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June 29, 2009

Board of Directors
New Chauncey Housing, Inc.
933 Robinson Street
West Lafayette, IN 47906

We have reviewed the audit report prepared by Hare, Russell & Holder, PC, 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 New Chauncey Housing, 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

NEW CHAUNCEY HOUSING, INC.
AUDITED FINANCIAL STATEMENTS

December 31, 2007 and 2006

Hare, Russell & Holder, P.C.
2632 B N. 9th Street
P.O. Box 249
Lafayette, IN 47902-0249
(765) 742-1243

NEW CHAUNCEY HOUSING, INC.

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Hare, Russell & Holder
A Professional Corporation

INDEPENDENT AUDITORS' REPORT

Thea R. Hare, CPA
Claudette B. Russell, CPA
David P. Holder, CPA

To the Board of Directors
New Chauncey Housing, Inc.

We have audited the accompanying statements of assets, liabilities and net assets – cash basis of New Chauncey Housing, Inc. (an Indiana not-for-profit corporation) as of December 31, 2007 and 2006, and the related statements of support, revenue, and expenses – cash basis for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. The 2007 audit was also conducted in accordance with 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 audits provide a reasonable basis for our opinion.

As described in notes to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of New Chauncey Housing, Inc. as of December 31, 2007 and 2006, and its support, revenue, and expenses for the years then ended, on the basis of accounting described in the notes.

In accordance with *Government Auditing Standards*, we have also issued our reported dated June 24, 2008 on our consideration of New Chauncey Housing, Inc. 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.

To The Board of Directors
New Chauncey Housing, Inc.
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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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.

Hare, Russell & Holder

Lafayette, Indiana
June 24, 2008

NEW CHAUNCEY HOUSING, INC.
 STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – CASH BASIS
 December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash	\$ 369,158	\$ 333,196
Property held for resale	695,503	782,933
Loan receivable	7,788	8,857
Property and equipment (net)	94,299	101,679
TOTAL ASSETS	\$ 1,166,748	\$ 1,226,665
LIABILITIES AND NET ASSETS		
LIABILITIES		
Tenant deposits	\$ -	\$ 650
NET ASSETS		
Temporarily restricted net assets	1,166,748	1,226,015
TOTAL LIABILITIES AND NET ASSETS	\$ 1,166,748	\$ 1,226,665

See Independent Auditors' Report and Notes to Financial Statements

NEW CHAUNCEY HOUSING, INC.
 STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES – CASH BASIS
 For the Years Ended December 31, 2007 and 2006

	2007		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants			
CDBG - West Lafayette	\$ -	\$ 365,048	\$ 365,048
HOME - Lafayette		41,497	41,497
Rent income	14,136	-	14,136
Interest	402	-	402
Loss on sale of properties		(228,986)	(228,986)
Net assets released from restrictions	<u>236,826</u>	<u>(236,826)</u>	<u>-</u>
Total Support and Revenue	251,364	(59,267)	192,097
EXPENSES			
Salaries and payroll taxes	39,676	-	39,676
Telephone	1,045	-	1,045
Insurance	4,496	-	4,496
Office expense	1,158	-	1,158
Homeownership assistance	75,920	-	75,920
Rehab assistance	1,851	-	1,851
Grant funds repaid	108,382	-	108,382
Professional fees	7,690	-	7,690
Depreciation	7,380	-	7,380
Property taxes	1,488	-	1,488
Utilities	2,204	-	2,204
Repairs	74	-	74
Total Expenses	<u>251,364</u>	<u>-</u>	<u>251,364</u>
CHANGE IN NET ASSETS	-	(59,267)	(59,267)
NET ASSETS AT BEGINNING OF YEAR	<u>-</u>	<u>1,226,015</u>	<u>1,226,015</u>
NET ASSETS AT END OF YEAR	<u>\$ -</u>	<u>\$ 1,166,748</u>	<u>\$ 1,166,748</u>

2006

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ -	\$ 112,227	\$ 112,227
	148,088	148,088
7,834	-	7,834
408	-	408
	(214,083)	(214,083)
<u>149,804</u>	<u>(149,804)</u>	<u>-</u>
158,046	(103,572)	54,474
38,712	-	38,712
1,243	-	1,243
4,693	-	4,693
1,286	-	1,286
70,000	-	70,000
20,050	-	20,050
7,677	-	7,677
7,379	-	7,379
1,775	-	1,775
2,380	-	2,380
2,851	-	2,851
<u>158,046</u>	<u>-</u>	<u>158,046</u>
	(103,572)	(103,572)
<u>-</u>	<u>1,329,587</u>	<u>1,329,587</u>
<u>\$ -</u>	<u>\$ 1,226,015</u>	<u>\$ 1,226,015</u>

See Independent Auditors' Report and Notes to Financial Statements

NEW CHAUNCEY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

New Chauncey Housing, Inc. was incorporated under the laws of the State of Indiana in May 1998. Its purpose is to provide housing for low to moderate-income families and individuals in the City of West Lafayette, Indiana and to stabilize the near campus neighborhoods by slowing the conversion of single family homes to student rental properties. The organization purchases, rehabilitates, and re-sells homes that have been used as income property or are likely to be converted to income property. The homes are marketed at an attractive price to families and individuals that qualify for assistance according to HUD guidelines. Subsidies are structured to provide a strong financial incentive for purchasers to occupy the homes they purchase for a minimum of ten years. The organization receives its major funding from the City of West Lafayette (87% and 41% in 2007 and 2006).

Basis of Accounting

The organization's policy is to prepare its financial statements on the cash basis of accounting. Consequently, certain revenue is recognized when received rather than when earned and certain expenses and purchases of assets are recognized when the cash is disbursed rather than when the obligation is incurred. Depreciation is calculated on capital assets. Inventory is carried at cost and is not adjusted to market value as it would be under generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The organization does not currently have unrestricted or permanently restricted net assets.

Loan Receivable

Loan receivable is carried at unpaid principal balance which is the estimated collectible amount.

Property and Equipment

Assets are recorded at cost. The corporation's policy is to capitalize assets whose cost exceeds \$1,000. Depreciation is recorded using the straight-line method over estimated useful lives of five years for equipment and 15 years for the building which houses the organization's office and a rental unit.

Repairs and maintenance are expensed as incurred.

NEW CHAUNCEY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Properties Held for Resale

The organization purchases homes in order to rehabilitate the properties. It is the intent of the organization to then resell the properties. The properties are stated at cost. It is the policy of the organization to recognize losses on the properties only when the properties are sold.

Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Land	\$ 5,532	\$ 5,532
Building	105,114	105,114
Equipment	<u>1,487</u>	<u>1,487</u>
	112,133	112,133
Less accumulated depreciation	<u>(17,834)</u>	<u>(10,454)</u>
	<u>\$ 94,299</u>	<u>\$ 101,679</u>

LINE OF CREDIT

The organization had a bank line of credit secured by real property. Interest, at prime less .25% was due monthly. The agreement expired May 2007 and was not renewed. The unused line of credit was \$250,000 at December 31, 2006

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as a revolving fund for purchasing, rehabilitating and reselling homes in the New Chauncey Neighborhood.

NEW CHAUNCEY HOUSING, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007 and 2006

LOAN RECEIVABLE

The Organization has a 3% loan receivable from an individual secured by a mortgage, due in 2014. The loan is recorded at the amount the organization expects to collect on the balance outstanding at year end.

	2007	2006
Due in one year	\$ 1,063	\$ 1,031
Long-term	6,725	7,826
	\$ 7,788	\$ 8,857

INCOME TAXES

New Chauncey Housing, Inc. is a not-for-profit entity which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes.

FUNCTIONAL EXPENSES

The organization reports its expenses on a functional level since it has one program. Supporting services consist of the following:

	2007	2006
Salaries and payroll taxes	\$ 11,903	\$ 11,613
Telephone	314	373
Office expense	352	386
Professional fees	7,690	7,677
Depreciation of equipment and building	1,163	1,162
Insurance	1,232	1,296
Repairs	22	-
Utilities	661	527
Property tax	223	266
	\$ 23,560	\$ 23,300

NEW CHAUNCEY HOUSING, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2007 and 2006

LOSS ON SALE OF PROPERTIES

Losses from sale of properties were computed as follows:

	2007	2006
Proceeds from sales	\$ 333,260	\$ 412,000
Costs of purchase, rehab and sale	<u>(562,246)</u>	<u>(626,083)</u>
Loss on sale of properties	<u>\$ (228,986)</u>	<u>\$ (214,083)</u>

CONCENTRATIONS OF CREDIT RISK

The organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2007 and 2006, the Organization's uninsured cash balances totaled \$269,158 and \$240,246.

DONATED SERVICES

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in maintaining near campus neighborhoods.

GRANT FUNDS REPAID

Grant funds repaid of \$108,382 is the repayment of the original federal investment for 200 W. Stadium Ave. Extensive termite damage, not found in a routine termite inspection, was found after rehab had begun. The rehab costs would have resulted in a substantial loss if NCHI sold to a low income person or family. With the approval of the City of West Lafayette, the NCHI Board decided to sell at market rate in order to reduce losses resulting in the repayment.

NEW CHAUNCEY HOUSING, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant - Entitlement Program (CDBG)			
City of West Lafayette	14.218	B-06/07-MC-18-0009	\$ 365,048
Program income expended (proceeds from sale of properties)			<u>297,176</u>
Total CDBG			662,224
HOME Investment Partnerships Program			
CHDO Project Delivery	14.239	M-07-DC-180212	2,912
Homeownership assistance		M-06-DC-180212	<u>38,585</u>
Total HOME Investment Partnerships Program			<u>41,497</u>
Total Housing and Urban Development			<u>\$ 703,721</u>

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of NCH and is presented on the cash 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 the preparation of, the basic financial statements.

See Independent Auditors' Report



Hare, Russell & Holder
A Professional Corporation

Thea R. Hare, CPA
Claudette B. Russell, CPA
David P. Holder, CPA

INDEPENDENT AUDITORS' 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
New Chauncey Housing, Inc.

We have audited the financial statements of New Chauncey Housing, Inc. as of and for the year ended December 31, 2007, and have issued our report thereon dated June 24, 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 New Chauncey Housing, Inc.'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 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.

To the Board of Directors
New Chauncey Housing, Inc.
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Chauncey Housing, Inc.'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, the board of directors, others within the entity, and Department of Community Development/City of West Lafayette and City of Lafayette and is not intended to be and should not be used by anyone other than these specified parties.

Hase, Russell & Haldur

Lafayette, Indiana
June 24, 2008



Hare, Russell & Holder
A Professional Corporation

Thea R. Hare, CPA
Claudette B. Russell, CPA
David P. Holder, CPA

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

To the Board of Directors
New Chauncey Housing, Inc.

Compliance

We have audited the compliance of New Chauncey Housing, Inc. with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. New Chauncey Housing, Inc. major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of New Chauncey Housing, Inc.'s management. Our responsibility is to express an opinion on New Chauncey Housing, Inc.'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 New Chauncey Housing, Inc.'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 New Chauncey Housing, Inc.'s compliance with those requirements.

In our opinion, New Chauncey Housing, Inc. 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 New Chauncey Housing, Inc. 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 New Chauncey Housing, Inc.'s internal control over compliance with the 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 internal control over compliance. Accordingly, we do not express an opinion on the effective of the organization's internal control over compliance.

A *control deficiency* in an organization'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 organization's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of management, the board of director, others within the entity, Department of Community Development/City of West Lafayette and City of Lafayette, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Harc, Russell & Halden

Lafayette, Indiana
June 24, 2008

NEW CHAUNCEY HOUSING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes xx no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes xx none reported

Noncompliance material to financial statements noted? _____ yes xx no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes xx no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes xx none reported

Type of auditor’s report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported to be in accordance with section 510(a) of Circular A-133? _____ yes xx no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Entitlement Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes XX no

NEW CHAUNCEY HOUSING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.