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January 28, 2010

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, 2008 to December 31, 2008. 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, 2008, 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, 2008

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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, 2008, 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, 2008, 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 18, 2009, 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

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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 and the Statement of Financial Position and Statement of Activities for both New Horizon Apartments and Persimmon Park Apartments on pages 37 through 40 are presented for purposes of additional analysis and are 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 18, 2009

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2008

<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 1,246,443
Certificates of deposit	6,875,259
Grants receivable	930,873
Patient receivables	1,103,312
Accounts receivable	4,636
Other receivables	39,277
Other assets	4,583
	<hr/>
TOTAL CURRENT ASSETS	10,204,383
Property and equipment, net	9,438,579
Notes receivable from related entities	2,265,525
Development fee receivable	216,823
Investments in related entities	1,530
	<hr/>
TOTAL ASSETS	<u><u>\$ 22,126,840</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
 CURRENT LIABILITIES	
Current maturities of long-term debt	\$ 39,973
Accounts payable	1,277,898
Other liabilities	780,917
Unearned revenue/grants payable	211,081
Reserve for CAPE funds	412,045
	<hr/>
TOTAL CURRENT LIABILITIES	2,721,914
Long-term debt, net of current maturities	4,444,117
Contingent liability (see Note 10)	-
	<hr/>
TOTAL LIABILITIES	7,166,031
Net assets - unrestricted	14,960,809
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,126,840</u></u>

See notes to financial statements.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
for the year ended December 31, 2008

REVENUES AND OTHER SUPPORT

Contract and program revenue	\$ 12,426,287
Healthcare revenue	5,235,061
Miscellaneous revenue	1,321,218
In-kind revenue	1,035,304
Interest income	477,730
Rental income	508,378
Gain on disposal of asset	<u>2,000</u>

TOTAL REVENUES AND OTHER SUPPORT

21,005,978

EXPENSES

Program A - Federal Programs	
U.S. Department of Health & Human Services	3,361,242
U.S. Department of Health & Human Services (Indiana University)	276,159
U.S. Department of Agriculture Rural Development	64,553
U.S. Department of Housing and Urban Development	24,111

Program B - State Programs

Indiana Family & Social Services Administration	2,402,193
Indiana Housing and Community Development Authority	4,399,529
Indiana State Department of Health	839,313
Indiana Department of Education	713,104
Indiana Tobacco Use Prevention and Cessation Prevention Initiatives	163,764

Program C - Healthcare Division

Healthcare programs	4,035,350
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Program D - General

Local programs	<u>3,159,845</u>
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TOTAL EXPENSES

19,439,163

CHANGE IN NET ASSETS

1,566,815

NET ASSETS, beginning of year

13,393,994

NET ASSETS, end of year

\$ 14,960,809

See notes to financial statements.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
for the year ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,566,815
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	307,425
Write down of notes receivable	618,309
(Increase) decrease in:	
Receivables	(436,263)
Other assets	2,286
Increase (decrease) in:	
Accounts payable	395,822
Unearned revenue/grants payable	2,265
Other liabilities	(781,788)
Net cash provided by operating activities	<u>1,674,871</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(1,087,849)
Increase in certificates of deposit, net	(578,971)
Net cash (used) by investing activities	<u>(1,666,820)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Advances to related party	(94,025)
Payments on long-term debt	(59,804)
Net cash (used) by financing activities	<u>(153,829)</u>

NET DECREASE IN CASH

(145,778)

CASH

Beginning of year	<u>1,392,221</u>
End of year	<u>\$ 1,246,443</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	<u>\$ 90,232</u>
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See notes to financial statements.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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, 2008.

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, 2008

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, 2008.

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, 2008.

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, 2008

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, 2008 was approximately \$125,000.

NOTE 2—GRANTS RECEIVABLES

Grants receivable at December 31, 2008, consist of the following:

Indiana Housing and Community Development Authority	\$ 340,673
Indiana Department of Family and Social Services	273,757
U.S. Department of Health and Human Services	45,674
Indiana State Department of Health	122,318
Indiana University (AHEC)	74,494
Indiana Department of Education	41,994
EDS	26,906
Rural Development	3,300
U.S. Department of Housing and Urban Development	1,757
	<u>\$ 930,873</u>

NOTE 3—PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2008, consist of the following:

Land	\$ 552,856
Buildings and building improvements	9,033,621
Office furniture and equipment	443,434
Home Health equipment	175,188
Vehicles	867,767
Construction in process	888,016
	<u>11,960,882</u>
Less accumulated depreciation	<u>(2,522,303)</u>
Property and equipment, net	<u>\$ 9,438,579</u>

Depreciation expense charged to operations was \$307,425 for the year ended December 31, 2008.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued December 31, 2008

NOTE 4—NOTES RECEIVABLE FROM RELATED ENTITIES

Following is a summary of notes receivable from related entities (related through common ownership) at December 31, 2008 (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 2.75%, with no specific payback terms. Secured by apartment buildings.	400,000
Note receivable from Spring Town Apartments, L.P. bearing interest at 1%, with no specific payback terms. Secured by apartment buildings.	493,500
Note receivable from Lost River Place II, L.P. bearing interest at 4.5%, with no specific payback terms. Secured by apartment buildings.	<u>50,000</u>
	3,420,000
Less provision for possible uncollectability	<u>(1,154,475)</u>
Total notes receivable from related entities	<u>\$2,265,525</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 \$811,614 at December 31, 2008, of which approximately \$164,000 was an increase in the current year.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued
December 31, 2008

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.

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 \$464,415 as of December 31, 2008. The remaining development fee at December 31, 2008 of \$54,331 is payable from the Net Cash Flow of the Partnership.

Also, HUEDC, an affiliated entity of the General Partner of Spring Town Apartments, L.P., will be paid development fees of \$302,492 for its services in connection with the development of the project. At December 31, 2008, the entire fee had been earned and \$152,492 remained payable. The remaining balance will be paid from Investor Limited Partner capital contributions or cash flow as provided in the Partnership Agreement.

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 \$350,135 as of December 31, 2008. The remaining development fee at December 31, 2008 is \$10,000.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued
December 31, 2008

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, 2008 was \$211,081.

Unearned revenue/grants payable at December 31, 2008 consists of the following:

IHCDA Section 8	\$	81,991
Tobacco grants		71,019
Health Families		23,890
Family and Social Services		28,216
Martin County Health		5,315
Other		650
		<u>650</u>
	\$	<u>211,081</u>

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. HUEDC received an extension of the grant through December 31, 2009. 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 \$412,045 is reflected as a liability.

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued December 31, 2008

NOTE 9—LONG-TERM DEBT

Following is a summary of long-term debt at December 31, 2008:

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.	\$ 216,000
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.	1,040,927
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.	763,299
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.	93,782
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.	1,305,465
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.	993,285
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.	38,665
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.	32,667
Total long-term debt	4,484,090
Less current maturities of long-term debt	(39,973)
Long-term debt, net of current maturities	\$ 4,444,117

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued
December 31, 2008

NOTE 9—LONG-TERM DEBT—Continued

Aggregate maturities of long-term debt at December 31, 2008 are as follows:

2009	\$ 39,973
2010	41,253
2011	42,611
2012	44,051
2013	45,576
Thereafter	<u>4,270,626</u>
	<u>\$ 4,484,090</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.

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, 2008, 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, 2008, were achieved. The total amount of in-kind contribution received during the year ended December 31, 2008 was \$1,035,304.

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, 2008 was approximately \$159,000.

At December 31, 2008, the future operating lease obligations for the above leases are as follows:

2009	\$ 118,765
2010	\$ 37,260
2011	\$ 27,783

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS—Continued
December 31, 2008

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 \$80 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 2008 was \$149,654.

NOTE 14—INCOME TAXES

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal or state income taxes has been recorded.

FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, originally effective for fiscal years beginning after December 15, 2007, was issued to provide recognition and measurement requirements for accounting for uncertain tax positions taken on a tax return for entities, including pass-through entities such as S corporations and partnerships. FASB Staff Position ("FSP") FIN 48-3 was issued on December 30, 2008 to defer the effective date of FIN 48 until fiscal years beginning after December 15, 2008.

In accordance with FSP FIN 48-3, the Company has elected to defer the application of FIN 48. The Company has implemented a policy to evaluate all local, state, and federal income tax returns for potential uncertain tax positions taken, as defined by FIN 48, in the year in which tax returns are filed.

NOTE 15—CONCENTRATION OF RISK

HUEDC's bank cash and certificates of deposit at December 31, 2008 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 \$1,100,000 at December 31, 2008.

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.

SUPPLEMENTARY INFORMATION

PROGRAM A - FEDERAL PROGRAMS

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

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

	Head Start and Early Head Start Agreement #s 05CH4076/42,43 CFDA 93.600	Drug Free Communities 1H79SP13665-03 CFDA 93.276	Drug Free Communities 1H79SP13665-02 CFDA 93.276	Total U.S. Department of Health & Human Services
Salaries and Fringe	\$ 1,715,384		\$ 8,320	\$ 1,750,220
Mileage, Per Diem, Lodging and Travel	38,725	2,980	282	41,987
Training, Registrations and Meetings	25,952	405	-	26,357
Bus and Vehicle Operation	51,104	-	-	51,104
Contracted Services	172	9,618	4,344	14,134
Program Supplies and Printing	53,195	834	30	54,059
Telephone	30,822	-	17	30,839
Postage	1,891	-	-	1,891
Copier	17,779	-	-	17,779
Insurance	34,919	-	-	34,919
Other Expenses	380,496	35,444	578	416,518
In-kind Expenses	807,891	113,544	-	921,435
	<u>\$ 3,158,330</u>	<u>\$ 189,341</u>	<u>\$ 13,571</u>	<u>\$ 3,361,242</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2008

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

	Indiana Area Health Education Centers (HHS) CFDA 93.824	Indiana Area Health Education Centers (State) CFDA N/A	Indiana Area Health Education Centers <u>Totals</u>
Salaries and Fringe	\$ 146,924	\$ 11,418	\$ 158,342
Mileage, Lodging and Per Diem	18,746	-	18,746
Training, Registrations and Conferences	3,814	-	3,814
Space Costs	15,225	-	15,225
Contracted Services	30,803	-	30,803
Supplies and Printing	7,537	-	7,537
Telephone and Postage	5,850	97	5,947
Copier Expense	2,595	-	2,595
Insurance	538	-	538
Other Expenses	32,612	-	32,612
	<u>\$ 264,644</u>	<u>\$ 11,515</u>	<u>\$ 276,159</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2008

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

	Housing Preservation Orange Co. CFDA 10.433	Housing Preservation Washington Co CFDA 10.433	Housing Preservation City of Mitchell CFDA 10.433	U.S.D.A. Rural Dev Totals
Salaries and Fringe	\$ 5,880	\$ 5,886	\$ -	\$ 11,766
Subcontractors	24,501	24,481	-	48,982
Other Expenses	1,245	1,260	1,300	3,805
	<u>\$ 31,626</u>	<u>\$ 31,627</u>	<u>\$ 1,300</u>	<u>\$ 64,553</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2008

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

	H.U.D. Housing Counseling HC05-0498-099 CFDA 14.169	H.U.D. Housing Counseling HC05-0498-056 CFDA 14.169	H.U.D. Housing Counseling Totals
Salaries and Fringe	\$ 1,653	\$ 19,818	\$ 21,471
Mileage, Lodging and Per Diem	98	1,457	1,555
Other Expenses	6	1,079	1,085
	<u>\$ 1,757</u>	<u>\$ 22,354</u>	<u>\$ 24,111</u>

PROGRAM B - STATE PROGRAMS

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

Agency Wide Via State of Indiana Summary:

	Indiana F.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	\$ 791,039	\$ 477,919	\$ 210,055	\$ 383,925	\$ 87,880	\$ 1,950,818
Mileage, Lodging and Per Diem	29,976	17,877	11,305	9,578	6,359	75,095
Training, Registrations and Meetings	3,385	879	575	2,751	1,190	8,780
Space Costs	28,971	75,173	2,960	-	-	107,104
Equipment Purchases	-	-	-	4,269	-	4,269
Food and Kitchen	-	-	-	146,109	-	146,109
Vehicle Operation	6,628	5,083	-	-	-	11,711
Contracted Services	-	1,250	990	22,250	40,106	64,596
Supplies and Printing	29,196	43,382	5,914	67,104	4,099	149,695
Clinic Operations	-	-	549,907	-	-	549,907
Newspaper Publication	1,387	-	-	-	-	1,387
Telephone and Postage	19,593	112,559	2,180	1,433	1,956	137,721
Regular Assistance	-	1,903,060	-	-	-	1,903,060
Crisis Assistance	-	357,132	-	-	-	357,132
Cooling Assistance	-	192,010	-	-	-	192,010
Housing Assistance	-	724,767	-	-	-	724,767
Utility Assistance	-	53,547	-	-	-	53,547
Copier Expense	7,567	8,215	222	5,090	220	21,314
Transportation Costs	-	-	-	19,238	-	19,238
Insurance Expense	3,251	18,669	690	1,368	-	23,978
Other Expenses	137,593	76,455	54,515	49,989	21,954	340,506
Client Services	1,227,314	317,122	-	-	-	1,544,436
USDA Meals Subsidy	2,425	-	-	-	-	2,425
In Kind Expenses	113,868	-	-	-	-	113,868
Inter - Co Support	-	102,011	-	-	-	102,011
	<u>\$ 2,402,193</u>	<u>\$ 4,487,110</u>	<u>\$ 839,313</u>	<u>\$ 713,104</u>	<u>\$ 163,764</u>	<u>\$ 8,605,484</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

Indiana Family & Social Services Administration Summary:

	F.S.S.A. Childrens Svc Totals	F.S.S.A. Mental Health and Addictions Totals	F.S.S.A. Aging Div Totals	F.S.S.A. Totals
Salaries and Fringe	\$ 201,405	\$ 9,838	\$ 579,796	\$ 791,039
Mileage, Lodging and Per Diem	12,536	698	16,742	29,976
Training, Registrations and Meetings	357	150	2,878	3,385
Space Costs	7,245	675	21,051	28,971
Vehicle Operation	-	5,000	1,628	6,628
Supplies and Printing	11,806	461	16,929	29,196
Newspaper Publication	-	-	1,387	1,387
Telephone and Postage	3,939	-	15,654	19,593
Copier Expense	2,002	-	5,565	7,567
Insurance Expense	451	-	2,800	3,251
Other Expenses	23,743	3,305	110,545	137,593
Client Services	-	-	1,227,314	1,227,314
USDA Meals Subsidy	-	-	2,425	2,425
In-Kind Expenses	-	-	113,868	113,868
	<u>\$ 263,484</u>	<u>\$ 20,127</u>	<u>\$ 2,118,582</u>	<u>\$ 2,402,193</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31,2008

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

	Healthy Families <u>Orange Co.</u>
Salaries and Fringe	\$ 201,405
Mileage, Lodging and Per Diem	12,536
Training, Registrations and Meetings	357
Space Costs	7,245
Supplies and Printing	11,806
Telephone and Postage	3,939
Copier Expense	2,002
Insurance	451
Other Expenses	<u>23,743</u>
	<u>\$ 263,484</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31,2008

Funded through the Indiana Family & Social Services Administration
Division of Mental Health and Addictions:

	Strategic Prevention State Incentive Grant <u>CFDA #93.243</u>
Salaries and Fringe	\$ 9,838
Mileage, Lodging and Per Diem	698
Training, Registrations and Meetings	150
Space Costs	675
Contracted Services	5,000
Supplies and Printing	461
Other Expenses	<u>3,305</u>
	<u>\$ 20,127</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

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

	Aging Div IIIB Admin Contract # 47-08-0V-1676 CFDA - 93.044	Aging Div IIIB Access Info & Referral Contract # 47-08-0V-1676 CFDA 93.044	Aging Div IIIB Access Transportation Contract # 47-08-0V-1676 CFDA 93.044	Aging Div IIIB Access Case Mgmt Contract # 47-08-0V-1676 CFDA 93.044	Aging Div IIIB In Home Transportation Contract # 47-08-0V-1676 CFDA 93.044	Aging Div IIIB In Home Homemaker Contract # 47-08-0V-1676 CFDA 93.044	Aging Div IIIB Other Ombudsman Contract # 47-08-0V-1676 CFDA 93.044	Aging Div IIIB Other Legal Contract # 47-08-0V-1676 CFDA 93.044
Salaries and Fringe	\$ 23,940	\$ 73,249	\$ -	\$ 28,919	\$ -	\$ -	\$ -	
Mileage, Lodging and Per Diem	415	1,851	-	-	-	-	-	
Training, Registrations and Conferences	-	1,017	-	-	-	-	-	
Space, Janitorial and Repairs	6,358	3,882	-	-	-	-	-	
Vehicle Operation	576	-	-	-	-	-	-	
Supplies and Printing	9	255	-	-	-	-	-	
Newspaper Publication	-	1,387	-	-	-	-	-	
Telephone and Postage	2,621	2,582	-	-	-	-	-	
Copier Expense	2,040	259	-	-	-	-	-	
Insurance	1,503	72	-	-	-	-	-	
Other Expenses	27,168	3,342	-	34	-	-	-	
Client Services	-	-	18,932	-	2,729	37,219	3,669	
Older Hoosier Funds Subsidy	(5,137)	(4,812)	(1,307)	(1,664)	(277)	(2,377)	(450)	
USDA Meals Subsidy	-	-	-	-	-	-	-	
In-Kind Expenses	17,946	4,161	3,860	3,860	205	9,992	1,896	
	<u>\$ 77,439</u>	<u>\$ 87,245</u>	<u>\$ 21,485</u>	<u>\$ 31,149</u>	<u>\$ 2,657</u>	<u>\$ 44,834</u>	<u>\$ 5,115</u>	<u>\$ 9,910</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

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 Del Meals Contract # 47-08-OV-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	\$ -	\$ -	\$ 12,539	\$ 23,399	\$ -	\$ -
Mileage, Lodging and Per Diem	-	-	1	-	-	-
Training, Registrations and Meetings	-	-	-	-	-	-
Space, Janitorial and Repairs	-	-	-	-	-	-
Vehicle Operation	-	-	-	-	-	-
Supplies and Printing	-	-	-	-	-	-
Newspaper Publication	-	-	-	-	-	-
Telephone and Postage	-	-	-	-	-	-
Copier Expense	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Other Expenses	-	-	-	183	-	-
Client Services	96,461	272,274	-	22,893	8,223	4,783
Older Hoosier Funds Subsidy	(7,244)	(13,407)	-	(5,434)	-	-
USDA Meals Subsidy	-	(29,104)	-	-	-	-
In-kind Expenses	9,367	32,312	-	26,723	-	-
	<u>\$ 98,584</u>	<u>\$ 262,075</u>	<u>\$ 12,540</u>	<u>\$ 67,764</u>	<u>\$ 8,223</u>	<u>\$ 4,783</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

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	Aging Div NSIP Nutrition	Aging Div Pre-Admission Screening	Aging Div Aging and Disability Resource Center	F.S.S.A. Aging Div Totals
	Contract # 47-60K-1676 CFDA N/A	Contract # 47-60C-1676 CFDA 93.667	Contract # 47-610-1676 CFDA N/A	Contract # 47-60/80V-1676 CFDA 93.053	Contract # 47-80V-1676 CFDA 93.778	Contract # 47-09-5K-1676 CFDA N/A	
Salaries and Fringe	\$ -	\$ 100,967	\$ 199,997	\$ -	\$ 85,522	\$ 31,264	\$ 579,796
Mileage, Lodging and Per Diem	-	7,882	5,562	-	1,031	-	16,742
Training, Registrations and Meetings	-	-	1,861	-	-	-	2,878
Space, Janitorial and Repairs	-	2,793	6,918	-	1,100	-	21,051
Vehicle Operation	-	-	1,052	-	-	-	1,628
Supplies and Printing	-	567	7,097	-	-	9,001	16,929
Newspaper Publication	-	-	-	-	-	-	1,387
Telephone and Postage	-	3,681	5,676	-	1,094	-	15,654
Copier Expense	-	1,114	1,198	-	954	-	5,565
Insurance	-	29	1,181	-	15	-	2,800
Other Expenses	-	10,950	60,707	-	3,395	-	110,545
Client Services	-	93,993	659,324	-	-	4,766	1,227,314
Older Hoosier Funds Subsidy	42,559	-	-	-	-	-	-
USDA Meals Subsidy	-	-	-	31,529	-	-	2,425
In-kind Expenses	-	-	-	-	-	-	113,868
	\$ 42,559	\$ 221,976	\$ 950,573	\$ 31,529	\$ 93,111	\$ 45,031	\$ 2,118,582

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

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	\$ 444,086	\$ 19,667	\$ 14,166	\$ 477,919
Mileage, Lodging and Per Diem	12,985	4,892	-	17,877
Training, Registrations and Meetings	879	-	-	879
Space, Janitorial and Repairs	73,728	1,445	-	75,173
Vehicle Operation	5,083	68	-	5,151
Contracted Services	-	-	1,250	1,250
Supplies and Printing	42,497	764	121	43,382
Telephone and Postage	22,397	2,386	127	24,910
Copier Expense	8,215	-	-	8,215
Regular Assistance	1,903,060	-	-	1,903,060
Crisis Assistance	357,132	-	-	357,132
Cooling Assistance	192,010	-	-	192,010
Housing Assistance	724,767	-	-	724,767
Utility Assistance	53,547	-	-	53,547
Subcontractor Services	-	-	29,025	29,025
Contractor Payments	-	90,162	-	90,162
Insurance	18,451	218	-	18,669
Inter co Support	91995	9,952	64	102,011
Other Expenses	76,455	-	-	76,455
Client Services	317,122	-	-	317,122
	<u>\$ 4,344,409</u>	<u>\$ 129,554</u>	<u>\$ 44,753</u>	<u>\$ 4,518,716</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

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-008-012 CFDA 93.568	Comm Svc Div Sweep Weatherization Contract # WX-007-012-02 CFDA 93.568	Comm Svc Div Sweep Weatherization Contract # WX-008-012 CFDA 93.568	Owner Occupied Rehabilitation Contract # OR-006-112 CFDA 14.239
Salaries and Fringe	\$ 31,787	\$ 28,595	\$ 19,985	\$ 8,383	\$ 11,623	\$ 837	\$ 11,617
Mileage, Lodging and Per Diem	616	72	821	-	-	(172)	-
Training, Registrations and Meetings	-	-	(2,714)	-	-	-	-
Space, Janitorial and Repairs	1,256	1,010	2,785	591	231	75	18
Vehicle Operation	(1,253)	908	4,653	41	15	9	4
Supplies and Printing	-	1,154	4,933	-	-	-	674
Telephone and Postage	716	1,616	1,875	212	180	46	67
Copier Expense	8	9	12	5	3	1	-
Regular Assistance	-	-	-	-	-	-	-
Crisis Assistance	-	-	-	-	-	-	-
Cooling Assistance	-	-	-	-	-	-	-
Housing Assistance	-	-	-	-	-	-	-
Utility Assistance	-	-	-	-	-	-	-
Insurance	6,643	897	3,852	897	2,690	-	-
Inter-co Support	-	-	-	-	-	-	-
Other Expenses	12,410	6,433	7,483	1,446	1,496	493	3,098
Subcontracted Client Services	15,596	48,455	68,923	(824)	10,077	3,884	100,622
	<u>\$ 67,779</u>	<u>\$ 89,149</u>	<u>\$ 112,608</u>	<u>\$ 10,751</u>	<u>\$ 26,315</u>	<u>\$ 5,173</u>	<u>\$ 116,100</u>

Hoosier Uplands Economic Development Corporation
 Statement of Functional Expenses by Funding Source
 For the Year Ending December 31, 2008

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

	Loogootee RECAP Façade Renovation DF-008-004 CFDA N/A	Spring Town Apartments Rehab CH-007-002 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	\$ -	\$ -	\$ 19,667	\$ 19,667
Mileage, Per Diem, Lodging and Travel	-	-	4,892	4,892
Space Costs, Repair and Janitorial	-	-	1,445	1,445
Vehicle Operation	-	-	68	68
Program Supplies	-	-	764	764
Telephone and Postage	-	-	2,386	2,386
Contractor Payments	90,000	-	162	90,162
Insurance	-	-	218	218
Other Expenses	-	5,000	4,952	9,952
	<u>\$ 90,000</u>	<u>\$ 5,000</u>	<u>\$ 34,554</u>	<u>\$ 129,554</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

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

	<u>Washington Co. Home Repair & Improvement CFDA 14.228</u>
Salaries and Fringe	\$ 14,166
Contracted Services	1,250
Supplies and Printing	121
Telephone and Postage	127
Subcontractor Services	29,025
Other Expenses	<u>64</u>
	<u>\$ 44,753</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

Funded through the Indiana State Department of Health:

	Patoka CHC 07/08 Contract #966-4 CFDA # N/A	Patoka CHC 08/09 Contract #966-4 CFDA # N/A	Davless Co. CHC Contract # 966-19 CFDA # N/A	Pike Co. CHC Contract #966-19 CFDA # N/A	Martin Co. CHC 07/08 Contract # 966-18 CFDA # N/A	Martin Co. CHC 08/09 Contract #966-18 CFDA # N/A	Diabetes Control Contract DG #966-16 CFDA 93,988
Salaries and Fringe	\$ 8,369	\$ 10,407	\$ 22,049	\$ 19,271	\$ 4,584	\$ 8,128	\$ 1,358
Mileage, Per Diem, Lodging and Travel	122	86	270	355	69	51	11
Training and Registrations	-	-	-	-	-	-	-
Clinic Operations	70,835	82,350	125,340	124,000	106,636	40,746	-
Contracted Services	-	-	-	-	-	-	-
Space Costs	-	-	-	-	-	-	-
Supplies and Printing	22	-	131	129	26	-	710
Telephone and Postage	44	-	55	49	40	-	98
Copier	21	-	14	14	21	-	-
Insurance	331	-	-	-	332	-	-
Other Expenses	2,553	4,183	5,268	5,269	3,601	3,519	3,849
	<u>\$ 82,297</u>	<u>\$ 97,026</u>	<u>\$ 153,127</u>	<u>\$ 149,087</u>	<u>\$ 115,309</u>	<u>\$ 52,444</u>	<u>\$ 6,026</u>

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

Funded through the Indiana State Department of Health:

	T.B. Prevention 2008 Contract # TB 966-17 CFDA 93.116	T.B. Prevention 2009 Contract # TB 966-17 CFDA 93.116	Womens Health Assistance 07/08 Contract ASSIST 966-20 CFDA 93.088	Womens Health Assistance 07/08 Contract # ASSIST 966-20 CFDA 93.088	Martin Co. WIC 07/08 Contract # WIC 966-12 CFDA 10.557	Martin Co. WIC 08/09 Contract # WIC 966-12 CFDA 10.557	I.S.D.H. Totals
Salaries and Fringe	\$ 62,067	\$ -	\$ 18,515	\$ 9,124	\$ 34,587	\$ 11,596	\$ 210,055
Mileage	5,712	258	2,074	864	1,216	217	11,305
Training and Registrations	-	-	-	25	550	-	575
Clinic Operations	-	-	-	-	-	-	549,907
Contracted Services	-	-	990	-	-	-	990
Space Costs	-	-	-	-	2,203	757	2,960
Supplies and Printing	529	-	941	103	3,323	-	5,914
Telephone and Postage	767	48	52	7	894	126	2,180
Copier	5	-	-	-	123	24	222
Insurance	-	-	-	-	27	-	690
Other Expenses	3,660	-	18,961	981	2,052	619	54,515
	\$ 72,740	\$ 306	\$ 41,533	\$ 11,104	\$ 44,975	\$ 13,339	\$ 839,313

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

Funded through the Indiana Department of Education:

	Child and Adult Food and Nutrition Program CFDA 10.558	21st Century Learning Centers Program Mitchell CFDA 84.287C	21st Century Learning Centers Program Orleans CFDA 84.287C	21st Century Learning Centers Program Paoli CFDA 84.287C	21st Century Learning Centers Program W. Washington CFDA 84.287C	21st Century Learning Centers Program Springs Valley CFDA 84.287C	Indiana Dept of Education Totals
Salaries and Fringe	\$ -	\$ 127,199	\$ 50,274	\$ 112,372	\$ 94,080	\$ -	\$ 383,925
Mileage, Travel, Lodging and Per Diem	7	1,752	645	3,345	3,829	-	9,578
Training and Registrations	-	410	1,140	939	262	-	2,751
Equipment Purchases	4,269	-	-	-	-	-	4,269
Food and Kitchen	144,109	500	500	500	500	-	146,109
Supplies and Printing	17,926	12,436	4,654	15,193	16,895	-	67,104
Telephone and Postage	26	391	189	504	323	-	1,433
Contracted Services	-	6,417	3,000	9,333	3,500	-	22,250
Copier Expenses	-	398	(971)	3,100	2,563	-	5,090
Transportation Costs	-	651	6,370	1,607	10,610	-	19,238
Insurance	-	342	342	342	342	-	1,368
Other Expenses	10,240	11,431	5,260	10,994	11,688	376	49,989
	\$ 176,577	\$ 161,927	\$ 71,403	\$ 158,229	\$ 144,592	\$ 376	\$ 713,104

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

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	Lawrence County Tobacco Navigation CFDA - N/A	Tobacco Prevention and Cessation Totals
Salaries and Fringe	\$ 7,934	\$ 8,909	\$ 31,305	\$ 14,785	\$ 7,558	\$ 17,389	\$ 87,880
Mileage, Lodging and Per Diem	619	766	1,606	1,432	392	1,544	6,359
Training, Registrations and Conferences	35	35	385	630	70	35	1,190
Contracted Services	9,048	17,373	4,121	2,188	7,251	125	40,106
Supplies and Printing	532	421	1,328	269	470	1,079	4,099
Telephone and Postage	446	436	284	375	415	-	1,956
Copier Expense	44	44	44	44	44	-	220
Other Expenses	620	1,890	5,303	2,001	1,237	10,903	21,954
	<u>\$ 19,278</u>	<u>\$ 29,874</u>	<u>\$ 44,376</u>	<u>\$ 21,724</u>	<u>\$ 17,437</u>	<u>\$ 31,075</u>	<u>\$ 163,764</u>

PROGRAM C - HEALTHCARE DIVISION

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

Healthcare Division:

	<u>Healthcare Division</u>
Salaries and Fringe	\$ 2,395,257
Mileage, Lodging and Per Diem	282,078
Training, Registrations and Conferences	3,389
Space Costs	36,983
Equipment	4,689
Supplies and Printing	60,378
Billable Medical Supplies	51,858
Telephone and Postage	42,086
Copier Expense	13,857
Public Information	46,700
Insurance	15,887
Other Expenses	204,585
Purchased Services - Hospice	<u>877,603</u>
	<u>\$ 4,035,350</u>

PROGRAM D - GENERAL

Hoosier Uplands Economic Development Corporation
Statement of Functional Expenses by Funding Source
For the Year Ending December 31, 2008

Funded through Local Agreements, Donations and Fundraisers:

	Local Programs Total
Salaries and Fringe	\$ 1,037,590
Mileage, Per Diem, Lodging and Travel	32,676
Space Costs, Repair and Janitorial	271,814
Employee Morale	500
Interest Expense	94,639
Utilities	69,990
Program Supplies	97,762
Telephone and Postage	89,215
Copier Costs	37,949
Direct Client Assistance	62,487
Subcontracted Svcs	383,580
Inter Co Support - CSBG	(29,495)
Insurance	85,404
Depreciation	307,425
Write down of notes receivable	618,309
	<u>\$ 3,159,845</u>

NEW HORIZON APARTMENTS

PERSIMMON PARK APARTMENTS

NEW HORIZON APARTMENTS
(A Project Owned and Operated by Hoosier Uplands
Economic Development Corporation)

STATEMENT OF FINANCIAL POSITION
December 31, 2008

<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 20,930
Tenant accounts receivable	2,502
Rental assistance receivable	10,907
	34,339
TOTAL CURRENT ASSETS	
RESTRICTED DEPOSITS AND FUNDED RESERVES	
Tenant security deposits	8,762
Reserve for replacements	26,520
	35,282
TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES	
PROPERTY AND EQUIPMENT	
Land	60,000
Building and improvements	2,948,004
Furniture and equipment	54,015
	3,062,019
Less accumulated depreciation	(294,824)
	2,767,195
PROPERTY AND EQUIPMENT, NET	
TOTAL ASSETS	
	\$ 2,836,816
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Current portion of long-term debt	\$ 10,357
Accounts payable	4,382
Accrued expenses	2,500
Accrued interest	3,316
	20,555
TOTAL CURRENT LIABILITIES	
DEPOSIT LIABILITIES	
Security deposit liability	8,762
LONG-TERM LIABILITIES	
Advances from Hoosier Uplands Economic Development Corporation	196,883
Long-term debt, less current portion	1,887,652
	2,113,852
TOTAL LIABILITIES	
NET ASSETS	
	722,964
TOTAL LIABILITIES AND NET ASSETS	
	\$ 2,836,816

NEW HORIZON APARTMENTS

(A Project Owned and Operated by Hoosier Uplands
Economic Development Corporation)

STATEMENT OF ACTIVITIES for the year ended December 31, 2008

REVENUE

Net rental income	\$ 229,436
Grant fund subsidy revenue	26,000
Laundry and vending income	3,598
Other income	374

TOTAL REVENUE 259,408

EXPENSES

Administrative expenses	91,667
Utilities	35,506
Operating and maintenance	98,582
Insurance	28,356
Interest expense	40,037
Depreciation	66,252

TOTAL EXPENSES 360,400

CHANGE IN NET ASSETS (100,992)

NET ASSETS

Balance, beginning of year	<u>823,956</u>
Balance, end of year	<u>\$ 722,964</u>

PERSIMMON PARK APARTMENTS
(A Project Owned and Operated by Hoosier Uplands
Economic Development Corporation)

STATEMENT OF FINANCIAL POSITION
December 31, 2008

<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 17,618
Tenant accounts receivable	8,373
Rental assistance receivable	<u>10,200</u>
TOTAL CURRENT ASSETS	<u>36,191</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES	
Tenant security deposits	9,732
Reserve for replacements	<u>25,139</u>
TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES	<u>34,871</u>
PROPERTY AND EQUIPMENT	
Land	112,500
Building and improvements	3,455,474
Furniture and equipment	<u>20,590</u>
	3,588,564
Less accumulated depreciation	<u>(181,804)</u>
PROPERTY AND EQUIPMENT, NET	<u>3,406,760</u>
TOTAL ASSETS	<u>\$ 3,477,822</u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Current portion of long-term debt	\$ 24,547
Accounts payable	25,881
Accrued expenses	7,000
Accrued interest	<u>4,280</u>
TOTAL CURRENT LIABILITIES	61,708
DEPOSIT LIABILITIES	
Security deposit liability	8,762
LONG-TERM LIABILITIES	
Advances from Hoosier Uplands Economic Development Corporation	120,475
Long-term debt, less current portion	<u>2,490,203</u>
TOTAL LIABILITIES	2,681,148
NET ASSETS	<u>796,674</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,477,822</u>

PERSIMMON PARK APARTMENTS
(A Project Owned and Operated by Hoosier Uplands
Economic Development Corporation)

STATEMENT OF ACTIVITIES
for the year ended December 31, 2008

REVENUE

Net rental income	\$	231,500
Grant fund subsidy revenue		15,000
Laundry and vending income		2,689
Other income		452

TOTAL REVENUE		<u>249,641</u>
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EXPENSES

Administrative expenses		75,981
Utilities		26,321
Operating and maintenance		78,316
Insurance		19,919
Interest expense		50,391
Depreciation		71,742

TOTAL EXPENSES		<u>322,670</u>
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CHANGE IN NET ASSETS		(73,029)
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NET ASSETS

Balance, beginning of year		<u>869,703</u>
Balance, end of year	\$	<u><u>796,674</u></u>

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the period January 1, 2008 to December 31, 2008

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Directly from Department of Health and Human Services:		
Head Start	93.600	\$2,350,239
Drug Free Communities	93.276	89,368
Total directly from the Department of Health and Human Services		<u>2,439,607</u>
Directly from Department of Housing and Urban Development:		
HUD Housing Counseling	14.169	24,111
Directly from Department of Agriculture:		
USDA Rural Development Housing Preservation	10.433	64,553
Passed through Indiana State Department of Health:		
WIC Martin County	10.557	58,314
Office of Womens Health Diabetes Control	93.088	52,637
Diabetes Control	93.988	6,026
T.B. Prevention	93.116	73,046
Total passed through Indiana State Department of Health		<u>190,023</u>
Passed through Indiana Housing and Community Dev. Authority:		
DOE Weatherization	81.042	156,928
LiHeap Weatherization	93.568	123,359
Sweep Weatherization	93.568	31,488
Energy Assistance	93.568	2,800,655
Section 8 Housing Assistance	14.871	876,100
Springtown Apartments	14.239	5,000
Owner Occupied Rehab	14.239	116,100
C.H.D.O. Works	14.239	34,555
C.S.B.G.	93.569	239,779
Total passed through Indiana Housing and Community Development Authority		<u>4,383,964</u>
Passed through Indiana State Department of Education:		
Child and Adult Food and Nutrition Program	10.558	176,577
21st Century Learning Center Program	84.287C	536,527
Total passed through Indiana Department of Education		<u>713,104</u>
Passed through Indiana University:		
A.H.E.C.	93.824	264,644
Passed through Washington County Commissioners:		
Washington County Home Repair & Improvement	14.228	44,753

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-Continued
for the period January 1, 2008 to December 31, 2008

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Passed through Indiana Family and Social Services Administration:		
IIIB Administration	93.044	59,493
IIIB Access Case Management	93.044	27,289
IIIB Access Information & Referral	93.044	83,084
IIIB Access Transportation	93.044	17,625
IIIB In Home Homemaker	93.044	34,842
IIIB IN Home Transportation	93.044	2,452
IIIB Legal	93.044	6,364
IIIB Ombudsman	93.044	3,219
IIIC Home Delivered Meals	93.045	229,763
IIIC Congregate Meals	93.045	89,217
IIID Preventative Health	93.043	12,540
IIIB Family Caregiver	93.052	41,041
VII Ombudsman Supplemental Elderly Nutrition (NSIP)	93.042	8,223
Pre-Admission Screening	93.053	31,529
Strategic Prevention - S.I.G.	93.778	93,111
S.S.B.G.	93.243	20,127
	93.667	<u>221,976</u>
Total passed through Indiana Family and Social Services Administration		<u>981,895</u>
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		<u><u>\$9,106,654</u></u>

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, 2008, and have issued our report thereon dated August 18, 2009. 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 18, 2009



**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, 2008. 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, 2008.

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 18, 2009

HOOSIER UPLANDS ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended December 31, 2008

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>
Title IIIB	93.044
Title IIIC	93.045
Headstart	93.600

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

<u>Findings</u>	<u>Questioned Costs</u>
None	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.