



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B38327

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

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

January 13, 2011

Board of Directors
Housing Assistance Office, Inc.
1138 Lincolnway East
South Bend, IN 46634

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period October 1, 2008 to September 30, 2009. 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 Housing Assistance Office, Inc., as of September 30, 2009, 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

HOUSING ASSISTANCE OFFICE, INC.

TABLE OF CONTENTS SEPTEMBER 30, 2009 AND 2008

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Additional Reports and Information Required Under Single Audit Act	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	14
Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133	16
Schedule Of Findings And Questioned Costs.....	18
Summary Schedule Of Prior Audit Findings and Questioned Costs	20
Supplementary Information (September 30, 2009)	
Schedule Of Expenditures Of Federal Awards	21



Blue & Co., LLC / 12800 N. Meridian Street, Suite 400 / Carmel, IN 46032
main 317.848.8920 fax 317.573.2458 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Housing Assistance Office, Inc.
South Bend, Indiana

We have audited the accompanying statements of financial position of Housing Assistance Office, Inc. ("HAO") September 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of HAO'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 HAO as of September 30, 2009 and 2008, 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 February 18, 2010 on our consideration of HAO'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 for the year ended September 30, 2009. 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.

REPORT OF INDEPENDENT AUDITORS
(Continued)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2009 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 September 30, 2009 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blue & Co., LLC

February 18, 2010

HOUSING ASSISTANCE OFFICE, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 64,071	\$ 40,623
Receivables	2,650	13,938
Due from St. Joseph County Housing Authority	-0-	22,492
Prepaid expenses and other assets	27,519	27,162
Property and equipment, net	<u>4,436,747</u>	<u>4,729,383</u>
	<u>\$ 4,530,987</u>	<u>\$ 4,833,598</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 40,345	\$ 41,246
Accrued expenses	51,416	28,039
Other liabilities	5,695	0
Rent deposits	69,052	51,560
Notes payable	<u>2,983,604</u>	<u>3,102,954</u>
Total liabilities	<u>3,150,112</u>	<u>3,223,799</u>
Net assets		
Unrestricted	905,875	1,134,799
Temporarily restricted	<u>475,000</u>	<u>475,000</u>
Total net assets	<u>1,380,875</u>	<u>1,609,799</u>
	<u>\$ 4,530,987</u>	<u>\$ 4,833,598</u>

See accompanying notes to financial statements.

HOUSING ASSISTANCE OFFICE, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
Changes in unrestricted net assets		
Support and revenue		
Federal grants	\$ 1,043,965	\$ 1,343,764
Other grants	8,300	9,350
Rental income	638,309	695,852
Interest income	54	213
Other income	12,538	14,070
Total support and revenue	1,703,166	2,063,249
Expenses		
<i>Program services</i>		
Renter's assistance		
Direct payments	872,613	905,208
Program expenses	16,000	16,000
Total renter's assistance	888,613	921,208
Homeowner assistance	66,786	39,000
Rental properties		
Depreciation	233,590	231,690
Interest	198,530	209,860
Administrative costs	255,372	258,654
Contribution expense	5,300	-0-
Loss on contribution of rental properties	77,445	-0-
Total rental properties	770,237	700,204
	1,725,636	1,660,412
<i>Administrative expenses</i>		
Salaries and employee benefits	149,922	155,978
Other	56,532	101,621
Gain on disposal of property and equipment	-0-	(16,956)
	206,454	240,643
Total expenses	1,932,090	1,901,055
Change in unrestricted net assets	(228,924)	162,194
Net assets, beginning of year	1,609,799	1,447,605
Net assets, end of year	\$ 1,380,875	\$ 1,609,799

See accompanying notes to financial statements.

HOUSING ASSISTANCE OFFICE, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
Operating activities		
Change in net assets	\$ (228,924)	\$ 162,194
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	235,656	238,665
Contribution of rental properties	5,300	-0-
Loss on contribution of rental properties	77,445	-0-
Gain on disposal of property and equipment	-0-	(16,956)
Changes in assets and liabilities		
Receivables	11,288	(7,688)
Due from St. Joseph County Housing Authority	22,492	(22,492)
Prepaid expenses and other assets	(357)	23,427
Accounts payable	(901)	(4,742)
Accrued expenses	23,377	(4,120)
Refundable advances	3,395	(70,719)
Rent deposits	17,492	(6,965)
Net cash flows from operating activities	166,263	290,604
Investing activities		
Capital expenditures	(23,465)	(236,966)
Proceeds from sale of property and equipment	-0-	116,530
Net cash flows from investing activities	(23,465)	(120,436)
Financing activities		
Principal payments under notes payable	(132,565)	(1,720,153)
Borrowings under notes payable	13,215	1,489,403
Net cash flows from financing activities	(119,350)	(230,750)
Net change in cash and cash equivalents	23,448	(60,582)
Cash and cash equivalents, beginning of year	40,623	101,205
Cash and cash equivalents, end of year	\$ 64,071	\$ 40,623
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 191,803	\$ 214,882
Noncash investing and financing activities		
Contribution of rental properties	\$ 5,300	\$ -0-

See accompanying notes to financial statements.

HOUSING ASSISTANCE OFFICE, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

1. NATURE OF ACTIVITIES

The mission of Housing Assistance Office, Inc. ("HAO"), as a Certified Community Housing Development Organization, is to provide affordable housing to low and moderate income families residing primarily in St. Joseph and eight other northern counties of Indiana. Assistance is provided through rental assistance, rehabilitation services for homeowners and new construction of single and multi-family units. These programs are primarily funded by a combination of public grant monies, private financing and contributions. Grant monies are mainly received, either directly or indirectly, from the U.S. Department of Housing and Urban Development ("HUD").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Net assets, support, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of HAO are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulation.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by action of HAO and/or the passage of time.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the Statements of Cash Flows, HAO considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents include money market accounts totaling \$1,613 and \$2,366 at September 30, 2009 and 2008, respectively.

HOUSING ASSISTANCE OFFICE, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

Receivables

Receivables generally represent amounts due from cost reimbursement grants, performance based service contracts, and other miscellaneous projects and activities. Receivables are recorded at the amount billed or expected to be collected. Management estimates an allowance for doubtful receivables based on current economic conditions, historical trends, and past experience with their grantors and tenants. At September 30, 2009 and 2008, management determined that no allowance was necessary.

Property and Equipment

Purchased items of property and equipment are recorded at cost. Major expenses incurred that substantially increase the useful lives of existing assets are capitalized. Maintenance, repairs and minor renewals are expensed as incurred.

Rental properties are depreciated over their estimated useful lives ranging from 15 to 39 years using the straight line method of depreciation. Office furniture, equipment, vehicles and appliances are depreciated over their estimated useful lives ranging from 3 to 7 years using accelerated methods of depreciation.

Support Recognition

Contributions are reported as an increase in unrestricted net assets unless the use of the related asset is limited by donor imposed restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition

Revenues from cost-reimbursement grants are recognized in the period in which the related expenses are incurred.

HAO leases apartment-style quarters to eligible applicants. Aggregate lease terms range from 6 to 12 months in length. HAO also leases office space to other parties under long-term leases (Note 9). Rental income is recognized when earned.

All other revenue is recognized when earned.

HOUSING ASSISTANCE OFFICE, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

Functional Allocation of Expenses

The costs of providing the programs and services of HAO have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited as follows:

Renter's assistance – The costs of this program consists mainly of payments made for rent that helps low-income families obtain safe housing. Eligible families must have income under 50% of Area Median Income (AMI) to be eligible to receive assistance.

Homeowner assistance – HAO offers assistance of up to \$5,000 for the rehabilitation of existing homes in rural St. Joseph County.

Rental properties - HAO owns and manages rental housing at three different locations in rural St. Joseph and Kosciusko Counties. They are located in North Webster, Prairie Village and Lakeville.

Administrative – Costs not identifiable with a specific program but that are indispensable to the conduct of the overall activities of HAO. These costs include general oversight, business management, general record keeping, budgeting, as well as all management and administration functions.

Income Taxes

HAO is organized as a not-for-profit corporation and has obtained exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Financial Accounting Standards Board ("FASB") has issued a pronouncement, which clarifies accounting principles generally accepted in the United States of America for recognition, measurement, presentation and disclosure relating to uncertain tax positions. As permitted, HAO has elected to defer the application of this pronouncement until issuance of its September 30, 2010 financial statements. For financial statements covering periods prior to fiscal 2010, HAO evaluates uncertain tax positions in accordance with existing accounting principles generally accepted in the United States of America and makes such accruals and disclosures as might be required thereunder. The adoption of FIN 48 is not expected to have a material impact on HAO's financial statements.

Subsequent Events

HAO evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 18, 2010, which is the date the financial statements were available to be issued.

HOUSING ASSISTANCE OFFICE, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 189,938	\$ 192,938
Rental property	6,191,430	6,276,650
Office furniture, equipment, and vehicles	104,036	104,036
Appliances	<u>45,735</u>	<u>44,137</u>
	6,531,139	6,617,761
Accumulated depreciation	<u>(2,094,392)</u>	<u>(1,888,378)</u>
	<u>\$ 4,436,747</u>	<u>\$ 4,729,383</u>

Pursuant to the terms of a grant and loan agreement with the St. Joseph County Housing Consortium (Note 6), any property obtained under this particular agreement is subject to certain specific performance criteria. In addition, upon sale or disposition of that property, the first \$157,700 of the proceeds must be returned to the St. Joseph County Housing Consortium. The property subject to these restrictions is included in the amounts reported above with a capitalized cost of \$700,000 (\$70,000 is included in land and \$630,000 is included in rental property). Accumulated depreciation on the aforementioned rental property is \$298,773 and \$275,864 at September 30, 2009 and 2008, respectively.

Other properties for which acquisitions or renovations were funded in part with Federal grant dollars are subject to the recapture provisions of Federal regulations upon sale or assignment of the properties.

4. INVESTMENT IN RELATED ENTITY

During 1995, HAO acquired a minority interest in a limited liability company formed to develop, own, and operate an apartment project. The investment is being recorded on the equity method. At September 30, 2009 and 2008, HAO's investment in the limited liability company remains at \$-0-.

5. LINE OF CREDIT

HAO has a \$25,000 demand line of credit facility with a bank. Interest is payable monthly at the bank's prime rate plus .50%. The applicable interest rate was 3.75% and 5.50% at September 30, 2009 and 2008, respectively. The line of credit is secured by substantially all of HAO's assets. There were no outstanding borrowings against the line at September 30, 2009 or 2008.

HOUSING ASSISTANCE OFFICE, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

6. NOTES PAYABLE

Notes payable at September 30 consist of the following:

	<u>2009</u>	<u>2008</u>
Note Payable to bank; 7.25%; payable in equal monthly installments of \$13,474 to a final balloon payment in May 2010, secured by HAO's accounts on deposit with the bank and a related mortgage.	\$ 1,415,755	\$ 1,463,056
Note payable to bank; 6.12% (adjusted every five years based on a Treasury securities index); payable in equal monthly installments of \$9,365 through May 2023, secured by deposit accounts with the bank, a mortgage and the assignment of rents and leases.	1,021,371	1,069,585
Note payable to bank; 7.90%; payable in equal monthly installments of \$4,101 through May 2018, secured by a mortgage and the assignment of rents and leases, subject to certain conditions and covenants.	308,600	332,065
Note payable to St. Joseph County Housing Consortium; 1%; payable in equal monthly installments of \$742 through January 2024, unsecured, subject to certain specific performance criteria.	138,658	138,658
Note payable to St. Joseph County Housing Consortium; 1%; payable in equal monthly installments of \$574 through December 2018, unsecured, subject to certain specific performance criteria.	86,005	86,005
Note payable for insurance premium financing; 10%; payable in equal monthly installments of \$2,710 through February 2010, unsecured.	<u>13,215</u>	<u>13,585</u>
	<u>\$ 2,983,604</u>	<u>\$ 3,102,954</u>

Certain loan agreements contain restrictive covenants, including restrictions on new borrowings and the creation of liens, and the maintenance of a minimum debt service coverage ratio.

HOUSING ASSISTANCE OFFICE, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

Annual maturities of notes payable as of September 30, 2009 are as follows:

<u>Year Ending September 30,</u>	
2010	\$ 1,520,080
2011	96,260
2012	101,913
2013	108,378
2014	115,084
Thereafter	<u>1,041,889</u>
	<u>\$ 2,983,604</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$475,000 at September 30, 2009 and 2008, respectively, relate to property contributed to HAO for the North Webster building project. The property must meet the HOME funds affordability requirements for not less than 20 years beginning after project completion (1998). These requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. Accordingly, the contributed property will remain in temporarily restricted net assets until such requirements expire.

8. OPERATING LEASES

HAO as Lessee

HAO leases one automobile under an operating lease that expires in June 2012. Future minimum lease payments under that lease are as follows:

<u>Year Ending September 30,</u>	
2010	\$ 3,647
2011	3,647
2012	<u>2,735</u>
	<u>\$ 10,029</u>

HAO also leases office space under an informal operating lease that is subject to annual renewal.

Total rent expense for all operating leases was \$22,685 and \$22,522 for the years ended September 30, 2009 and 2008, respectively.

HOUSING ASSISTANCE OFFICE, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

HAO As Lessor

The majority of HAO's rental properties utilize short term lease agreements. However, HAO leases a portion of one of its rental properties under two multi-year non-cancelable operating leases that expires in June 2014. The multi-year leases call for annual increases in the monthly rental amount based on increases in the consumer price index. Future minimum lease payments due HAO under non-cancelable operating leases as of September 30, 2009 are as follows:

<u>Year Ending September 30,</u>	
2010	\$ 65,172
2011	65,172
2012	65,172
2013	53,865
2014	<u>23,438</u>
	<u>\$ 272,819</u>

9. RELATED PARTY TRANSACTIONS

The Executive Director of HAO is the Director of the SJCHA appointed by the St. Joseph County Board of Commissioners. SJCHA currently does not have any employees and uses HAO employees for all administrative functions under its contracts.

HAO subcontracts with The St. Joseph County Housing Authority ("SJCHA") to administer housing units under HUD renter's assistance contracts. HAO received funding of \$865,185 and \$899,398 from SJCHA for the years ended September 30, 2009 and 2008, respectively.

In addition, HAO receives from SJCHA 98% of the administration fee earned for providing these services, which amounted to \$98,163 and \$114,319 for the years ended September 30, 2009 and 2008, respectively.

At September 30, 2009, HAO has \$3,395 due to SJCHA, which is reported as a refundable advance on the Statement of Financial Position. At September 30, 2008, HAO had a receivable from SJCHA of \$22,492 which is reported as due from SJCHA on the Statement of Financial Position.

HOUSING ASSISTANCE OFFICE, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

10. EMPLOYEE RETIREMENT PLAN

HAO maintains an IRA-SEP contributory retirement plan for all eligible employees. Contributions that are made to the plan for eligible employees are based on 7.5% of wages paid. Total employer contributions to the plan were \$6,226 and \$10,732 during the years ended September 30, 2009 and 2008, respectively.

11. FUNDING CONCENTRATION

HAO is substantially funded by grants and contracts awarded directly and indirectly by the federal government and the state of Indiana. The majority of the agreements contain provisions that permit the arrangements to be terminated or the funds provided to be reduced if the unit of government does not appropriate adequate funds to maintain the current funding levels. Any refundable advances on hand at the termination date would be subject to refund if such funds exceeded the accrued expenditures allowable under the grants and contracts at that date.

ADDITIONAL REPORTS AND INFORMATION
REQUIRED UNDER SINGLE AUDIT ACT



Blue & Co., LLC / 12800 N. Meridian Street, Suite 400 / Carmel, IN 46032
main 317.848.8920 fax 317.573.2458 email blue@blueandco.com

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 Trustees
Housing Assistance Office, Inc.
South Bend, Indiana

We have audited the financial statements of Housing Assistance Office, Inc. ("HAO") as of and for the year ended September 30, 2009, and have issued our report thereon dated February 18, 2010. 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 HAO'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 HAO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the HAO'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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity'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.

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HAO'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 Trustees, management, the Federal government, and the State of Indiana and is not intended to be and should not be used by anyone other than these specified parties.

Blue & Co., LLC

February 18, 2010



Blue & Co., LLC / 12800 N. Meridian Street, Suite 400 / Carmel, IN 46032
main 317.848.8920 fax 317.573.2458 email blue@blueandco.com

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 Trustees
Housing Assistance Office, Inc.
South Bend, Indiana

Compliance

We have audited the compliance of Housing Assistance Office, Inc. ("HAO") 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 September 30, 2009. HAO's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of HAO's management. Our responsibility is to express an opinion on HAO'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 HAO'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 on HAO's compliance with those requirements.

In our opinion, HAO complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of HAO 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 HAO's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not

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

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 the HAO'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 non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the 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 purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Blue & Co., LLC

February 18, 2010

HOUSING ASSISTANCE OFFICE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Reportable conditions identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes X no

Reportable conditions identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Number(s)
14.871

Name of Federal Program or Cluster
Section 8 Housing Choice Vouchers

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

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

HOUSING ASSISTANCE OFFICE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(Continued)**

Section II - Financial Statement Findings

There were no findings that are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs that are required to be reported in accordance with OMB Circular A-133.

HOUSING ASSISTANCE OFFICE, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

There were no audit findings and questioned costs reported in the prior year.

SUPPLEMENTARY INFORMATION

HOUSING ASSISTANCE OFFICE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers	14.871	*	
		IN100	\$ 963,348
		IN015	4,635
		IN020	2,426
		MI006	367
			<u>970,776</u>
HOME Investment Partnerships Program	14.239	*	
		HO-07-802	19,500
		*	
		HO-07-855	2,338
		*	
		HO-08-808	17,500
		*	
		HO-09-850	41,743
			<u>81,081</u>
U.S. Department of Health and Human Services			
New Assets for Independence Demonstration Program	93.602		
		AFI-007-028	2,019
		IDA-008-028	3,029
			<u>5,048</u>
Total Expenditures of Federal Awards			<u>\$ 1,056,905</u>

* Funds received through the St. Joseph County Housing Consortium.

Note 1 - Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of the Housing Assistance Office, Inc. for the year ended September 30, 2009 and is presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See report of independent auditors on page 1-2.