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May 27, 2009

Board of Directors
Area 12 Council on Aging & Community Services, Inc.
d/b/a/ Lifetime Housing Group, Inc.
13091 Benedict Drive
Dillsboro, IN 47018

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 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 Area 12 Council on Aging & Community Services, Inc. d/b/a Lifetime Housing Group, Inc., as of December 31, 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

**AREA 12 COUNCIL ON AGING
AND COMMUNITY SERVICES, INC.
D/B/A LIFETIME HOUSING GROUP**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

DECEMBER 31, 2007

AREA 12 COUNCIL ON AGING AND COMMUNITY SERVICES, INC.
D/B/A LIFETIME HOUSING GROUP

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Gauthier & Kimmerling, LLC

Accountants & Advisors

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Independent Auditors' Report

To the Board of Directors
Area 12 Council on Aging and Community Services, Inc.
d/b/a LifeTime Housing Group
Dillsboro, Indiana

We have audited the accompanying statement of financial position of Area 12 Council on aging and Community Services, Inc. d/b/a LifeTime Housing Group (Area 12) as of December 31, 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Area 12'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 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 Area 12 as of December 31, 2007, and changes in its net assets 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 May 27, 2008, on our consideration of Area 12'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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards required by the Indiana State Board of Accounts is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit 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.

Gauthier & Kimmerling, LLC

May 27, 2008

**AREA 12 COUNCIL ON AGING AND COMMUNITY SERVICES, INC.
D/B/A LIFETIME HOUSING GROUP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007**

ASSETS

Cash	\$ 509,554
Accounts receivable	950
Accounts receivable - related parties (Note 8)	
less allowance for uncollectible amounts of \$50,000	248,381
Development fees receivable (Note 8)	622,603
Loans receivable (Note 5)	414,911
Property and equipment, net of	
accumulated depreciation of \$26,583 (Note 6)	118,417
Property under development	138,272
Investments in partnerships (Note 4)	<u>3,205,633</u>
 Total Assets	 <u>\$ 5,258,721</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 657
Accounts payable - related parties (Note 8)	5,409
Payroll liabilities	9,312
Mortgage payable (Note 7)	73,063
Deferred grant revenue	2,858,000
Deferred interest income	<u>763,419</u>
 Total Liabilities	 3,709,860
 Unrestricted Net Assets	 <u>1,548,861</u>
 Total Liabilities and Net Assets	 <u>\$ 5,258,721</u>

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

AREA 12 COUNCIL ON AGING AND COMMUNITY SERVICES, INC.
D/B/A LIFETIME HOUSING GROUP
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
DECEMBER 31, 2007

REVENUES AND OTHER SUPPORT

Grants	\$ 490,391
Management fees	55,554
Rent income	17,333
Interest income	3,855
Other income	<u>39,476</u>
 Total Revenues and Other Support	 <u>606,609</u>

EXPENSES

Affordable housing and community development	404,150
Management and general	<u>51,070</u>
 Total Expenses	 <u>455,220</u>

Change in net assets	<u>\$ 151,389</u>
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CHANGES IN NET ASSETS

Unrestricted net assets - beginning of year	\$ 1,397,472
Change in net assets	<u>151,389</u>
Unrestricted net assets - end of year	<u>\$ 1,548,861</u>

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

**AREA 12 COUNCIL ON AGING AND COMMUNITY SERVICES, INC.
D/B/A LIFETIME HOUSING GROUP
STATEMENT OF CASH FLOWS
DECEMBER 31, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ 151,389
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operations:	
Depreciation	7,250
Bad debt expense	50,000
(Increase) decrease in operating assets:	
Accounts receivable	2,828
Accounts receivable - related party	(6,951)
Developer fees receivable	35,228
Increase (decrease) in operating liabilities:	
Accounts payable	(548)
Accounts payable - related party	(6,427)
Accrued payroll and related liabilities	5,246
Deferred interest income	127,506
Deferred grant revenue	<u>15,000</u>
 Net Cash Provided By (Used In) Operating Activities	 <u>380,521</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Collection of loan receivable	1,135
Additions to property under development	(7,980)
Increase in investment in partnerships	<u>(158,619)</u>
 Net Cash Provided By (Used In) Investing Activities	 <u>(165,464)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on principal	<u>(12,520)</u>
 Net Cash Provided By (Used In) Financing Activities	 <u>(12,520)</u>
Net increase (decrease) in cash	202,537
Cash - beginning of year	<u>307,017</u>
Cash - end of year	<u>\$ 509,554</u>
Interest paid during the year	<u>\$ 4,756</u>

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

AREA 12 COUNCIL ON AGING AND COMMUNITY SERVICES, INC.
D/B/A LIFETIME HOUSING GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. NATURE OF THE ORGANIZATION

Area 12 Council on Aging and Community Services, Inc., d/b/a LifeTime Housing Group (Area 12) was created to plan, coordinate, and provide affordable housing to low-income individuals and families in southeastern Indiana.

Area 12's primary sources of income are derived from federal grants, real estate management, and housing development.

2. SIGNIFICANT ACCOUNTING POLICIES

Area 12 maintains its accounts on the accrual basis of accounting.

All liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

Land, building, and equipment are stated at cost or, for donations, at fair market value at the date of donation, and include expenditures for additions and betterments which substantially increase the useful lives of existing fixed assets. Buildings are depreciated using the straight-line method over a 30-year period.

Compensated absences are not vested and are charged to expense when paid to the employee.

Grants received under the HOME Investment Partnership Program and Affordable Housing Program and loaned to low-income housing projects are recognized as loans receivable or investments in partnerships as described in Note 4. Anticipated income from future repayment of the grant-supported loans is recognized as deferred income.

The investment in partnerships is recorded using the equity method of accounting. The investment is increased by Area 12's pro-rata share of income and reduced by its pro-rata share of losses and distributions.

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

Area 12 is exempt from income taxation under the Internal Revenue Code Section 501(c)(3).

In accordance with Statement of Financial Accounting Standards (SFAS) 117, Financial Statements of Not-for-Profit Organizations, unrestricted net assets include all assets over which Area 12 has full discretion as to use. Temporarily restricted net assets include net assets whose use by Area 12 is limited by donor-imposed restrictions that either expire by the passage of time or are fulfilled by Area 12. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Permanently restricted net assets include net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of Area 12.

3. CASH AND CASH EQUIVALENTS

Area 12 maintains its cash in bank accounts in amounts which may, at times, exceed federally insured limits. At December 31, 2007, such excess totaled approximately \$410,000. Management has not experienced any losses in its bank accounts and does not anticipate any losses in the future as a result of such excess deposits.

4. INVESTMENTS IN PARTNERSHIPS

Area 12, along with other investors, has established a partnership known as Dublin Senior Housing, L.P. The partnership's purpose was to construct 25 housing units in Dublin, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits are available to investors. Area 12's investment in Dublin Senior Housing, L.P. consists of notes receivable totaling \$550,000 bearing interest at the rate of 6.565%. The notes represent a pass-through of HOME and AHP grant funds. The notes mature on April 1, 2030 and January 6, 2030, respectively. Accrued interest at December 31, 2007, is \$274,037. Area 12's interest in the partnership's equity at December 31, 2007, is \$78,380. Area 12's equity interest in Dublin Senior Housing, L.P. is based on 49% ownership in Dublin Senior Housing, Inc., the general partner.

Area 12, along with other investors, has established another partnership known as Logan Elderly Housing, L.P. The partnership's purpose was to construct 54 housing units in Dearborn County, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits are available to investors. Area 12's investment in Logan Elderly Housing, L.P. consists of notes receivable totaling \$483,000 bearing interest at the rate of 4.9% with a maturity date of June 22, 2029. The notes represent a pass-through of HOME and AHP grant funds. Accrued interest at December 31, 2007, is \$207,586. Area 12's interest in the partnership's equity at December 31, 2007, is \$39,609. Area 12's equity interest in Logan Elderly Housing, L.P. is based on 100% ownership of Logan Housing Corporation which owns 51% of Logan Elderly Housing, LLC, the general partner.

Area 12, along with other investors, has established a third partnership known as Logan Elderly Housing II, L.P. The partnership's purpose was to construct 26 housing units in Dearborn County, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits are available to investors. Area 12's investment in Logan Elderly Housing II, L.P. consists of notes receivable totaling \$610,000, which represent a pass-through of HOME and AHP grant funds, bearing interest at the rate of 4.9% with a maturity date of August 8, 2033. Accrued interest at December 31, 2007, is \$134,655. Area 12's interest in the partnership's equity at December 31, 2007, is \$17,877. Area 12's equity interest in Logan Elderly Housing II, L.P. is based on 100% ownership of Logan Housing Corporation which owns 61% of Logan Elderly Housing II, LLC, the general partner.

Area 12, along with other investors, has established a fourth partnership known as Tyson School Apartments, L.P. The partnership's purpose was to construct 36 housing units in Versailles, Indiana. The units are rented to low-income individuals and, as a result, federal income tax credits are available to investors. Area 12's investment in Tyson School Apartments, L.P. consists of notes receivable totaling \$800,000, which represent a pass-through of HOME and AHP grant funds, bearing interest at the rate of 5% with a maturity date of April 4, 2023. Accrued interest at December 31, 2007, is \$147,141. Area 12's interest in the partnership equity at December 31, 2007, is based on 100% ownership of Tyson School Apartments, Inc., the general partner.

(Continued)

4. INVESTMENTS IN PARTNERSHIPS – Continued

A summary of the balance in investment in partnerships, as of December 31, 2007, is shown below:

Dublin Senior Housing, L.P.	
Equity	\$ 78,380
Notes receivable	550,000
Accrued interest	274,037
Logan Elderly Housing, L.P.	
Equity	39,609
Notes receivable	483,000
Accrued interest	207,584
Logan Elderly Housing II, L.P.	
Equity	17,877
Notes receivable	625,000
Accrued interest	134,655
Tyson School Apartments, L.P.	
Equity	(151,650)
Notes receivable	800,000
Accrued interest	147,141
Total	<u>\$ 3,205,633</u>

5. LOANS RECEIVABLE

Area 12's loan to Canterbury Apartments, L.P. was for \$400,000, which represents a pass-through of HOME grant funds, and matures August 28, 2027. No interest will be charged for this loan.

In a prior year, Area 12 loaned a homeowner \$20,950 to facilitate relocation. The balance on the loan at December 31, 2007, is \$14,911. Accrued interest is \$0. The loan matures April 30, 2017, and bears interest at the rate of 7.0029%.

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2007, consist of the following:

Tyson School gymnasium	\$ 145,000
Accumulated depreciation	<u>(26,583)</u>
Net Property and Equipment	<u>\$ 118,417</u>

Depreciation expense for the building for the year ended December 31, 2007 totaled \$7,250.

7. MORTGAGE NOTE PAYABLE

Area 12 obtained a mortgage on the Tyson School gymnasium in October of 2002. The mortgage principal amount was \$130,000 to be repaid in monthly installments of \$1,466. The note bears interest at the rate of 6.35% per annum. The mortgage note matures October 22, 2012.

Future maturities are as follows:

Year ending December 31,	
2008	\$ 13,339
2009	14,211
2010	15,140
2011	16,130
2012	14,243
Thereafter	<u>-</u>
	<u>\$ 73,063</u>

8. RELATED PARTIES

Area 12 shares several board members, as well as certain administrative personnel, with LifeTime Resources, Inc. In addition, LifeTime Resources, Inc. provides support services, including periodic advances, to Area 12. During the year, Area 12 incurred \$52,074 in support services expense. As of December 31, 2007, Area 12 owed LifeTime Resources, Inc. \$5,409. This amount is included as accounts payable – related parties.

As of December 31, 2007, LifeTime Resources owed Area 12 \$3,450. This amount is included in accounts receivable – related parties. Additional related party transactions related to partnership investments described in Note 4 are summarized below:

	Developer Fees	Management Fees and Advances
Dublin Senior Housing, L.P.	\$ 20,698	\$ 2,982
Logan Elderly Housing, L.P.	95,724	6,477
Logan Elderly Housing II, L.P.	66,181	3,199
Tyson School Apartments, L.P.	440,000	279,095
Alpha Properties, Inc.	-	3,178
LifeTime Resources	-	3,450
	<u>622,603</u>	<u>298,381</u>
Less: allowance for uncollectible amount	<u>-</u>	<u>(50,000)</u>
	<u>\$ 622,603</u>	<u>\$ 248,381</u>

(Continued)

8. RELATED PARTIES – Continued

Management fees earned for services to the related parties are as follows:

	<u>Management Fees</u>
Dublin Senior Housing, L.P.	\$ 5,921
Logan Elderly Housing, L.P.	15,451
Logan Elderly Housing II, L.P.	10,323
Tyson School Apartments, L.P.	8,235
Alpha Properties, Inc.	<u>15,624</u>
	<u>\$ 55,554</u>

9. SUMMARY OF PROGRAM EXPENSES

Program expenses consist of the following at December 31, 2007:

	<u>Affordable Housing and Community Development</u>	<u>Management and General</u>	<u>Total Expenses</u>
Personnel costs	\$ 44,425	\$ 7,552	\$ 51,977
Support services	44,783	7,291	52,074
Contracted services	(2,851)	8,040	5,189
Construction contracts	222,757	-	222,757
Telephone	767	745	1,512
Supplies	-	6,843	6,843
Insurance	621	6,290	6,911
Travel and training	3,857	3,303	7,160
Postage	136	1,617	1,753
Maintenance and repair	5,015	1,933	6,948
Interest expense	4,756	-	4,756
Advertising and public notice	307	206	513
Depreciation	-	7,250	7,250
Housing inspections/surveys	25,023	-	25,023
Other costs	4,554	-	4,554
Bad debt	<u>50,000</u>	<u>-</u>	<u>50,000</u>
	<u>\$ 404,150</u>	<u>\$ 51,070</u>	<u>\$ 455,220</u>

SUPPLEMENTARY INFORMATION

AREA 12 COUNCIL ON AGING AND COMMUNITY SERVICES, INC.
D/B/A LIFETIME HOUSING GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2007

Federal Grantor/Pass- through Grantor/Program Title/Grant Name	Grant Term	State Grant Number	Total Grant Amount	2007 Grant		Receipts	Expenditures	Grant Reimbursements Receivable (Payable) at End of Year
				Reimbursements Receivable (Payable) at Beginning of Year	Reimbursements Receivable (Payable) at End of Year			
State and Local OOR	10/31/2005 - 07/31/07	HD-005-014	\$ 300,000	\$ -	\$ -	\$ 260,150	\$ 260,150	\$ -
U.S. Department of Housing and Urban Development passed through the State of Indiana Home	11/30/06 - 1/31/09	CH-006-014	31,000	-	-	26,950	26,950	-
			<u>\$ 331,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,100</u>	<u>\$ 287,100</u>	<u>\$ -</u>

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



Gauthier & Kimmerling, LLC

Accountants & Advisors

One Jackson Square • 233 S. McCrea Street • Suite 1000 • Indianapolis, IN 46225 • (317) 636-3265

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
Area 12 Council on Aging and Community Services, Inc.
d/b/a LifeTime Housing Group
Dillsboro, Indiana

We have audited the financial statements of Area 12 Council on Aging and Community Services, Inc. d/b/a LifeTime Housing Group (Area 12) as of and for the year ended December 31, 2007, and have issued our report thereon dated May 27, 2008. 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 Area 12's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Area 12's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Area 12's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Area 12's 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, Area 12's Board of Directors, others within the entity, and the 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.

Gauthier & Kimmeling, LLC

May 27, 2008