

*LINC COMMUNITY REVITALIZATION, INC.  
AND SUBSIDIARIES*

*AUDITED CONSOLIDATED FINANCIAL STATEMENTS*

*Year Ended June 30, 2012*

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*Goodlander, Swett & Rybicki  
Certified Public Accountants*

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# GOODLANDER, SWETT & RYBICKI

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
LINC Community Revitalization, Inc.  
Grand Rapids, Michigan

We have audited the accompanying consolidated statement of financial position of LINC Community Revitalization, Inc. (a non-profit organization) and subsidiaries as of June 30, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 LINC Community Revitalization, Inc. and subsidiaries as of June 30, 2012, and the changes in its net assets and its cash flows for the year 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 reports dated December 14, 2012 on our consideration of the Organization's internal control over financial reporting and

on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



Goodlander, Swett & Rybicki  
Certified Public Accountants

November 14, 2012

LINC COMMUNITY REVITALIZATION, INC.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
Year Ended June 30, 2012

ASSETS

Cash	\$ 574,954
Grants receivable	2,648,868
Accounts receivable	70,055
Neighborhood housing fund loan receivable	526,891
Houses held for resale	70,640
Property and equipment	5,749,606
Equity investment in non-consolidated affiliates	<u>113,102</u>
TOTAL ASSETS	<u><u>\$9,754,116</u></u>

LIABILITIES

Lines of credit	\$ 236,890
Accounts payable	41,761
Accrued liabilities	53,462
Tenant security deposits	37,089
Long-term debt	<u>3,146,188</u>
TOTAL LIABILITIES	3,515,390

NET ASSETS

Unrestricted	2,659,463
Temporarily restricted	<u>3,579,263</u>
TOTAL NET ASSETS	<u>6,238,726</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$9,754,116</u></u>

See Notes to Consolidated Financial Statements.

LINC COMMUNITY REVITALIZATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

CHANGES IN UNRESTRICTED NET ASSETS

UNRESTRICTED REVENUES AND SUPPORT

Contributions	\$ 109,840
Non-government grants	8,900
Government grants	140,114
Sale of rehabilitated houses	301,000
Rental income	272,380
Michigan Business Tax Brownfield Redevelopment Credit sales proceeds	238,500
Interest income	35,220
Special events net of expenses of \$22,761	5,222
Program income	88,289

1,199,465

Net assets released from restrictions  
Restrictions satisfied by payments

2,132,835

TOTAL UNRESTRICTED REVENUE  
AND SUPPORT

3,332,300

EXPENSES

Program services	2,903,111
Supporting services:	
Management and general	362,872
Fund raising	39,275

3,305,258

TOTAL EXPENSES

INCREASE IN UNRESTRICTED  
NET ASSETS

27,042

CHANGES IN TEMPORARILY RESTRICTED ASSETS

Non-government grants	1,246,200
Government grants	1,099,736
Net assets released from restrictions	
Restrictions satisfied by payments	(2,132,835)

INCREASE IN TEMPORARILY  
RESTRICTED NET ASSETS

213,101

INCREASE IN TOTAL NET ASSETS

240,143

NET ASSETS AT BEGINNING OF YEAR

5,998,583

NET ASSETS AT  
END OF YEAR

\$6,238,726

See Notes to Consolidated Financial Statements.

LINC COMMUNITY REVITALIZATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
		<u>Management</u>	<u>Fund Raising</u>	<u>Total</u>	
Salaries	\$ 989,618	\$ 164,552	\$ 30,902	\$ 195,454	\$ 1,185,072
Employee benefits	131,254	22,213	677	22,890	154,144
Payroll taxes	105,021	18,697	2,249	20,946	125,967
<b>TOTAL PERSONNEL EXPENSES</b>	<b>1,225,893</b>	<b>205,462</b>	<b>33,828</b>	<b>239,290</b>	<b>1,465,183</b>
Maintaining and operating rental properties	224,908				224,908
Program costs for housing acquisition, development and resale	616,067				616,067
Community development and leadership programs	217,378				217,378
Southtown NRSA program costs	14,827				14,827
Other program direct costs	117,608				117,608
Professional fees	751	18,375		18,375	19,126
Office expense	50,039	72,143	4,644	76,787	126,826
Travel and conferences	29,192	13,980	803	14,783	43,975
Depreciation	225,332	6,906		6,906	232,238
Uncollectible receivables	41,657	10,901		10,901	52,558
Interest	139,459	35,105		35,105	174,564
	<u>\$ 2,903,111</u>	<u>\$ 362,872</u>	<u>\$ 39,275</u>	<u>\$ 402,147</u>	<u>\$ 3,305,258</u>

See Notes to Consolidated Financial Statement.

LINC COMMUNITY REVITALIZATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES

Increase in net assets	\$ 240,143
Depreciation	232,238
Decrease (increase) in operating assets:	
Accounts receivable	217,215
Houses held for resale	198,898
Increase (decrease) in operating liabilities:	
Accounts payable	( 97,836)
Accrued liabilities	23,621
Tenant security deposits	<u>11,453</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	825,732

CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES

Pre-development loan	( 4,386)
Sale of property and equipment	23,875
Payments for property and equipment	( 625,611)
Equity investment in subsidiary	<u>( 3,273)</u>
NET CASH USED BY INVESTING ACTIVITIES	( 609,395)

CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES

Decrease in short-term debt	( 192,613)
Payments on long-term debt	( 158,182)
Proceeds from long-term debt	<u>332,730</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	( 18,065)

NET INCREASE IN CASH 198,272

CASH AT BEGINNING OF YEAR 376,682

CASH AT END OF YEAR \$ 574,954

Supplementary data:

Interest paid \$ 174,564

See Notes to Consolidated Financial Statements.



LINC COMMUNITY REVITALIZATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2012

NOTE A -- NATURE OF ACTIVITIES

LINC Community Revitalization, Inc. and Subsidiaries (LINC) is a non-profit organization that seeks to stimulate community revitalization through providing quality affordable housing in target areas within Kent County, Michigan for persons of low and moderate income. Programs include rental and owner occupied rehabilitated housing, lead paint remediation, homeowner counseling and lending, and community organizing activities. LINC also actively works to stimulate economic change in its target area through supporting commercial real estate developments.

Effective January 4, 2011, LINC Community Revitalization, Inc. filed an amendment with the State of Michigan to amend its Articles of Incorporation to change to its current name from its former name of Lighthouse Communities, Inc.

NOTE B -- SIGNIFICANT ACCOUNTING POLICIES

Consolidating Polices

Included in the consolidated financial statements are the financial position and financial results of three wholly-owned subsidiaries. Roosevelt Park Commercial, LLC, is a for profit subsidiary established to develop 2,400 square feet of commercial space in connection with a separate tax credit residential development in the target neighborhood. Lighthouse Development Center, LLC, is a for profit company created to renovate the building which provides LINC's new office and provides space for a new-business incubator. Southtown Square Limited Dividend Housing Association Limited Partnership is a for profit company established to rehabilitate 9 units of affordable residential rental properties. All intercompany transactions and balances have been eliminated upon consolidation.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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, temporarily restricted net assets are reclassified to unrestricted net assets.

LINC COMMUNITY REVITALIZATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2012

NOTE B -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The consolidated subsidiaries are for profit limited liability companies and may generate taxable income in the future.

Management of LINC believes it has no material uncertain tax positions under generally accepted accounting principles and, accordingly, it will not recognize any asset or liability for unrecognized tax benefits. LINC has never been audited by the Internal Revenue Service, and three years of returns are open to possible examination.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

NOTE C -- GRANTS RECEIVABLE

Grants receivable are recorded net of present value discount for amounts scheduled to be received after more than one year.

LINC COMMUNITY REVITALIZATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2012

NOTE D -- HOUSES HELD FOR RESALE

Under the Acquisition Development Resale (ADR) program, houses are purchased, rehabilitated and resold at affordable prices to individuals meeting certain income tests. The houses held at year end are accounted for as inventory being held for resale. The balance of the houses held for resale includes the cost of acquiring and cost incurred to rehabilitate less grants received to reimburse such costs.

NOTE E -- PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 304,453
Rental buildings	4,251,138
Office building used by Organization's staff	1,899,274
Office equipment	161,861
Construction in progress by subsidiaries	<u>261,248</u>
	<u>6,877,975</u>
Accumulated depreciation	<u>(1,128,368)</u>
	<u>\$5,749,606</u>
	<u>=====</u>

Under stipulation by the fund providers, the residential rental buildings maintain a 15 year affordability period whereby they must be rented to low-income individuals for 15 years.

NOTE F -- NEIGHBORHOOD HOUSING FUND LOANS

Neighborhood Housing Fund loans are disbursed to home owners who meet certain income and other qualifications and are in targeted neighborhoods. Loans range from \$5,000 to \$70,000 and are at a 6% fixed rate with amortization between 5 and 15 years. All loans are approved by a loan committee prior to origination.

Funding for the loans is from a loan from the Grand Rapids Community Foundation bearing interest at 1.0% and from participation loans from several area banks bearing interest at 5.5%. (See Note H).

LINC COMMUNITY REVITALIZATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended June 30, 2012

NOTE G -- LINES OF CREDIT

The lines of credit are comprised of credit with several banks bearing interest at rates from 3.25% to 7.25%, maturing at different intervals over the next 12 months, all secured by real estate.

NOTE H -- LONG-TERM DEBT

Unsecured loan from the Grand Rapids Community Foundation to fund acquisition and home improvement loans to individual homeowners in targeted neighborhoods under the Neighborhood Housing Fund loan program. The loan was approved for a total of \$1,000,000 of which \$1,000,000 had been drawn at June 30, 2011. The loan is payable in quarterly payments of \$15,000 plus 1.0% interest beginning December 31, 2012 through December 31, 2022 except for the quarter ending June 30, 2014 when \$300,000 is due. \$ 900,000

Various mortgages to banks secured by rental properties, the corporate office, lease assignments, and construction in progress. Interest rates are partly fixed and partly variable at rates from .5% to 1.0% over prime, and rates at June 30, 2012 varied from 2.252% to 7.25%. Total monthly payments on these loans including interest was \$17,148 at June 30, 2012. Included in mortgages to banks is a balance of \$444,228 to Bank of America which was due under original terms before June 30, 2012. These loans are all in the process of renewal with Bank of America. 1,565,404

LINC COMMUNITY REVITALIZATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended June 30, 2012

NOTE H -- LONG-TERM DEBT (CONTINUED)

Additionally, the consolidated subsidiary companies have construction loans to fund projects which are secured by construction in progress and guaranteed by LINC:

Loan to Roosevelt Park with payments scheduled to begin at the completion of construction based on a 30 year amortization and 7.5% interest. The loan is due in full on August 1, 2012. 144,000

Loan to Lighthouse Development Center bearing interest at prime plus 1% (4.25%) at inception, payable beginning September 30, 2011 at \$3,995 per month until August 30, 2016 when the balance is due. 536,784

TOTAL CONSOLIDATED LONG-TERM DEBT AT JUNE 30, 2012 \$3,146,188  
=====

Future maturities of all long-term debt are as follows:

Year ended June 30, 2013	\$ 975,731
2014	388,291
2015	105,693
2016	246,918
2017	106,229
After five years	1,323,326

NOTE I -- DESCRIPTION OF LEASING AGREEMENTS

The rental properties are located in targeted areas within the City of Grand Rapids and are rented to individuals who meet income and other criteria. Lease terms are all for one year.

NOTE J -- RETIREMENT PLAN

The Organization has established a retirement plan under Section 403(b) of the Internal Revenue Code which provides for employee contributions. There were no employer contributions to the plan during the year ended June 30, 2012.

LINC COMMUNITY REVITALIZATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended June 30, 2012

NOTE K -- CONCENTRATIONS OF RISK

During the year the amount deposited in one bank may exceed federally insured limits. Management believes the Organization is not exposed to any significant credit risk as a result.

Funding for future operations of the Organization is in part dependent on the availability of government grants and low income tax incentives.

NOTE L -- INTERESTS IN LOW INCOME HOUSING TAX CREDIT  
LIMITED PARTNERSHIPS

At June 30, 2011, in addition to the consolidated subsidiaries described in Note A, Lighthouse Communities had formed three for-profit entities, for the purpose of being the general partners with a 0.01% interest in each of the Avenue Apartments Limited Dividend Housing Association Limited Partnership, the Uptown Village Limited Dividend Housing Association Limited Partnership, and the Roosevelt Park Lofts Limited Dividend Housing Association Limited Partnership. The limited partnerships have acquired housing projects which qualify for federal low income housing credits under Sec. 42 of the Internal Revenue Code. The 0.01% interest in the partnerships is not considered material and therefore is not included in the accompanying financial statements.

In future years, if cash flow of the projects permits, there could be minor amounts of developer fee income received. The general partner can at the end of 15 years purchase the housing projects and assume the loans which would be payable in 30 years which is the end of the low income period.

Subsequent to June 30, 2012, LINC is in the process of pursuing additional similar projects.

In connection with the Uptown Village project, LINC owns a 50% equity investment in a for profit Limited Liability Company which owns and leases 7,200 square feet of office and retail space to commercial tenants. LINC does not have adequate control over this project to warrant consolidation, and the investment is accounted for using the equity method. The balance of the equity investment is \$26,111 at June 30, 2012. Also included in the balance of equity investment in non-consolidated affiliates is \$86,991 of investments in several future developments which are still in the planning stage

LINC COMMUNITY REVITALIZATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended June 30, 2012

NOTE M -- SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 14, 2012, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

LINC COMMUNITY REVITALIZATION, INC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Home Investment Partnerships Program:			
Pass through from Kent County	14.239		\$ 233,993
Pass through from the City of Grand Rapids			43,510
Pass through from Michigan State Housing Development Authority			38,066
Lead Hazard Control Grant Program and Lead Hazard Reduction Demonstration Grant Program:			
Pass through from City of Grand Rapids	14.900		30,289
Community Development Block Grant: Pass through from the City of Grand Rapids	14.218		51,802
Community Development Block Grant: Neighborhood Stabilization Program:	14.218		
Pass through from Michigan State Housing Development Authority			10,102
Pass through from Kent County			129,796
Pass through from City of Grand Rapids			123,319
Community Development Block Grant: Neighborhood Stabilization Program: (Funded by the American Recovery and Reinvestment Act of 2009-ARRA)	14.256		
Pass through from the City of Grand Rapids			100,086



LINC COMMUNITY REVITALIZATION INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Homeowner/Foreclosure Counseling

Program:

14.169

Funding received directly  
from U.S. Department of Housing  
and Urban Development

15,000

Total expenditures of federal awards

\$ 775,963

See Note to Schedule of Expenditures of Federal Awards.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR  
THE YEAR ENDED JUNE 30, 2012

NOTE A -- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of LINC Community Revitalization, Inc. 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." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# GOODLANDER, SWETT & RYBICKI

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INDEPENDENT AUDITORS' 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 (No Material Weaknesses  
Identified, Significant Deficiencies Identified, and No Instances of  
Noncompliance or Other Matters Identified)*

To the Board of Directors of  
LINC Community Revitalization, Inc.  
Grand Rapids, Michigan

We have audited the consolidated financial statements of LINC Community Revitalization, Inc. and subsidiaries as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 LINC Community Revitalization, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the

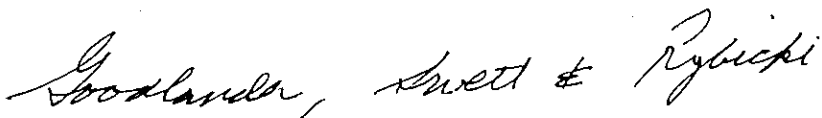
entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of the management, the Board of Directors, 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.



Goodlander, Swett & Rybicki  
Certified Public Accountants

December 14, 2012

# GOODLANDER, SWETT & RYBICKI

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INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133 (*Unqualified Opinion on Compliance; No Material  
Weakness or Significant Deficiencies in Internal Control Over  
Compliance Identified*)

To the Board of Directors  
LINC Community Revitalization, Inc.  
Grand Rapids, Michigan

## Compliance

We have audited LINC Community Revitalization, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of LINC Community Revitalization, Inc.'s major federal programs for the year ended June 30, 2012. LINC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 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 compliance with those requirements.

In our opinion, LINC Community Revitalization, Inc. complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

#### Internal Control Over Compliance

Management of LINC Community Revitalization, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 and its operation that we consider to be material weaknesses, as defined above.

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

*Goodlander, Swett & Rybicki*

Goodlander, Swett & Rybicki  
Certified Public Accounts

December 14, 2012

LINC COMMUNITY REVITALIZATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Section I - Summary of Audit Results

Financial Statements:

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Type of auditors' report issued on compliance  
For major programs: unqualified

Any audit findings that are required to be  
Reported in accordance with section 510(a) of  
OMB Circular A-133?  Yes  No

Identification of major program(s):

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program
14.256	Community Development Block Grant

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

Auditee qualified as low-risk auditee?  Yes  No

LINC COMMUNITY REVITALIZATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2012

Section II - Current Year Findings and Questioned Costs

FINANCIAL REPORTING

*Significant Deficiency/Material Weakness*

The inability of the Organization to internally prepare financial statements in accordance with generally accepted accounting principles. We have assisted in the preparation of the financial statements for the year ended June 30, 2012. Management has reviewed the financial statements with us to gain an understanding of those statements and has thereby determined that the statements are prepared in accordance with generally accepted accounting principles.

*Management Response and Corrective Action Plan:*

Management has reviewed the inability to internally prepare financial statements in accordance with generally accepted accounting principles and has determined that it is not practical or cost effective to have staff with that training and ability.

COMPLIANCE

There are no current findings or questioned costs that are considered material instances of noncompliance in accordance with the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Status of Prior Year Findings and Questioned Costs

FINANCIAL REPORTING

There were no findings or questioned costs except the same finding reported above regarding the inability of the organization to internally prepare financial statements in accordance with generally accepted accounting principles. Management determined that it is not practical or cost effective to have staff with that training and ability.

COMPLIANCE

There were no findings or questioned costs.



LINC COMMUNITY REVITALIZATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2012

Section III - Federal Award Findings and Questioned Costs

FINANCIAL REPORTING

There were no findings or questioned costs in either the current or previous years.

COMPLIANCE

There were no findings or questioned costs in either the current or previous years.

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of LINC Community Revitalization, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements of LINC Community Revitalization, Inc.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of internal control over major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for the Organization are reported in this schedule.

LINC COMMUNITY REVITALIZATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2012

SUMMARY OF AUDIT RESULTS (CONTINUED)

7. The programs tested as major programs were the Department of Housing and Urban Development Community Development Block Grant Neighborhood Stabilization Program CFDA Number 14.256 and the Department of Housing and Urban Development Home Investment Partnership Program CFDA Number 14.239.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Organization was determined to be a low-risk auditee.

FINDINGS -- FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT

None.