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June 23, 2009

Board of Directors
Hoosier Uplands Economic
Development Corporation
521 W. Main St.
Mitchell, IN 47446

We have reviewed the audit report prepared by McCauley, Nicolas & Company, 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 Hoosier Uplands Economic Development Corporation, 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

**HOOSIER UPLANDS ECONOMIC
DEVELOPMENT CORPORATION
Mitchell, Indiana**

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hoosier Uplands Economic Development Corporation
Mitchell, Indiana

We have audited the accompanying statement of financial position of Hoosier Uplands Economic Development Corporation (a nonprofit organization) as of December 31, 2007, and the related statements of activities and changes in net assets cash flows for the year then ended. These financial statements are the responsibility of Hoosier Uplands Economic Development Corporation'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 in the first paragraph present fairly, in all material respects, the financial position of Hoosier Uplands Economic Development Corporation as of December 31, 2007, and the changes in 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 August 19, 2008, on our consideration of Hoosier Uplands Economic 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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MEMBER

PKF North American Network American Institute of CPAs AICPA PCPS Division Indiana CPA Society Kentucky Society of CPAs

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses on pages 15 through 35 is presented for purposes of additional analysis and is not a required part of the financial statements of Hoosier Uplands Economic Development Corporation. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* and is also not a required part of the basic financial statements of Hoosier Uplands Economic Development Corporation. Such information has been subjected to the auditing 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.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
August 19, 2008

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2007

ASSETS

CURRENT ASSETS

Cash	\$	1,392,221
Certificates of deposit		6,296,288
Grants receivable		953,875
Patient receivables		1,252,320
Accounts receivable		11,656
Other receivables		54,950
Other assets		6,869

TOTAL CURRENT ASSETS

9,968,179

Property and equipment, net		8,657,857
Notes receivable from related entities		2,171,500
Development fee receivable		204,466
Investments in related entities		1,530

TOTAL ASSETS

\$ 21,003,532

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current maturities of long-term debt	\$	59,827
Accounts payable		882,076
Other liabilities		646,270
Unearned revenue/grants payable		208,816
Reserve for CAPE funds - current portion		1,328,480

TOTAL CURRENT LIABILITIES

3,125,469

Long-term debt, net of current maturities		4,484,067
Contingent liability (see Note 10)		-

TOTAL LIABILITIES

7,609,536

Net assets - unrestricted		13,393,996
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TOTAL LIABILITIES AND NET ASSETS

\$ 21,003,532

See notes to financial statements.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

for the year ended December 31, 2007

REVENUES AND OTHER SUPPORT

Contract and program revenue	\$ 12,242,157
Healthcare revenue	4,623,648
Miscellaneous revenue	1,084,744
In-kind revenue	642,519
Interest income	339,972
Rental income	432,582
Gain on disposal of asset	<u>9,000</u>

TOTAL REVENUES AND OTHER SUPPORT

19,374,622

EXPENSES

Program A - Federal Programs	
U.S. Department of Health & Human Services	2,944,815
U.S. Department of Health & Human Services (Indiana University)	252,438
U.S. Department of Agriculture Rural Development	43,806
U.S. Department of Housing and Urban Development	20,635
Program B - State Programs	
Indiana Family & Social Services Administration	2,144,269
Indiana Housing and Community Development Authority	3,710,364
Indiana State Department of Health	440,263
Indiana Department of Education	596,742
Indiana Tobacco Use Prevention and Cessation Prevention Initiatives	90,482
Program C - Healthcare Division	
Healthcare programs	3,693,552
Program D - General	
Local programs	<u>2,770,238</u>

TOTAL EXPENSES

16,707,604

CHANGE IN NET ASSETS

2,667,018

NET ASSETS, beginning of year, Restated (See Note 17)

10,726,978

NET ASSETS, end of year

\$ 13,393,996

See notes to financial statements.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,667,018
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	291,437
Bad debt expense	404,599
(Increase) decrease in:	
Receivables	456,065
Other assets	6,138
Increase (decrease) in:	
Accounts payable	(440,880)
Unearned revenue/grants payable	81,561
Other liabilities	<u>(692,730)</u>
Net cash provided by operating activities	<u>2,773,208</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(1,662,498)
Increase in investment in related entities	(100)
Increase in certificates of deposit, net	<u>(452,051)</u>
Net cash (used) by investing activities	<u>(2,114,649)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Advances to related party	(919,599)
Payments on long-term debt	<u>(29,465)</u>
Net cash (used) by financing activities	<u>(949,064)</u>
NET (DECREASE) IN CASH	<u>(290,505)</u>
CASH	
Beginning of year	<u>1,682,726</u>
End of year	<u>\$ 1,392,221</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS	
Purchase of property and equipment	\$ 1,738,498
Less amount borrowed from Integra and Indiana Housing and Community Development Authority	<u>(76,000)</u>
CASH PAYMENTS FOR PURCHASE OF PROPERTY AND EQUIPMENT	<u>\$ 1,662,498</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest paid, including capitalized interest of \$1,204	<u>\$ 98,129</u>

See notes to financial statements.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Hoosier Uplands Economic Development Corporation (HUEDC) is presented to assist in understanding HUEDC's financial statements. The financial statements and notes are representations of HUEDC's management, who is responsible for their integrity and objectivity.

The more significant accounting policies of HUEDC are as follows:

Organization and Nature of Operations

HUEDC serves economically disadvantaged citizens in the Indiana counties of Lawrence, Martin, Orange, Washington, Crawford, Greene and Daviess. The principal programs provided include low-income home weatherization and energy assistance, in-home nursing and health care, in-home meal delivery and nutrition services, counseling and information referral services to the aged and homeless, and Head Start programs for pre-school age children. HUEDC's funding comes primarily from the Indiana Family and Social Services Administration, Medicare/Medicaid, U.S. Department of Health and Human Services, Indiana Housing Finance Authority/ Indiana Housing Community Development Authority, Indiana State Department of Health and the Indiana Department of Education in the form of both cost-reimbursement and performance-based grants. HUEDC is organized as a not-for-profit Community Action Agency, Area Agency on Aging, certified CHDO, and licensed home health and hospice facility.

In addition to the above, HUEDC is involved in various related entities, all of which were established principally to acquire real estate and to develop low-income multi-family dwelling units. See Note 5 for additional information.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. These financial statements do not reflect any activity of its wholly-owned subsidiary Shawnee Development Corporation (Shawnee). As further discussed in Note 5, Shawnee is the general partner of various partnerships. Total equity of Shawnee is approximately \$1,000 as of December 31, 2007.

Categories of Funds

HUEDC also prepares its financial statements whereby the Statement of Activities is classified into separate categories according to the source and nature of the activity. The four categories presented are:

- 1) Federal – includes contracts and grants received directly from agencies of the U.S. Government.
- 2) State – includes contracts and grants received from agencies of the state of Indiana.
- 3) Healthcare Division – includes the home health services (funded by Medicare, Medicaid, insurance and private-payers).
- 4) General – includes the corporate fund which consists of discretionary and board designated funds, equipment owned by the HUEDC and obligations of HUEDC.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued December 31, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from those estimates.

Cash Equivalents

HUEDC considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2007.

Receivables

HUEDC utilizes the allowance method for recording bad debt expense for its grant receivable, patient accounts receivable, accounts receivables, and other receivables, which is based upon historical experience coupled with a review of the current status of existing receivables. Management has determined an allowance of \$10,000 was required at December 31, 2007.

Property and Equipment

Property and equipment are currently being capitalized and recorded at cost. Property and equipment donated are recorded at fair market value at date of donation. Major expenditures and those which substantially increase useful lives are capitalized. Maintenance and repairs are charged to expense when incurred.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The useful lives of property and equipment for purposes of computing depreciation are:

Buildings and building improvements	5 – 50 years
Office furniture and equipment	3 – 10 years
Home Health equipment	5 – 20 years

Revenue Recognition

Patient Revenue

Patient accounts receivable and revenue are recorded in the Home Health Division at standard billing rates when patient services are performed. However, HUEDC is reimbursed by the funding sources at amounts that often are less than the standard billing rates. The difference between standard billing rates and the amounts reimbursed by the funding sources is included in the financial schedules as deductions from revenue and accounts receivable. Amounts reimbursed by the funding sources are determined in accordance with the provisions of cost-reimbursement formulas.

Cost Reimbursement Grants

Revenue from cost-reimbursement grants is recognized in the period in which the related expenses are incurred and claimed for reimbursement.

Performance-Based Grants (Fixed Unit Price)

Revenue from grants wherein HUEDC is reimbursed based upon a contractually agreed-upon rate is recognized in the period in which HUEDC renders the service.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued December 31, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Expense Allocation

HUEDC reports expenditures that can be identified specifically with a particular program objective to the appropriate funding source and cost category. HUEDC's indirect administrative expenses are allocated to the various programs based on a cost allocation plan that was submitted to the major funding sources.

Advertising

HUEDC expenses advertising costs as incurred. Total advertising expense, principally for its Healthcare Division, for the year ended December 31, 2007 was approximately \$109,000.

NOTE 2—GRANTS RECEIVABLES

Grants receivable at December 31, 2007, consist of the following:

Indiana Housing and Community Development Authority	\$ 411,671
U.S. Department of Health and Human Services	254,092
Indiana Department of Family and Social Services	65,173
Indiana University (AHEC)	74,467
Indiana Department of Education	61,626
Indiana State Department of Health	75,936
EDS	8,264
U.S. Department of Housing and Urban Development	2,646
	<hr/>
	\$ 953,875

NOTE 3—PROPERTY AND EQUIPMENT

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

Land	\$ 401,902
Buildings and building improvements	9,033,621
Office furniture and equipment	415,450
Home Health equipment	175,188
Vehicles	871,360
	<hr/>
	10,897,521
Less accumulated depreciation	(2,239,664)
	<hr/>
Property and equipment, net	\$ 8,657,857

Depreciation expense charged to operations was \$291,437 for the year ended December 31, 2007

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued December 31, 2007

NOTE 4—NOTES RECEIVABLE FROM RELATED ENTITIES

Following is a summary of notes receivable from related entities (related through common ownership) at December 31, 2007 (see Note 5 for additional information):

Note receivable from Bedford Apartments, LP, bearing interest at 5.24%, with no specific payback terms. Secured by apartment buildings.	\$ 230,000
Note receivable from Bedford Apartments, LP, bearing interest at 1%, with no specific payback terms. Secured by apartment buildings.	250,000
Note receivable from Pioneer Creek Apartments, LP, bearing interest at 5.48%, with no specific payback terms. Secured by apartment buildings.	187,000
Note receivable from Pioneer Creek Apartments, LP, bearing interest at 5%, with no specific payback terms. Secured by apartment buildings.	258,000
Note receivable from Aspen Meadows Apartments, LP, bearing interest at 6%, with no specific payback terms. Secured by apartment buildings.	300,000
Note receivable from Aspen Meadows Apartments, LP, bearing interest at 6%, with no specific payback terms. Secured by apartment buildings.	390,000
Note receivable from Shawnee Development Corporation, bearing interest at the prime rate (7.25% at December 31, 2005), with no specific payback terms. Secured by apartment buildings in the name of Bedford Apartments, L.P. and Aspen Meadows, L.P.	71,500
Note receivable from Lost River Place, L.P. bearing interest at 5%, with no specific payback terms. Secured by apartment buildings.	790,000
Note receivable from Spring Town Apartments, L.P. bearing interest at 5%, with no specific payback terms. Secured by apartment buildings.	<u>395,000</u>
	2,871,500
Less provision for possible uncollectability	<u>(700,000)</u>
Total notes receivable from related entities	<u>\$2,171,500</u>

Although the above notes bear interest, HUEDC has not recognized this interest in the financial statements because management does not believe this amount will be collected. The total cumulative interest not recorded is \$647,780 at December 31, 2007, of which approximately \$141,000 was an increase in the current year.

NOTE 5—RELATED PARTY INFORMATION/INVESTMENTS

HUEDC has ownership interest and/or control over various entities as indicated below:

- Shawnee Development Corporation - HUEDC is a 100% sole stockholder.
- Bedford Apartments, LP - Shawnee Development Corporation is a 0.1% general partner.
- Aspen Meadows, LP - Shawnee Development Corporation is a 1% general partner.
- Pioneer Creek Apartments, LP - Shawnee Development Corporation is a 1% general partner.
- Lost River Place, L.P. - Shawnee Development Corporation is a 1% general partner.
- Spring Town Apartments, L. P. - Shawnee Development Corporation is a 1% general Partner.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued
December 31, 2007

NOTE 5—RELATED PARTY INFORMATION/INVESTMENTS—Continued

During prior years, HUEDC had contributed a total of \$1,530 to the investment in Shawnee Development Corporation in order to fund a general partnership interest of Shawnee Development Corporation in Bedford Apartments, LP, Aspen Meadows, LP, and Pioneer Creek Apartments, LP. These entities were principally established to acquire real estate and to develop low-income multi-family dwelling units.

NOTE 6 – RELATED PARTY INFORMATION/DEVELOPMENT FEE RECEIVABLE

HUEDC, an affiliated entity of the General Partner of Aspen Meadows, L.P., will be paid a development fee of \$518,746 for its services in connection with the development of the project. HUEDC had earned the entire development fee and received payments of \$424,415 as of December 31, 2007. The remaining development fee at December 31, 2007 of \$94,331 is payable from the Net Cash Flow of the Partnership.

Additionally, HUEDC, an affiliated entity of the General Partner of Lost River Place, L.P. will be paid development fees of \$360,135 for its services in connection with the development of the project. HUEDC had earned the entire development fee and received \$250,000 as of December 31, 2007. The remaining development fee at December 31, 2007 of \$110,135 is payable from the Net Cash Flow of the Partnership.

NOTE 7—UNEARNED REVENUE/GRANTS PAYABLE

For grants and contracts where future use of grant funds is contingent upon approval from the funding source and the grant or contract is of a cost-reimbursement type, HUEDC accounts for funds received but not yet earned and carried over from one year to the next as unearned revenue/grants payable. The total unearned revenue/grants payable at December 31, 2007 was \$208,816.

Unearned revenue/grants payable at December 31, 2007 consists of the following:

Tobacco grants	\$ 116,507
Indiana Department of Family and Social Services	92,309
	<hr/>
	\$ 208,816
	<hr/>

NOTE 8—RESERVE FOR CAPE FUNDS

HUEDC was awarded a grant for \$3,200,000 from the Lilly Endowment, Inc. for the support of the CAPE education programs in Lawrence, Martin, Orange and Washington counties. The grant period is from September 1, 2005 through December 31, 2008. The entire grant funds were received during the year ended December 31, 2005. The Lilly Endowment, Inc. reserves the right to reverse the grant and therefore the unspent balance totaling \$1,328,480 is reflected as a liability.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued December 31, 2007

NOTE 9—LONG-TERM DEBT

Following is a summary of long-term debt at December 31, 2007:

Note payable to Indiana Housing and Community Development Authority, payable in monthly installments of \$1,333 through June 2022. The note carries no interest. Mortgage is secured by real estate in Lawrence County, Indiana	\$ 232,000
Note payable to Indiana Housing Finance Authority, payable in semi-annual installments of \$1,540, including interest computed at 3% through January 2008, at which time the remaining principal is due in full; secured by a building.	21,062
Mortgage payable to Rural Housing Development Corporation, payable in monthly installments of \$2,263 through July 2053. The actual interest rate on the note is 5.375%, but is discounted to approximately 1% through a monthly subsidy allowance of \$2,868 from Rural Housing Development Corporation. The mortgage is secured by an apartment complex.	1,046,378
Mortgage payable to Rural Housing Development Corporation, payable in monthly installments of \$1,693 through August 2053. The actual interest rate on the note is 5.375%, but is discounted through a monthly subsidy allowance of \$2,609 from Rural Housing Development Corporation. The mortgage is secured by an apartment complex.	767,295
Mortgage payable to Rural Housing Development Corporation, payable in monthly installments of \$202 through February 2055. The actual interest rate on the note is 6.00%, but is discounted through a monthly subsidy allowance of \$298 from Rural Housing Development Corporation. The mortgage is secured by an apartment complex.	94,149
Mortgage payable to Rural Housing Development Corporation, payable in monthly installments of \$2,789 through December 2057. The actual interest rate on the note is 6.00%, but is discounted to approximately 1% through a monthly subsidy allowance of \$4,141 from Rural Housing Development Corporation. The mortgage is secured by an apartment complex.	1,311,094
Mortgage payable to Rural Housing Development Corporation, payable in monthly installments of \$2,119 through 2057. The actual interest rate on the note is 6.00%, but is discounted to approximately 1% through a monthly subsidy allowance of \$3,145 from Rural Housing Development Corporation. The mortgage is secured by an apartment complex.	<div style="border-top: 1px solid black;">996,743</div>
Balance forward	<div style="border-top: 1px solid black;">\$ 4,468,721</div>

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued
December 31, 2007

NOTE 9—LONG-TERM DEBT—Continued

Balance carried forward	\$ 4,468,721
Note payable to Integra Bank National Association, payable in monthly installments of \$390 including interest computed at 8% through 2022. The note is secured by an apartment complex.	40,173
Note payable to Indiana Housing and Community Development Authority, payable in semi-annual installments of \$1,157 through 2022. The note carries no interest. The note is secured by an apartment complex.	<u>35,000</u>
Total long-term debt	4,543,894
Less current maturities of long-term debt	<u>(59,827)</u>
Long-term debt, net of current maturities	<u>\$ 4,484,067</u>

Aggregate maturities of long-term debt at December 31, 2007 are as follows:

2008	\$ 59,827
2009	39,973
2010	41,253
2011	42,611
2012	44,051
Thereafter	<u>4,316,179</u>
	<u>\$ 4,543,894</u>

NOTE 10—CONTINGENT LIABILITY

In prior years, HUEDC received funds from the Indiana Housing Finance Authority (IHFA) totaling \$750,000. These funds were in the form of a forgivable loan. Should HUEDC fulfill certain requirements and maintain the operations of the Persimmon Park Apartment complex through 2016, the loan received will be forgiven. It is management's intent to comply with the provisions of this agreement and therefore these proceeds had been recorded as grant revenue in a prior year and are included in "Net Assets" instead of loan payable in the Statement of Financial Position.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued
December 31, 2007

NOTE 11—DONATED SERVICE/GRANT MATCHING REQUIREMENTS

In the course of providing its programs, HUEDC receives the services of volunteers in the community and includes the estimated fair value of these services as equal amounts of "in-kind" revenue and "in-kind" expense. The in-kind revenue and expense is shown directly on the Statement of Activities.

Certain grants administered by HUEDC during the year ended December 31, 2007, required HUEDC to attain minimum levels of matching funds consisting of the aforementioned "in-kind" as well as actual cash contributions. All such contractual requirements pertaining to contracts ending within the year ended December 31, 2007, were achieved. The total amount of in-kind contribution received during the year ended December 31, 2007 was \$642,519.

NOTE 12—LEASED PREMISES AND LEASED COMMITMENTS

HUEDC has entered into various operating leases for office and Head Start facilities which expire at various dates through June 30, 2010. The total aggregate lease expense for the year ended December 31, 2007 was approximately \$145,000.

At December 31, 2007, the future operating lease obligations for the above leases are as follows:

2008	\$ 156,604
2009	\$ 43,710
2010	\$ 28,980

NOTE 13—RETIREMENT PLAN

HUEDC has a retirement plan for employees who meet certain eligibility requirements as to age and length of service. Under the plan, HUEDC will match dollar for dollar an employee's contributions to his/her plan up to a maximum amount of \$65 per pay period per employee. Employees' rights under the plan are 100% vested at the time the contributions are made to their individual accounts. The total amount of plan costs charged to operations during 2007 was \$129,677.

NOTE 14—INCOME TAXES

HUEDC is organized as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, thus, is exempt from both federal and state income taxes.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued December 31, 2007

NOTE 15—CONCENTRATION OF RISK

HUEDC's bank cash and certificates of deposit at December 31, 2007 totaled approximately \$8,000,000. In an attempt to minimize its exposed risk, HUEDC maintains these funds with various financial institutions. Uninsured amounts in excess of the FDIC limits held with these financial institutions totaled approximately \$5,320,000 at December 31, 2007.

NOTE 16—CONTINGENCY

HUEDC is substantially funded by grants and contracts awarded directly and indirectly by the federal government, the State of Indiana and various other grantees. The majority of the agreements contain provisions which permit the arrangement to be terminated or the funds provided to be reduced if HUEDC does not continue to provide services or maintain specific activities as provided in the grant and contract agreements.

NOTE 17—PRIOR PERIOD ADJUSTMENT

The financial statement (net assets) for 2006 has been restated to adjust for certain activity regarding funds received in a prior year from both the Indiana Housing Finance Authority and the Federal Home Loan Bank. These funds were originally recorded as a liability instead of grant revenue. It was originally recorded as a liability because of certain compliance requirements contained in the agreement. Management intends to comply with all provisions of the agreements with the funder. As such, net assets were increased by \$1,615,000 at December 31, 2006.

SUPPLEMENTARY INFORMATION

PROGRAM A - FEDERAL PROGRAMS

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through U.S. Department of Health & Human Services:

	Head Start and Early Head Start Agreement #s 05CH4076/41 & 42 CFDA 93.600	Rural Access to Emergency Devices - Agreement # 1H3DRH01228 03-04 CFDA 93.259	Drug Free Communities 1H79SP13665-01 CFDA 93.276	Total: U.S. Department of Health & Human Services
Salaries and Fringe	\$ 1,713,425	\$ (217)	\$ 33,310	\$ 1,746,518
Mileage, Per Diem, Lodging and Travel	37,015	10	3,015	40,040
Training, Registrations and Meetings	12,112	-	1,247	13,359
Bus and Vehicle Operation	49,663	-	-	49,663
Emergency Device Purchase and Placement	-	30,188	-	30,188
Program Supplies and Printing	111,745	-	788	112,533
Telephone	-	-	63	63
Postage	2,070	-	19	2,089
Copier	18,087	11	-	18,098
Insurance	34,035	-	-	34,035
Other Expenses	352,826	114	46,581	399,521
In-kind Expenses	498,708	-	-	498,708
	<u>\$ 2,829,686</u>	<u>\$ 30,106</u>	<u>\$ 85,023</u>	<u>\$ 2,944,815</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through U.S. Department of Health and Human Services via Indiana University:

Indiana Area
 Health Education
 Centers
CFDA 93.824

Salaries and Fringe	\$ 154,299
Mileage, Lodging and Per Diem	13,628
Training, Registrations and Conferences	2,563
Space Costs	15,173
Contracted Services	21,649
Supplies and Printing	8,020
Telephone and Postage	8,074
Copier Expense	3,331
Insurance	547
Other Expenses	25,154
	<hr/>
	\$ 252,438
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Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through U.S. Department of Agriculture Rural Development:

	Housing Preservation Orange Co. CFDA 10,433	Housing Preservation Washington Co CFDA 10,433	U.S.D.A. Rural Dev Totals
Salaries and Fringe	\$ 2,357	\$ 2,330	\$ 4,687
Subcontractors	18,720	18,720	37,440
Other Expenses	826	853	1,679
	<u>\$ 21,903</u>	<u>\$ 21,903</u>	<u>\$ 43,806</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through the U.S. Department of Housing and Urban Development:

	H.U.D. Housing Counseling HC05-0498-057 CFDA 14.169	H.U.D. Housing Counseling HC05-0498-056 CFDA 14.169	H.U.D. Housing Counseling Totals
Salaries and Fringe	\$ 17,832	\$ 2,174	\$ 20,006
Mileage, Lodging and Per Diem	143	466	609
Other Expenses	14	6	20
	<u>\$ 17,989</u>	<u>\$ 2,646</u>	<u>\$ 20,635</u>

PROGRAM B - STATE PROGRAMS

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2007

Agency Wide Via State of Indiana Summary:

	Indiana F.S.S.A. Totals	I.H.C.D.A. Totals	Indiana State Dept Health Totals	Indiana Dept of Education Totals	I.T.P.C Totals	State of Indiana Totals
Salaries and Fringe	\$ 720,060	\$ 445,829	\$ 185,491	\$ 307,608	\$ 49,144	\$ 1,708,132
Mileage, Lodging and Per Diem	24,551	12,974	8,833	8,838	3,631	58,827
Training, Registrations and Meetings	1,845	527	669	1,321	475	4,837
Space Costs	29,595	50,304	2,209	-	-	82,108
Equipment Purchases	-	-	-	3,832	-	3,832
Food and Kitchen	-	-	-	105,681	-	105,681
Vehicle Operation	2,435	8,807	-	-	-	11,242
Contracted Services	-	1,000	150	23,000	21,093	45,243
Supplies and Printing	25,093	59,524	4,167	81,758	704	171,246
Clinic Operations	-	-	206,742	-	-	206,742
Newspaper Publication	1,268	-	-	-	-	1,268
Telephone and Postage	18,093	27,394	2,677	1,146	1,398	50,708
Regular Assistance	-	1,227,470	-	-	-	1,227,470
Crisis Assistance	-	233,513	-	-	-	233,513
Cooling Assistance	-	349,439	-	-	-	349,439
Housing Assistance	-	718,281	-	-	-	718,281
Utility Assistance	-	34,014	-	-	-	34,014
Copier Expense	7,390	9,441	1,715	7,120	(53)	25,613
Transportation Costs	-	-	-	18,104	-	18,104
Insurance Expense	3,033	63,494	365	1,247	-	68,139
Other Expenses	129,692	134,921	27,245	37,087	14,090	343,035
Client Services	1,099,829	262,624	-	-	-	1,302,453
USDA Meals Subsidy	(2,425)	-	-	-	-	(2,425)
In Kind Expenses	143,810	-	-	-	-	143,810
Inter - Co Support	-	70,808	-	-	-	70,808
	\$ 2,144,269	\$ 3,710,364	\$ 440,263	\$ 596,742	\$ 90,482	\$ 6,982,120

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Indiana Family & Social Services Administration Summary:

	F.S.S.A. Childrens Svc Totals	F.S.S.A. Aging Div Totals	F.S.S.A. Totals
Salaries and Fringe	\$ 171,649	\$ 548,411	\$ 720,060
Mileage, Lodging and Per Diem	11,922	12,629	24,551
Training, Registrations and Meetings	608	1,237	1,845
Space Costs	7,256	22,339	29,595
Vehicle Operation	-	2,435	2,435
Supplies and Printing	15,430	9,663	25,093
Newspaper Publication	-	1,268	1,268
Telephone and Postage	3,950	14,143	18,093
Copier Expense	2,107	5,283	7,390
Insurance Expense	463	2,570	3,033
Other Expenses	24,323	105,369	129,692
Client Services	-	1,039,829	1,039,829
USDA Meals Subsidy	-	(2,425)	(2,425)
In-Kind Expenses	-	143,810	143,810
	<u>\$ 237,708</u>	<u>\$ 1,906,561</u>	<u>\$ 2,144,269</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through the Indiana Family & Social Services Administration
 Childrens Services Division Programs:

Salaries and Fringe	\$ 171,649	Healthy Families
Mileage, Lodging and Per Diem	11,922	<u>Orange Co.</u>
Training, Registrations and Meetings	608	
Space Costs	7,256	
Supplies and Printing	15,430	
Telephone and Postage	3,950	
Copier Expense	2,107	
Insurance	463	
Other Expenses	24,323	
	<hr/>	
	\$ 237,708	
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Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2007

Funded through the Indiana Family & Social Services Administration
Aging Division Programs:

	Aging Div IIIA Admin Contract # 47-060V-1676 CFDA - N/A	Aging Div IIIB Access Info & Referral Contract # 47-60V-1676 CFDA 93.044	Aging Div IIIB Access Transportation Contract # 47-60V-1676 CFDA 93.044	Aging Div IIIB Access Case Mgmt Contract # 47-60V-1676 CFDA 93.044	Aging Div IIIB In Home Transportation Contract # 47-60V-1676 CFDA 93.044	Aging Div IIIB In Home Homemaker Contract # 47-60V-1676 CFDA 93.044	Aging Div IIIB Other Ombudsman Contract # 47-60V-1676 CFDA 93.044	Aging Div IIIB Other Legal Contract # 47-60V-1676 CFDA 93.044
Salaries and Fringe	\$ 20,358	\$ 76,923	\$ -	\$ 30,627	\$ -	\$ -	\$ -	\$ -
Mileage, Lodging and Per Diem	803	314	-	161	-	-	-	-
Training, Registrations and Meetings	-	-	-	-	-	-	-	-
Space, Janitorial and Repairs	5,801	3,764	-	-	-	-	-	-
Vehicle Operation	209	-	-	-	-	-	-	-
Supplies and Printing	2,052	231	-	-	-	-	-	-
Newspaper Publication	2,234	1,268	-	-	-	-	-	-
Telephone and Postage	1,617	1,072	-	-	-	-	-	-
Copier Expense	1,349	270	-	-	-	-	-	-
Insurance	28,902	59	-	-	-	-	-	-
Other Expenses	146	2,320	-	-	-	-	-	-
Client Services	(6,632)	(9,601)	19,435	(2,160)	4,203	33,088	8,053	5,448
Older Hoosier Funds Subsidy	-	-	(371)	-	(44)	(2,375)	(429)	(394)
USDA Meals Subsidy	-	-	-	-	-	-	-	-
In-kind Expenses	33,217	6,880	7,635	4,443	770	9,304	1,508	3,780
	<u>\$ 90,056</u>	<u>\$ 83,500</u>	<u>\$ 26,699</u>	<u>\$ 33,071</u>	<u>\$ 4,929</u>	<u>\$ 40,017</u>	<u>\$ 9,132</u>	<u>\$ 8,834</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through the Indiana Family & Social Services Administration
 Aging Division Programs:

	Aging Div IIIC Congregate Meals Contract # 47-60V-1676 CFDA 93,045	Aging Div IIIC Home Dei Meals Contract # 47-60V-1676 CFDA 93,045	Aging Div IIIF Prev Health Contract # 47-60V-1676 CFDA 93,043	Aging Div III E Family Caregiver Contract # 47-60V-1676 CFDA 93,052	Aging Div VII Ombuds Supplemental Contract # 47-60V-1676 CFDA 93,042	Aging Div Assisted Living Supplemental Contract # 47-60V-1676 CFDA N/A
Salaries and Fringe	\$ -	\$ -	\$ 9,554	\$ 16,028	\$ -	\$ -
Mileage, Lodging and Per Diem	-	-	23	-	-	-
Training, Registrations and Meetings	-	-	-	-	-	-
Space, Janitorial and Repairs	-	-	-	-	-	-
Vehicle Operation	-	-	-	-	-	-
Supplies and Printing	-	-	-	-	-	-
Newspaper Publication	-	-	-	-	-	-
Telephone and Postage	-	-	-	-	-	-
Copier Expense	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Other Expenses	-	-	-	(3,478)	-	-
Client Services	100,949	221,731	-	25,782	3,401	7,885
Older Hoosier Funds Subsidy	(4,742)	(10,800)	(266)	(2,269)	(472)	-
USDA Meals Subsidy	(7,024)	(24,552)	-	-	-	-
In-kind Expenses	26,303	35,348	1,751	12,471	400	-
	<u>\$ 115,486</u>	<u>\$ 221,727</u>	<u>\$ 11,062</u>	<u>\$ 48,534</u>	<u>\$ 3,329</u>	<u>\$ 7,885</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2007

Funded through the Indiana Family & Social Services Administration
Aging Division Programs:

	Aging Div. Older Hoosier Funds	Aging Div. S.S.B.G. Funds	Aging Div. CHOICE Contract #	Aging Div. NSIP Nutrition Contract #	Aging Div. Pre-Admission Screening Contract #	F.S.S.A. Aging Div
	47-60K-1676 CFDA N/A	47-60C-1676 CFDA 93.667	47-610-1676 CFDA N/A	47-60/80V-1676 CFDA N/A	47-80V-1676 CFDA 93.778	Totals
Salaries and Fringe	\$ -	\$ 99,517	\$ 210,270	-	\$ 85,134	\$ 548,411
Mileage, Lodging and Per Diem	-	5,774	4,076	-	1,478	12,629
Training, Registrations and Meetings	-	-	1,237	-	-	1,237
Space, Janitorial and Repairs	-	2,328	9,546	-	900	22,339
Vehicle Operation	-	-	2,226	-	-	2,435
Supplies and Printing	-	-	7,380	-	-	9,663
Newspaper Publication	-	-	-	-	-	1,268
Telephone and Postage	-	3,106	6,596	-	1,135	14,143
Copier Expense	-	900	1,628	-	868	5,283
Insurance	-	-	1,162	-	-	2,570
Other Expenses	-	14,489	58,427	-	3,709	105,369
Client Services	-	65,482	544,226	-	-	1,039,829
Older Hoosier Funds Subsidy	40,555	-	-	-	-	-
USDA Meals Subsidy	-	-	-	29,151	-	(2,425)
in-kind Expenses	-	-	-	-	-	143,810
	<u>\$ 40,555</u>	<u>\$ 191,596</u>	<u>\$ 847,774</u>	<u>\$ 29,151</u>	<u>\$ 93,224</u>	<u>\$ 1,906,561</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2007

Indiana Housing and Community Development Authority Summary:

	I.H.C.D.A. Community Svc Totals	I.H.C.D.A. Housing Rehab. Totals	I.H.C.D.A. Washington Co. Totals	I.H.C.D.A. Totals
Salaries and Fringe	\$ 415,776	\$ 25,904	\$ 4,149	\$ 445,829
Mileage, Lodging and Per Diem	9,664	3,310	-	12,974
Training, Registrations and Meetings	527	-	-	527
Space, Janitorial and Repairs	48,817	1,487	-	50,304
Vehicle Operation	8,807	-	-	8,807
Contracted Services	-	-	1,000	1,000
Supplies and Printing	57,671	1,826	27	59,524
Telephone and Postage	24,791	2,603	-	27,394
Copier Expense	9,441	-	-	9,441
Regular Assistance	1,227,470	-	-	1,227,470
Crisis Assistance	233,513	-	-	233,513
Cooling Assistance	349,439	-	-	349,439
Housing Assistance	718,281	-	-	718,281
Utility Assistance	34,014	-	-	34,014
Insurance	13,492	27	49,975	63,494
Inter co Support	67455	3,257	96	70,808
Other Expenses	134,921	-	-	134,921
Client Services	262,624	-	-	262,624
	<u>\$ 3,616,703</u>	<u>\$ 38,414</u>	<u>\$ 55,247</u>	<u>\$ 3,710,364</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through the Indiana Housing and Community Development Authority
 Community Services Division Programs:

	Comm Svc Div D.O.E. Weatherization Contract # WX-007-012-01 CFDA 81.042	Comm Svc Div D.O.E. Weatherization Contract # WX-007-012-02 CFDA 81.042	Comm Svc Div LiHeap Weatherization Contract # WL-007-012-01 CFDA 93.568	Comm Svc Div LiHeap Weatherization Contract # WL-007-012-02 CFDA 93.568	Comm Svc Div Sweep Weatherization Contract # WX-007-012-01 CFDA 93.558	Comm Svc Div Sweep Weatherization Contract # WX-007-012-02 CFDA 93.558	Owner Occupied Rehabilitation Contract # OR-006-112 CFDA 14.239
Salaries and Fringe	\$ 47,413	\$ 1,681	\$ 22,700	\$ 17,448	\$ 11,128	\$ 1,936	\$ 15,368
Mileage, Lodging and Per Diem	-	-	197	-	-	-	-
Training, Registrations and Meetings	-	-	160	-	-	-	-
Space, Janitorial and Repairs	1,538	1,759	1,478	1,647	105	41	(220)
Vehicle Operation	1,928	371	6,223	19	28	(203)	39
Supplies and Printing	145	-	1,947	76	-	-	488
Telephone and Postage	1,558	705	1,605	189	183	52	492
Copier Expense	8	8	15	-	4	-	9
Regular Assistance	-	-	-	-	-	-	-
Crisis Assistance	-	-	-	-	-	-	-
Cooling Assistance	-	-	-	-	-	-	-
Housing Assistance	-	-	-	-	-	-	-
Utility Assistance	-	-	-	-	-	-	-
Insurance	1,336	-	5,761	-	2,000	-	6
Inter-co Support	-	-	-	-	-	-	-
Other Expenses	3,428	3,768	6,907	1,107	2,858	12	7,726
Subcontracted Client Services	37,709	50,609	56,641	-	10,788	6,194	100,683
	\$ 95,063	\$ 58,901	\$ 103,634	\$ 20,486	\$ 27,094	\$ 8,032	\$ 124,591

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2007

Funded through the Indiana Housing and Community Development Authority
Community Services Division Programs

	Energy Assist Leveraging Contract # LI-007-012-01 CFDA 93.568	Energy Assist Leveraging Contract # LI-007-012-02 CFDA 93.568	Energy Assistance Contract # LI-007-012-01 CFDA 93.568	Energy Assistance Contract # LI-007-012-02 CFDA 93.568	Section 8 Housing Assistance SH-006-011 CFDA 14.871	C.S.B.G. CS-006-012 CFDA 93.569	Total IHCDA Community Services
Salaries and Fringe	\$ -	\$ -	\$ 128,642	\$ 33,421	\$ 62,688	\$ 73,351	\$ 415,776
Mileage, Lodging and Per Diem	-	-	1,029	297	3,875	4,266	9,664
Training, Registrations and Meetings	-	-	334	-	-	33	527
Space, Janitorial and Repairs	-	-	22,985	5,103	3,264	11,117	48,817
Vehicle Operation	-	-	92	43	-	267	8,807
Supplies and Printing	-	-	29,726	18,127	1,912	5,250	57,671
Telephone and Postage	-	-	9,110	234	911	9,752	24,791
Copier Expense	-	-	3,785	1,581	289	3,742	9,441
Regular Assistance	-	-	221,380	1,006,090	-	-	1,227,470
Crisis Assistance	1,340	5,773	85,875	140,525	-	-	233,513
Cooling Assistance	-	-	349,439	-	-	-	349,439
Housing Assistance	-	-	-	-	718,281	-	718,281
Utility Assistance	-	-	-	-	34,014	-	34,014
Insurance	-	-	1,668	-	36	2,685	13,492
Inter-co Support	-	-	-	-	-	67,455	67,455
Other Expenses	-	-	33,042	9,072	20,517	46,484	134,921
Subcontracted Client Services	-	-	-	-	-	-	262,624
	\$ 1,340	\$ 5,773	\$ 887,107	\$ 1,214,493	\$ 845,787	\$ 224,402	\$ 3,616,703

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through Indiana Housing and Community Development Authority
 Housing Rehabilitation Programs:

	C.H.D.O. Works CW-003-012 CFDA #14.239	C.H.D.O. Works CW-007-005 CFDA #14.239	I.H.C.D.A. Housing Rehab Totals
Salaries and Fringe	\$ 23,530	\$ 2,374	\$ 25,904
Mileage, Per Diem, Lodging and Travel	1,100	2,210	3,310
Space Costs, Repair and Janitorial	1,101	386	1,487
Program Supplies	(100)	1,926	1,826
Telephone and Postage	1,450	1,153	2,603
Insurance	27	-	27
Other Expenses	2,200	1,057	3,257
	<u>\$ 29,308</u>	<u>\$ 9,106</u>	<u>\$ 38,414</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through the Indiana Housing and Community Development Authority
 via Washington County Commissioners:

	Washington Co. Home Repair & Improvement <u>CFDA 14,228</u>
Salaries and Fringe	\$ 4,149
Contracted Services	1,000
Supplies and Printing	27
Insurance	49,975
Other Expenses	<u>96</u>
	<u>\$ 55,247</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through the Indiana State Department of Health:

	Patoka CHC Grant #966-4 CFDA # N/A	Martin Co. CHC Grant #CHC 966-4 CFDA # N/A	T.B. Prevention Grant #966-17 CFDA 93.116	Diabetes Control Grant #966-16 CFDA 93.988
Salaries and Fringe	\$ 29,346	\$ 15,662	\$ 83,395	\$ 892
Mileage	153	62	6,766	443
Training and Registrations	-	-	132	-
Clinic Operations	123,615	83,127	-	-
Contracted Services	-	-	-	-
Space Costs	-	-	-	-
Supplies and Printing	2	-	-	556
Telephone and Postage	137	105	1,514	61
Copier	102	102	1,318	-
Insurance	-	328	6	-
Other Expenses	5,730	3,067	3,579	9,573
	<u>\$ 159,085</u>	<u>\$ 102,453</u>	<u>\$ 96,710</u>	<u>\$ 11,525</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2007

Funded through the Indiana State Department of Health:

	Martin Co WIC 07/08 Grant # WIC 966-12 CFDA 10.557	Martin Co. WIC 06/07 Grant #966-12 CFDA 10.557	Respect Bedford Grant #AEBG 966-3 CFDA 93.235	Respect Mitchell Grant #AEBG 966-6 CFDA 93.235	I.S.D.H. Totals
Salaries and Fringe	\$ 11,071	\$ 34,217	\$ 5,454	\$ 5,454	\$ 185,491
Mileage	84	843	128	354	8,833
Training and Registrations	-	-	-	537	669
Clinic Operations	-	-	-	-	206,742
Contracted Services	552	150	-	-	150
Space Costs	(39)	1,657	-	-	2,209
Supplies and Printing	163	3,392	52	204	4,167
Telephone and Postage	24	697	-	-	2,677
Copier	-	161	4	4	1,715
Insurance	829	31	-	-	365
Other Expenses	-	1,647	1,410	1,410	27,245
	<u>\$ 12,684</u>	<u>\$ 42,795</u>	<u>\$ 7,048</u>	<u>\$ 7,963</u>	<u>\$ 440,263</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2007

Funded through the Indiana Department of Education:

	Child and Adult Food and Nutrition Program CFDA 10.558	21st Century Learning Centers Program CFDA 84.287C	Indiana Dept of Education Totals
Salaries and Fringe	\$ -	\$ 307,608	\$ 307,608
Mileage, Travel, Lodging and Per Diem	24	8,814	8,838
Training and Registrations	-	1,321	1,321
Equipment Purchases	3,832	-	3,832
Food and Kitchen	105,681	-	105,681
Supplies and Printing	12,414	69,344	81,758
Telephone and Postage	48	1,098	1,146
Contracted Services	-	23,000	23,000
Copier Expenses	-	7,120	7,120
Transportation Costs	120	17,984	18,104
Insurance	-	1,247	1,247
Other Expenses	6,459	30,628	37,087
	<u>\$ 128,578</u>	<u>\$ 468,164</u>	<u>\$ 596,742</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2007

Funded through the Indiana Tobacco Use Prevention and Cessation
Prevention Initiatives Programs:

	Crawford County Tobacco Prevention CFDA - N/A	Daviess County Tobacco Prevention CFDA - N/A	Lawrence County Tobacco Prevention CFDA - N/A	Martin County Tobacco Prevention CFDA - N/A	Pike County Tobacco Prevention CFDA - N/A	Tobacco Prevention and Cessation Totals
Salaries and Fringe	\$ 4,447	\$ 12,959	\$ 23,114	\$ 6,620	\$ 2,004	\$ 49,144
Mileage, Lodging and Per Diem	450	1,399	1,494	239	49	3,631
Training, Registrations and Conferences	-	450	25	-	-	475
Contracted Services	3,576	4,884	9,825	-	2,808	21,093
Supplies and Printing	148	252	291	13	-	704
Telephone and Postage	171	238	580	204	205	1,398
Copier Expense	(41)	(60)	14	17	17	(53)
Other Expenses	2,910	4,712	3,274	608	2,586	14,090
	<u>\$ 11,661</u>	<u>\$ 24,834</u>	<u>\$ 38,617</u>	<u>\$ 7,701</u>	<u>\$ 7,669</u>	<u>\$ 90,482</u>

PROGRAM C - HEALTHCARE DIVISION

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2007

Healthcare Division:

	<u>Healthcare Division</u>
Salaries and Fringe	\$ 2,302,652
Mileage, Lodging and Per Diem	254,978
Training, Registrations and Conferences	5,558
Space Costs	54,917
Equipment	3,380
Supplies and Printing	81,957
Billable Medical Supplies	29,704
Telephone and Postage	43,459
Copier Expense	13,967
Public Information	46,663
Insurance	15,697
Other Expenses	187,099
Purchased Services - Hospice	<u>653,521</u>
	<u>\$ 3,693,552</u>

PROGRAM D - GENERAL

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2007

Funded through Local Agreements, Donations and Fundraisers:

	Local Programs Total
Salaries and Fringe	\$ 460,303
Mileage, Per Diem, Lodging and Travel	27,492
Space Costs, Repair and Janitorial	147,433
Employee Morale	2,902
Interest Expense	91,312
Utilities	70,035
Equipment	22,021
Construction	37,377
Program Supplies	107,759
Telephone & Postage	19,348
Copier Costs	(2,320)
Direct Client Assistance	50,993
Subcontracted Svcs	589,296
Inter Co Support - CSBG	(36,685)
Insurance	54,059
Depreciation	291,437
Bad debt expense	404,599
Other Costs	432,877
	<u>\$ 2,770,238</u>

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the period January 1, 2007 to December 31, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Directly from Department of Health and Human Services:		
Head Start	93.600	\$ 2,477,020
Rural Access to Emergency Devices	93.259	30,106
Drug Free Communities	93.276	85,023
Total directly from the Department of Health and Human Services		<u>2,592,149</u>
Directly from Department of Housing and Urban Development:		
HUD Housing Counseling	14.169	<u>20,635</u>
Directly from Department of Agriculture:		
Housing Preservation	10.433	<u>43,806</u>
Passed through Indiana State Department of Health:		
WIC Martin County	10.557	55,479
Respect Programs	93.235	15,011
Diabetes Control	93.988	11,525
T.B. Prevention	93.116	96,710
Total passed through Indiana State Department of Health		<u>178,725</u>
Passed through Indiana Housing and Community Development Authority:		
DOE Weatherization	81.042	153,964
LiHeap Weatherization	93.568	124,120
Sweep Weatherization	93.558	35,126
Energy Assistance	93.568	2,108,713
Section 8 Housing Assistance	14.871	845,787
C.H.D.O. Works	14.239	38,414
Owner Occupied Rehab (Wx)	14.239	124,591
Larkin Apartment Project	14.239	348,920
Lost River Place Apartments	14.239	490,000
Spring Town Apartments	14.239	395,000
C.S.B.G.	93.569	224,402
Total passed through Indiana Housing and Community Dev Authority		<u>4,889,037</u>
Passed through Indiana Department of Education:		
Child and Adult Food and Nutrition Program	10.558	128,578
21st Century Learning Program	84.287C	468,164
Total passed through Indiana Department of Education		<u>596,742</u>
Passed through Indiana University:		
A.H.E.C.	93.824	<u>252,438</u>

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-Continued
for the period January 1, 2007 to December 31, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Passed through Washington County Commissioners:		
Washington County Home Repair & Improvement	14.228	55,247
 Passed through Indiana Family and Social Services Administration:		
IIIA Administration	N/A	55,407
IIIB Access Case Management	93.044	33,071
IIIB Access Information & Referral	93.044	83,500
IIIB Access Transportation	93.044	26,699
IIIB In Home Homemaker	93.044	40,017
IIIB In Home Transportation	93.044	4,929
IIIB Legal	93.044	8,834
IIIB Ombudsman	93.044	9,132
IIIC Home Delivered Meals	93.045	221,727
IIIC Congregate Meals	93.045	115,486
IIIF Preventative Health	93.043	11,062
IIIE Family Caregiver	93.052	48,534
VII Ombudsman Supplemental	93.042	3,329
Elderly Nutrition	10.570	29,151
Pre-Admission Screening	93.778	93,224
S.S.B.G.	93.667	191,596
Total passed through Indiana Family and Social Services Administration		975,698
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		\$ 9,604,477

NOTE A - Basis of Presentation:

The above schedule of expenditures of federal awards includes the federal grant activity of HUEDC 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.



**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**

Board of Directors
Hoosier Uplands Economic Development Corporation
Mitchell, Indiana

We have audited the financial statements of Hoosier Uplands Economic Development Corporation (a non-profit organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated August 19, 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 Hoosier Uplands Economic Development Corporation'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 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 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 organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is a more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization'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 Hoosier Uplands Economic Development Corporation'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 the Board of Directors, management, 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.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
August 19, 2008



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

Board of Directors
Hoosier Uplands Economic Development Corporation
Mitchell, Indiana

Compliance

We have audited the compliance of Hoosier Uplands Economic Development Corporation (a nonprofit organization) 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, 2007. Hoosier Uplands Economic Development Corporation's major federal programs are identified in the summary of audit 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 Hoosier Uplands Economic Development Corporation's management. Our responsibility is to express an opinion on Hoosier Uplands Economic Development Corporation's 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 Hoosier Uplands Economic Development Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hoosier Uplands Economic Development Corporation's compliance with those requirements.

In our opinion, Hoosier Uplands Economic Development Corporation 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, 2007.

Internal Control Over Compliance

The management of Hoosier Uplands Economic Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hoosier Uplands Economic Development Corporation's 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hoosier Uplands Economic Development Corporation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purposed 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 compliance that we consider to be material weaknesses, as defined above.

Hoosier Uplands Economic Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Hoosier Uplands Economic Development Corporation/s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, 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.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
August 19, 2008

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS for the year ended December 31, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Hoosier Uplands Economic Development Corporation.
2. No reportable conditions were disclosed during the audit of the financial statements reported in the 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*.
3. No instances of noncompliance material to the financial statements of Hoosier Uplands Economic Development Corporation were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Hoosier Uplands Economic Development Corporation expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Hoosier Uplands Economic Development Corporation.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA #</u>
21 st Century School Program	84.287
Energy Assistance Program	93.568
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Hoosier Uplands Economic Development Corporation was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

Findings
None

Questioned
Costs
None

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

Mitchell, Indiana

EXIT CONFERENCE

Subsequent to the conclusion of the audit, an exit conference was held. Those in attendance, along with those associated with the audit report are as follows:

Representatives of the Agency:

David Miller, Executive Director

Dale Hoffman, Fiscal Director

Representatives of McCauley, Nicolas & Company, LLC:

John C. Pieper, Member

Karen Y. Basham, Manager

The following matters were discussed at the exit conference:

- A. The format and content of the audit report draft.
- B. The Agency's review and approval of the audit report.