



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43484

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

May 9, 2014

Board of Directors
LaCasa of Goshen, Inc.
202 North Cottage Avenue
Goshen, IN 46528

We have reviewed the audit report prepared by Jurgonski & Fredlake CPAs, for the period January 1, 2011 to December 31, 2011. 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 LaCasa of Goshen, Inc., as of December 31, 2011, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

LACASA, INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

December 31, 2011 and 2010

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statements of financial position	2
Consolidated statements of activities	3
Consolidated statements of cash flows	4
Notes to consolidated financial statements	5-16
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	17
SUPPLEMENTAL INFORMATION ON NEIGHBORWORKS AMERICA	18
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	19
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>	20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	21-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	23
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	24

Jurgonski & Fredlake CPAs

418 W. Jefferson Blvd., South Bend, Indiana 46601

Office (574) 251-1414

Fax (574) 251-1477

Greg Jurgonski
John A. Fredlake
Joseph T. Barkman

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LaCasa, Inc. and its subsidiaries
Goshen, Indiana

We have audited the accompanying consolidated statements of financial position of LaCasa, Inc. and its subsidiaries (a not for profit Organization) (the Organization) as of December 31, 2011 and 2010 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LaCasa, Inc. and its subsidiaries as of December 31, 2011 and 2010 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 March 9, 2012 on our consideration of the Organization'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 conducted for the purpose of forming an opinion on the basic consolidated financial statements. The 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.



South Bend, Indiana
March 9, 2012

LACASA, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
Cash	\$ 18,483	\$ 651,539	\$ 141,902	\$ 811,924	\$ 67,384	\$ 1,275,970	\$ 231,723	\$ 1,575,077
Grants receivable	531,537	49,600	200,000	781,137	202,772	132,580		335,352
Investments other		250,391		250,391		248,556		248,556
Prepaid expenses	40,492			40,492	39,183			39,183
Real estate held for resale, net of valuation allowance of \$351,944 in 2011 and \$486,019 in 2010	55,096	255,060		310,156	100,943	447,992		548,935
Loans and tenant receivables, net of allowance of \$74,154 in 2011 and \$70,140 in 2010	46,675	2,784,600	78,562	2,909,837	15,830	2,810,245	83,374	2,909,449
Other assets			34,685	34,685			34,652	34,652
Receivables - Arbor Ridge Apartments, L.P.	2,230,263		133,000	2,363,263	2,161,834		133,000	2,294,834
Receivables - Lincoln Avenue Redevelopment, L.P.	1,540,624		84,000	1,624,624	1,479,098		84,000	1,563,098
Receivables - Roosevelt Center, L.P.	951,141		357,475	1,308,616	996,192		157,475	1,153,667
Receivables - Elkhart Senior Housing, L.P.	1,078,216			1,078,216	1,009,112			1,009,112
Property and equipment, net of accumulated depreciation of \$1,458,940 in 2011 and \$1,341,625 in 2010	2,946,933	617,144	819,423	4,383,500	1,694,227	281,869	710,073	2,686,169
Investment in subsidiaries	1,300			1,300	1,300			1,300
Beneficial interest in assets held by the Community Foundation	75,125			75,125	81,030			81,030
Total assets	\$ 9,515,885	\$ 4,608,334	\$ 1,849,047	\$ 15,973,266	\$ 7,848,905	\$ 5,197,212	\$ 1,434,297	\$ 14,480,414
LIABILITIES AND NET ASSETS								
Accounts payable	\$ 179,378	\$	\$	\$ 179,378	\$ 144,150	\$	\$	\$ 144,150
Accrued expenses and other payables	221,800	427,354		649,154	212,580	433,624		646,204
Lines of credit	230,000			230,000	289,761			289,761
Advances on contract		515,121		515,121		540,699		540,699
Notes payable	2,225,958	3,050,583		5,276,541	2,315,826	3,700,877		6,016,703
Total liabilities	2,857,136	3,993,058		6,850,194	2,962,317	4,675,200		7,637,517
Net Assets								
Unrestricted	6,658,749			6,658,749	4,886,588			4,886,588
Temporarily restricted		615,276		615,276		522,012		522,012
Permanently restricted			1,849,047	1,849,047			1,434,297	1,434,297
Total net assets	6,658,749	615,276	1,849,047	9,123,072	4,886,588	522,012	1,434,297	6,842,897
Total liabilities and net assets	\$ 9,515,885	\$ 4,608,334	\$ 1,849,047	\$ 15,973,266	\$ 7,848,905	\$ 5,197,212	\$ 1,434,297	\$ 14,480,414

See Notes to Consolidated Financial Statements.

LACASA, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2011 and 2010

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Cash contributions	\$ 151,137	\$ 195,815	\$	\$ 346,952	\$ 137,524	\$ 188,486	\$	\$ 326,010
Donated labor and assets	133,688			133,688	255,910			255,910
Grants	2,013,167	29,000	553,750	2,595,917	1,094,336	69,409	326,790	1,490,535
Fees for services	949,974			949,974	907,932			907,932
Rental income	344,216			344,216	335,302			335,302
Interest income	263,025			263,025	234,426			234,426
Change in beneficial interest	(5,905)			(5,905)	2,042			2,042
Other income	21,483			21,483	11,943			11,943
Satisfaction of program restrictions	270,551	(131,551)	(139,000)		353,552	(353,552)		
Total revenue	4,141,336	93,264	414,750	4,649,350	3,332,967	(95,657)	326,790	3,564,100
EXPENSES								
Program Services								
Asset and Property Management	523,125			523,125	597,993			597,993
Community Building and Organizing	84,762			84,762	84,499			84,499
Home Ownership Center	382,226			382,226	507,157			507,157
Real Estate Development	856,967			856,967	1,375,807			1,375,807
Resident Services	69,893			69,893	69,064			69,064
Supporting Services								
Development	145,796			145,796	148,628			148,628
Management and General	306,406			306,406	360,755			360,755
Total expenses	2,369,175			2,369,175	3,143,903			3,143,903
Change in net assets	1,772,161	93,264	414,750	2,280,175	189,064	(95,657)	326,790	420,197
Net Assets, beginning of year	4,886,588	522,012	1,434,297	6,842,897	4,697,524	617,669	1,107,507	6,422,700
Net Assets, end of year	\$ 6,658,749	\$ 615,276	\$ 1,849,047	\$ 9,123,072	\$ 4,886,588	\$ 522,012	\$ 1,434,297	\$ 6,842,897

See Notes to Consolidated Financial Statements.

LACASA, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 2,280,175</u>	<u>\$ 420,197</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	140,846	142,701
Valuation expense	11,690	476,019
Loss on sale of assets	65,339	69,141
Change in beneficial interest	5,905	(2,042)
Change in assets decrease (increase)		
Receivables	(800,181)	(1,400,835)
Prepaid expenses	(1,309)	727
Other assets	(33)	717
Change in liabilities increase (decrease)		
Accounts payable and accrued expenses	38,178	58,247
Advances on contract	<u>(25,578)</u>	<u>540,699</u>
Total adjustments	<u>(565,143)</u>	<u>(114,626)</u>
Net cash provided by operating activities	<u>1,715,032</u>	<u>305,571</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,128,927)	(1,530,045)
Purchase investments other	(1,835)	(248,556)
Proceeds from sale of assets	<u>452,500</u>	<u>380,206</u>
Net cash used in investing activities	<u>(1,678,262)</u>	<u>(1,398,395)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in lines of credit	(59,761)	254,102
Principal payments of notes payable	(790,162)	(231,675)
Proceeds from notes payable	<u>50,000</u>	<u>1,700,000</u>
Net cash provided by (used in) financing activities	<u>(799,923)</u>	<u>1,722,427</u>
Increase (decrease) in cash	(763,153)	629,603
Cash, beginning of year	<u>1,575,077</u>	<u>945,474</u>
Cash, end of year	<u><u>\$ 811,924</u></u>	<u><u>\$ 1,575,077</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year:		
Interest	<u><u>\$ 117,285</u></u>	<u><u>\$ 119,453</u></u>

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

The consolidated financial statements of LaCasa, Inc. and its subsidiaries (the Organization) have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

The Organization works in partnership with individuals and communities to create opportunities for personal growth, family stability and neighborhood improvement.

A significant portion of the business of the Organization involves purchase and renovation of single family properties for resale to low to moderate income families in Elkhart County, Indiana. The cost of acquisition and repairs normally exceeds the value of the property. Generally subsidies are received from grants and contracts to underwrite the difference between value and cost. Their services are funded through contributions, governmental grants, private foundation grants, rental receipts and program fees.

Significant Accounting Policies:

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification System (ASC) 958-205. Under ASC 958-205, 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.

Unrestricted Net Assets – Reflect assets which have not been restricted as to use by donors.

Temporarily Restricted Net Assets – Reflect contributed assets whose use by the Organization has been limited by donors for a specific time period or purpose.

Permanently Restricted Net Assets – Reflect contributions with donor imposed restrictions which do not expire and which allow, in certain cases, only the income earned thereon to be expended by the Organization.

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/noncurrent 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 ASC 958, Financial Statements of Not for Profit Organizations.

Consolidation - The consolidated financial statements include the results of operations and account balances of LaCasa, Inc. and its wholly owned subsidiaries, LaCasa Housing Corporation, Lincoln Avenue Housing Corporation, LaCasa RC Development Corporation and LaCasa WTP Development Corporation. All material intercompany balances and transactions have been eliminated.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

LaCasa Housing Corporation, a wholly owned subsidiary of LaCasa, Inc., is a general partner in Arbor Ridge Apartments, L.P. The partnership owns a parcel of real estate upon which seventy two residential units have been developed in Goshen, Indiana.

Lincoln Avenue Housing Corporation, a wholly owned subsidiary of LaCasa, Inc., is a general partner in Lincoln Avenue Redevelopment, L.P. The partnership owns two parcels of real estate upon which twenty eight residential units have been developed in Goshen, Indiana.

LaCasa RC Development Corporation, a wholly owned subsidiary of LaCasa, Inc., is a general partner in Roosevelt Center, L.P. The partnership owns a parcel of real estate upon which thirty five residential units have been developed in Elkhart, Indiana.

LaCasa WTP Development Corporation, a wholly owned subsidiary of LaCasa, Inc., is a general partner in Elkhart Senior Housing, L.P. The partnership owns a parcel of real estate upon which fifty two senior residential units have been developed in Elkhart, Indiana.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting service expenses.

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.

Grants Receivable - Support received under governmental grants is recorded based on expenses incurred since these grants are on a cost reimbursement basis. Grants receivable represents amounts due for expenses incurred prior to year end, and are considered fully collectible by Management.

Loans and Tenant Receivables - Loans and tenant receivables are recorded at the amount the Organization expects to collect on balances outstanding at year end. The Organization writes off or reserves for uncollectible balances. The allowance is based on prior years' experience and management's analysis of specific receivables. The allowance for doubtful accounts was \$74,154 and \$70,140 at December 31, 2011 and 2010, respectively.

Contributions - Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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 satisfaction of program restrictions.

LACASA, INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Contributions (continued) - Permanently restricted net assets are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes. The NeighborWorks America Capital Fund, which grants home ownership and improvement loans, falls within this class of net assets. The corpus of the fund must be maintained but interest and investment income is unrestricted.

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.

Real Estate Held for Resale - The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to future net undiscounted cash flow expected to be generated by the property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property.

Property and Equipment - Property and equipment received as a donation are recorded and reflected in the accompanying consolidated financial statements at their fair market value. 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. 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 statement of activities. Depreciation is computed on the straight line method over the estimated useful lives of the assets.

Buildings	10-30 years
Real estate rental properties	30-40 years
Furniture and equipment	3-7 years
Vehicle	7 years

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes – The Organization’s policy is to record an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities. Interest and penalties related to gross unrecognized tax benefits would be included within the provision for income taxes. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued would be reduced in the period that such determination is made and reflected as a reduction of the overall income tax provision. The Organization does not have any uncertain tax positions at December 31, 2011. The Organization files a federal and an Indiana state tax return. The tax years that remain subject to examination by the federal and Indiana tax jurisdictions date back to the year ending December 31, 2008.

Beneficial Interest in Assets Held by the Community Foundation - The Organization records periodic distributions of income and realizes changes in the market value of its beneficial interest as gains (losses) in the consolidated statements of activities.

Subsequent Events – The Organization has evaluated subsequent events for recognition and disclosure through March 9, 2012, which is the date the Organization’s financial statements were available to be issued.

Note 2. Investment in Subsidiaries/Related Party Transactions

LaCasa, Inc. is a 100% owner in the following corporations as of December 31:

	<u>2011</u>	<u>2010</u>
LaCasa Housing Corporation	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Lincoln Avenue Housing Corporation	<u>\$ 100</u>	<u>\$ 100</u>
LaCasa RC Development Corporation	<u>\$ 100</u>	<u>\$ 100</u>
LaCasa WTP Development Corporation	<u>\$ 100</u>	<u>\$ 100</u>

LaCasa, Inc., the parent of LaCasa Housing Corporation, acted as the developer of Arbor Ridge Apartments, L.P. In accordance with the Partnership Agreement, LaCasa, Inc. is to receive a development fee of \$550,000 in total. As of December 31, 2011, \$283,841 remains to be collected. In addition, as of December 31, 2011, the Organization advanced to Arbor Ridge Apartments, L.P. \$2,079,422 inclusive of \$753,780 of accrued interest.

LaCasa, Inc., the parent of Lincoln Avenue Housing Corporation, acted as the developer of Lincoln Avenue Redevelopment, L.P. In accordance with the Partnership Agreement, LaCasa, Inc. is to receive a development fee of \$740,000 in total. As of December 31, 2011, \$185,000 remains to be collected. In addition, as of December 31, 2011, the Organization advanced to Lincoln Avenue Redevelopment, L.P. \$1,439,624 inclusive of \$279,797 of accrued interest.

LaCasa, Inc., the parent of LaCasa RC Development Corporation acted as the developer of Roosevelt Center, L.P. In accordance with the Partnership Agreement, LaCasa, Inc. is to receive a development fee of \$777,758 in total. As of December 31, 2011, \$229,014 remains to be collected. In addition, as of December 31, 2011, the Organization advanced to Roosevelt Center, L.P. \$1,079,602 inclusive of \$183,433 of accrued interest.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Investment in Subsidiaries/Related Party Transactions (continued)

LaCasa, Inc., the parent of LaCasa WTP Development Corporation acted as the developer of Elkhart Senior Housing, L.P. In accordance with the Partnership Agreement, LaCasa, Inc. is to receive a development fee of \$450,185 in total. As of December 31, 2011, \$343,185 remains to be collected. In addition, as of December 31, 2011, the Organization advanced to Roosevelt Center, L.P. \$735,031 inclusive of \$93,552 of accrued interest.

Note 3. 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.

Note 4. Support from Major Funding Sources/Concentrations of Credit Risk

The Organization 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 effect on the Organization's programs and activities.

The Organization places its cash with high credit quality financial institutions. However, the amount of credit exposure to a financial institution at times is in excess of the insurance limits established by law.

Note 5. Fair Value Measurements

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standards describe three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Fair Value Measurements (continued)

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at December 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Amounts included in:				
Beneficial interest in assets held by the Community Foundation	\$ _____	\$ _____	\$ 75,125	\$ 75,125

Fair Value Measurements at December 31, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Amounts included in:				
Beneficial interest in assets held by the Community Foundation	\$ _____	\$ _____	\$ 81,030	\$ 81,030

The beneficial interest in the Elkhart County Community Foundation is considered a level 3 instrument and is based upon externally developed models that use unobservable inputs due to limited market activity of the instrument. The change in the beneficial interest measured at fair value for which the Organization has used level 3 inputs to determine fair value as of December 31, 2011 and 2010 consisted of an unrealized loss of \$(5,905) and an unrealized gain of \$2,042 in 2011 and 2010, respectively, which is included in the change in net assets (unrestricted) on the statements of activities.

Note 6. Elkhart County Community Foundation

The Organization applies the provisions of ASC 958-605, Transfers of Assets to a Not for Profit Organization or Charitable Trust That Raises or Holds Contributions for Others. As of December 31, 2011, the Organization had invested \$80,000, at cost, in a designated separate fund (the "Fund") of the Community Foundation of Elkhart County (the "Community Foundation"). The Organization has specified itself as the beneficiary of periodic distributions of investment earnings. Although the Organization has granted the Community Foundation variance power pursuant to the fund agreement between the Organization and the Community Foundation, under the provisions of ASC 958-605, the Organization is permitted to record an asset reflecting the present value of its beneficial interest as both donor and beneficiary of its invested principal and undistributed earnings of the Fund held by the Community Foundation.

With respect to contributions received by the Community Foundation on behalf of the Organization from other donors, as prescribed by ASC 958-605, this portion of the Fund (fair value of \$9,192 at December 31, 2011) has not been reflected as part of the Organization's beneficial interest.

At December 31, 2011 and 2010, the fair value of the investments held by the Community Foundation for which the Organization is both donor and beneficiary is reflected in the statement of financial position as "Beneficial interest in assets held by the Community Foundation." The Organization receives periodic distributions of investment earnings from the Fund which are made in accordance with the distribution policy of the Community Foundation.

During the years ended December 31, 2011 and 2010, the Organization received distributions of \$4,246 and \$4,650, respectively from the Community Foundation.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Real Estate Held for Resale

<u>Location</u>	<u>Original Cost Plus Improvements December 31, 2011</u>
Held for future development	\$ 71,880
Currently in development	79,816
Neighborhood Stabilization Program	<u>510,404</u>
Total real estate held for resale	662,100
Valuation allowance	<u>(351,944)</u>
Net real estate held for resale	<u>\$ 310,156</u>

ASC 360-10-5, 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 exceeds 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.

Note 8. Loans and Tenant Receivables

Loans are granted to low to moderate income residents of Elkhart County, Indiana for the purchase of homes. These loans are in accordance with grant restrictions. Interest rates range from 0% to 8%. Terms range from 10 to 30 years. All loans are secured by deeds of trust. Loans and tenant receivables consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Current portion	\$ 79,591	\$ 76,650
Long term portion	<u>2,830,246</u>	<u>2,832,799</u>
Total	<u>\$ 2,909,837</u>	<u>\$ 2,909,449</u>

Interest is recognized over the term of the loan and is calculated using the simple interest method. As of December 31, 2011 and 2010, there was \$288,524 and \$312,577 in loans greater than 90 days past due, respectively.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Property and Equipment

Property and equipment at December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Land and buildings	\$ 781,230	\$ 781,230
Real estate rental properties	4,746,788	2,974,095
Furniture and equipment	313,259	271,306
Vehicle	<u>1,163</u>	<u>1,163</u>
	5,842,440	4,027,794
Less accumulated depreciation	<u>(1,458,940)</u>	<u>(1,341,625)</u>
Net property and equipment	<u>\$ 4,383,500</u>	<u>\$ 2,686,169</u>

Note 10. Lines of Credit

The Organization has a \$300,000 line of credit available, of which there was none outstanding at December 31, 2011. The line bears interest at .39% below prime with a floor of 4%. The effective rate was 4% at December 31, 2011. The agreement calls for monthly interest payments on the previous month's activity. The principal amount is due on demand or at maturity on August 20, 2012. The line of credit is secured by a mortgage on real estate. The Organization has various covenants relating to this debt, none of which was violated at December 31, 2011.

The Organization has a second line of credit available as of December 31, 2011. The \$600,000 bank line of credit, of which there was none outstanding at December 31, 2011, bears interest at prime with a floor of 4%. The effective rate was 4% at December 31, 2011. The agreement calls for monthly interest payments on the previous month's activity. The principal amount is due on demand or at maturity on July 11, 2013. The line of credit is secured by a mortgage on real estate. The Organization has various covenants relating to this debt, none of which was violated at December 31, 2011.

The Organization has a third line of credit available as of December 31, 2011. The \$250,000 bank line of credit, of which there was \$230,000 outstanding at December 31, 2011, bears interest at LIBOR plus 3.450%. The effective rate was 3.7% at December 31, 2011. The agreement calls for monthly interest payments on the previous month's activity. The principal amount is due on demand or at maturity on June 10, 2013. The line of credit is unsecured.

Note 11. Notes Payable

Notes payable consists of the following as of December 31:

	<u>2011</u>	<u>2010</u>
1.8% unsecured note payable due to an individual, interest only due in quarterly installments, maturing October, 2013.	\$ 20,000	\$ 20,000
2.75% unsecured note payable due to an individual, interest only due in quarterly installments, maturing April, 2012.	40,000	40,000
1.8% unsecured note payable due to an individual, interest only due in quarterly installments, maturing October, 2013.	25,000	25,000

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Notes Payable (continued)

	<u>2011</u>	<u>2010</u>
1.5% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December, 2013.	13,348	13,348
2% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December, 2012.	39,348	39,348
2% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December, 2012.	30,000	30,000
1% unsecured note payable due to an individual, interest only due in quarterly installments, maturing February, 2012.	20,000	20,000
1.8% unsecured note payable due to an individual, interest only due in quarterly installments, maturing September, 2013.	20,000	20,000
1.5% unsecured note payable due to an organization, interest only due in quarterly installments, and matures upon demand.	15,000	15,000
1.5% unsecured note payable due to an individual, interest only due in quarterly installments, maturing September, 2013.	20,000	
4.91% mortgage payable to Lake City Bank in monthly installments of \$5,468, including interest. Collateralized by real estate. A balloon payment is due in June, 2013.	617,230	675,496
Interest free mortgage payable to City of Goshen in monthly installments of \$250. Collateralized by real estate and matures at the time the property is sold.	29,500	32,500
4.61% note payable to First State Bank of Middlebury, due in monthly installments of \$2,234 including interest, secured by real estate. A balloon payment is due in March, 2015.	233,952	246,569
5.13% note payable to Horizon Bank, due in monthly installments of \$2,685 including interest, secured by real estate. A balloon payment is due in December, 2014.	302,580	318,565
1% unsecured note payable due to an individual, interest only due in quarterly installments, paid off October, 2011.		20,000
3.71% unsecured note payable to MMA Community Development Investments, Inc., interest only due semi annually in January and July, maturing July, 2015.	300,000	300,000
1% unsecured note payable to the City of Goshen, interest due annually, matures January 31, 2012.	200,000	800,000
5% unsecured note payable to the City of Goshen, interest only due semi annually in May and November, maturing November, 2012. The interest rate was changed to 4% effective December 1, 2010.	500,000	500,000

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Notes Payable (continued)

	<u>2011</u>	<u>2010</u>
Note payable to the Elkhart County Housing Fund. The note is repaid from the receipt of the mortgage receivables advanced from the fund at various rates and terms. See Note 12.	<u>2,850,583</u>	<u>2,900,877</u>
Total notes payable	<u>\$ 5,276,541</u>	<u>\$ 6,016,703</u>

The Organization has various covenants relating to the Horizon bank debt above, none of which was violated at December 31, 2011.

Maturities of the notes payable during the next five years are as follows:

Year ending December 31,	
2012	\$ 981,510
2013	780,174
2014	358,656
2015	575,631
2016	84,996
Thereafter	<u>2,495,574</u>
	<u>\$ 5,276,541</u>

Interest expense for the years ended December 31, 2011 and 2010 was \$112,045 and \$123,554, respectively.

Note 12. Elkhart County Housing Fund

Elkhart County Housing Fund is a coalition of banks participating in five loan pools totaling \$900,000, \$1,050,000, \$1,200,000, \$2,450,000 and \$2,100,000 to provide first or second mortgages for the purchase or rehabilitation of homes. The maximum amount of an individual loan is \$100,000 and the individual minimum loan is \$5,000.

In Pool #1 as of December 31, 2011, banks have funded 100% of their commitment and the Organization has a \$106,489 mortgage receivable and a note payable of \$106,489 to the bank coalition.

In Pool #2 as of December 31, 2011, banks have funded 100% of their commitment and the Organization has a \$202,123 mortgage receivable and a note payable of \$202,123 to the bank coalition.

In Pool #3 as of December 31, 2011, banks have funded 100% of their commitment and the Organization has a \$185,221 mortgage receivable and a note payable of \$185,221 to the bank coalition.

In Pool #4 as of December 31, 2011, banks have funded 100% of their commitment and the Organization has a \$726,602 mortgage receivable and a note payable of \$726,602 to the bank coalition.

In Pool #5 as of December 31, 2011 banks have funded 78% of their commitment and the Organization has an \$1,525,975 mortgage receivable, \$104,173 in cash and a note payable of \$1,630,148 to the bank coalition.

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Restrictions on Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
NeighborWorks America funds restricted for various programs	\$ 15,848	\$ 16,206
Funds restricted for IDA program	396,135	198,875
HOME and AHP-FHLB programs	165,191	212,418
Neighborhood Assistance Program (NAP) of Indiana Housing & Community Development Authority	32,000	88,000
Funds restricted for various programs	<u>6,102</u>	<u>6,513</u>
	<u>\$ 615,276</u>	<u>\$ 522,012</u>

As of December 31, 2011 and 2010, permanently restricted net assets of \$1,849,047 and \$1,434,297, respectively, represent the capital grants from NeighborWorks America. This amount is restricted to investments held in perpetuity and the income is expendable (unrestricted) to support the operations of the Organization.

The Organization receives Home Investment in Affordable Housing (HOME) grants from the Indiana Housing & Community Development Authority. These grants are structured as forgivable loans, which will not require repayment when the terms are met by the Organization or by a qualified homebuyer. Properties must be occupied by eligible low to moderate income families for a period of 5 or 10 years.

Note 14. Donated Labor and Assets

The Organization received contributions in kind of materials and labor totaling \$133,688 in 2011. The Organization received contributions in kind of materials, labor and real estate totaling \$255,910 in 2010. Fair market value was utilized in determining the contributions received.

Note 15. Rental Arrangements

The Organization has a rental housing program under which they were renting a total of sixty four units at the end of 2011. These units, with a few exceptions, are rented at below market rates, to individuals at or below 80% of the median income.

The rental homes are included in the consolidated statements of financial position under property and equipment (see Note 9). The total cost of rental real estate at December 31, 2011 was \$4,746,788 and the accumulated depreciation on the property totaled \$878,975. Total cost of rental real estate at December 31, 2010 was \$2,974,095 and the accumulated depreciation on the property totaled \$805,057.

Future minimum rentals on noncancellable leases at December 31 are as follows:

2012	<u>\$ 200,143</u>
------	-------------------

LACASA, INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Pension Plan

The Organization has a defined contribution pension plan covering all regular employees after they have worked 90 days. A regular employee is defined as one who works 30 hours per week or more. The Organization will contribute 3% of gross wages for each regular employee. The Organization will match contributions of regular employees based on the following schedule: a) year 2 - up to 1% of gross wages; b) year 3 - up to 2% of gross wages; c) year 4 - up to 3% of gross wages; and d) year 5 and later - up to 4% of gross wages. The plan is managed by various third parties. The Organization's contributions to the plan for the years ended December 31, 2011 and 2010 were \$35,025 and \$56,203, respectively.

Note 17. Contingencies

Under the terms of State and Federal grants, periodic audits are required and certain costs may be challenged as to allowability under the terms of the grants. Grant resources are expendable only for operating purposes specified by the grant. Such audits could lead to reimbursement to the grantor agencies. However, management is of the opinion that the risk of material disallowance is remote. Therefore, no provision for contingencies has been reflected in the financial statements.

Jurgonski & Fredlake CPAs

418 W. Jefferson Blvd., South Bend, Indiana 46601

Office (574) 251-1414
Fax (574) 251-1477

Greg Jurgonski
John A. Fredlake
Joseph T. Barkman

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
LaCasa, Inc. and its subsidiaries
Goshen, Indiana

We have audited the consolidated financial statements of the Organization as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 9, 2012, which contained an unqualified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



South Bend, Indiana
March 9, 2012

LACASA, INC. AND ITS SUBSIDIARIES

SCHEDULE I

**SUPPLEMENTAL SCHEDULES OF FINANCIAL POSITION
NEIGHBORWORKS AMERICA
December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 157,750	\$ 247,929
Receivable-other	200,000	
Property and equipment	819,423	710,073
Notes receivable-Lincoln Avenue Redevelopment	84,000	84,000
Notes receivable- Roosevelt Center	357,475	157,475
Notes receivable- Arbor Ridge Apartments	133,000	133,000
Elkhart County Housing Fund	34,685	34,652
Mortgages receivable	67,404	72,216
Deferred mortgages	<u>11,158</u>	<u>11,158</u>
 Total assets	 <u>\$ 1,864,895</u>	 <u>\$ 1,450,503</u>
 NET ASSETS		
Temporarily restricted	\$ 15,848	\$ 16,206
Permanently restricted	1,450,507	1,394,507
Permanently restricted- Capital Funding for the Rehabilitation of Affordable Housing (CFRAH)	<u>398,540</u>	<u>39,790</u>
 Total net assets	 <u>\$ 1,864,895</u>	 <u>\$ 1,450,503</u>

LACASA, INC. AND ITS SUBSIDIARIES

**SUPPLEMENTAL SCHEDULES OF ACTIVITIES
NEIGHBORWORKS AMERICA**

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue, Gains, and Other Support:		
Expendable grant - NeighborWorks America	\$ 178,451	\$ 115,333
Capital grant - NeighborWorks America	195,000	287,000
Capital grant - NeighborWorks America- CFRAH	<u>358,750</u>	<u>39,790</u>
 Total revenue, gains, and other support	 732,201	 442,123
 Funds expended	 <u>178,809</u>	 <u>123,469</u>
 Change in net assets	553,392	318,654
 Net assets released from restrictions	(139,000)	
 Net assets at beginning of year	<u>1,450,503</u>	<u>1,131,849</u>
 Net assets at end of year	 <u>\$ 1,864,895</u>	 <u>\$ 1,450,503</u>

See Notes to Consolidated Financial Statements.

LACASA, INC. AND ITS SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2011

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>2011 Pass-through Number</u>	<u>Disbursements Expenditures</u>
NeighborWorks America		Capital Grant Outstanding Loan Expendable Grant	\$ 553,750 1,450,503 <u>178,451</u>
Subtotal NeighborWorks America			<u>2,182,704</u>
U.S. Department of Housing and Urban Development			
<u>Passed-through Indiana Housing and Community Development Authority</u>			
Permanent Supportive Housing Program	14.228	DR2H-011-002 DFG-011-110	928,485 <u>210,000</u>
Subtotal Permanent Supportive Housing Program			<u>1,138,485</u>
<u>Passed-through Cities of Elkhart and Goshen and County of Elkhart</u>			
Community Development Block Grant	14.218	City of Elkhart City of Goshen County of Elkhart	40,772 87,298 <u>53,913</u>
Subtotal Community Development Block Grant			<u>181,983</u>
<u>Passed-through County of Elkhart</u>			
Lead Hazard Control Program	ARRA 14.907		<u>119,000</u>
Environmental Protection Agency			
US EPA Grant	ARRA 66.818		<u>178,332</u>
Total federal awards expended			3,800,504
Less liability to NeighborWorks America			<u>(1,450,503)</u>
Total federal awards included in statement of activities			<u>\$ 2,350,001</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

418 W. Jefferson Blvd., South Bend, Indiana 46601

Office (574) 251-1414

Fax (574) 251-1477

Greg Jurgonski
John A. Fredlake
Joseph T. Barkman

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
LaCasa, Inc. and its subsidiaries
Goshen, Indiana

We have audited the consolidated financial statements of LaCasa, Inc. and its subsidiaries (the Organization) as of and for the year ended December 31, 2011, and have issued our report thereon, dated March 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated 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.

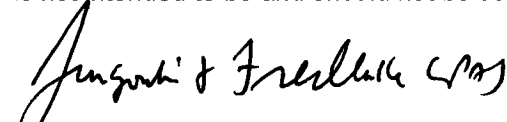
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of Management, the Finance Committee, the Board of Directors, others within the entity, 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
March 9, 2012

Jurgonski & Fredlake CPAs

418 W. Jefferson Blvd., South Bend, Indiana 46601

Office (574) 251-1414
Fax (574) 251-1477

Greg Jurgonski
John A. Fredlake
Joseph T. Barkman

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
LaCasa, Inc. and its subsidiaries
Goshen, Indiana

Compliance

We have audited LaCasa, Inc. and its subsidiaries's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of LaCasa, Inc. and its subsidiaries's major federal programs for the year ended December 31, 2011. LaCasa, Inc. and its subsidiaries'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 each of its major federal programs is the responsibility of LaCasa, Inc. and its subsidiaries's management. Our responsibility is to express an opinion on LaCasa, Inc. and its subsidiaries'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 LaCasa, Inc. and its subsidiaries'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 LaCasa, Inc. and its subsidiaries's compliance with those requirements.

In our opinion, LaCasa, Inc. and its subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

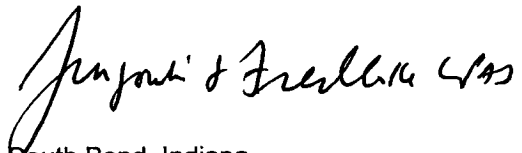
Internal Control Over Compliance

Management of LaCasa, Inc. and its subsidiaries 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 LaCasa, Inc. and its subsidiaries's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test, and report on internal control over compliance in accordance with the OMB Circular A-133, 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 LaCasa, Inc. and its subsidiaries's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

This report is intended solely for the information and use of Management, the Finance Committee, the Board of Directors, others within the entity 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
March 9, 2012

LACASA, INC. AND ITS SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS:

- a. The auditor's report expresses an unqualified opinion on the consolidated financial statements of LaCasa, Inc. and its subsidiaries for the year ended December 31, 2011.
- b. No significant deficiencies relating to the audit of the consolidated financial statements are reported in this schedule.
- c. No instances of noncompliance material to the consolidated financial statements of LaCasa, Inc. and its subsidiaries, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in this schedule.
- e. The auditor's report on compliance for the major federal award programs for LaCasa, Inc. and its subsidiaries expresses an unqualified opinion on the major federal programs.
- f. The programs tested as major programs: Permanent Supportive Housing Program CFDA#: 14.228, US EPA Grant CFDA# 66.88 and Lead Hazard Control Program CFDA# 14.907.
- g. The threshold used for distinguishing between Types A and B programs was \$300,000.
- h. LaCasa, Inc. and its subsidiaries were 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 consolidated 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

LACASA, INC. AND ITS SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2011

There were no prior year audit findings.