ 617,669</u>	<u>\$ 769,516</u>

As of December 31, 2009, permanently restricted net assets of \$1,107,507 represent the capital grants from NeighborWorks America. This amount is restricted to investments held in perpetuity and the income is expendable (unrestricted) to support the operations of the Organization. During 2009 NeighborWorks America released its restrictions on \$438,165 of previous permanently restricted grants. This was recorded in the statement of activities as a satisfaction of program restrictions.

As of December 31, 2008, permanently restricted net assets of \$1,232,672 represent the capital grants from NeighborWorks America. This amount is restricted to investments held in perpetuity and the income is expendable (unrestricted) to support the operations of the Organization.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Restrictions on Assets (continued)

The Organization receives Home Investment in Affordable Housing (HOME) grants from the Indiana Housing & Community Development Authority. These grants are structured as forgivable loans, which will not require repayment when the terms are met by the Organization or by a qualified homebuyer. Properties must be occupied by eligible low income families for a period of 5 or 10 years.

Note 14. Contributions in Kind

The Organization received contributions in kind of materials and labor totaling \$205,942 in 2009. The Organization received contributions in kind of materials and labor totaling \$228,973 in 2008. Fair market value was utilized in determining the contributions received.

Note 15. Rental Arrangements

The Organization has a rental housing program under which they were renting a total of fifty-four units at the end of 2009. These units, with a few exceptions, are rented at below market rates, to individuals at or below 80% of the median income.

The rental homes are included in the consolidated statements of financial position under property and equipment (see Note 9). The total cost of rental real estate at December 31, 2009 was \$2,975,530 and the accumulated depreciation on the property totaled \$766,533. Total cost of rental real estate at December 31, 2008 was \$2,722,677 and the accumulated depreciation on the property totaled \$677,613.

Future minimum rentals on noncancellable leases at December 31 are as follows:

2010	\$ 173,839
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Note 16. Pension Plan

The Organization has a defined contribution pension plan covering all full time employees after they have worked 90 days. The Organization will contribute 3% of gross wages for each employee. The Organization will match savings of full time employees based on the following schedule: a) year 2 - up to 1% of gross wages; b) year 3 - up to 2% of gross wages; c) year 4 - up to 3% of gross wages; and d) year 5 and later - up to 4% of gross wages. The plan is managed by various third parties. The Organization's contributions to the plan for the years ended December 31, 2009 and 2008 were \$51,641 and \$44,767, respectively.

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
LaCasa, Inc. and its subsidiaries
Goshen, Indiana

Our report on our audits of the consolidated financial statements of LaCasa, Inc. and its subsidiaries for the years ended December 31, 2009 and 2008, appears on page one. The audits were conducted for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements for the years ended December 31, 2009 and 2008, taken as a whole.



South Bend, Indiana

March 5, 2010

LACASA, INC. AND ITS SUBSIDIARIES

**SUPPLEMENTAL SCHEDULE OF FINANCIAL POSITION
NEIGHBORWORKS AMERICA
December 31, 2009 and 2008**

	2009	2008
ASSETS		
Cash in bank	\$ 71,132	\$ 105,687
Property and equipment	734,569	767,144
Notes receivable-Lincoln Avenue Redevelopment	84,000	84,000
Notes receivable- Roosevelt Center	115,000	155,000
Elkhart County Housing Fund	35,369	35,949
Mortgages receivable	76,122	59,175
Deferred mortgages	15,657	25,717
Total assets	\$ 1,131,849	\$ 1,232,672
NET ASSETS		
Temporarily restricted	\$ 24,342	\$
Permanently restricted	1,107,507	1,232,672
Total net assets	\$ 1,131,849	\$ 1,232,672

LACASA, INC. AND ITS SUBSIDIARIES

**SUPPLEMENTAL SCHEDULE OF ACTIVITIES
NEIGHBORWORKS AMERICA
For the Years Ended December 31, 2009 and 2008**

	2009	2008
Revenue, Gains, and Other Support:		
Expendable grant - NeighborWorks America	\$ 318,753	\$ 174,391
Capital grant - NeighborWorks America	313,000	245,000
Total revenue, gains, and other support	631,753	419,391
Funds expended	294,411	186,562
Change in net assets	337,342	234,829
Net assets released from restrictions	(438,165)	
Net assets at beginning of year	1,232,672	997,843
Net assets at end of year	\$ 1,131,849	\$ 1,232,672

See Notes to Consolidated Financial Statements.

LACASA, INC. AND ITS SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2009

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>2009 Pass-through Number</u>	<u>Disbursements Expenditures</u>
NeighborWorks America		Capital Grant Outstanding Loan Expendable Grant	\$ 313,000 1,232,672 <u>318,753</u>
Subtotal NeighborWorks America			<u>1,864,425</u>
U.S. Department of Housing and Urban Development			
<u>Passed-through Indiana Housing & Community Development Authority</u>			
Home Investment in Affordable Housing (HOME)	14.239	CH-007-008 DC-007-005	290,000 <u>52,000</u>
Subtotal HOME			<u>342,000</u>
<u>Passed-through Cities of Elkhart and Goshen</u>			
Community Development Block Grant	14.218	City of Elkhart City of Goshen	101,195 <u>82,325</u>
Subtotal CDBG			<u>183,520</u>
<u>Passed-through Cities of Elkhart and Goshen</u>			
Lead Based Paint Hazard Grant	14.980		<u>67,567</u>
Total federal awards expended			2,457,512
Less liability to NeighborWorks America			<u>(1,232,672)</u>
Total federal awards included in statement of activities			<u>\$ 1,224,840</u>

The above schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual 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*.

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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

To the Board of Directors
LaCasa, Inc. and its subsidiaries
Goshen, Indiana

We have audited the consolidated financial statements of LaCasa, Inc. and its subsidiaries (the Organization) as of and for the year ended December 31, 2009, and have issued our report thereon, dated March 5, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

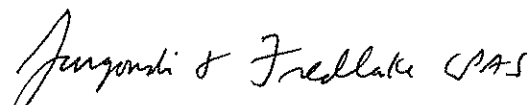
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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*.

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



South Bend, Indiana
March 5, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors
LaCasa, Inc. and its subsidiaries
Goshen, Indiana

Compliance

We have audited the compliance of LaCasa, Inc. and its subsidiaries with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. LaCasa, Inc. and its subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of LaCasa, Inc. and its subsidiaries management. Our responsibility is to express an opinion on LaCasa, Inc. and its subsidiaries compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LaCasa, Inc. and its subsidiaries 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 of LaCasa, Inc. and its subsidiaries compliance with those requirements.

In our opinion, LaCasa, Inc. and its subsidiaries complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.


Internal Control Over Compliance

The management of LaCasa, Inc. and its subsidiaries is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered LaCasa, Inc. and its subsidiaries' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of LaCasa, Inc. and its subsidiaries internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LaCasa, Inc. and its subsidiaries internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

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



South Bend, Indiana
March 5, 2010

LACASA, INC. AND ITS SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS:

- a. The auditor's report expresses an unqualified opinion on the consolidated financial statements of LaCasa, Inc. and its subsidiaries for the year ended December 31, 2009.
- b. No significant deficiencies relating to the audit of the consolidated financial statements are reported in this schedule.
- c. No instances of noncompliance material to the consolidated financial statements of LaCasa, Inc. and its subsidiaries were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award programs are reported in this schedule.
- e. The auditor's report on compliance for the major federal award programs for LaCasa, Inc. and its subsidiaries expresses an unqualified opinion on the major federal programs.
- f. The programs tested as major programs: Home Investment in Affordable Housing (HOME) CFDA#: 14.239 and Community Development Block Grant (CDBG) CFDA#: 14.218.
- g. The threshold used for distinguishing between Types A and B programs was \$300,000.
- h. LaCasa, Inc. and its subsidiaries were determined to be a low risk auditee.
- i. There was no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).

2. Findings related to the consolidated financial statements which are required to be reported in accordance with GAGAS:

None

3. Findings and questioned costs for federal awards including audit findings as defined in OMB Circular A-133 Section 510(a):

None

LACASA, INC. AND ITS SUBSIDIARIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2009

There were no prior year audit findings.