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May 9, 2014

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

We have reviewed the audit report prepared by Jurgonski & Fredlake CPAs, for the period January 1, 2013 to December 31, 2013. 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, Inc., as of December 31, 2013, 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, 2013 and 2012

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of LaCasa, Inc. and its subsidiaries (a not for profit Organization) (the Organization), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012 and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Jurgonski & Fredlake CPAs

South Bend, Indiana
March 6, 2014

LACASA, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013 Unrestricted	2013 Temporarily Restricted	2013 Permanently Restricted	2013 Total	2012 Unrestricted	2012 Temporarily Restricted	2012 Permanently Restricted	2012 Total
ASSETS								
Cash	$ 118,613	$ 795,811	$ 499	$ 914,923	$ 4,355	$ 939,333	$ 60,715	$ 1,004,403
Grants receivable	268,382			268,382	65,504			65,504
Prepaid expenses	61,835			61,835	56,864			56,864
Real estate held for resale, net of valuation allowance of $148,957 in 2013 and $162,665 in 2012	61,115			61,115	175,399			175,399
Loans and tenant receivables, net of allowance of $68,013 in 2013 and $77,248 in 2012	20,748	2,627,550	70,283	2,718,581	44,693	2,665,096	74,331	2,784,120
Other assets			28,661	28,661			33,862	33,862
Receivables - Arbor Ridge Apartments, L.P.	2,243,513		140,769	2,384,282	2,172,727		133,000	2,305,727
Receivables - Lincoln Avenue Redevelopment, L.P.	1,133,151		573,567	1,706,718	1,530,312		84,000	1,614,312
Receivables - Roosevelt Center, L.P.	1,617,409		88,355	1,705,764	1,034,070		571,000	1,605,070
Receivables - Elkhart Senior Housing, L.P.	1,172,520			1,172,520	1,103,747			1,103,747
Receivables - Hawks Arts & Enterprise Center, L.P.	259,259			259,259				
Property and equipment, net of accumulated depreciation of $1,807,913 in 2013 and $1,642,428 in 2012	5,302,775		580,773	5,883,548	3,727,162	71,684	682,038	4,480,884
Investment in subsidiaries	1,300			1,300	1,300			1,300
Beneficial interest in assets held by the Elkhart County Community Foundation	85,619			85,619	78,759			78,759
Total assets	$ 12,346,239	$ 3,423,361	$ 1,482,907	$ 17,252,507	$ 9,994,892	$ 3,676,113	$ 1,638,946	$ 15,309,951
LIABILITIES AND NET ASSETS								
Accounts payable	$ 529,681	$	$	$ 529,681	$ 117,556	$	$	$ 117,556
Accrued expenses and other payables	238,688	256,756		495,444	256,255	346,635		602,890
Lines of credit	107,000			107,000	134,000			134,000
Advances on contract	105,995			105,995	139,054			139,054
Notes payable	2,113,766	2,630,085		4,743,851	2,129,491	2,733,326		4,862,817
Total liabilities	3,095,130	2,886,841		5,981,971	2,776,356	3,079,961		5,856,317
Net assets								
Unrestricted	9,251,109			9,251,109	7,218,536			7,218,536
Temporarily restricted		536,520		536,520		596,152		596,152
Permanently restricted			1,482,907	1,482,907			1,638,946	1,638,946
Total net assets	9,251,109	536,520	1,482,907	11,270,536	7,218,536	596,152	1,638,946	9,453,634
Total liabilities and net assets	$ 12,346,239	$ 3,423,361	$ 1,482,907	$ 17,252,507	$ 9,994,892	$ 3,676,113	$ 1,638,946	$ 15,309,951

See Notes to Consolidated Financial Statements.

LACASA, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Cash contributions	$ 369,505	$ 203,208	$	$ 572,713	$ 206,384	$ 166,300	$	$ 372,684
Donated labor and assets	191,615			191,615	127,877			127,877
Grants	2,147,050	15,500	100,000	2,262,550	643,225	27,000	80,000	750,225
Fees for services	386,270			386,270	642,685			642,685
Rental income	501,874			501,874	497,984			497,984
Interest income	294,545			294,545	278,391			278,391
Change in beneficial interest	6,860			6,860	3,634			3,634
Other income	34,000			34,000	38,613			38,613
Satisfaction of program restrictions	534,379	(278,340)	(256,039)		502,525	(212,424)	(290,101)	
Total revenue	4,466,098	(59,632)	(156,039)	4,250,427	2,941,318	(19,124)	(210,101)	2,712,093
EXPENSES								
Program Services								
Asset and property management	650,963			650,963	723,132			723,132
Community building and organizing	102,433			102,433	82,492			82,492
Home ownership center	543,937			543,937	422,662			422,662
Real estate development	491,059			491,059	530,052			530,052
Resident services	101,102			101,102	92,895			92,895
Supporting Services								
Development	151,402			151,402	155,361			155,361
Management and general	392,629			392,629	374,937			374,937
Total expenses	2,433,525			2,433,525	2,381,531			2,381,531
Change in net assets	2,032,573	(59,632)	(156,039)	1,816,902	559,787	(19,124)	(210,101)	330,562
Net assets, beginning of year	7,218,536	596,152	1,638,946	9,453,634	6,658,749	615,276	1,849,047	9,123,072
Net assets, end of year	$ 9,251,109	$ 536,520	$ 1,482,907	$ 11,270,536	$ 7,218,536	$ 596,152	$ 1,638,946	$ 9,453,634

See Notes to Consolidated Financial Statements.

LACASA, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,816,902	$ 330,562
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	207,952	202,566
Valuation expense	24,104	20,444
Loss on sale of assets	12,023	79,008
Change in beneficial interest	(6,860)	(3,634)
Change in assets (increase) decrease		
Receivables	(737,026)	587,213
Prepaid expenses	(4,971)	(16,372)
Other assets	5,201	823
Change in liabilities increase (decrease)		
Accounts payable and accrued expenses	304,679	(108,086)
Advances on contract	(33,059)	(376,067)
Total adjustments	(227,957)	385,895
Net cash provided by operating activities	1,588,945	716,457
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,715,459)	(596,813)
Sale of investments other		250,391
Proceeds from sale of assets	183,000	329,460
Net cash used in investing activities	(1,532,459)	(16,962)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in lines of credit	(27,000)	(96,000)
Principal payments of notes payable	(143,966)	(411,016)
Proceeds from notes payable	25,000	
Net cash used in financing activities	(145,966)	(507,016)
(Decrease) increase in cash	(89,480)	192,479
Cash, beginning of year	1,004,403	811,924
Cash, end of year	$ 914,923	$ 1,004,403
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 81,241	$ 99,726

See Notes to Consolidated Financial Statements.

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 the 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. The Organization's 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 in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not for Profit Organizations.* Under ASC 958, 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.

Consolidated 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 Consolidated 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.

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.

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

Consolidation (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 Consolidated Statements of Activities. Accordingly, certain costs have been allocated among the program and supporting service expenses.

Estimates - The preparation of consolidated 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 because these grants are on a cost reimbursement basis. Grants receivable represent 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 reserves for uncollectible balances. The allowance is based on prior years of experience and management's analysis of specific receivables. The allowance for doubtful accounts was $68,013 and $77,248 at December 31, 2013 and 2012, 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.

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

Contributions (continued)

Permanently restricted net assets are those assets 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 funds for real estate development, 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 of experience and management's analysis of specific promises made.

Property and equipment - Property and equipment received as a donation is recorded and reflected in the accompanying consolidated financial statements at its 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 is removed from the accounts and any gain or loss is included in the consolidated statement of activities. Depreciation is computed using the straight line method over the following 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

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, 2013. The Organization files a federal and an Indiana state tax return.. Management believes the tax years that remain subject to examination by the federal and Indiana tax jurisdictions date back to the year ending December 31, 2010.

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

Beneficial interest in assets held by the Elkhart County Community Foundation (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.

Cash and cash equivalents - The Organization considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

Subsequent events – The Organization has evaluated subsequent events for recognition and disclosure through March 6, 2014, which is the date the Organization's consolidated 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:

	2013	2012
LaCasa Housing Corporation	$ 1,000	$ 1,000
Lincoln Avenue Housing Corporation	100	100
LaCasa RC Development Corporation	100	100
LaCasa WTP Development Corporation	100	100
	$ 1,300	$ 1,300

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, 2013, $283,841 remains to be collected. In addition, as of December 31, 2013, the Organization advanced to Arbor Ridge Apartments, L.P. $2,100,441 inclusive of $790,034 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, 2013, $185,000 remains to be collected. In addition, as of December 31, 2013, the Organization advanced to Lincoln Avenue Redevelopment, L.P. $1,521,718 inclusive of $432,891 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 $865,000 in total. As of December 31, 2013, $229,014 remains to be collected. In addition, as of December 31, 2013, the Organization advanced to Roosevelt Center, L.P. $1,476,750 inclusive of $335,511 of accrued interest.

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, 2013, $343,185 remains to be collected. In addition, as of December 31, 2013, the Organization advanced to Elkhart Senior Housing, L.P. $829,335 inclusive of $154,753 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, *Fair Value Measurement*, 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 standard describes 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.

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, 2013

Amounts included in:	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by the Community Foundation	$	$	$ 85,619	$ 85,619
Real estate held for resale			61,115	61,115
	$	$	$ 146,734	$ 146,734

Fair Value Measurements at December 31, 2012

Amounts included in:	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by the Community Foundation	$	$	$ 78,759	$ 78,759
Real estate held for resale			175,399	175,399
	$	$	$ 254,158	$ 254,158

The beneficial interest in the Community Foundation is considered a level 3 instrument and is based on 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, 2013 and 2012 consists of an unrealized gain of $6,860 and $3,634 in 2013 and 2012, respectively, which is included in the change in net assets (unrestricted) on the Consolidated Statements of Activities.

The reconciliation of the changes in the real estate held for resale measured on a recurring basis using significant unobservable inputs (level 3) is as follows:

January 1, 2013	$ 175,399
Development and construction costs	58,488
Transfer to property and equipment	(84,254)
Change in market value	(24,104)
Real estate sold	(64,414)
December 31, 2013	$ 61,115

Note 6. Elkhart County Community Foundation

The Organization applies the provisions of ASC 958, *Transfers of Assets to a Not for Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.* As of December 31, 2013, the Organization had invested $80,000, at cost, in a designated separate fund (the "Fund") of 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, 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, this portion of the Fund (fair value of $12,704 at December 31, 2013) has not been reflected as part of the Organization's beneficial interest.

At December 31, 2013 and 2012, the fair value of the investments held by the Community Foundation for which the Organization is both donor and beneficiary is reflected in the Consolidated Statements of Financial Position as "Beneficial interest in assets held by the Elkhart County 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, 2013 and 2012, the Organization received distributions of $3,727 and $4,170, respectively, from the Community Foundation.

Note 7. Real Estate Held for Resale

	Original Cost Plus Improvements	
	December 31, 2013	December 31, 2012
Held for future development	$ 151,809	$ 37,221
Currently in development	58,263	84,254
Neighborhood Stabilization Program		216,589
Total real estate held for resale	210,072	338,064
Valuation allowance	(148,957)	(162,665)
Net real estate held for resale	$ 61,115	$ 175,399

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 7.5%. Terms range from 10 to 30 years. All loans are secured by deeds of trust. Net loans and tenant receivables consisted of the following at December 31:

	2013	2012
Current portion	$ 103,048	$ 142,964 *
Long term portion	2,683,546	2,718,404 *
	2,786,594	2,861,368
Less allowance for doubtful accounts	(68,013)	(77,248)
Total	$ 2,718,581	$ 2,784,120

* The Organization reclassified the amount to align with 2013 classification.

Interest is recognized over the term of the loan and is calculated using the simple interest method. As of December 31, 2013 and 2012, there was $312,985 and $412,469, respectively, in loans greater than 90 days past due.

Note 9. Property and Equipment

Property and equipment at December 31, 2013 and 2012 consists of the following:

	2013	2012
Land and buildings	$ 784,680	$ 784,680
Real estate rental properties	6,570,812	5,016,481
Furniture and equipment	334,806	320,988
Vehicle	1,163	1,163
	7,691,461	6,123,312
Less accumulated depreciation	(1,807,913)	(1,642,428)
Net property and equipment	$ 5,883,548	$ 4,480,884

ASC 360, *Property, Plant, and Equipment*, 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. There was no impairment recognized for both the years ended December 31, 2013 and 2012. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Note 10. Lines of Credit

The Organization has a $300,000 line of credit available, of which there was $107,000 outstanding at December 31, 2013. The line bears interest at prime with a floor of 4%. The effective rate was 4% at December 31, 2013. The agreement calls for monthly interest payments on the previous month's activity. The principal amount is due on demand or at maturity on September 10, 2015. The line of credit is secured by a mortgage on real estate. The Organization has various covenants relating to this debt, none of which were violated at December 31, 2013.

The Organization has a second line of credit available as of December 31, 2013. The $600,000 bank line of credit, of which there was no balance outstanding at December 31, 2013, bears interest at prime. The effective rate was 3.25% at December 31, 2013. 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 18, 2018. The line of credit is unsecured. The Organization has various covenants relating to this debt, none of which were violated at December 31, 2013.

Note 11. Notes Payable

Notes payable consists of the following as of December 31:

	2013	2012
1.8% unsecured note payable due to an individual, interest only due in quarterly installments, maturing April 2014.	$ 40,000	$ 40,000
1% unsecured note payable due to an individual, interest only due in quarterly installments, maturing February 2014.	20,000	20,000
1.0% unsecured note payable due to an individual, interest only due in quarterly installments, maturing September 2014.	20,000	20,000
1.25% unsecured note payable due to an individual, interest only due in quarterly installments, maturing October 2015.	65,000	65,000
1.5% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December 2015.	13,348	13,348
2% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December 2014.	39,348	39,348
2% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December 2015.	30,000	30,000
1% unsecured note payable due to an individual, interest only due in quarterly installments, maturing February 2015.	10,000	
1.5% unsecured note payable due to an individual, interest only due in quarterly installments, maturing December 2017.	15,000	
1% unsecured note payable due to an organization, interest only due in quarterly installments, matures upon demand.	15,000	15,000

Note 11. Notes Payable (continued)

	2013	2012
3.35% mortgage payable to Lake City Bank, due in monthly installments of $3,205 including interest. Collateralized by real estate. A balloon payment is due in June 2018.	$ 547,798	$ 553,853
Interest free mortgage payable to City of Goshen, due in monthly installments of $250. Collateralized by real estate and matures at the time the property is sold.	23,500	26,500
4.61% note payable to First State Bank of Middlebury, due in monthly installments of $1,987 including interest, secured by real estate. A balloon payment is due in March 2015.	206,891	220,767
5.13% note payable to Horizon Bank, due in monthly installments of $2,649 including interest, secured by real estate. A balloon payment is due in December 2014.	267,881	285,675
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
3.5% unsecured note payable to the City of Goshen, interest only due semi annually in May and November, maturing December 2017. The interest rate was changed from 4% to 3.5% effective January 1, 2013.	500,000	500,000
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.	2,630,085	2,733,326
Total notes payable	$ 4,743,851	$ 4,862,817

The Organization has various covenants relating to the debt above, none of which were violated at December 31, 2013.

Maturities of the notes payable for the five years ending December 31 are as follows:

2014	$ 509,561
2015	709,005
2016	103,151
2017	623,083
2018	577,126
Thereafter	2,221,925
	$ 4,743,851

Interest expense for the years ended December 31, 2013 and 2012 was $85,177 and $98,455, 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 minimum individual loan is $5,000.

In Pool #1 as of December 31, 2013, banks have funded 100% of their commitment and the Organization has a $100,883 mortgage receivable and a note payable of $100,883 to the bank coalition.

In Pool #2 as of December 31, 2013, banks have funded 100% of their commitment and the Organization has a $191,977 mortgage receivable and a note payable of $191,977 to the bank coalition.

In Pool #3 as of December 31, 2013, banks have funded 100% of their commitment and the Organization has a $124,526 mortgage receivable and a note payable of $124,526 to the bank coalition.

In Pool #4 as of December 31, 2013, banks have funded 100% of their commitment and the Organization has a $653,460 mortgage receivable and a note payable of $653,460 to the bank coalition.

In Pool #5 as of December 31, 2013 banks have funded 99% of their commitment and the Organization has a $1,532,920 mortgage receivable, $26,319 in cash and a note payable of $1,559,239 to the bank coalition.

Note 13. Restrictions on Assets

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

	2013	2012
NeighborWorks America funds restricted for various programs	$ 23,534	$ 15,848
Funds restricted for IDA program	407,002	423,007
HOME and AHP-FHLB programs	33,664	115,943
Neighborhood Assistance Program (NAP) of Indiana Housing & Community Development Authority	70,948	36,200
Funds restricted for various programs	1,372	5,154
	$ 536,520	$ 596,152

As of December 31, 2013 and 2012, permanently restricted net assets of $1,482,907 and $1,638,946, 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 assets and labor totaling $191,615 and $127,877 for the years ending December 31, 2013 and 2012, respectively. 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 fifty nine units at the end of 2013. 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, 2013 was $6,570,812 and the accumulated depreciation on the property totaled $1,137,595. Total cost of rental real estate at December 31, 2012 was $5,016,481 and the accumulated depreciation on the property totaled $1,017,824.

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

2014	$ 215,017

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, 2013 and 2012 were $56,015 and $54,538, 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.

LACASA, INC. AND ITS SUBSIDIARIES

SCHEDULE I

SUPPLEMENTAL SCHEDULES OF FINANCIAL POSITION
NEIGHBORWORKS AMERICA
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash	$	$ 76,518
Property and equipment	604,806	682,083
Notes receivable-Lincoln Avenue Redevelopment	88,355	84,000
Notes receivable- Roosevelt Center	573,567	571,000
Notes receivable- Arbor Ridge Apartments	140,769	133,000
Elkhart County Housing Fund	28,661	33,862
Mortgages receivable	59,125	63,173
Deferred mortgages	11,158	11,158
Total assets	$ 1,506,441	$ 1,654,794
NET ASSETS		
Temporarily restricted	$ 23,534	$ 15,848
Permanently restricted	1,124,157	1,280,196
Permanently restricted- Capital Funding for the Rehabilitation of Affordable Housing (CFRAH)	358,750	358,750
Total net assets	$ 1,506,441	$ 1,654,794

LACASA, INC. AND ITS SUBSIDIARIES

SCHEDULE II

SUPPLEMENTAL SCHEDULES OF ACTIVITIES
NEIGHBORWORKS AMERICA
For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenue, Gains, and Other Support		
Expendable grant - NeighborWorks America	$ 95,000	$ 171,425
Capital grant - NeighborWorks America	100,000	80,000
Total revenue, gains, and other support	195,000	251,425
Funds expended	87,314	171,425
Change in net assets	107,686	80,000
Net assets released from restrictions	(256,039)	(290,101)
Net assets at beginning of year	1,654,794	1,864,895
Net assets at end of year	$ 1,506,441	$ 1,654,794

See Notes to Consolidated Financial Statements.

LACASA, INC. AND ITS SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	2013 Pass-through Number	Disbursements Expenditures
NeighborWorks America	-	Capital Grant	$ 100,000
		Outstanding Loan	1,124,157
		Expendable Grant	123,045
Subtotal NeighborWorks America			1,347,202
U.S. Department of Housing and Urban Development			
Passed-through Indiana Housing and Community Development Authority			
Community Development Block Grant	14.228	DR2H-012-003	1,366,128
Home Investment in Affordable Housing (HOME)	14.239	CH-012-004	141,098
		CO-012-003	50,000
Subtotal HOME			191,098
Passed-through City of Goshen			
Community Development Block Grant	14.218	City of Goshen	69,971
Passed-through County of Elkhart			
Lead Based Paint Hazard Control Program	ARRA 14.907		8,668
Total federal awards expended			2,983,067
Less liability to NeighborWorks America			(1,124,157)
Total federal awards included in the Consolidated Statement of Activities			$ 1,858,910

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.*

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John A. Fredlake

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the consolidated financial statements of LaCasa, Inc. and its subsidiaries (the Organization), which comprise the Consolidated Statement of Financial Position as of December 31, 2013, and the related Consolidated Statements of Activities, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jurgonski & Fredlake CPAs

South Bend, Indiana
March 6, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program
We have audited LaCasa, Inc. and its subsidiaries' 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 LaCasa, Inc. and its subsidiaries' major federal program for the year ended December 31, 2013. LaCasa, Inc. and its subsidiaries' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for LaCasa, Inc. and its subsidiaries' major federal program based on our audit of the types of compliance requirements referred to above. 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' 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 on compliance for the major federal program. However, our audit does not provide a legal determination of LaCasa, Inc. and its subsidiaries' compliance.

Opinion on Each Major Federal Program
In our opinion, LaCasa, Inc. and its subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance
Management of LaCasa, Inc. and its subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LaCasa, Inc. and its subsidiaries' internal control over compliance with the type of requirements that could have a direct and material effect on the major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report

on internal control over compliance in accordance with 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' 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing is based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133
We have audited the consolidated financial statements of LaCasa, Inc. and its subsidiaries as of and for the year ended December 31, 2013, and have issued our report thereon dated March 6, 2014, which contained an unqualified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Jurgonski & Fredlake CPAs

South Bend, Indiana
March 6, 2014

LACASA, INC. AND ITS SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

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, 2013.

   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 program tested as a major program: Community Development Block Grant CFDA# 14.228.

   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, 2013

There were no prior year audit findings.