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May 7, 2008

Board of Directors
United North East Community
Development Corporation
3636 E. 38th St.
Indianapolis, IN 46218

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the United North East Community Development Corporation, as of June 30, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

UNITED NORTH EAST COMMUNITY DEVELOPMENT CORPORATION

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2007

Gauthier & Kimmerling, LLC
Accountants & Advisors

UNITED NORTH EAST COMMUNITY
DEVELOPMENT CORPORATION

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Gauthier & Kimmerling, LLC
Accountants & Advisors
One Jackson Square • 233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

Independent Auditors' Report

To the Board of Directors
United North East Community
Development Corporation
Indianapolis, Indiana

We have audited the accompanying statement of financial position of United North East Community Development Corporation (the "CDC") as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the CDC's management. Our responsibility is to express an opinion on these 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 the 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United North East Community Development Corporation as of June 30, 2007, and the results of its operations and its cash flows for the year 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 December 14, 2007, on our consideration of United North East Community Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Gauthier + Kimmerling, LLC

December 14, 2007

UNITED NORTH EAST COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

ASSETS	Unrestricted	Temporarily Restricted	Total
Cash	$ 40,906	$ -	$ 40,906
Certificate of deposit	100,000	-	100,000
Land contract receivable (Note 8)	1,611	-	1,611
Note receivable (Note 11)	28,000	-	28,000
Accounts receivable	66,096	-	66,096
Prepaid insurance	4,837	-	4,837
Developer fee receivable (Note 7)	177,160	-	177,160
Accrued interest receivable	78,616	-	78,616
Property held for development	5,900	-	5,900
Property and equipment, net of accumulated depreciation of $64,458 (Note 5)	175,408	-	175,408
Rental property, net of accumulated depreciation of $2,000 (Note 5)	77,984	-	77,984
Investment in Walnut Ridge (Note 6)	893,556	-	893,556
Investment in Parkwoods (Note 7)	553,564	-	553,564
Other assets	210	-	210
Total Assets	$ 2,203,848	$ -	$ 2,203,848

LIABILITIES AND NET ASSETS	Unrestricted	Temporarily Restricted	Total
Accounts payable	$ 5,162	$ -	$ 5,162
Accrued expenses	1,740	-	1,740
Notes payable (Note 4)	465,169	-	465,169
Deferred grant revenue	30,000	-	30,000
Deferred lease revenue (Note 10)	142,938	-	142,938
Total Liabilities	645,009	-	645,009
Net Assets	1,558,839	-	1,558,839
Total Liabilities and Net Assets	$ 2,203,848	$ -	$ 2,203,848

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

UNITED NORTH EAST COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

REVENUE	Unrestricted	Temporarily Restricted	Total
Grants	$ 135,000	$ 133,814	$ 268,814
Developer fee income (Note 7)	60,000	-	60,000
Contributions	5,966	-	5,966
Rental income	25,585	-	25,585
Interest income	40,461	-	40,461
Partnership income (Note 7)	19,545	-	19,545
Reimbursement income	80,840	-	80,840
Service income	12,500	-	12,500
Other income	145	-	145
In-kind contributions - donated property (Note 9)	28,240	-	28,240
Total Revenue	408,282	133,814	542,096
Net assets released from restrictions	136,876	(136,876)	-
Total Revenue and Support	545,158	(3,062)	542,096
EXPENSES			
Loss on sale of property held for development	76,438	-	76,438
Program services	105,759	-	105,759
Rehabilitation expenses	243,490	-	243,490
Management and general	104,961	-	104,961
Total Expenses	530,648	-	530,648
Change in net assets	14,510	(3,062)	11,448
Net Assets - beginning of year	1,544,329	3,062	1,547,391
Net Assets - end of year	$ 1,558,839	$ -	$ 1,558,839

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

UNITED NORTH EAST COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 11,448
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:	
Depreciation	8,229
Loss on sale of property held for development	48,826
(Increase) decrease in grants receivable	88,344
(Increase) decrease in notes receivable	(28,000)
(Increase) decrease in accounts receivable	584
(Increase) decrease in accrued interest receivable	(38,461)
Increase (decrease) in accounts payable	(2,082)
Increase (decrease) in accrued expenses	987
Net Cash Provided by (Used in) Operating Activities	89,875
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in investment in other entities	(75,500)
Additions to property held for development	(85,861)
Payments on land contract receivable	843
Proceeds from sale of property held for development	85,000
Purchase of certificate of deposit	(100,000)
Net Cash Provided by (Used in) Investing Activities	(175,518)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from notes payable	65,000
Payments on notes payable	(114,743)
Increase (decrease) in deferred lease revenue	141,738
Net Cash Provided by (Used in) Financing Activities	91,995
Net increase (decrease) in cash	6,352
Cash - beginning of year	34,554
Cash - end of year	$ 40,906
Interest paid during year	$ 8,504
SUPPLEMENT DISCLOSURE	
Non cash transaction:	
Receipt of donated property	$ 28,150
Disposal of donated property	(28,150)

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

1. NATURE OF THE ORGANIZATION

United North East Community Development Corporation (the "CDC") was formed in 1995 to improve the quality of life within a specified area of the City of Indianapolis. The CDC provides affordable housing and housing repair assistance for low- to moderate-income families and provides technical assistance to small businesses and economic development initiatives.

The CDC receives funding from many organizations, including the City of Indianapolis and the Indianapolis Neighborhood Housing Partnership (INHP).

The CDC formed United North East Limited Partnership with National City Community Development Corp. to acquire and renovate three properties. National City is to invest up to $165,000 in the project. The Partnership is consolidated in these financial statements and National City's equity investment is recorded as debt.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared on the accrual basis of accounting.

For purposes of the statement of cash flows, financial instruments with an original maturity of three months or less are considered to be cash equivalents. Because of their longer maturity, certificates of deposit are excluded from cash equivalents.

Grant proceeds for operating support are recorded as unrestricted revenue ratably over the grant period. Other grant proceeds are recorded as restricted revenue when received pending the release of donor-imposed restrictions, usually as eligible expenses are made.

Building, furniture, and equipment are recorded at cost or, if donated, at the assets' approximate fair value at the date of donation. Depreciation expense is computed using the straight-line method over the estimated useful lives of 40 years for the building, 20 years for rental property and 3 to 10 years for furniture and equipment.

Property held for development is carried at the original purchase price or fair market value at date of donation, plus the cost of rehabilitation. Interest during the construction period is capitalized. New construction is carried at cost.

Account receivable consists of funds expected to be received shortly after year-end. Developer fee receivable and accrued interest receivable consist of developer fee income and interest income expected to be received at a future date. (See Note 6, below)

An allowance for doubtful accounts is used to reduce receivables to amounts that are deemed to be collectable upon periodic review by management.

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

The CDC is exempt from income taxation under the provisions of Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for taxes has been made in these statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The CDC maintains its cash in bank accounts that exceed federally insured limits. As of June 30, 2007, such excess totaled approximately $37,000. The CDC has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

4. NOTES PAYABLE

Notes payable at June 30, 2007, consist of the following:

National City Bank - line of credit	$ 49,102
Fifth Third Bank - mortgage	18,217
LISC - Zion Senior Housing	40,000
LISC - recoverable grant	38,850
LICC - Meadows	15,000
Indianapolis Housing Agency	8,000
National City - Walnut Ridge	296,000
Total	$ 465,169

The CDC has a $50,000 line of credit with National City Bank payable on demand. Interest is payable monthly at a rate of 6.25%. The line is secured by deposits, accounts receivable, and equipment. The line of credit was repaid in August 2007.

The mortgage note payable to Fifth Third Bank in the original amount of $50,312 was payable in monthly installments of principal and interest totaling $648. Interest was accrued at the rate of 9.25% per annum and matured December 20, 2002. The note was collateralized by certain real estate, which was sold during a prior year under land contract. The note was refinanced in the amount of $37,714 and is due February 20, 2010. Interest is to accrue at the rate of 6.50% per annum, payable in monthly installments of principal and interest totaling $587. The note is secured by deposits, accounts receivable, and property.

LISC provided recoverable grant funds totaling $50,000 of which $40,000 was drawn down for costs relating to development of affordable housing for senior citizens. The recoverable grant matured May 1, 2006 and had been informally extended. The recoverable grant was repaid in October 2007.

LISC also provided recoverable grant funds totaling $38,850 for predevelopment costs relating to the development of another affordable housing project for senior citizens. The recoverable grant matured January 1, 2005, and has been informally extended. If the project is abandoned or unable to be completed, the funds will be converted to a grant and recognized as income in that year.

(Continued)

4. NOTES PAYABLE – Continued

LISC also provided recoverable grant funds totaling $25,000 of which $15,000 was drawn down for predevelopment costs relating to the redevelopment of an apartment complex in the Meadows area. The recoverable grant matures September 1, 2009. If the project is abandoned or unable to be completed the funds will be converted to a grant and recognized as income in that year.

In June 2006, the CDC reached a settlement regarding a lawsuit with the Indianapolis Housing Agency (IHA). As a result, the CDC promises to pay IHA a total of $12,000 in three equal installments of $4,000 each over the next three years. The loan matures December 31, 2008.

The CDC received $296,000 of AHP funds from National City Bank for construction costs at Walnut Ridge (see Note 6, below). The note is non-interest bearing and is secured by a first mortgage on the properties. The note matures June 1, 2025.

As described in Note 12, below, the CDC entered into a partnership with National City Community Development Corporation. Capital contributions made by the bank to the partnership were reported herein as notes payable. The total amount available for contribution was $165,000. A total of $54,700 had been received and was repaid upon the sale of the property during fiscal 2007.

The CDC has a $100,000 line of credit with Charter Bank payable on demand. Interest is to accrue at the rate of prime plus 2%, with an initial rate of 10.25%. The line of credit is unsecured. No amounts had been drawn on line of credit as of June 30, 2007.

Scheduled maturities are as follows:

Year ending June 30,	
2007	$ 82,850
2008	4,000
2009	15,000
2010	18,217
2011	-
Thereafter	345,102
Total	$ 465,169

5. PROPERTY AND EQUIPMENT

As of June 30, 2007, the CDC's property and equipment consist of the following:

	Balance 7/1/06	Additions (Disposals)	Transfer	Balance 6/30/07
Land	$ 25,000	$ -	$ -	$ 25,000
Equipment	18,048	-	-	18,048
Building	196,819	-	-	196,819
Rental Property	-	-	79,984	79,984
Total	$ 239,867	$ -	$ 79,984	$ 319,851

(Continued)

5. PROPERTY AND EQUIPMENT - Continued

Depreciation expense for the year totaled $4,963 for the building, $2,000 for the rental property and $1,266 for the equipment.

The CDC converted a property held for development into a rental property.

6. INVESTMENT IN WALNUT RIDGE

The CDC formed a limited liability corporation, United North East, LLC (the "LLC"), for the purpose of rehabilitating a former IPS school into low-income senior housing known as Walnut Ridge Apartments. The LLC has two members, U.S.A. Institutional Tax Credit Fund XL, L.P. and North East Development, Inc., a wholly owned subsidiary of the CDC. North East Development, Inc. is the general partner. The CDC, as co-developer, is to receive 20% of the $885,800 of developer fees. Developer fees totaling $177,160 have been earned as of June 30, 2007 and remain unpaid.

The CDC has been awarded a $648,000 HOME grant, which it, in turn, loaned a portion of to the LLC to help pay construction costs. A total of $582,117 has been transferred to the LLC through June 30, 2007. A promissory note dated September 29, 2004, has been issued to evidence the loan. The note bears interest at a rate of 5.1% per annum and is secured by a third mortgage on the property. The note matures March 1, 2022.

The CDC has also been awarded $296,000 in AHP funds, which it, in turn, loaned to the LLC to help pay construction costs. A promissory note dated June 1, 2005, has been issued to evidence the loan. The note is non-interest bearing and is secured by a first mortgage on the property. The note matures June 1, 2025.

The CDC has advanced a total of $15,439 to the LLC to cover various development costs.

The CDC's net investment in Walnut Ridge totaled $893,556 at June 30, 2007.

7. INVESTMENT IN PARKWOODS

The CDC has partnered with The Community Builders (TCB) to redevelop a former HUD Section 8 rental property known as Parkwoods Apartments. The project, operating as the Villages at Mill Crossing, was developed in three phases and includes approximately 254 units. The CDC is to have a 21% ownership interest in the general partner with TCB having the remaining 79%. All three phases of the project have been awarded low-income housing tax credits.

New Parkwoods I, L.P., also known as Sherman Forest East, purchased vacant land upon which it constructed 54 new units. The partnership received a loan commitment from the City of Indianapolis involving approximately $2.3 million of HOME funds.

New Parkwoods III, L.P. and New Parkwoods IV, L.P., also known as Phase 2A and Phase 2B, received a donation of Parkwoods land from the CDC, for which a nominal value of $25,000 has been established. The CDC also received land through a contribution from the City of Indianapolis. The partnership demolished approximately one-half of the existing Parkwoods Apartment buildings and constructed a total of 124 new units.

(Continued)

7. INVESTMENT IN PARKWOODS - Continued

New Parkwoods II, L.P., also known as Phase 3, has also received a donation of Parkwoods land from the CDC, for which a nominal value of $25,000 has been established. The partnership demolished the remaining Parkwoods Apartment buildings and constructed 76 new units.

The CDC expects to receive fees as compensation for its services as co-developer of the project, along with TCB. The CDC received $60,000 in developer fees for the year ended June 30, 2007.

The CDC received $476,064 of HOME grant funds in prior years that were used for demolition.

The CDC has been awarded a grant from INHP totaling $27,500 to be used to pay expenses incurred by the CDC associated with buying down the interest rate by 2% on the construction loan in connection with the project. The $27,500 was transferred to New Parkwoods I, L.P. during the year ended June 30, 2007.

The CDC's investment in the Parkwoods totaled $553,564 at June 30, 2007.

The CDC received partnership income of $19,545 during the year for its investment in the Parkwoods.

8. LAND CONTRACT RECEIVABLE

In a prior year, the CDC sold its training center on contract. The contract, in the original amount of $23,000, requires monthly payments of $400 commencing October 1, 2002, for a period of ten years. Interest is earned at the rate of 5% per annum, calculated monthly. At June 30, 2007, $1,611 remained outstanding.

9. IN KIND CONTRIBUTIONS – DONATED PROPERTY

In 2007, the CDC received a donation of property, valued at $28,240. The CDC, in turn, donated the property to another entity. The contribution is shown on the statement of activities as in-kind revenue and the subsequent disposal is included in loss on sale of property held for development.

10. DEFERRED LEASE REVENUE

In December 2006, the CDC entered into an agreement with Wireless Capital Partners, LLC to receive a lump sum of $148,814 for the rights and interests of the CDC's operating leases with Ameritech, Sprint, and Nextel. In accordance with Statement of Financial Accounting Standards (SFAS) No. 13 "Accounting for Leases" the proceeds from the agreement are to be amortized over the length of the assigned period and released to revenue when earned. Upon the expiration of the assigned period, the rights and interests of the operating lease will revert back to the CDC.

(Continued)

11. DEFERRED LEASE REVENUE - Continued

The deferred lease revenue and related amortization information as of June 30, 2007:

	Balance 7/1/2006	Additions	Revenue Recognized	Balance 6/30/2007	Assigned Period Term
Ameritech	$ -	$ 59,480	$ (1,189)	$ 58,291	25 years
Sprint	-	59,334	(1,187)	58,147	25 years
Nextel	-	30,000	(3,500)	26,500	5 years
Total	$ -	$ 148,814	$ (5,876)	$ 142,938	

11. NOTES RECIVABLE

The CDC issued a promissory note in the amount of $28,000 to a purchaser of one of its properties. The mortgage is the result of the CDC using HOME funds provided by the City of Indianapolis on a property sold at less than fair market value. The note bears no interest and is secured by a mortgage on the property. Upon the sale of the property or its use as a non-permanent residence, repayment of the note will be required.

12. FINANCING ARRANGEMENT

In order to provide financing for the acquisition and rehabilitation of three homeownership program units, the CDC formed a limited partnership with National City Community Development Corporation (National City). The CDC serves as the general partner and contributed the property to be developed to the partnership. The limited partner, National City, contributed cash to the partnership.

The properties are owned by the partnership. When sold, National City receives its capital contribution plus its required annual 7% return on its investment.

Since the CDC serves as the general partner of this partnership, the partnership's activity is consolidated in these financial statements. Accordingly, the limited partner's capital contribution attributed to the properties is reported as a note payable. See Note 4, above.

13. GUARANTY AGREEMENT

As owner of the managing member in Walnut Ridge Apartments (see Note 7, above) the CDC has guaranteed to pay all excess development costs of the project. These costs will not be repaid or treated as capital contributions. Once breakeven operations have been obtained, the CDC is to pay all operating deficits up to $130,000. The operating deficit payments are to be treated as a non-interest-bearing loan to be repaid from available cash flow as defined.