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February 4, 2010

Board of Directors
Northeast Neighborhood
Revitalization Organization, Inc.
803 Lincolnway West
South Bend, IN 46616

We have reviewed the audit report prepared by Jurgonski & Fredlake, CPAs, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Northeast Neighborhood Revitalization Organization, Inc., as of June 30, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**NORTHEAST NEIGHBORHOOD REVITALIZATION
ORGANIZATION, INC.**

FINANCIAL AND COMPLIANCE AUDIT

June 30, 2007 and 2006

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Greg Jurgonski
John A. Fredlake

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northeast Neighborhood Revitalization Organization, Inc.
South Bend, Indiana

We have audited the accompanying statements of financial position of Northeast Neighborhood Revitalization Organization, Inc. (the Organization) as of June 30, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Neighborhood Revitalization Organization, Inc. as of June 30, 2007 and 2006 and the changes in its net assets and its cash flows for the years 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 July 27, 2007 on our consideration of Northeast Neighborhood Revitalization Organization, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Northeast Neighborhood Revitalization Organization, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



South Bend, Indiana
July 27, 2007

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 295,853	\$ 93,385
Grants receivable	115,650	192,846
Prepaid expenses		3,446
Real estate held for resale, net of valuation allowance of \$1,584,643 for 2007 and \$1,135,552 for 2006	635,382	606,849
Leasehold improvements	13,244	13,244
Office equipment	31,781	31,781
Less accumulated depreciation	<u>(32,658)</u>	<u>(29,237)</u>
Total assets	<u>\$ 1,059,252</u>	<u>\$ 912,314</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 139,767	\$ 63,463
Line of credit	<u>24,523</u>	<u>130,446</u>
Total liabilities	<u>164,290</u>	<u>193,909</u>
NET ASSETS		
Unrestricted	857,462	680,905
Temporarily restricted	<u>37,500</u>	<u>37,500</u>
Total net assets	<u>894,962</u>	<u>718,405</u>
Total liabilities and net assets	<u>\$ 1,059,252</u>	<u>\$ 912,314</u>

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 312,500	\$ 37,500	\$ 350,000	\$ 312,500	\$ 37,500	\$ 350,000
Contributions-in-kind	1,811		1,811	1,720		1,720
Grant income	1,409,481		1,409,481	1,007,872		1,007,872
Interest income	10,568		10,568	8,560		8,560
Loss on sale of real property	(264,909)		(264,909)	(14,724)		(14,724)
Miscellaneous	14,529		14,529			
Net assets released from restrictions:						
Satisfaction of time restriction	37,500	(37,500)		37,500	(37,500)	
Total support and revenue	<u>1,521,480</u>		<u>1,521,480</u>	<u>1,353,428</u>		<u>1,353,428</u>
	1,344,923		1,344,923	1,186,993		1,186,993
EXPENSES						
Increase in net assets	176,557		176,557	166,435		166,435
Net assets, beginning of period	680,905	37,500	718,405	514,470	37,500	551,970
Net assets, end of period	<u>\$ 857,462</u>	<u>\$ 37,500</u>	<u>\$ 894,962</u>	<u>\$ 680,905</u>	<u>\$ 37,500</u>	<u>\$ 718,405</u>

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 176,557	\$ 166,435
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	3,421	5,661
Valuation allowance	804,496	685,414
Loss on sale of real property	264,909	14,724
CHANGE IN ASSETS (INCREASE) DECREASE:		
Grants receivable	77,196	(74,010)
Prepaid expenses	3,446	
CHANGE IN LIABILITIES INCREASE:		
Accounts payable	76,304	515
Total adjustments	<u>1,229,772</u>	<u>632,304</u>
Net cash provided by operating activities	<u>1,406,329</u>	<u>798,739</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of real property	391,100	85,703
Capital expenditures	<u>(1,489,038)</u>	<u>(1,143,327)</u>
Net cash used in investing activities	<u>(1,097,938)</u>	<u>(1,057,624)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) increase in line of credit	<u>(105,923)</u>	<u>130,446</u>
Net cash (used in) provided by financing activities	<u>(105,923)</u>	<u>130,446</u>
Increase (decrease) in cash	202,468	(128,439)
Cash, beginning of period	<u>93,385</u>	<u>221,824</u>
Cash, end of period	<u>\$ 295,853</u>	<u>\$ 93,385</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 6,805	\$ 2,520

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The financial statements of Northeast Neighborhood Revitalization Organization, Inc. (the Organization) have been prepared on the accrual basis. The Organization works to improve the physical, social, and economic environment of the northeast neighborhood of the City of South Bend, Indiana. The Organization was created for the purpose of planning, coordinating and physically revitalization the northeast neighborhood. Their services are funded through contributions and governmental grants.

Significant Accounting Policies:

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Income Tax Status - The Organization operates as a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana tax law, which provides exemption from federal and state income taxes.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Services - A number of unpaid volunteers have made significant contributions of their time to the Organization. During the years ended June 30, 2007 and 2006, the value of contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirements for recognition under SFAS No. 116.

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

Grants Receivable - The Organization receives some grants for reimbursement of expenses incurred. A receivable for the reimbursement of allowable program expenditures due from grantors has been recorded at June 30, 2007 and 2006. Management closely monitors outstanding balances and writes off, as of year end, all balances that have not been deemed collectible by the time the financial statements are issued. No allowance for uncollectible grants has been recorded.

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Leasehold Improvements and Equipment - Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment are stated at cost. Donated property and equipment are valued at estimated fair market value at date of receipt. Maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Real Estate Held for Resale - Real estate held for resale consists of homes and lots purchased for rehabilitation and resale. Real estate is valued at the lower of the purchase price plus the costs incurred for rehabilitation or market. A valuation allowance of \$1,584,643 was recorded on the real estate held for resale at June 30, 2007.

Note 2. Restrictions on Assets

Temporarily restricted net assets at June 30, 2007 represent a \$37,500 time restricted grant from the City of South Bend.

Note 3. Concentration of Credit Risk

The Organization places its cash with a high credit quality financial institution. However, the amount of credit exposure to the financial institution is in excess of the limits established by the Federal Depository Insurance Corporation or \$100,000.

Note 4. Contributions in Kind

Contributions in kind received by the Organization during the years ended June 30, 2007 and 2006 were \$1,811 and \$1,720, respectively, for professional services.

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Support from Major Funding Sources

The Organization receives a substantial amount of its support from an internationally recognized university, two regional hospitals, a regional behavioral health hospital, and the local government. A significant reduction in the level of support, if this were to occur, may have a significant effect on the Organization's programs and activities. These five contributors, many who also operate as not-for-profit entities themselves, have verbally pledged \$350,000 per year through fiscal 2010. However, these pledges are conditional upon an annual review of the Organization. Accordingly, these conditional contributions will not be recognized by the Organization until each annual review is conducted.

The Organization also receives a substantial amount of its support from federal, state and local agencies. A significant reduction in the level of support, if this were to occur, may have a significant on the Organization's programs and activities.

Note 6. Administrative, Programmatic and Technical Services Agreement

Effective January 8, 2002, the Organization and South Bend Heritage Foundation, Inc. (SBHF) entered into an Agreement for services. SBHF agreed to act as a contractor for the Organization and perform administrative, programmatic, and technical services on behalf of the Organization for activities undertaken in the northeast neighborhood of South Bend, Indiana. In addition, all of SBHF's activities involving decisions about land acquisition or residential or commercial real estate development projects shall be undertaken only with approval of the Organization's Board of Directors. Total fees for the above services for the years ending June 30, 2007 and 2006 were \$211,025 and 194,016, respectively. The amount owed at June 30, 2007 and 2006 were \$15,088 and \$12,276, respectively.

Both parties shall review the Agreement between the Organization and SBHF annually and unless terminated, shall continue in effect until December 31, 2009.

Note 7. Real Estate Held for Resale

<u>Location</u>	<u>Original Cost Plus Improvements at June 30, 2007</u>
715 St. Louis	\$ 159,195
717 St. Louis	145,273
817 St. Louis	156,934
835 St. Louis	27,632
813 Hill	33,667
622 Howard	55,343
741 South Bend	30,682
1243 South Bend	37,975
813 South Bend	32,350
822 St. Peter	25,764
Various Lots	<u>1,515,210</u>
	2,220,025
Valuation reserve	<u>(1,584,643)</u>
	<u>\$ 635,382</u>

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. Real Estate Held for Resale (continued)

Statement of Financial Accounting Standards No. 144, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The real estate held for resale is recorded at cost. The eventual sales proceeds from these properties may be less than the carrying value of the property. A write down to market value was recorded on the above properties based on current estimated market value.

Note 8. Line of Credit

The Organization has a \$240,000 bank line of credit available of which \$24,523 was utilized as of June 30, 2007. The line of credit bears interest at 1% over prime or 9.25% at year end. The line is secured by a mortgage on each property renovated with the advances.

Note 9. Statements of Financial Position

The Statements of Financial Position of most organizations show separate classifications of current assets and current liabilities permitting a ready determination of working capital. The Organization has several assets and liabilities for which the current/non-current distinction is deemed in practice, difficult to determine. Therefore, the Statements of Financial Position are presented as unclassified and the assets and the liabilities are listed in the projected order of liquidity as permitted by Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations" and the Nonprofit GAAP guide.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To The Board of Directors
Northeast Neighborhood Revitalization Organization, Inc.
South Bend, Indiana

Our report on our audits of the basic financial statements of Northeast Neighborhood Revitalization Organization, Inc. for the years ended June 30, 2007 and 2006, appears on page 1. The audits were conducted for the purpose of forming an opinion on such financial statements taken as a whole. The supplementary information contained in schedule I, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the 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 for the years ended June 30, 2007 and 2006, taken as a whole.



South Bend, Indiana
July 27, 2007

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

Schedule I

SUPPLEMENTARY STATEMENTS OF ACTIVITIES INFORMATION

For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Program expenses	\$ 283,087	\$ 266,427
Valuation reserve	804,496	685,414
Janitorial service, pest control and snow removal	3,430	3,373
Repairs and maintenance	2,933	2,182
Utilities	4,963	5,475
Supplies	4,233	1,521
Postage		56
Professional fees	226,990	211,609
Interest	6,805	2,520
Security	468	520
Travel	118	248
Printing	3,850	1,966
Depreciation expense	3,421	5,661
Entertainment	129	21
Total expenses	<u>\$ 1,344,923</u>	<u>\$ 1,186,993</u>

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Number</u>	<u>2007 Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development			
<u>Passed-through St. Joseph County Housing Consortium State of Indiana</u>			
Home Investment in Affordable Housing (HOME)	14.239	H0 03-815 H0 04-805 H0-05-805 H0 06-805	\$ 22,000 63,623 18,625 <u>90,916</u>
Subtotal HOME			<u>195,164</u>
<u>Passed-through City of South Bend</u>			
Community Development Block Grant	14.218	CD05-8157 CD06-8157	109,356 <u>124,342</u>
			<u>233,698</u>
Economic Development Initiative	14.246	B-05-SP-IN-0476 B-06-SP-IN-0349	113,964 <u>371,300</u>
			<u>485,264</u>
South Bend Housing Authority	14.900		<u>30,000</u>
Total federal awards			<u>\$ 944,126</u>

The above schedule of expenditures of federal awards includes the federal grant activity of the Organization 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*.

Jurgonski & Fredlake CPAs

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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
Northeast Neighborhood Revitalization Organization, Inc.
South Bend, Indiana

We have audited the accompanying financial statements of Northeast Neighborhood Revitalization Organization, Inc. as of and for the year ended June 30, 2007, and have issued our report thereon, dated July 27, 2007. 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.

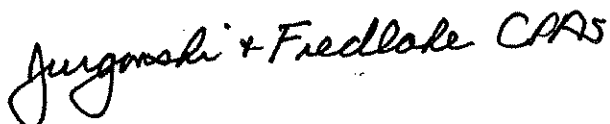
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northeast Neighborhood Revitalization Organization, Inc.'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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Neighborhood Revitalization Organization, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



South Bend, Indiana
July 27, 2007

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

To The Board of Directors
Northeast Neighborhood Revitalization Organization, Inc.
South Bend, Indiana

Compliance

We have audited the compliance of Northeast Neighborhood Revitalization Organization, Inc. 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 its major federal programs for the year ended June 30, 2007. Northeast Neighborhood Revitalization Organization, Inc.'s major federal programs are identified in the summary of auditors' 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 Northeast Neighborhood Revitalization Organization, Inc.'s management. Our responsibility is to express an opinion on Northeast Neighborhood Revitalization Organization, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Neighborhood Revitalization Organization, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northeast Neighborhood Revitalization Organization, Inc.'s compliance with those requirements.

In our opinion, Northeast Neighborhood Revitalization Organization, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Northeast Neighborhood Revitalization Organization, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northeast Neighborhood Revitalization Organization, Inc.'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Northeast Neighborhood Revitalization Organization, Inc.
Page 2

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

South Bend, Indiana
July 27, 2007

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

1. Summary of Auditors' results:
 - a. The auditors' report expresses an unqualified opinion on the financial statement of Northeast Neighborhood Revitalization Organization, Inc. for the year ended June 30, 2007.
 - b. No reportable conditions relative to the audit of the financial statement are reported in this schedule.
 - c. No instances of noncompliance material to the financial statement of Northeast Neighborhood Revitalization Organization, Inc. were disclosed during the audit.
 - d. No reportable conditions relating to the audit of the major federal award program is reported in this schedule.
 - e. The auditors' report on compliance for the major federal award program for Northeast Neighborhood Revitalization Organization, Inc. expresses an unqualified opinion on the major federal program.
 - f. The programs tested as a major program: Community Development Block Grant (CDBG) and Economic Development Initiative (EDI) Grant.
 - g. The threshold for distinguishing Types A and B programs was \$300,000.
 - h. Northeast Neighborhood Revitalization Organization, Inc. was not determined to be a low-risk auditee.
 - i. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).
2. Findings related to the financial statements which are required to be reported in accordance with GAGAS:

None
3. Findings and questioned costs for federal awards including audit findings as defined in OMB Circular A-133 Section 510(a):

None

NORTHEAST NEIGHBORHOOD REVITALIZATION ORGANIZATION, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2007

Northeast Neighborhood Revitalization Organization, Inc. did not have any prior year audit findings.