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March 2, 2020

Board of Directors
Muncie Home Ownership and Revitalization, Inc.
120 W. Charles Street
Muncie, IN 47305

We have reviewed the audit report of Muncie Home Ownership and Revitalization, Inc., which was opined upon by Estep Burkey Simmons, LLC, Independent Public Accountants, for the period October 1, 2017 to September 30, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Muncie Home Ownership and Revitalization, Inc. as of September 30, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Estep Burkey Simmons, LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

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

Muncie Home Ownership and Revitalization Center, Inc.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

September 30, 2018

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Independent Auditors' Report

Board of Directors
Muncie Home Ownership and
Revitalization Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Muncie Home Ownership and Revitalization Center, Inc., which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Muncie Home Ownership and Revitalization Center, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019 on our consideration of Muncie Home Ownership and Revitalization Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Muncie Home Ownership and Revitalization Center, Inc.'s 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 Muncie Home Ownership and Revitalization Center, Inc.'s internal control over financial reporting and compliance.

Estep Burkey Simmons, LLC

Muncie, Indiana

June 27, 2019

Muncie Home Ownership and Revitalization, Inc.

STATEMENT OF FINANCIAL POSITION

September 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 8,122
Accounts receivable	40,615
Forgivable loans, current portion	9,223
Prepaid expenses	3,150
Construction projects in progress	38,826
Total current assets	<u>99,936</u>

PROPERTY, BUILDINGS AND EQUIPMENT

Equipment	5,851
Rental buildings	968,239
	<u>974,090</u>
Less accumulated depreciation	116,734
	<u>857,356</u>
Land	54,340
	<u>911,696</u>

OTHER ASSETS

Forgivable loans, net of current portion	36,891
	<u>36,891</u>
	<u>\$ 1,048,523</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 20,973
Accrued payroll	1,520
Security deposits	3,774
Mortgage payable	7,000
Forgivable loans, current portion	9,223
Total current liabilities	<u>42,490</u>

OTHER LONG-TERM LIABILITIES

Forgivable loans, net of current portion	36,891
	<u>36,891</u>

NET ASSETS

Unrestricted	668,783
Temporarily restricted	300,359
	<u>969,142</u>
	<u>\$ 1,048,523</u>

The accompanying notes are an integral part of this financial statement.

Muncie Home Ownership and Revitalization, Inc.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Grants and contributions	\$ 404,566	\$ 11,090	\$ 415,656
Administrative fees	27,382		27,382
Interest income	16		16
Gross rent income	69,108		69,108
Proceeds from sale of refurbished home	63,000		63,000
	<u>564,072</u>	<u>11,090</u>	<u>575,162</u>
Total support and revenue			
Net assets released from restriction			
Restrictions satisfied by payments	4,810	(4,810)	
Supporting activities			
Program services	274,416		274,416
Management and general	70,926		70,926
	<u>345,342</u>	<u></u>	<u>345,342</u>
Total expenses			
INCREASE IN NET ASSETS	223,540	6,280	229,820
Net assets at beginning of year	<u>445,243</u>	<u>294,079</u>	<u>739,322</u>
Net assets at end of year	<u>\$ 668,783</u>	<u>\$ 300,359</u>	<u>\$ 969,142</u>

The accompanying notes are an integral part of this financial statement.

Muncie Home Ownership and Revitalization, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2018

	Program Services	Management and General	Total
	<u> </u>	<u> </u>	<u> </u>
Salaries	\$ 33,816	\$ 33,815	\$ 67,631
Health insurance	10,654	10,654	21,308
Pension	2,324	2,324	4,648
Payroll taxes	2,903	2,902	5,805
	<u>49,697</u>	<u>49,695</u>	<u>99,392</u>
Cost of sales	168,950		168,950
Supplies	1,633	1,633	3,266
Repairs and maintenance	707		707
Professional fees		629	629
Credit reports	225		225
Bank and credit card fees		133	133
Rent	3,600	3,600	7,200
Telephone	3,592	3,592	7,184
Utilities	3,080	3,079	6,159
Travel and meetings		353	353
Insurance	3,743	1,248	4,991
Rental property management expenses	7,166		7,166
Postage	177	177	354
Interest expense	1,299		1,299
Contracted services	11,007		11,007
Depreciation	19,320	6,440	25,760
Miscellaneous expenses	220	347	567
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 274,416</u>	<u>\$ 70,926</u>	<u>\$ 345,342</u>

The accompanying notes are an integral part of this financial statement.

Muncie Home Ownership and Revitalization, Inc.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2018

Cash flows from operating activities:	
Increase in net assets	\$ 229,820
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	25,760
Increase in accounts receivable	(16,166)
Decrease in prepaid expenses	546
Increase in construction projects in progress	(16,431)
Increase in accounts payable	17,884
Decrease in accrued payroll	(1,967)
Net cash provided by operating activities	<u>239,446</u>
Cash flows from investing activities:	
Purchases of equipment	<u>(261,614)</u>
Net cash used in investing activities	<u>(261,614)</u>
Cash flows from financing activities:	
Proceeds from mortgage payable	70,000
Payments on mortgage payable	<u>(63,000)</u>
Net cash provided by financing activities	<u>7,000</u>
Net decrease in cash	(15,168)
Cash at beginning of year	<u>23,290</u>
Cash at end of year	<u><u>\$ 8,122</u></u>
<u>Supplemental Disclosure</u>	
Cash paid during the year for interest	\$ 1,299

The accompanying notes are an integral part of this financial statement.

Muncie Home Ownership and Revitalization, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Muncie Home Ownership and Revitalization, Inc. (Organization) is a nonprofit organization organized under the laws of the State of Indiana whose mission is to improve existing neighborhoods by increasing home ownership opportunities for individuals and families. The program provides instruction and financial assistance to qualifying first-time homebuyers through loans and grants for new construction and rehabilitation. The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

3. Cash and Cash Equivalents

The Organization maintains its cash in accounts at financial institutions which are insured by agencies of the U.S. Government. For purposes of the statement of cash flow, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

4. Property, Building, Equipment and Depreciation

Purchased property and equipment is stated at cost. Donated property and equipment is recorded as support and revenue at the estimated fair value at the date of gift. Depreciation is computed according to the estimated useful lives of the respective assets, which range from five to forty years, using the straight-line method.

5. Revenue

The Organization receives substantially all of its revenue from grants and sales of refurbished property.

6. Forgivable Loans

The Organization has agreements with Muncie Community Development in which Muncie Community Development grants the Organization funds to be used to assist individuals and families in making a down payment on the purchase of a home. Loans of \$5,000 or less are forgivable in five years. Loans in excess of \$5,000 are forgivable in ten years. A portion of the loans are forgiven each year over the life of the loan as long as the terms of the loan agreement have been followed. The forgivable loans are classified as an asset and a liability at September 30, 2018 in the amount of \$46,114.

7. Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

8. Compensated Absences

The Organization's accrual for compensated absences is trivial. Therefore, no accumulation results and no accrual is necessary.

Muncie Home Ownership and Revitalization, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$10 for the year ended September 30, 2018.

10. Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2018, the Organization did not exceed the insured limit.

11. Expense Allocation

Expenses have been classified as program service and management and general based upon the actual direct expenditures and cost allocation based on estimates of time and usage by the Organization's personnel and programs.

12. Uncertain Tax Positions

The Organization follows the Income Tax topic of the FASB ASC. The Organization now recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Organization has examined this issue and has determined there are no material contingent tax liabilities.

The Organization's federal and state exempt organization tax returns for 2014, 2015, and 2016 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

13. 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.

NOTE B - OPERATING LEASE

The Organization leases real estate on a month-by-month basis for \$600 per month from Downtown Development Partnership.

NOTE C - PENSION PLAN

The Organization maintains a defined-contribution pension plan. The plan requires an employer contribution equal to 5% of participating employees' compensation. Pension expense for the year ending September 30, 2018 was \$4,648.

Muncie Home Ownership and Revitalization, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE D - MORTGAGE PAYABLE

Mortgage payable as of September 30, 2018 consists of a mortgage payable to MutualBank in the amount of \$7,000. The mortgage is payable in full on October 23, 2018 with an interest rate of 6% as of September 30, 2018.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Restrictions have been imposed on \$300,359 of the Organization's net assets at September 30, 2018 for the purpose of providing counseling for first-time homebuyers.

NOTE F - CONCENTRATION OF RISK

The Organization receives a significant portion of its support and revenue from various sources. The amount and percentage of support and revenue received from those sources is as follows:

	<u>Amount</u>	<u>Percentage</u>
CHDO grants	\$ 358,899	62%
Community Foundation of Muncie and Delaware County, Inc.	16,500	3%
HUD grant	11,090	2%
MutualBank Foundation	<u>5,000</u>	1%
	<u>\$ 391,489</u>	

NOTE G - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Organization has evaluated subsequent events through June 27, 2019, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2018, have been incorporated into these financial statements herein.

SPECIAL REPORT



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*

Independent Auditors' Report

Board of Directors
Muncie Home Ownership and Revitalization, Inc.

We have audited 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, the financial statements of Muncie Home Ownership and Revitalization, Inc., which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muncie Home Ownership and Revitalization, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Muncie Home Ownership and Revitalization, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Muncie Home Ownership and Revitalization, Inc.'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 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 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our auditSp 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 Muncie Home Ownership and Revitalization, Inc.'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*.

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 entity'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.

Estep Burkey Simmons, LLC

Muncie, Indiana

June 27, 2019