B35162

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 20, 2009

Board of Directors
Muncie Urban Enterprise
Association, Inc.
407 S. Walnut
Muncie, IN 47305

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, Independent Public Accountants, for the period October 1, 2003 to September 30, 2004. 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 Muncie Urban Enterprise Association, Inc., as of September 30, 2004, and the results of its operations for the period then ended, on the basis of accounting described in the report except for the effects of such adjustments, if any, as might have been determined to be necessary had they been able to examine additional evidence regarding special event revenue.

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

We call your attention to the findings in the report. The management letter contains three comments.

STATE BOARD OF ACCOUNTS

MUNCIE URBAN ENTERPRISE ASSOCIATION, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

MUNCIE URBAN ENTERPRISE ASSOCIATION, INC.

TABLE OF CONTENTS

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

Independent Auditors' Report

Board of Directors
Muncie Urban Enterprise Association, Inc.
Muncie, Indiana

We have audited the accompanying statement of financial position of Muncie Urban Enterprise Association, Inc. (the Association) as of September 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

We were unable to obtain and examine evidence supporting income from special events beyond recorded amounts. Recorded income from special events is limited to cash receipts deposited into the Association's bank account.

In our opinion, except from the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine additional evidence regarding special event revenue, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2004, and the 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 December 12, 2006, on consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Gauthier & Kimmerling, LLC

December 12, 2006

MUNCIE URBAN ENTERPRISE ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2004

ASSETS

Cash	$ 210,795
Grant receivable	50,000
Business loans receivable (Note 6)	60,694
Facade loans receivable (Note 5)	1,157,210
Note receivable - The Lodge (Note 7)	26,353
Home Ownership loans receivable (Note 4)	207,720
Property held for sale	330,899
Property and equipment, net of depreciation (Note 9)	364,215
Total Assets	$ 2,407,886

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	$ 17,234
Cash overdraft	10,881
Deposits	9,708
Notes payable (Note 8)	99,672
Deferred revenue (Note 10)	181,373
Total Liabilities	318,868
Net Assets:	
Net Assets - Unrestricted	2,089,018
Total Liabilities and Net Assets	$ 2,407,886

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

MUNCIE URBAN ENTERPRISE ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

REVENUE	
Facade contract revenue	$ 515,332
Grant revenue	67,805
Contributions	203,847
Downpayment assistance	37,000
Rental income	13,564
Interest income	2,492
Special event income	220,786
Other income	1,331
Total Revenue	1,062,157
EXPENSES	
Program Expenses:	
Home Ownership	94,268
Downtown Development	247,566
Facade program	64,208
Total Program Expenses	406,042
Administrative Expenses:	
Home Ownership	47,274
Downtown Development	209,213
Total Administrative Expenses	256,487
Total Expenses	662,529
Increase (decrease) in net assets	399,628
Net Assets, October 1, 2003	1,689,390
Net Assets, September 30, 2004	$ 2,089,018

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

MUNCIE URBAN ENTERPRISE ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 399,628
Adjustments to reconcile net assets to net cash provided by (used in) operations:	
Depreciation	10,655
Loss on sale of assets	5,267
Forgiveness of loan	67,904
Decrease (increase) in grants receivable	(44,794)
Increase (decrease) in deposits	(27,301)
Increase (decrease) in accounts payable	(108,814)
Increase (decrease) in cash overdraft	5,845
Increase (decrease) in deferred revenue	(515,332)
Net Cash Provided by (Used in) Operating Activities	(206,942)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of properties for resale	(57,673)
Proceeds from properties held for sale	103,473
Issuance of Home Ownership loans	(39,946)
Issuance of business loans receivable	(10,000)
Repayment of notes receivable - The Lodge	6,691
Issuance of Facade loans	(514,378)
Repayment of business loans	177,092
Repayment of Home Ownership loans	4,564
Purchase of equipment	(1,692)
Net Cash Provided by (Used in) Investing Activities	(331,869)
Net Increase (Decrease) in Cash	(538,811)
Cash Balance - October 1, 2003	749,606
Cash Balance - September 30, 2004	$ 210,795
Interest paid during the year	$ 5,980

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

MUNCIE URBAN ENTERPRISE ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

1. NATURE OF THE ORGANIZATION

The Muncie Urban Enterprise Association Inc., (the Association) was formed in 1988 to promote economic development and creation of jobs. The Association is comprised of three separate components or programs that provide unique benefits to the City of Muncie, Indiana.

The Home Ownership Development Program's mission is to help improve existing neighborhoods by increasing home ownership opportunities for individuals and families. The program provides instruction and financial assistance to qualifying first-time home buyers through loans and grants for new construction and rehabilitation.

The Downtown Development Program's mission is to help promote and attract guests to downtown Muncie. The program promotes and sponsors many special events within downtown Muncie.

The Façade Program is a program through the Association in cooperation with the Muncie Community Development Commission (MCDC) to improve the facades of buildings in downtown Muncie. In 2003, the program received $1,500,000 from the MCDC to provide assistance to owners of commercial properties in improving the facades of their building through loans and grants for rehabilitation. The Association administers the program on behalf of the city and all records of the program are maintained in the MCDC office.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – These financial statements are prepared on the accrual basis of accounting. Generally, revenues are recognized when earned and expenses are recognized when the goods or services are rendered.

Cash and Cash Equivalents – For purposes of the statement of cash flows, financial instruments with a maturity of three months or less are considered to be cash equivalents.

Grant Revenue –- Grant proceeds are used for operating support and, therefore, are recorded as unrestricted revenue when received.

Contributions – The City of Muncie contributes funds to Downtown Development to assist in the operating expenses of the program.

Grant Receivables – Grant revenue expected to be received shortly after year-end is recorded as a receivable.

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Loans Receivable – Loans are stated at the principal amount outstanding. Interest is computed on loans, when in default, at the option of the Association's Board of Directors. Accrued interest on loans in default is not recorded in the financial statements due to the uncertainty of collectibility. The Association establishes an allowance for uncollectible loans based on management's evaluation of collectibility of outstanding loans receivable. At September 30, 2004, management believed that all loans were fully collectible and no allowance was necessary.

Property Held for Sale – Property held for sale consists of inner-city real estate being developed by the Association and is stated at cost.

Property Plant and Equipment – Buildings, improvements and equipment owned by the Association are recorded at cost. Depreciation is computed by the straight-line method over the useful life of the assets, ranging from five to forty years. Maintenance and repairs are expensed as they are incurred.

Deferred Revenue – Facade contract receipts are being reported as earned when payments are made to contractors. All unspent contract receipts are reported as deferred revenue.

Income Taxes – The Association is a non-profit organization currently exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

3. CONCENTRATION OF CREDIT RISK

The Association maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances at times may exceed federally insured limits. At September 30, 2004, The Association exceeded the insured limit by approximately $125,400. The Association has not experienced any losses in these accounts and management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

4. HOME OWNERSHIP LOANS RECEIVABLE

- Forgivable – Loans have been made to individuals and families to assist them in making a down payment on the purchase of a home. Loans of $5,000 or less are forgivable in five years and loans in excess of $5,000 are forgivable in ten years after the date of the loan as long as the terms of the loan agreement have been followed. At September 30, 2004, thirty-two loans totaling $145,575 were outstanding. During the year ended September 30, 2004, the Association amortized $20,083 of forgivable loans.

(Continued)

4. HOME OWNERSHIP LOANS RECEIVABLE - Continued

- Non-forgivable – Loans have been made to individuals and families to assist them in the purchase of a home. Loans are payable in monthly installments at an interest rate of 10% if in default. At September 30, 2004, eight loans totaling $62,145 were outstanding.

5. FACADE LOANS RECEIVABLE

Façade loans are provided to commercial owners to assist them in rehabilitating the facades of their respective establishments. The first $100,000 of the loan is forgiven in five years with the remaining balance being forgiven in years six through ten. The loans are secured by a second mortgage on the property. At September 30, 2004, eleven loans totaling $1,218,943 were outstanding, including $61,733 which is due from Downtown Development. During the year ended September 30, 2004, the Association amortized $63,254 of facade loans.

6. BUSINESS LOANS RECEIVABLE

The Association grants loans to businesses located in specific areas of Muncie, Indiana. Loans receivable consist of the following at September 30, 2004:

Loan receivable from Judith L. Pape d/b/a Copy Dept., due November 1, 2007. The loan is payable in monthly installments of $475 with interest at 4% and is secured by all inventory, receivables and equipment of the Company	$ 20,748
Loan receivable from ET Company, LLC, due September 15, 2006. The loan is payable in monthly installments of $377 with interest at 5% and is secured by a mortgage.	10,032
Loan receivable from Brenda Anderson d/b/a Punchie's Style Center, due May 1, 2004. The loan is payable in monthly installments of $657 with interest at 4% and is secured by all inventory, receivables and equipment of the Company.	19,914
Loan receivable from Tshuor Construction, due December 31, 2004. The loan is a temporary loan that is unsecured and non-interest bearing, payable in full on the maturity date.	10,000
Total Business Loans	$ 60,694

In 2005, Downtown Development wrote-off $46,475 of business loans.

7. NOTE RECEIVABLE – THE LODGE

During Fiscal 2003, the Association sold a building known as "The Lodge." As part of the sales proceeds, the Association took back a note receivable collateralized by a second mortgage on the building in the amount of $45,000. The note calls for monthly payments of $1,328, including interest of 4% per annum. The note matures on December 1, 2005. The balance at September 30, 2004 was $26,353.

8. NOTES PAYABLE

On May 27, 2004, the Association obtained a $100,000 term note from Star Financial Bank. The note provides interest to be calculated at prime rate plus 1.25% (6% at September 30, 2004). As of September 30, 2004 the outstanding loan balance is $99,672. The note was renewed on April 8, 2005.

9. PROPERTY AND EQUIPMENT

As of September 30, 2004, property and equipment consists of the following:

	Home Ownership	Downtown Development	Facade Program	Total
Furniture and equipment	$ 5,457	$ 12,254	$ -	$ 17,711
Buildings	-	68,887	-	68,887
Improvements	-	320,214	-	320,214
Total cost	5,457	401,355	-	406,812
Less: accumulated depreciation	3,690	38,907	-	42,597
Net: carrying value	$ 1,767	$ 362,448	$ -	$ 364,215

10. DEFERRED REVENUE

Below is a summary of the usage of Facade contract funds for the year ended September 30, 2004:

Unearned revenue at October 1, 2004	$ 696,705
Construction costs	514,378
Administrative costs	954
Total Costs	515,332
Unspent proceeds	$ 181,373

11. OPERATING LEASE

The Association leases a copy machine. The lease commenced on October 1, 2003, with a 60 month term ending September 30, 2008. The lease requires monthly payments of $518. As of September 30, 2004, the expense of the lease was $4,534.

12. RELATED PARTY TRANSACTIONS

Home Ownership rents office space from Downtown Development. Home Ownership pays $850 per month to Downtown Development. In fiscal year 2004, Home Ownership paid $10,200 of rent.

(Continued)

12. RELATED PARTY TRANSACTIONS - Continued

Downtown Development will pay operating expenses for Home Ownership and record an inter-company receivable. As of September 30, 2004, Downtown Development is owed by Home Ownership $86,568.

Downtown Development received a loan of $77,166 from the Facade Program to rehabilitate the facade of the building. The loan is a forgivable loan that will mature in five years. Downtown Development will recognize grant revenue in the amount of the amortized loan. As of September 30, 2004, Downtown Development reported grant revenue pertaining to the facade loan of $15,433.

13. SUBSEQUENT EVENTS

In November 2005, MCDC notified the Association that the loans receivable on the books of Home Ownership, excluding the down payment loans, are to be forgiven. Accordingly, Home Ownership wrote-off $58,312 of loans at that time.

In November 2006, the Association's Board of Directors voted to dissolve the operations of Downtown Development as of December 31, 2006. All special event activities associated with Downtown Development, going forward, will be managed by Heart of the City, a 501(c)(3) organization. Individuals employed by Downtown Development will become employees of Heart of the City. All fixed assets and debt of Downtown Development will remain with the Association. Heart of the City has agreed to lease office space from the Association at a rate of $1,200 per month. The Façade Program and the Home Ownership Development Program will remain with the Association.

ADDITIONAL INFORMATION

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

Independent Auditors' Report

To the Board of Directors
Muncie Urban Enterprise
Association, Inc.
Muncie, Indiana

We have audited the statement of financial position of the Muncie Urban Enterprise Association, Inc. as of September 30, 2004, and the related statements of activities and cash flows for the year then ended. Our report thereon appears on page 1.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining information is presented for purposes of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual units. The combining information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. As described in our report on the financial statements, we were unable to obtain and examine evidence supporting income from special events beyond recorded amounts.

Gauthier + Kimmerling, LLC

December 12, 2006

MUNCIE URBAN ENTERPRISE ASSOCIATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Home Ownership	Downtown Development	Facade Program	Combining Total	Eliminations	Total
ASSETS						
Cash	$ 7,515	$ 10,424	$ 192,856	$ 210,795	$ -	$ 210,795
Grants receivable	50,000	-	-	50,000	-	50,000
Business loans receivable	-	60,694	-	60,694	-	60,694
Facade loans receivable	-	-	1,218,943	1,218,943	61,733	1,157,210
Note receivable - The Lodge	-	26,353	-	26,353	-	26,353
Related party receivable	-	86,568	-	86,568	86,568	-
Home Ownership loans receivable	207,720	-	-	207,720	-	207,720
Property held for sale	330,899	-	-	330,899	-	330,899
Property and equipment, net of accumulated depreciation	1,767	362,448	-	364,215	-	364,215
Total Assets	$597,901	$ 546,487	$1,411,799	$2,556,187	$ 148,301	$2,407,886
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	$ 8,251	$ 8,983	$ -	$ 17,234	$ -	$ 17,234
Cash overdraft	10,881	-	-	10,881	-	10,881
Related party payable	86,568	-	-	86,568	86,568	-
Deposits	-	-	9,708	9,708	-	9,708
Notes payable	-	99,672	-	99,672	-	99,672
Facade loan payable	-	61,733	-	61,733	61,733	-
Deferred revenue	-	-	181,373	181,373	-	181,373
Total Liabilities	105,700	170,388	191,081	467,169	148,301	318,868
Net Assets:						
Net Assets - Uunrestricted	492,201	376,099	1,220,718	2,089,018	-	2,089,018
Total Liabilities and Net Assets	$597,901	$ 546,487	$1,411,799	$2,556,187	$ 148,301	$2,407,886

See Auditor's report.

MUNCIE URBAN ENTERPRISE ASSOCIATION, INC.
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Home Ownership	Downtown Development	Facade Program	Combining Total	Eliminations	Total
REVENUE						
Facade contract revenue	$ -	$ -	$ 515,332	$ 515,332	$ -	$ 515,332
Grant revenue	62,805	20,433	-	83,238	15,433	67,805
Contributions	-	203,847	-	203,847	-	203,847
Downpayment assistance	37,000	-	-	37,000	-	37,000
Rental income	13,564	10,200	-	23,764	10,200	13,564
Interest Income	-	1,410	1,082	2,492	-	2,492
Special event revenue	-	220,786	-	220,786	-	220,786
Other Income	1,331	-	-	1,331	-	1,331
Total Revenue	114,700	456,676	516,414	1,087,790	25,633	1,062,157
EXPENSES						
Program Expenses:						
Property expenses	75,157	-	-	75,157	-	75,157
Consulting expense	8,836	-	-	8,836	-	8,836
Credit reports	15	-	-	15	-	15
Workshop expense	343	-	-	343	-	343
Amortization of forgivable loans	20,083	-	63,254	83,337	15,433	67,904
Event expenses	-	147,894	-	147,894	-	147,894
Downtown promotions	-	68,737	-	68,737	-	68,737
Downtown improvements	-	13,955	-	13,955	-	13,955
Other payroll related expenses	-	16,980	-	16,980	-	16,980
Legal notices	-	-	145	145	-	145
Legal fees	-	-	438	438	-	438
Plans and specs	-	-	171	171	-	171
Other expenses	-	-	200	200	-	200
Loss on sale of assets	5,267	-	-	5,267	-	5,267
Total Program Expenses	109,701	247,566	64,208	421,475	15,433	406,042

(Continued)

See Auditor's report.

MUNCIE URBAN ENTERPRISE ASSOCIATION, INC.
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(CONTINUED)

	Home Ownership	Downtown Development	Facade Program	Combining Total	Eliminations	Total
ADMINISTRATIVE EXPENSES						
Accounting fees	$ 274	$ 852	$ -	$ 1,126	$ -	$ 1,126
Office supplies	1,634	833	-	2,467	-	2,467
Equipment maintenance	2,006	1,524	-	3,530	-	3,530
Utilities	3,545	460	-	4,005	-	4,005
Rent expense	1,337	3,863	-	5,200	-	5,200
Telephone	10,200	-	-	10,200	10,200	-
Insurance	539	3,496	-	4,035	-	4,035
Postage and shipping	186	156	-	342	-	342
Equipment rental	-	4,534	-	4,534	-	4,534
Building maintenance	1,930	320	-	2,250	-	2,250
Salaries and wages	26,923	139,094	-	166,017	-	166,017
Payroll tax expense	2,060	13,347	-	15,407	-	15,407
Employee benefit programs	2,539	21,410	-	23,949	-	23,949
Other payroll related expenses	302	-	-	302	-	302
Banking fees	-	1,182	-	1,182	-	1,182
Printing and publication	473	-	-	473	-	473
Dues	-	1,617	-	1,617	-	1,617
Conference, meeting and travel	1,304	68	-	1,372	-	1,372
Interest	-	5,980	-	5,980	-	5,980
Other expenses	2,044	-	-	2,044	-	2,044
Depreciation	178	10,477	-	10,655	-	10,655
Total Administrative Expenses	57,474	209,213	-	266,687	10,200	256,487
Total Expenses	167,175	456,779	64,208	688,162	25,633	662,529
Increase (decrease) in net assets	(52,475)	(103)	452,206	399,628	-	399,628
Net Assets, October 1, 2003	544,676	376,202	768,512	1,689,390	-	1,689,390
Net Assets, September 30, 2004	$492,201	$376,099	$1,220,718	$ 2,089,018	$ -	$ 2,089,018

See Auditor's report.

MUNCIE URBAN ENTERPRISE ASSOCIATION, INC.
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Home Ownership	Downtown Development	Facade Program	Combining Total	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in Net Assets	$ (52,475)	$ (103)	$ 452,206	$ 399,628	$ -	$ 399,628
Adjustments:						
Amortization expense	20,083	-	63,254	83,337	(15,433)	67,904
Depreciation	178	10,477	-	10,655	-	10,655
Facade grant revenue	-	(15,433)	-	(15,433)	15,433	-
Loss on sale of assets	5,267	-	-	5,267	-	5,267
Changes in assets and liabilities:						
Decrease (Increase) in grants receivable	(44,794)	-	-	(44,794)	-	(44,794)
Decrease (Increase) in intercompany receivable	-	(78,112)	-	(78,112)	78,112	-
Increase (Decrease) in deposits	-	-	(27,301)	(27,301)	-	(27,301)
Increase (Decrease) in intercompany payable	78,112	-	-	78,112	(78,112)	-
Increase (Decrease) in accounts payable	(17,580)	(91,234)	-	(108,814)	-	(108,814)
Increase (Decrease) in cash overdraft	5,845	-	-	5,845	-	5,845
Increase (Decrease) deferred revenue	-	-	(515,332)	(515,332)	-	(515,332)
Net Cash Provided by (Used in) Operating Activities	(5,364)	(174,405)	(27,173)	(206,942)	-	(206,942)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of properties held for sale	(57,673)	-	-	(57,673)	-	(57,673)
Proceeds from properties held for sale	103,473	-	-	103,473	-	103,473
Issuance of Home Ownership loans	(39,946)	(10,000)	-	(49,946)	-	(49,946)
Repayments of notes receivable - The Lodge	-	6,691	-	6,691	-	6,691
Issuance of Facade loans receivable	-	-	(514,378)	(514,378)	-	(514,378)
Repayment of business loans	-	177,092	-	177,092	-	177,092
Repayment of Home Ownership loans	4,564	-	-	4,564	-	4,564
Purchase of equipment	(1,692)	-	-	(1,692)	-	(1,692)
Net Cash Provided by (Used in) Investing Activities	8,726	173,783	(514,378)	(331,869)	-	(331,869)
Net Increase (Decrease) in Cash	3,362	(622)	(541,551)	(538,811)	-	(538,811)
Cash balance - October 1, 2003	4,153	11,046	734,407	749,606	-	749,606
Cash balance - September 30, 2004	$ 7,515	$ 10,424	$ 192,856	$ 210,795	$ -	$ 210,795
Interest Paid During the Year	$ -	$ 5,980	$ -	$ 5,980	$ -	$ 5,980

See Auditor's report.

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
Muncie Urban Enterprise Association, Inc.
Muncie, Indiana

We have audited the financial statements of the Muncie Urban Enterprise Association (the Association) as of and for the years ended September 30, 2003, 2004 and 2005, and have issued our report thereon dated December 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Association's ability to initiate, record, process, and report financial data consistent with assertions of management in the financial statements. Reportable conditions are described as follows.

During our audits, we noted that there were inconsistencies in the accounting, both between programs and within programs. This can be explained by the fact that a number of different accountants maintained the records, either as an employee of the Association or as staff within the outside accounting firm. Management of the Association did not appear to provide the necessary oversight of the accounting function to ensure consistency abd thoroughness. Examples of issues resulting from this condition are as follows:

- Incomplete payroll records
- Missing documentation for loans
- Missing documentation for various expenditures
- Incomplete documentation for, and approval of, inter-program transactions
- Recurring transactions being recorded to different accounts

Controls regarding special events were lacking, especially regarding revenue. A formal control procedure must be established in order to properly reconcile income received compared to admissions sold. These controls should include, but not limited to, reports detailing tickets provided to ticket sellers, cash received and unsold tickets returned. In addition, controls regarding the handling, posting and depositing of cash should be implemented. All funds should be deposited into the bank account in a timely manner.

Board minutes were maintained in a disorganized manner. Board minutes should be taken at every board meeting and approved by the Board at the next meeting. All approved minutes should be maintained in a single location in chronological order. In addition, minutes should include all pertinent information pertaining to the Association, which includes but not limited to, approval of salaries and wages, funding issues, contract approvals and election of officers.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by certain employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider the matters pertaining to payroll documentation, support for expenditures and controls regarding special events to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non compliance 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 that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use by the Association's Board of Directors, management, and grantors and is not intended to be and should not be used by anyone other than these specified parties.

Gauthier & Kimmerling LLC

December 12, 2006